



A World of Opportunity

Immigrant entrepreneurs have emerged as key engines of growth for cities from New York to Los Angeles—and with a little planning and support, they could provide an even bigger economic boost in the future

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A WORLD OF OPPORTUNITY

Immigrant entrepreneurs have emerged as key engines of growth for cities from New York to Los Angeles—and with a little planning and support, they could provide an even bigger economic boost in the future

AS THE STAKES OF ECONOMIC COMPETITION GROW EVER-HIGHER in America's cities, mayors have sought to kick-start local economies by embracing everything from artists and biotechnology companies to sports arenas. For many of the nation's urban centers, however, a more rewarding—if decidedly less glamorous—answer is hiding in plain sight: tapping their growing immigrant populations.

During the past decade, immigrants have been the entrepreneurial sparkplugs of cities from New York to Los Angeles—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. And immigrant entrepreneurs are also becoming one of the most dependable parts of cities' economies: while elite sectors like finance (New York), entertainment (Los Angeles) and energy (Houston) fluctuate wildly through cycles of boom and bust, immigrants have been starting businesses and creating jobs during both good times and bad.

Two trends suggest that these entrepreneurs will become even more critical to the economies of cities in the years ahead: immigrant-led population growth and the ongoing trend of large companies in many industries moving to decentralize their operations out of cities and outsource work to cheaper locales. But despite this great and growing importance, immigrant entrepreneurs remain a shockingly overlooked and little-understood part of cities' economies, and they are largely disconnected from local economic development planning.

Although much of the recent national debate over immigration has focused on the impact of immigrants on America's labor market, this report concentrates squarely on immigrant entrepreneurs. The report documents the role that immigrant entrepreneurs are playing in cities' economies, the potential they hold for future economic growth and the obstacles they encounter as they try to start and expand businesses. The study predominantly looks at immigrant entrepreneurs in New York City, yet also considers in detail immigrant-owned businesses in Los Angeles, Houston and Boston.

Based on 18 months of research, this work is built upon extensive data analysis, focus groups conducted with immigrant business owners and economic development experts, and roughly 200 interviews with business owners, immigration experts, ethnographers, local economic development officials, banking and microfinance specialists and government officials.

Immigrant entrepreneurs have made decisive contributions to the U.S. economy for more than a century. Their legacy of entrepreneurship runs the gamut from the hundreds of Chinese laundries opened in San Francisco in the mid-19th century to the swarm of Eastern European pushcart vendors that lined the streets of New York's Lower East Side early the following century. Although their place in the popular imagination is connected with small mom-and-pop businesses, first-generation immigrants founded many of the country's most enduring corporations: a short list includes Warner Brothers, Anheuser Busch, Goya Foods, Goldman Sachs, Paramount Pictures, Fortunoff, Max Factor and Sbarro.

Although immigrants to the U.S. during the past few decades largely come from different parts of the globe than those who entered during the country's first great waves of immigration, today's new Americans still tend to be far more entrepreneurial than native-born residents. In 2005, an average of 0.35 percent of the adult immigrant population (or 350 out of 100,000 adults) created a new business each month, compared to 0.28 percent for the native-born adult population (or 280 out of 100,000 adults), according to a recent study by the Ewing Marion Kauffman Foundation. Moreover, the percentage of immigrants starting businesses has generally been on the rise: between 2002 and 2005, the average annual rate of entrepreneurial activity among immigrants was 0.3825, up from 0.324 between 1997 and 2001.¹

This trend isn't new. In every U.S. Census since 1880, immigrants have been more likely to be self-employed than the native-born population.² What's different now is that the U.S. has been experiencing a prolonged burst of new immigration, at levels not seen since early in the 20th century. True to form, this phenomenal growth has been accompanied by a concomitant explosion in immigrant-run businesses.

Nationwide, the immigrant population grew by 57 percent in the 1990s, bringing the share of the U.S. population that is foreign-born to a higher level than

anytime since 1930.³ But the biggest impact has occurred in cities. Foreign-born individuals accounted for 97 percent of the overall population growth in Los Angeles between 1980 and 2000, 128 percent in New York City, 101 percent in Houston, and 357 percent in Boston.⁴

Nowhere is the impact of immigrants on urban economies more visible than in New York City. Over the past 10 to 15 years, immigrant entrepreneurs fueled much of the overall growth in new businesses across the city and triggered dramatic turnarounds in neighborhoods all over the five boroughs. The number of self-employed foreign-born individuals in the city increased by 53 percent during the 1990s, while the number of native-born self-employed people *declined* by 7 percent.⁵ Over the same period, neighborhoods where immigrants own the lion's share of businesses—including Jackson Heights, Sunset Park, Flushing, Sheepshead Bay, Brighton Beach and Elmhurst—created jobs at a significantly faster rate than the city as a whole. Several of these communities even added jobs in the two years after September 11th, a time when the city's overall economy was shedding massive numbers of jobs.

Immigrant-run businesses are also helping the city recapture tax revenue from suburban shoppers. That's because ethnic retail strips like 74th Street in Jackson Heights, St. Nicholas Avenue in Washington Heights, Liberty Avenue in Richmond Hill and Main Street in Flushing have become destination shopping districts throughout the region, routinely attracting second- and third-generation immigrants who live outside the city to eat at local restaurants and shop for everything from saris to plantains and mangoes.

"These entrepreneurs are the future of New York," says Eduardo Giraldo, owner of Abetex International Brokers, an insurance company in Jackson Heights, and president of the Hispanic Chamber of Commerce of Queens. "These people are taking risks, putting their savings on the line and growing businesses."

Foreign-born entrepreneurs are having a similar impact in Los Angeles. They provided an important boost to the economy in the early 1990s following the devastating riots and earthquake that rocked LA, and have since become an even more potent catalyst for growth. According to one estimate, immigrants are starting as many as 80 percent of all new

Who Is an Immigrant?

The Merriam-Webster dictionary defines an immigrant as an individual “who comes to a country to take up permanent residence.” In this report, we use the word “immigrant” to refer to individuals who were born in another country and subsequently moved to the U.S. with the intention of living here permanently. Our definition includes people who relocated to the U.S. this year as well as those who moved here several decades ago. We also include those who were born in another country and came to the U.S. as children. However, our definition does not include children of immigrants who were born in this country. It also does not include individuals born in Puerto Rico or other commonwealths and territories of the U.S. ♦

businesses in LA. While this includes thousands of taco trucks, carnicerías and other microbusinesses, immigrant entrepreneurs in LA have founded nationally renowned firms such as El Pollo Loco, Panda Express, LuLu’s Deserts and Forever 21. Incredibly, at least 22 of LA’s 100 fastest growing companies in 2005 were started by first-generation immigrants.⁶ Los Angeles County has more Asian-owned firms and Hispanic-owned businesses than any county in the U.S.⁷ It also boasts 36 of the country’s 500 largest Hispanic-owned businesses, according to *Hispanic Business*.⁸

In Houston, a telecommunications firm started by a Pakistani immigrant topped the 2006 Houston Small Business 100 list, a ranking of the city’s most successful small businesses compiled by the *Houston Business Journal*. Additionally, a Houston-based energy company started by a Nigerian immigrant was recently named the second largest black-owned firm in the U.S. by *Black Enterprise* magazine.

In Boston, between 1997 and 2002, the number of Hispanic-owned firms increased by 97 percent and the number of Asian-owned firms grew by 41 percent.⁹

While large corporations still play a key role in the economies of all of these cities, small businesses are fueling much of the growth, thanks in large part to the explosion of immigrant-run firms. In LA, for instance, the number of firms with fewer than five employees increased by 67 percent between 1994 and 2004, even as the number of businesses with more than 500 employees decreased by 12 percent.¹⁰ In New York City, the number of firms with less than 10 employees increased by roughly 20,000 between 1990 and 2005, a 13 percent jump, but the number of companies with over 500 jobs declined slightly.¹¹ In Houston, 94 percent of the growth in businesses

between 1995 and 2005 occurred among firms with fewer than 50 employees.¹²

Immigrant entrepreneurs are already making valuable contributions to the economies of cities, but there’s little doubt that they could make an even larger contribution to economic growth in the future. “We haven’t even tapped a little of the potential that’s out there [in LA],” says Jose Legaspi, a Los Angeles-based real estate developer.

A large part of the reason why is that none of the cities studied for this report have incorporated immigrant entrepreneurs into their overall economic development strategies in any meaningful way. In most cases, immigrant-run businesses aren’t even on the radar of local economic development officials. And when these cities have structured programs to support small businesses, too often these efforts have failed to reach immigrant entrepreneurs. Similarly, many local chambers of commerce and community-based economic development organizations that exist to support entrepreneurs and small firms haven’t effectively connected with immigrant communities.

Many immigrant entrepreneurs could use the help. They often encounter stiff obstacles as they try to start and grow businesses—challenges that keep some from getting out of the starting gate, inhibit countless others from growing beyond the mom-and-pop stage and prompt a number of the most successful companies to expand elsewhere.

Cities like New York and Los Angeles often are difficult environments for any entrepreneur. But, as this report documents, many immigrants must contend with challenges that go above and beyond those faced by other business owners, from language and cultural barriers to difficulty accessing financing and a lack of understanding about local rules and regulations.

MAJOR FINDINGS

Immigrant entrepreneurs are having an increasingly powerful impact on the economies of cities such as New York, Los Angeles, Houston and Boston.

NEW YORK CITY

- ▶ 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.
- ▶ 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 9.6 percent, while the number of firms grew by 54.6 percent in Flushing, 47.3 percent in Sunset Park, 33.7 percent in Sheepshead Bay-Brighton Beach, 17.8 percent in Washington Heights, 14.3 percent in Jackson Heights and 10.8 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 6.9 percent, but rose by 27.9 percent in Jackson Heights, 23.2 percent in Sunset Park, 13.3 percent in Sheepshead Bay-Brighton Beach, 12.1 percent in Flushing and 10.2 percent in Elmhurst.

LOS ANGELES

- ▶ First-generation immigrants created at least 22 of LA's 100 fastest growing companies in 2005.
- ▶ Immigrant entrepreneurs in LA have founded nationally renowned firms such as El Pollo Loco, Panda Express, LuLu's Deserts and Forever 21.
- ▶ Los Angeles County has more Asian-owned firms and Hispanic-owned businesses than any county in the U.S.

HOUSTON

- ▶ Houston ranks third among all American cities in the number of Hispanic-owned businesses (41,753) and sixth in the number of Asian-owned firms (15,966). It is also home to 16 of the largest 500 Hispanic-owned firms in the country.

- ▶ A telecommunications firm started by a Pakistani immigrant topped the 2006 Houston Small Business 100 list. Meanwhile, a Houston-based energy company started by a Nigerian immigrant was recently named the second largest black-owned firm in the U.S.

BOSTON

- ▶ The number of Hispanic-owned firms in Boston increased by 97 percent between 1997 and 2002 while the number of Asian-owned businesses grew by 41 percent.
- ▶ Immigrant entrepreneurs have provided a major boost in the resurgence of neighborhoods such as Fields Corner, East Boston, Allston Village and Jamaica Plain.

With immigrants continuing to fuel the population growth of these and other American cities, foreign-born entrepreneurs have the potential to be an even more dynamic engine of growth for cities in the years ahead.

- ▶ In every U.S. Census since 1880, immigrants have been more likely to be self-employed than the native-born population. What's different now is that the U.S. has been experiencing a prolonged burst of new immigration, at levels not seen since early in the 20th century.
- ▶ Between 1980 and 2000, foreign-born individuals accounted for 128 percent of the overall population growth in New York City, 97 percent in Los Angeles, 101 percent in Houston, and 357 percent in Boston.

Unlocking the potential of immigrant entrepreneurs will require more attention and support from policymakers, business advocacy organizations and community development organizations.

- ▶ Immigrants often encounter formidable challenges as they attempt to start and grow businesses, which keep some from getting out of the starting gate and inhibit others from growing beyond the mom-and-pop stage.
- ▶ Some of the obstacles they face are common to all entrepreneurs, but many others are much more daunting for immigrants—including language and cultural barriers, a lack of awareness about local regulations, limited financial literacy and, often, no credit history.
- ▶ Immigrant entrepreneurs remain largely disconnected from cities' local economic development planning.
- ▶ Too few of the established nonprofit organizations that support entrepreneurs and small business owners—from chambers of commerce to local development corporations—have managed to effectively connect with businesses in immigrant communities. ❖

REVITALIZING THE APPLE

Immigrant entrepreneurs have provided a major economic boost to New York City in recent years, and are becoming one of the city's most dependable sources of new businesses and jobs

NO AMERICAN CITY HAS BEEN MORE CENTRAL TO THE IMMIGRANT experience, or benefited more from successive generations of newcomers, than New York. Particularly during the late 19th and early 20th centuries, the decades when New York City truly became “the capital of the world,” immigrant entrepreneurs from Italian bakers to Eastern Europeans in the garment trade helped power the city's incredible economic expansion. One hundred years later, history might be poised to repeat itself.

As the city's foreign-born population grew by 1.2 million (72 percent) between 1980 and 2000, immigrant entrepreneurs again have helped power New York's economic growth.¹³ Entrepreneurs hailing from Asia, South America, the Caribbean, the Middle East and other parts of the globe have been generating a disproportionate share of the city's new businesses, creating numerous jobs and helping to ignite a dramatic economic renaissance in previously struggling neighborhoods across the five boroughs.

Census data shows that immigrants are starting businesses in the city at a considerably higher rate than New Yorkers who were born in this country. In 2000, individuals who were born outside the U.S. comprised 36 percent of New York City's population, yet foreign-born individuals made up nearly half (49 percent) of all self-employed workers in the city.¹⁴ Moreover, in recent years, foreign-born workers have accounted for virtually all of the growth among self-employed New Yorkers: between 1990 and 2000, the number of self-employed foreign-born workers increased by 64,001 (a 53 percent jump) while the number of self-employed native-born workers decreased by 15,657 (a 7 percent decline).¹⁵

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.¹⁶ The ratios are similar in Brooklyn and Staten Island. City-wide, 9.27 percent of foreign-born workers are self-employed compared to 7.71 percent of native-born workers.¹⁷ (See Chart 2, page 8)

“New York is an economy of small businesses, and many of them are owned by immigrant entrepreneurs,” says Diane Baillargeon, CEO and

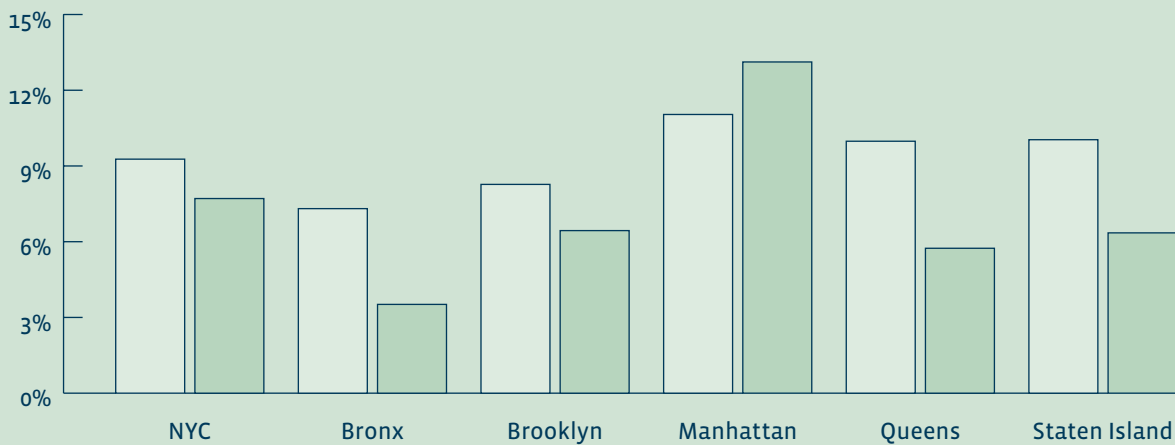
CHART 1: FOREIGN-BORN VS. NATIVE-BORN IN NYC, GROWTH IN SELF-EMPLOYMENT 1990-2000

	Number of Self-Employed 1990	Number of Self-Employed 2000	Increase in Number of Self-Employed 1990-2000	Percent Increase
Foreign-Born	121,693	185,694	64,001	53%
Native-Born	210,184	194,527	(15,657)	(7%)

Source: Infoshare, Public-Use Microdata Sample, 1990 and 2000 U.S. Census

CHART 2: FOREIGN-BORN VS. NATIVE-BORN IN NYC, SELF-EMPLOYMENT RATE 2000

- Foreign-Born Self-Employment Rate
- Native-Born Self-Employment Rate



Source: Infoshare, Public-Use Microdata Sample, 2000 U.S. Census

president of Seedco, a national community development organization based in New York. “They are an important source of net new jobs and an important source of jobs for entry-level workers. They are also the lifeblood of many neighborhood economies in the city.”

Limitations of labor statistics and under-reporting by many immigrant entrepreneurs make it impossible to quantify precisely how many businesses in New York (or in other cities) are owned by immigrants, how many workers these firms employ and how much revenue they bring in. Yet, the data that is available gives vivid testimony to the positive impact of immigrant entrepreneurs in local economies.

One such indicator is that neighborhoods across the city in which most businesses are immigrant-owned

have seen an explosion of new businesses far surpassing that of the city overall. The number of businesses citywide increased by 9.6 percent between 1994 and 2004. By contrast, the number of businesses in Flushing grew by an incredible 54.6 percent between 1994 and 2004. The number of firms also jumped by spectacular amounts in Sunset Park (47.3 percent), Sheepshead Bay-Brighton Beach (33.7 percent), Washington Heights (17.8 percent), Jackson Heights (14.3 percent) and Flatbush (10.8 percent).¹⁸ (See Chart 4, page 11)

Not surprisingly, this business-formation boom was accompanied by a big spike in job creation. In fact, employment gains in neighborhoods where immigrants own a large share of the businesses

significantly outpaced the increase in jobs citywide. Between 1994 and 2004, overall employment in the city grew by 6.9 percent. During the same period, employment rose by 27.9 percent in Jackson Heights, by 23.2 percent in Sunset Park, by 13.3 percent in Sheepshead Bay-Brighton Beach, by 12.1 percent in Flushing, and by 10.2 percent in Elmhurst.¹⁹ (See Chart 5, page 12)

Additionally, the data suggests that many immigrant-owned businesses in New York continued to create jobs even during the slow-down in the economy after September 11. Total jobs in the city declined by 1.9 percent between 1999 and 2004, yet employment *increased*, sometimes considerably, in several neighborhoods dominated by immigrant-run firms, such as Flushing-Murray Hill (by 16.2 percent), Elmhurst (10.8 percent), Sunset Park (10.6 percent), Jackson Heights (7.9 percent), and Sheepshead Bay-Brighton Beach (1.0 percent).²⁰

New York has more Hispanic-owned businesses (129,461) than any other city in the U.S.; indeed, it has more than all but four states. The Bronx alone has 38,325 Hispanic-owned businesses. New York is also home to more Asian-owned firms (112,853) than any other city—it has 10.2 percent of all such firms in the country.²¹ One recent study found that there are nearly 4,000 Chinese-owned businesses in Manhattan's Chinatown alone.²²

In addition to mere volume, New York City's immigrant entrepreneurs can boast a number of remarkable success stories. Highly successful New York firms like 1-800-Mattress, Crystal Windows & Door Systems, Gracious Home, Raja Foods, VP Records and Ares Printing & Packaging were all founded by immigrants. Other examples abound. Jamaica native Lowell Hawthorne grew a small bakery in the Bronx into the nation's largest manufacturer of Caribbean beef patties, with a factory that employs more than

CHART 3: GROWTH IN SELF-EMPLOYMENT BY BOROUGH, FOREIGN-BORN VS. NATIVE-BORN 1990-2000

FOREIGN-BORN

	Number of Self-Employed 1990	Number of Self-Employed 2000	Change 1990-2000	Percent Change
Bronx	11,416	19,669	8,253	72.3%
Brooklyn	31,077	51,544	20,467	65.9%
Manhattan	29,555	37,183	7,628	25.8%
Queens	46,269	71,807	25,538	55.2%
Staten Island	3,376	5,494	2,118	62.7%

NATIVE-BORN

	Number of Self-Employed 1990	Number of Self-Employed 2000	Change 1990-2000	Percent Change
Bronx	16,568	16,142	(426)	(2.6)%
Brooklyn	46,525	43,072	(3,453)	(7.4)%
Manhattan	98,160	90,599	(7,561)	(7.7)%
Queens	37,345	31,997	(5,348)	(14.3)%
Staten Island	11,586	12,717	1,131	9.8%

Source: Infoshare, Public-Use Microdata Sample, 1990 and 2000 U.S. Census

100 people and a chain of over 100 fast food franchises that has hundreds of additional jobs. Hector Ricketts, another Jamaican immigrant, owns one of the city's largest commuter van companies. Hector Delgado, an immigrant from Ecuador, took a store-front travel agency—Delgado Travel—and expanded it to handle everything from plane tickets to remittances and international package deliveries; it now has two dozen locations in the New York area and earns roughly \$1 billion in annual revenues. Philip-pines natives Zenaída and Benjamin Santos founded United Home Care, a nursing staffing company that now employs more than 200 full-time and 150 part-time nurses. Cyprus-born Nikos Mouyaris started Mana Products, a cosmetics company that employs

economy is producing far fewer decent-paying job opportunities for those with limited English skills and minimal education. “In many ways, these small businesses become entry-level jobs for many new immigrants,” says Walther Delgado, executive director of the Audubon Partnership for Economic Development, a Washington Heights-based organization that works with local businesses.

Even the smallest firms are also generating wealth for their communities and pumping money into the city's economy. Indeed, as the next section of this report documents, the sheer number of businesses started by immigrants has provided an incredible boost to neighborhoods around the city. Several ethnic neighborhoods around the city have even become

Immigrant entrepreneurs won't be replacing Wall Street as the primary driver of New York City's economy anytime soon, but they are likely to be increasingly important to the city's economic growth in the years ahead.

roughly 600 people in the city. John Lam, a Hong Kong native, has owned numerous garment factories in the city, co-founded East Bank and is now one of New York's most aggressive hotel developers.

Of course, most immigrant entrepreneurs never achieve this level of success. More commonly, immigrants in New York start out by opening small family-run businesses, from flower shops and accounting offices to newsstands, day care centers and construction companies.²³ Many become street vendors, taxi owners or sole proprietors selling everything from makeup to real estate. Others work out of their home, making tamales or cakes and selling them primarily to friends and neighborhood businesses. Some bring in suitcases full of products from their home country and sell them on the streets to local shop owners—for instance, women's underwear made in Colombia has been a hot-selling item in Jackson Heights.

Many of these businesses fail, and the bulk of the successful ones will never grow to the next level. Yet, large numbers of these entrepreneurs are bringing in enough income to support themselves and their families, buy homes and send their kids to college. For many, entrepreneurship has allowed them to survive and even thrive in New York at a time when the city's

destination shopping districts that attract hordes of customers from the suburbs on weekends.

“These ethnic communities are often the center of social life, even for residents who have moved out to the suburbs,” says Joyce Moy, director of economic development for Long Island City-based LaGuardia Community College. “Flushing is a huge draw for the entire Chinese community in Long Island and Connecticut. I can't tell you how many weddings I go to in Chinatown each year. And all of the funerals are in Chinatown. People don't just go to weddings or funerals. They buy things in the neighborhood. They go for a cup of coffee. What a huge boost for New York's economy!”

Immigrant entrepreneurs won't be replacing Wall Street as the primary driver of New York City's economy anytime soon, but they are likely to be increasingly important to the city's economic growth in the years ahead.

After all, new immigration is expected to fuel much of the future growth of the city's population over the next couple of decades.²⁴ These new arrivals are likely to be every bit as entrepreneurial as their predecessors. And as the city's immigrant population continues to swell, it will create even more demand for businesses that make goods or provide services to

CHART 4: IMMIGRANT NEIGHBORHOODS OUTPACE REST OF NYC IN BUSINESS GROWTH

	Number of Businesses 1994	Number of Businesses 2004	Increase 1994–2004	Percent Increase 1994–2004
NYC	192,405	210,783	18,378	9.6%
Flushing*	2,364	3,654	1,290	54.6%
Sunset Park**	1,090	1,606	516	47.3%
Sheepshead Bay–Brighton Beach	1,421	1,900	479	33.7%
Elmhurst	1,040	1,301	261	25.1%
Washington Heights***	1,807	2,129	322	17.8%
Jackson Heights****	1,284	1,468	184	14.3%
Flatbush	888	984	96	10.8%

* Includes Flushing (11354) and Flushing–Murray Hill (11355). **Only includes zip code 11220.

*** Includes zip codes 10032, 10033 and 10040. ****Only includes zip code 11372.

Source: NYS Labor Department

immigrant communities—from companies that make or import ethnic food products to firms that provide legal services to new arrivals. With a little luck, one of these firms could grow into the next Goya Foods or Golden Krust.

At the same time, in a global economy in which outsourcing and corporate mergers are on the rise, it's likely that small, home-grown businesses will only become more vital to New York's future success. Small firms already generate 75 percent of all new jobs nationally, according to the U.S. Small Business Administration. The same dynamic is at work in New York, largely due to immigrant entrepreneurs. In Queens, for example, there was a 21 percent increase in the number of firms with fewer than 10 employees between 1990 and 2005; during the same period, there was a 2 percent drop in the number of businesses with more than 100 workers. In Brooklyn, the number of firms with fewer than 10 employees increased by 24 percent, more than three times the rate of businesses with more than 100 jobs (7 percent). Citywide, companies with more than 500 employees accounted for 32.2 percent of all jobs in the five boroughs in 1990; by 2005, these firms employed just 28.6 percent of city workers.²⁵

But despite the increasing significance of immigrant-run businesses, city economic development officials have hardly begun to incorporate them into their overall economic development strategy. And although the Department of Small Business Services, the city agency that works with small businesses, has greatly improved under Mayor Bloomberg's watch, it often fails to grasp the complexities of delivering business services to immigrants. "There's a tremendous potential that hasn't even begun to be unlocked," says John Liu, a City Council member who represents Flushing.

Indeed, many foreign-born entrepreneurs in New York are missing huge opportunities to grow their businesses. 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 communities rather than pursuing greater ambitions in larger markets.

CHART 5: IMMIGRANT NEIGHBORHOODS OUTPACE REST OF NYC IN EMPLOYMENT GROWTH

	Number of Employees 1994	Number of Employees 2004	Change in Employment 1994–2004	Percent Change
NYC	3,322,300	3,550,300	228,000	6.9%
Jackson Heights*	5,240	6,700	1,460	27.9%
Sunset Park**	14,034	17,286	3,252	23.2%
Sheepshead Bay–Brighton Beach	10,220	11,580	1,360	13.3%
Flushing***	26,893	30,155	3,262	12.1%
Elmhurst	11,588	12,768	1,180	10.2%

* Only includes zip code 11372. **Only includes zip code 11220.
 *** Includes Flushing (11354) and Flushing-Murray Hill (11355).

Source: NYS Labor Department

There is 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 the average Hispanic-owned firm in Houston, 40 percent of the average in Chicago and 42 percent of the average in Miami.²⁶ According to *Hispanic Business* magazine, only 11 of the nation's 500 largest Hispanic firms (and just one of the top 100) were based in New York City in 2006, down from 13 in 2004. In contrast, 16 firms from Houston and 36 from Los Angeles County were 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.²⁷

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. Indeed, immigrants face all kinds of

hurdles when attempting to start or grow a business in the five boroughs, causing some to 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: 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. "It's not an easy thing to navigate the environment in New York to begin with, and then as an immigrant it adds another level," says Seedco's Baillargeon.

New York is home to dozens of local development corporations, business improvement districts, chambers of commerce and community development organizations that have the expertise to help many of these entrepreneurs succeed. Unfortunately, only a small number of the city's immigrant entrepreneurs are currently taking advantage of these resources.

SEEDS OF GROWTH

Largely powered by immigrant-owned businesses, neighborhoods from Richmond Hill to Jackson Heights have come back from the brink

THE INCREDIBLE IMPACT FOREIGN-BORN ENTREPRENEURS ARE HAVING on New York's economy is most evident in neighborhoods across the five boroughs with large or fast-growing immigrant populations, from Astoria and Elmhurst to Wakefield and Washington Heights. The physical and commercial transformation of these communities—and the catalytic effect that immigrant entrepreneurs have had in these areas—has been a largely untold part of the story of New York's revival over the last 15 years: property values and commercial rents have risen, employment is up, crime is down and quality of life has improved. Beyond those tangible benefits, the character of these neighborhoods has changed in ways that add to the richness and vibrancy at the heart of New York City.

The following are snapshots of the role immigrant entrepreneurs have had in the transformation of five such neighborhoods:

RICHMOND HILL

Nestled under the elevated tracks of the A train in Richmond Hill, once-sleepy Liberty Avenue awakened in the past 15 years to become one of the most vibrant commercial strips in Southern Queens. The avenue, long an unremarkable retail strip, went downhill during the 1970s and 1980s as many longtime residents moved out and others started shopping at malls in Long Island. Today, it is an ever-expanding retail center that's home to hundreds of roti shops, jewelry stores, real estate agencies, groceries, sari shops and other small businesses, most of which were started by Guyanese, Trinidadian and Sikh entrepreneurs. On weekends, Richmond Hill attracts Indo-Caribbean shoppers from across the region.

"There's a lot more businesses than before," says Betty Braton, who has been chair of Queens Community Board 10, which includes Richmond Hill, for the past 15 years. "It's a regional shopping area for the Guyanese."

So many businesses have opened in recent years that the crowded shopping district on Liberty Avenue has spilled well past its old borders—Lefferts Boulevard to the east and 111th Street to the west. In another sign of the neighborhood's ongoing growth, dozens of businesses have taken space on the upper floors of the buildings along Liberty Avenue and on several side streets. Commercial real estate prices are now double or triple what they were 10 years ago.

CHART 6: IMMIGRANT NEIGHBORHOODS' JOB GAINS AFTER 9/11

	Number of Employees 1999	Number of Employees 2004	Change in Employment 1999–2004	Percent Change
NYC	3,620,700	3,550,300	(70,400)	(1.9%)
Flushing–Murray Hill*	12,272	14,255	1,983	16.2%
Elmhurst	11,527	12,768	1,241	10.8%
Sunset Park**	15,632	17,286	1,654	10.6%
Jackson Heights***	6,211	6,700	489	7.9%
Sheepshead Bay–Brighton Beach	11,468	11,580	112	1.0%

*Only includes Flushing-Murray Hill (11355). **Only includes zip code 11230.

***Only includes zip code 11372.

Source: NYS Labor Department

“Back in 1979-80, the area was depressed. There was nothing here and there were very few businesses,” says Raymond Ally, a Guyanese immigrant and community leader who regularly visited family in Richmond Hill during the early 1980s and moved there in 1993.

Around that time, Guyanese immigrants started to settle in Richmond Hill. A handful of the early arrivals started businesses selling Indo-Caribbean products, and the construction of Muslim mosques and Sikh mandirs soon followed. Before long, according to Ally, Richmond Hill became “the first stop in the U.S. for anyone coming from Guyana.” Large numbers of Trinidadian immigrants also moved into the neighborhood, and more recently, so did many Sikhs from India. Richmond Hill’s immigrant population nearly doubled between 1990 and 2000.²⁸

Unmistakably, Liberty Avenue’s economic resurgence was fueled by these immigrants and the businesses they started. “Now, it’s thriving. The number of businesses has quadrupled compared to what was here before,” says Ally. “The rent for a prime Liberty Avenue storefront [Liberty and Leferts Boulevard] was maybe \$2,000 a month in the early 1990s. Now, it’s between \$5,000 and \$10,000, depending on the space and the proximity to the train station. And there are no vacancies. If there is a vacancy, it’s purely because real estate owners are keeping it vacant to get a higher rent.”

SUNSET PARK

For years, Eighth Avenue in Sunset Park was known as Little Scandinavia, home to numerous Norwegian diners, bakeries and other stores. But as many Norwegians—and a good share of the neighborhood’s Irish residents—moved to Staten Island, New Jersey and other locales in the 1980s, a number of businesses closed and many storefronts stayed vacant for long periods. Remaining residents had to walk down to Fifth Avenue to do their banking and access other services that were no longer available on Eighth Avenue.

“It was a declining neighborhood then,” says Joan Bartolomeo, longtime president of the Brooklyn Economic Development Corporation (BEDC) and a resident of nearby Bay Ridge. “Suddenly the Chinese community came in, and boom! Now, it’s a thriving strip, and trust me, it was not like that before.”

These days, Eighth Avenue is overflowing with businesses, most of which were started by Chinese immigrants. This includes dozens of garment factories, more than 20 Asian restaurants, and an assortment of construction firms, home supply stores, groceries and health clinics. In a clear sign of the business community’s phenomenal growth, at least seven banks now have a presence along the avenue. “Eighth Avenue has been a tremendous success story thanks to immigrant entrepreneurs,” says Jeremy Laufer, district manager of Community Board 7 in Brooklyn, which includes Sunset Park.

Impressively, the growth of the city's third "Chinatown" shows no signs of abating. Until a few years ago, most of the businesses along Eighth Avenue were concentrated between 45th Street and 60th Street. Today, Chinese businesses on the strip now extend north as far as 39th Street and south to 68th Street. And with real estate prices for commercial space along Eighth Avenue soaring to new heights, an increasing number of Chinese merchants are opening businesses on the side streets and even along Seventh Avenue.

"As soon as a store becomes vacant [on Brighton Beach Avenue], you have 25 people waiting to take its place. Twenty years ago, you could get just about any store."

"You see the changes every day, every week," says Chang Xie, Brooklyn branch director of the Chinese American Planning Council. "When I first started here ten years ago, you didn't see businesses on Seventh Avenue. It is primarily a residential street. But now, on every single block [of Seventh Avenue] a few businesses have opened, and it's growing."

BRIGHTON BEACH

Like so many other New York neighborhoods, Brighton Beach took a turn for the worse in the late 1960s and early 1970s as the local population aged, crime rates soared and longtime residents moved out. With the population declining, many businesses along Brighton Beach Avenue shut their doors. "It was empty," says Yelena Makhnin, director of the Brighton Beach Business Improvement District. "People were dying. Kids grew up and moved out. It was a dangerous place."

Today, things couldn't be more different. It's now impossible to find a vacant storefront on Brighton Beach Avenue, and commercial rents have increased by 150 percent over the last decade. Brighton Beach Avenue now boasts roughly 320 businesses, including a growing number of high-end clothing boutiques, beauty parlors and gourmet food shops.

The turnaround is almost entirely due to the steady influx of immigrants from the Ukraine and Russia over the past three decades, many of whom have opened businesses. Indeed, in 2000, 57.8 percent of those living in zip code 11235—which includes Brighton Beach and

Sheepshead Bay—were foreign-born, a higher share than any other neighborhood in Brooklyn.²⁹ According to Makhnin, at least 75 percent of all businesses along Brighton Beach Avenue are owned by immigrants from the Ukraine, Russia and other parts of the former Soviet Union. "When the Russians came, Brighton Beach got its second life," says Makhnin, herself a native of the Ukraine.

Real estate agent Arthur Kessler, who was born in Brighton Beach, says that rental prices for Brighton Beach Avenue storefronts range from \$50 and \$70 per

square foot today, more than double the \$20 to \$30 charged just a decade ago. Kessler credits Russian and Ukrainian entrepreneurs for the turnaround. "Today, as soon as a store becomes vacant [on Brighton Beach Avenue], you have a list of 25 people waiting to take its place," says Kessler. "Twenty years ago, you could get just about any store."

FLUSHING

When Fred Fu first moved to Flushing in 1980, the neighborhood had just three Chinese restaurants. "One was on Main Street, one was on Roosevelt Avenue and one was on Northern Boulevard," says Fu, president of the Flushing Chinese Business Association. Today, approximately 80 Chinese restaurants dot the streets of downtown Flushing.

The explosive growth of Chinese restaurants is hardly the only change in Flushing. Over the past 30 years, entrepreneurs from Taiwan, Korean, China and India have opened hundreds of businesses in the neighborhood, from groceries stocked with Asian foods and pharmacies selling herbal remedies to financial services firms targeting the community's fast-growing Asian population. These new firms have completely transformed downtown Flushing from a neighborhood that was rapidly losing businesses and becoming increasingly unsafe into an economically thriving community. Fu's Flushing Chinese Business Association has grown from 30 businesses when it was founded in 1982 to 300 today; overall, downtown Flushing now boasts more than 800 businesses,

including at least 30 banks, a remarkable indicator of the area's success.

Although Flushing has a rich history, the neighborhood was in bad shape before the influx of Asian immigrants and entrepreneurs began in the 1970s. "There clearly was a dip in the economic activity on Main Street [during the 1970s]," says Joyce Moy, director of economic development for LaGuardia Community College. Moy's grandmother lived in Flushing at the time, and she remembers having to tread carefully whenever she visited. "People at the time were telling me to watch out for purse stealing. There were a lot of empty stores. Crime was starting to rise. A lot of older members of the community were

74TH STREET IN JACKSON HEIGHTS

When Vasantrai Gandhi opened his jewelry business on 74th Street in Jackson Heights in 1978, the street was a low-key retail strip. Some storefronts were empty, a few lots were vacant and there was still a smattering of two-family houses that had no retail component. Gandhi's was the first Indian-owned jewelry store on 74th Street, and the neighborhood featured just one Indian restaurant at the time.

Today, roughly 20 jewelry businesses and half a dozen Indian restaurants are located on and around 74th Street. Additionally, numerous stores in the area owned by Indians, Pakistanis and Bangladeshis sell South Asian groceries, spices, music, saris, religious

In 1978, Vasantrai Gandhi opened the first Indian-owned jewelry store on 74th Street in Jackson Heights. At the time, the neighborhood featured just one Indian restaurant, some storefronts were empty and a few lots were vacant. Today, roughly 20 jewelry businesses and half a dozen Indian restaurants are located on and around 74th Street, in addition to numerous other stores selling South Asian groceries, spices, music, saris, religious products and sweets.

moving out. I wouldn't call it a ghost town, but my impression was that every other store was vacant."

Downtown Flushing now has more businesses than ever, with a seemingly endless line of small firms occupying two and three floor buildings on Main Street, Union Street, Prince Street and dozens of other streets. "Most of the jobs on Main Street today, if not for the newcomers, would not be here," says Wellington Chen, an architect and urban planner who worked in Flushing for years before becoming executive director of the Chinatown Partnership Local Development Corporation in 2005.

New entrepreneurs—virtually all of whom are immigrants—continue to open businesses in the neighborhood, sometimes in surprising places. For instance, a number of microbusinesses hawking everything from shoes to jewelry now operate in the former site of a Wendy's restaurant on Main Street where five workers were murdered in 2000. On Kissena Boulevard, a national-chain drug store that went out of business about a year ago has been replaced by a Chinese supermarket that, according to one long-time resident, "is always packed to capacity."

products and sweets. Every storefront is occupied, and the majority of buildings along the strip have commercial tenants in the basement and on the second and third floors. "There are quite a few more businesses today," says Gandhi, who is also chair of Queens Community Board 3.

Madhulika Khandelwal, director of the Asian American Center at Queens College, found that the number of South Asian-owned businesses in the neighborhood grew from 71 in 1990 to 104 in 1996. "I'm positive it has gone up since then," she says.

Khandelwal points out that 74th Street has become a world-renowned South Asian shopping district even though only a relatively small number of Indians, Pakistanis and Bangladeshis actually live in the area. "74th Street is often portrayed as a South Asian community concentration, but it is not," she says. "A lot of South Asians don't live in Jackson Heights. It has become an important cultural concentration, but only because of the businesses. People travel to it from different parts of New York City, from the tri-state area, from other parts of the country and from the South Asian Diaspora around the world."

INDUSTRIAL STRENGTHS

From beef patties to bus lines, day care to diamond sales, New York's immigrant entrepreneurs have put their stamp on a growing number of economic sectors

JUST AS IN OTHER CITIES, THE MAJORITY OF THE BUSINESSES STARTED by immigrants in New York are “mom-and-pop” retail stores and restaurants. However, immigrant entrepreneurs also boast a growing presence in other vital sectors of the city's economy, from emerging fields like biotechnology to job-intensive industries such as construction. Immigrant entrepreneurs have fueled much of the growth of businesses in food manufacturing (from tortillas to Jamaican beef patties), transportation (commuter vans and Chinatown bus companies), telecommunications (international phone cards), restaurant equipment wholesaling and the diamond and jewelry trade. They are also accounting for many of the new businesses in fields such as child care, media, apparel manufacturing and wedding services. Immigrants make up a large share of import and wholesale firms, and they have built some of the city's largest printing companies, travel agencies, supermarkets and translation service firms.

FOOD MANUFACTURING

New York's manufacturing industry has undergone a decades-long run of job losses, due to intense international competition and the city's high costs. However, in recent years, the city's ethnic food manufacturing sector has been a pillar of strength, driven by increasing demand for these specialized goods from New York's growing immigrant communities. Immigrants own a large number of these specialty manufacturing firms, many of which have achieved rapid growth in recent years.

“It's really the growth area in manufacturing,” says Brian Coleman, executive director of the Greenpoint Manufacturing and Design Center, a nonprofit that owns five multi-tenant industrial buildings in Brooklyn that are home to 110 businesses. “I would say half of our tenants weren't born in this country, maybe more.”

The five boroughs are home to companies making everything from fortune cookies and pita bread to empanadas and jerk chicken. The sector includes several firms that have over 100 employees and sell their products throughout the country, a large number of businesses primarily making goods for local restaurants and markets and countless small-scale

entrepreneurs operating out of their home kitchens.

It's impossible to get a precise count of the city's immigrant-owned food manufacturing companies. The Labor Department doesn't have this data; neither does the Mayor's Office of Industrial and Manufacturing Businesses or the New York Industrial Retention Network (NYIRN), the city's leading manufacturing advocacy group. Even so, NYIRN Executive Director Adam Friedman states with confidence that ethnic food businesses "have been a growing part of the food industry."

To get a clearer sense of the scope of this sector, the Center for an Urban Future visited a variety of ethnic supermarkets and delis, informally documenting food and beverage products that were manufactured in the city. Our limited examination found an incredible array of ethnic products manufactured in the five boroughs. For instance:

- Queens is home to at least three companies manufacturing arepas; three pita manufacturers; and three firms making roti, naan and other Indian breads.
- Queens is also home to at least three companies that manufacture Mexican-style cheeses.
- At least three medium- or large-sized manufacturers of Caribbean beef patties are based in the city.
- As many as eight tortilla-making companies are based in the five boroughs.
- In Brighton Beach alone, stores sell ethnic bread products—from several types of rye to dark Lithuanian bread—manufactured by at least 14 different New York City firms.
- There are more than a dozen dessert manufacturers in the city that can satisfy a sweet tooth for mango cake, flan or Indian sweets.
- The city has at least three companies that manufacture frozen Indian dinners.

The tortilla industry provides a good example of the growth in the city's ethnic manufacturing sector. Less than 20 years ago, only one or two tortillerias (factories that manufactured tortillas) were based in the five boroughs, but as the city's Mexican and Central American population grew exponentially, so did the tortillerias. Today, there are as many as eight, most of which are concentrated in a small area of Bushwick that has been dubbed "Tortilla Triangle." These firms produce as many as 10 million tortillas a week.³⁰

One of the largest—Mayab Happy Tacos, which was founded by Mexican immigrants in 1976—adopted a misleading name "because back then, no one knew what tortillas were," explains vice president Jorge Alamilla. The company has seen steady growth and now has 20,000 square feet of warehouse space, 20 employees and annual revenues of \$5 million.

Another example of the robust health of this sector is the growth of Indian sweets manufacturers in Queens. Rajbhog Sweets in Jackson Heights opened in the late 1980s as a simple storefront; now, the business comprises two factories, six stores, a vegetarian catering service, two banquet halls and a line of frozen food, snacks and sweets, which they ship to 40 states.

Many immigrant entrepreneurs have recognized the potential that lies in growing their business beyond traditional markets. Manuel Miranda, vice president of Delicias Andinas, an arepas manufacturer in Maspeth, Queens, stresses the importance of introducing their product to more mainstream audiences. "This is still a very ethnic product, but we have to put new products in our lines. We're working on crossover products that Americans would want," he says.

Golden Krust Caribbean Bakery & Grill, Inc., a manufacturer of Jamaican meat patties, offers perhaps the most innovative example of how a business of this kind can grow beyond an ethnic enclave. The company opened in 1989 as a small bakery in the Northern Bronx, and became a haven for West Indians craving their ethnic cuisine. Golden Krust steadily added more stores and in 1996, with 17 stores and 20 employees, embarked on a highly successful franchise model. The company now has over 100 stores, all stocked with products made at the 90,000 square foot, 130-employee headquarters in the South Bronx, which produces 260 patties a minute. Golden Krust has seen its revenue grow by 64 percent since 2003 and recently secured a contract with the New York City public school system to manufacture 24 million patties over the next four years. Building on these successes, the company plans to open hundreds of additional franchises, mainly in non-Caribbean communities throughout the United States.

There is reason to believe that the city's ethnic food manufacturing sector has more potential for growth. Expected increases in the city's foreign-born population will create even more demand for the foods and beverages these immigrants used to consume in

their home countries. Meanwhile, it's likely many of the products that are now sold predominantly in immigrant communities will develop crossover appeal in non-immigrant supermarkets and restaurants—for instance, arepas, which still aren't sold at most grocery stores outside of ethnic neighborhoods, have recently become a staple of New York street fairs. A 1999 report noted that ethnic food sales were projected to grow by 50 percent this decade, compared to growth of two percent a year for food sales overall.³¹

Unfortunately, it's no lock that successful immigrant-run manufacturers will be able to grow in the five boroughs. Many of the business owners in this sector with whom we spoke have had increasing difficulty finding affordable factory and warehousing space. Others have gotten blitzed with parking and traffic tickets. Not surprisingly, several ethnic food manufacturers have opted to grow outside the city, while many immigrant entrepreneurs in this sector have simply started their business in New Jersey or Westchester. This can be seen in grocery stores throughout the city's immigrant neighborhoods—while the shelves are full of locally-made products, nearly as many are manufactured in Paterson, NJ, Jersey City and other parts of the region.

CHILD CARE

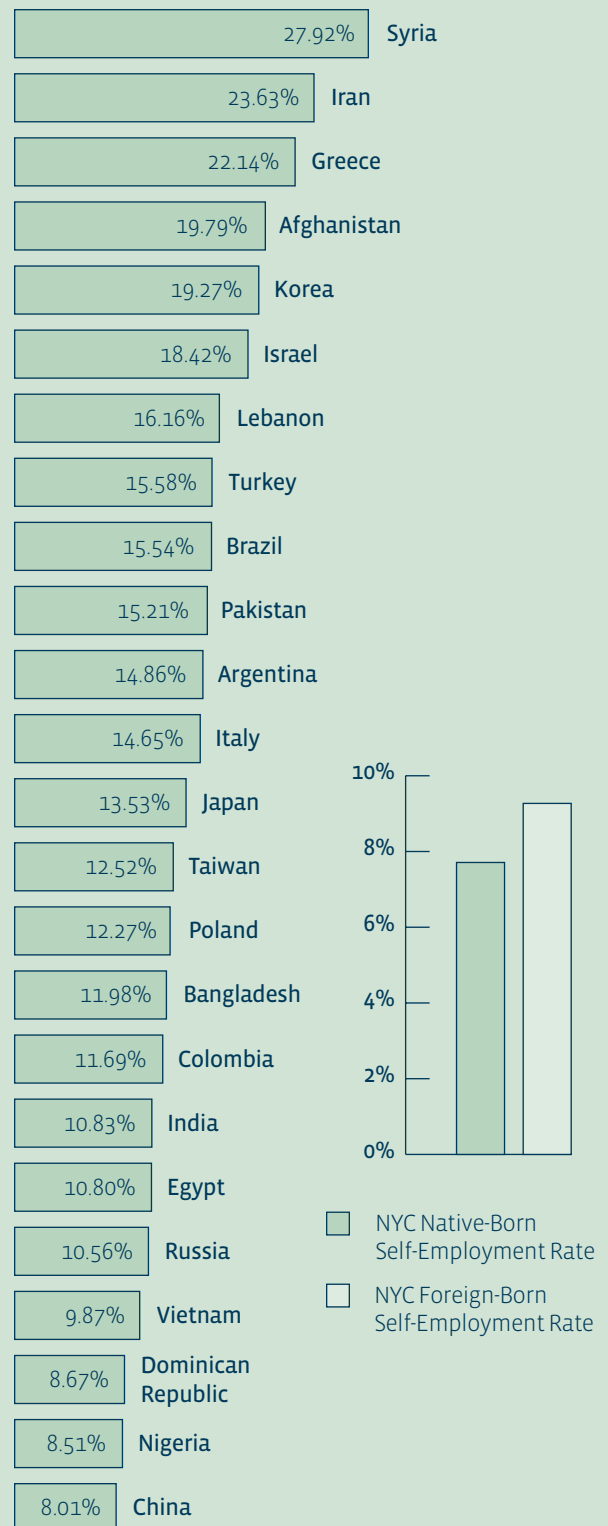
With immigrants and the children of immigrants now accounting for roughly 60 percent of the city's population, it's not surprising that there has been a substantial increase in immigrant-run child care businesses.³²

The child care sector has been expanding citywide. In 2005, according to the nonprofit Citizens Committee for Children, the city was home to roughly 8,800 family and group family day care providers serving 61,000 children (in addition to the 1,900 larger day care centers serving 102,000 kids). But industry experts say that the most dramatic increases in the past 10 to 15 years have occurred in immigrant communities, where hundreds of Trinidadians, Dominicans, West Africans, Haitians, Chinese and other immigrants—mostly women—have started small and medium-sized day care businesses.

Child care is a natural field for many immigrant entrepreneurs. It requires little formal education and, for many immigrants, draws upon previous work experience as home health aides, teachers, nurses or

**CHART 7:
GROUPS IN NYC WITH
HIGHER SELF-EMPLOYMENT RATES
THAN THE NATIVE-BORN POPULATION**

Self-Employment Rate by Country of Origin



Source: Infoshare, Public-Use Microdata Sample, 2000 U.S. Census

An Uphill Push for Immigrant Vendors

Immigrants today make up an estimated 90 percent of New York's 12,000 street vendors, continuing a long tradition where the city's new arrivals have turned to this form of entrepreneurship.³³ These vendors aren't exactly a major engine of growth for New York's economy—indeed, most are just scraping by. Yet, as was the case in the early part of the 20th century, street vending provides a crucial outlet for immigrants with limited skills and language abilities to earn enough money to survive.

"It provides jobs for at least 10,000 of the most vulnerable people, many of whom would not have jobs otherwise," says Sean Basinski, director of the Street Vendor Project, an offshoot of the Urban Justice Center that advocates for vendors. "People are vendors because that's all they can do."

Hailing from Bangladesh, Senegal, Cambodia, Mexico and a host of other countries, New York's street vendors typically earn just \$7,000 to \$15,000 a year, selling everything from coffee and falafel to dosas and handbags.³⁴ Some of these immigrant entrepreneurs have hired additional workers or expanded from one small pushcart into a fleet. For instance, Pakistan native Samiul Haque Noor, the winner of last year's "Vendy" award for New York's best street food vendor, employs four "partners" at his halal food stand in Jackson Heights and recently opened a second cart in Manhattan.³⁵

In the past, New York companies like D'Agostino, Cohen Fashion Optical and Odd Job Trading got their start as street vendors. But today, Basinski and other vendor advocates say that it's becoming increasingly difficult for peddlers in New York to grow into a larger business. "Occasionally we'll hear about someone opening a small store, but that's rare," says Basinski, himself a former vendor. "Most of them don't have the skills to navigate [the system], to reach that next level, to find other items to sell."

Clearly, the potential exists for more vendors to expand beyond their small pushcarts. But Basinski says that the city's small business agency—the Department of Small Business Services—hardly reaches out to vendors when promoting its business assistance programs and training seminars. Meanwhile, vendors get an average of 6.7 tickets every year, often for minor infractions, and the maximum fine has quadrupled from \$250 in 2003 to \$1,000 today.³⁶ ♦

nannies. It also allows for a moderately easy transition from informal care into licensed child care. "It's one of the big growth industries," says Dennis Reeder, executive director of the Washington Heights Inwood Development Corporation (WHIDC). "There's a tremendous need for child care services. It's also a business that you don't need a master's degree or college degree to get into. It's something where language is not an impediment. It's an excellent opportunity for starting a small business and it's a ticket to the middle class."

In 2004, 44 percent of the foreign-born entrepreneurs in New York who received seed grants from Trickle Up, a microenterprise organization, were in the child care field. In Washington Heights, two community-based organizations—WHIDC and the Audubon Partnership for Economic Development—both have waiting lists to get into the classes they offer to would-be child care entrepreneurs, and most or all of those participating are foreign-born.

Similarly, just two years after the Business Outreach Center Network launched its Child Care Business Development Project, a training program for individuals interested in opening child care businesses, nearly 200 people were participating in the initiative, most of them immigrants. Other community-based organizations that work with child care providers note similar trends. Diana Perez, director of home-based child care services for the Women's Health and Economic Development Corporation (WHEDCO), a Bronx-based nonprofit, says immigrants account for a "significant portion" of the 600 child care providers WHEDCO trains each year. "I don't think we serviced even half that amount in training services five years ago," says Perez.

The industry has produced openings for entrepreneurs like Dhanwattie Persaud, who came to New York from Guyana in 1995 and worked as a nurse's aide for five years before opening up D's Family Day Care. Persaud's health care experience made for an easy transition, but she also appreciated that opening a day care business would allow her to care for her own children while earning income. "I decided that I would be home taking care of my grandchild and other children, and I would have income," says Persaud, who along with an assistant now cares for 14 kids, all of them children of immigrants.

Some open child care businesses on the side, as a way to supplement their earnings. For instance,

Rosemond Boakye-Adaye, who previously worked as a teacher in Ghana, started a child care business in her Bronx home in 2004 but still works a second job at a nursing home.

Many immigrants who enter the field have experience working with children, but are unfamiliar with New York State's complex regulatory environment and lack basic business skills.

Misinformation and language barriers are additional hurdles, but the confusing and protracted licensing process elicits the most complaints. Child care entrepreneurs also face major difficulties in expanding their business from the group family level, which is legally capped at 14 children, to operating a child care center, which can accommodate up to 60 kids. The amount of capital and planning required can be staggering for fledgling businesses. "The minute you start talking about a day care center, it's a whole other picture and the financial picture looks a lot different," says Jonah Gensler, U.S. program director for Trickle Up.

TRANSPORTATION SECTOR

The transportation sector has been another fast-growing area for immigrant entrepreneurs over the past decade. Immigrants from Jamaica, China, Bangladesh and other countries have started transportation businesses that range from the more than a half-dozen bus companies that connect New York's Chinatown with other Northeastern cities to the roughly 300 licensed commuter vans serving neighborhoods around the five boroughs.

One of the best examples of immigrant entrepreneurship in the city's transportation sector is undoubtedly the often-feuding Chinatown bus companies that charge inexpensive fares to carry passengers throughout the Northeast corridor. Initially aimed at serving the Chinese communities in New York and Boston, the companies soon began to attract American college students and other riders who were just looking for a cheaper alternative to Greyhound and Amtrak. The largest company, Fung Wah Transportation, began in 1997 with four vans shuttling passengers between Manhattan's Chinatown and Sunset Park, Brooklyn. The next year, Fung Wah started offering cheap fares to Boston; today, the company boasts 21 buses and 18 daily roundtrips.³⁷ The success of Fung Wah and

other pioneers spawned several more discount bus companies, primarily serving New York, Boston and Washington—all of which are now commonly referred to as the "Chinatown bus." Some of the companies have added routes to Rochester, State College, Pennsylvania, and other cities along the Eastern seaboard.

Additionally, immigrants in Washington Heights, Flushing and other city neighborhoods have started buses and vans that transport workers to jobs at casinos in Connecticut and warehouses in Northern New Jersey.

The commuter van industry represents another immigrant success story. According to industry experts, there were just a handful of commuter vans—also commonly known as "dollar vans"—two decades ago. But today, the city now has almost 70 van companies that operate roughly 300 vehicles. At least another 100 unlicensed vans operate in the city.

Industry officials estimate that as many as 95 percent of the owners and drivers of these vans are immigrants. The majority of the entrepreneurs are Jamaican, though several of the companies are run by Haitian, Chinese, and West African immigrants, according to Hector Ricketts, a Jamaican immigrant who owns a van company that operates 35 vans and transports over 6,000 riders daily.

Modeled on jitneys that are ubiquitous throughout the Caribbean, these vans—which, despite their nickname, generally charge \$1.50—have successfully targeted specific areas of the city that are underserved (or irregularly served) by public transit. "There were four companies in all of Queens [in the early 1990s]," says Ricketts. "Today there are maybe about 30, and people who were drivers have now become company owners. While I began as a driver, an independent contractor, I now own my own company."

Finally, 91 percent of the city's cab drivers are immigrants, almost a third of which own their vehicle, essentially making them entrepreneurs. Immigrants also own numerous car service and limousine companies around the five boroughs. In many neighborhoods, such as Washington Heights, this is one of the more common forms of self-employment. "In this neighborhood alone, we have 16 livery cab companies that provide 'employment' to about 3,000 people, although they are technically all self-employed," says Walther Delgado of the Washington Heights-based Audubon Partnership for Economic Development.

DIAMOND AND JEWELRY INDUSTRY

A stroll down 47th Street in Manhattan, between Fifth and Sixth Avenues, shows that immigrants play a pivotal role in the city's diamond and jewelry industry. By many estimates, well over half of the 2,300 merchants who operate retail, wholesale and manufacturing businesses along 47th Street—the city's famous diamond and jewelry district—were born outside the U.S.³⁸

Immigrant entrepreneurs long have been at the heart of New York's diamond and jewelry trade, with Jewish merchants from Eastern Europe and Israel making up the largest share of the industry through much of the 20th century. While Jews still own a considerable share of the businesses in the district, entrepreneurs from India, Russia, Iran, Lebanon and China have started the overwhelming majority of new businesses during the past two decades. "There are a lot more people from different parts of the world today," says Doreen Greenidge, executive director of the 47th Street Business Improvement District.

Indian entrepreneurs account for much of the industry's growth in recent years. Basant Johari, president of the Indian Diamond and Colorstone Association (IDCA), says that at least 500 Indian-owned diamond and jewelry businesses operate in New York. Other diamond wholesalers interviewed for this report assert that Indians now account for half of all diamond and jewelry businesses in the city. Membership in IDCA alone has surpassed 300, a huge leap from the roughly 50 merchants who started the association in 1984. "In the last five years, it has grown from about 200 to 300," says Johari. "[Indians] are a very important part of the industry now."

The growing presence of Indian entrepreneurs in New York's diamond and jewelry trade is largely due to the fact that India is now the world's largest manufacturing center for cut and polished diamonds, accounting for about 60 percent of the world's supply of diamonds by value, 85 percent by volume and 92 percent in terms of pieces. Perhaps not surprising in this global economy, many of the Indian merchants operating in New York have ties to diamond manufacturing companies based in their country of origin.

"Practically every major Indian diamond company is represented here [in New York]," says Johari, whose father—along with three brothers and a sister—is still active in the industry in India. Johari came here 25 years ago and, with family support, opened a

company to tap into the significant U.S. market for diamonds. His firm, Kuber Manufacturing, now has five employees. "We are here to market our product. We support them back home," he says.

IMPORT AND WHOLESALE SECTOR

Immigrant entrepreneurs have accounted for most of the growth of Midtown Manhattan's wholesale district, the stretch along Broadway between 25th and 35th Streets, where buyers from across the city and all over the East Coast come to order large quantities of inexpensive consumer goods and tourist souvenirs imported primarily from Asia. The district has expanded considerably over the past 20 to 30 years and now boasts several hundred firms that import and distribute wholesale items ranging from handbags and hats to hair accessories and "I Love New York" T-shirts.

Jay Chung, the owner of Jay Joshua Inc., an import company based on 27th Street, says that there are at least 600 Korean-owned importers and wholesalers in the district, along with hundreds of additional businesses owned by individuals from India and China. "They contribute to the city's economy tremendously," says Chung, speaking of the immigrant entrepreneurs operating in the district. "They work hard, pay taxes and create jobs."

Chung himself has been an emblem of the district's success. Born in Korea, he came to the U.S. in the early 1980s to get a master's degree in graphic design from Brooklyn's Pratt Institute. Soon afterward, in an attempt to provide his fledgling family with more financial security, he started a business designing souvenir T-shirts with a Japanese colleague from Pratt. The company was an immediate hit, and Chung has never looked back. His firm, which now employs 12 people, imports key chains, snow globes, T-shirts and other gift items that it designs and has manufactured in Korea, Taiwan, China or India.

His business is currently located on 27th Street, but with rising real estate prices putting pressure on many firms in the district, Chung has been leading a group of Korean importers and wholesalers that hope to move into a new wholesale center that has been proposed for Jamaica, Queens.

GARMENT INDUSTRY

Historically, perhaps no sector in New York has seen as many new immigrants advance from entry-level work

to business ownership as the apparel industry. For more than 100 years, immigrants from Europe, Russia, the Caribbean and Latin America have played a vital role in the formation and operation of the city's numerous garment factories—and this remains true today.

In 2004, there were slightly more than 2,000 apparel contractors in the five boroughs that cut, sew and assemble garments, according to the state's Apparel Industry Task Force.³⁹ Task Force Chief Investigator Charles DeSiervo states that “the vast majority of those are owned by recent immigrants.”

Industry experts say that immigrants today own the lion's share of garment production companies in the Midtown Garment Center, Chinatown, Sunset Park and other parts of the city. Immigrants are also starting most of the new apparel contracting companies, as well as several of the new design companies and fashion boutiques.

Immigrants continue to open apparel firms because overhead costs are low and they have easy access to a large pool of inexpensive workers from their communities. Many have spent time working on the factory floor and are familiar with the ins and outs of the business. “Getting into apparel manufacturing is still relatively cheap,” says Sarah Crean, executive director of the Garment Industry Development Corporation (GIDC). “You need a factory floor. You need sewing machines, which are relatively cheap today. You need a desk and a phone.”

Undoubtedly, entrepreneurs in the apparel industry face extraordinarily stiff challenges. Increasing global competition has caused dozens of firms to go out of business in recent years, and the city has lost nearly 70,000 apparel manufacturing jobs since 1990.⁴⁰ Other factors, including technological advances and changes in how the industry operates, pose special problems for immigrant entrepreneurs in the industry, particularly those who lack strong English skills and have limited experience running a business.

ETHNIC PRESS

In recent years, many of the city's traditional newspapers and magazines have scaled back staff as circulation has declined and online news sources have emerged as competitors. But publications catering to the multitude of ethnic communities around the five boroughs have bucked this trend, sharply increasing

Understanding Immigrant Entrepreneurship

There is no single explanation for the “entrepreneurial spirit” that's often ascribed to immigrants. Academics who have studied the subject suggest that one possible explanation is that individuals who immigrate to the U.S. are more likely to be risk-takers, an important trait for people starting their own businesses. After all, those who summon the will and resources to leave their homeland in favor of starting a new life from scratch aren't exactly playing it safe.

“It takes a lot of guts for people to have the courage to leave families, friends and culture,” says Jerry Villacres, editor of *El Planeta*, Boston's largest Spanish-language weekly newspaper. “There is already an entrepreneurial gene in people who are willing to do that.”

Another explanation is that many immigrants encounter endless frustrations and barriers working for other people or organizations in this country, and turn to entrepreneurship because it seems a more likely way to guarantee a fair shot at improving their circumstances. For instance, immigrants who were highly educated professionals in their home country often start businesses here after years working in low-paying jobs for which they are overqualified, due to language barriers, discrimination or other factors.

Others who arrive in this country with little education and limited skills sometimes go into business for themselves after growing tired of working in minimum-wage jobs and seeing scant opportunity for advancement. “If you're an immigrant, often you don't find the job of your dreams. The best thing you can do is start a business,” says Liliana Henao, a native of Colombia who has launched several businesses in Queens.

Of course, some immigrants start businesses to supplement their families' income, or because they have no other viable options to earn a living. One recent study that focused on Latino immigrants in the New York City region noted that as recent downsizings and plant closings cut into the number of factory jobs in the area, many who previously might have pursued those positions instead started informal businesses.⁴¹

The sheer number of immigrants in cities like New York and Los Angeles also undoubtedly contributes to the high concentration of foreign-born entrepreneurs. After all, a large ethnic community provides a considerable market for small businesses that cater to that community—whether they are restaurants, law firms, manufacturers that make ethnic products or businesses that provide specialized wedding services. Additionally, many immigrants are emboldened to start a business after seeing so many of their compatriots succeed with businesses of their own. ♦

Why Some Immigrants Are More Entrepreneurial Than Others

As this report documents, immigrants as a group tend to be highly entrepreneurial—but immigrants are far from monolithic, and the impulse to launch a business varies greatly from one ethnic community to another. While new arrivals from every part of the globe have been starting businesses and contributing to the economic vibrancy of cities like New York and LA, data show that individuals from some countries have dramatically higher rates of self-employment than those from others.

In New York City, for instance, Syrian-born individuals in the workforce start businesses at an astonishingly high rate (27.92 percent). Those from Iran (23.63 percent), Greece (22.14), Afghanistan (19.79), Korea (19.27), Israel (18.42 percent), Lebanon (16.16 percent), Turkey (15.58 percent) and Brazil (15.54 percent) also start businesses at more than twice the rate of American-born New Yorkers (7.71 percent). At the other end of the spectrum, New York City residents who were born in Haiti (4.83 percent), Guyana (4.90 percent) and Jamaica (5.41 percent) have comparatively low rates of self-employment.⁴³ (See Chart 7, page 19)

One major reason for the wide variation in entrepreneurial appetite is that individuals who emigrate from some countries tend to arrive with financial assets, high levels of educational attainment and professional experience, while those who move here from other countries are more likely to be poor, uneducated and inexperienced in business matters. A study by researchers Pyong Gap Min and Mehdi Bozorgmehr, focusing on immigrants who came to the U.S. after the 1965 Immigration Act, notes that “the majority of Asian, Middle Eastern and African immigrants have professional and middle-class backgrounds, while the majority of Latino and Caribbean immigrants come from working-class and farming backgrounds.”⁴⁴

Cultural experiences also explain some of the differences in self-employment rates. For instance, scholars have found that some immigrant groups were particularly successful in starting businesses because they brought with them a tradition of using rotating credit associations to overcome financing obstacles. In contrast, other cultures frown upon taking loans and going into debt.

Another factor that might help to explain why some immigrant communities start businesses at higher rates than others is that some countries from which immigrants hail have stronger or weaker traditions of entrepreneurship. “There’s no role model [for entrepreneurs in our country],” says one New York-based urban affairs expert, speaking about her native country. “In our culture, money is dirty and business is not looked upon highly.” ♦

in both number and circulation. The majority of them were started by immigrants.

“This is the growth area for media,” says Juana Ponce de Leon, director of the Independent Press Association of New York (IPA-NY). “Unlike the mainstream press, the ethnic media is a very robust industry.”

A 2002 study by the IPA-NY found that there were 270 ethnic magazines and newspapers published in the city, several times as many as a decade earlier.⁴² Ponce de Leon estimates that there are now more than 350 ethnic publications in New York, including 26 foreign language dailies. At least five daily Chinese-language papers are published here. Meanwhile, the number of Polish- and Russian- language papers grew by a third in the past decade, and the number of publications targeting New York’s Indian community increased from one to eight during the past 25 years.

Tomas Deptula, executive editor of *Nowy Dziennik*, one of the city’s three Polish-language daily papers, says that his staff increased significantly during the past decade to keep pace with the fast-growing Polish community. “When I came to the paper in 1991, we had about 20 people [on staff] and only a very few reporters. Now we have about 45 people,” Deptula says.

Many of the ethnic publications struggle to attract advertising revenue and access loans that could help them grow, and most operate with limited staff. But several experts in the field see potential for further growth given the rising number of immigrants in the region. “There’s a real chance for growth,” says Ponce de Leon, noting that ethnic media outlets already reach about 40 percent of the city’s population.

WEDDING SERVICES

One little-noticed but growing sector of the city’s economy involves the dozens of companies and sole proprietors that offer a vast array of wedding services. Though hardly a major part of New York’s economy, this sector has been a source of modest growth during the past decade, almost solely because of the increasing demand for these services from immigrant New Yorkers. And many of the entrepreneurs providing these services are themselves immigrants.

Weddings are definitive social events for many immigrant communities. Indeed, for some ethnic

groups, it isn't surprising for wedding receptions to include more than 500 guests and a week's worth of parties. Companies are tapping into this demand in many ethnic communities, providing a long list of wedding services geared to the customs and traditions of each ethnic group—including catering, music, clothing, invitations, photography and decorations.

Robert Weber, director of policy development for Asian Americans for Equality, a Chinatown-based nonprofit, has seen a tremendous growth of companies in Chinatown that provide full package wedding services, including about a dozen of them on East Broadway alone. While most target the large Chinese community, Weber points out that many of these firms also serve Latinos and other New Yorkers seeking a memorable wedding experience on a limited budget.

"The wedding industry [in Chinatown] has grown from five or six centers three or four years ago to about two dozen today," says Weber. "These companies are able to accommodate the needs of a lot of people getting married. They do makeup, the hair, the whole package. It's one-stop shopping for weddings. They have staff that speak the language and understand the customs."

PROFESSIONAL SERVICES

Go to any ethnic community across the five boroughs and you're likely to find more professional services companies than any other type of business. From Coney Island Avenue in Midwood to 181st Street in Washington Heights, accountants, law firms, insurance companies, immigration services businesses, medical offices and other professional services are thriving in large numbers in these neighborhoods.

Eduardo Giraldo, president of the Hispanic Chamber of Commerce of Queens, notes that Jackson Heights alone now boasts hundreds of attorneys, mortgage brokers, accountants and other financial services firms catering to the Hispanic community. "This area is the financial district for Hispanics," says Giraldo, who also owns an insurance company on 37th Avenue in Jackson Heights.

Immigrant-owned firms offer customers an array of different services, from providing legal advice on immigration issues and notarizing documents to filing income tax returns and selling life insurance. Many of these multi-service companies also help clients

send remittances to family in their home countries, while several provide phone booths where people can make international calls. Multi-service firms are everywhere in Jackson Heights. "In Spanish, we have a saying about these firms: 'We offer everything but abortions,'" says Olga Djam, who owns an insurance business in Jackson Heights.

TRAVEL AGENCIES

It isn't uncommon to find two or three travel agencies on a single block in densely populated ethnic neighborhoods like Washington Heights, Brighton Beach and Astoria. As the city's immigrant population has swelled in recent years, a market has emerged of immigrants looking to travel back to their home countries or arrange for family members to visit them in New York, and businesses have proliferated to meet that demand. Many of these agencies also allow people to send money to relatives back home.

Walther Delgado, executive director of the Audubon Partnership for Economic Development, says there are more than 100 travel agencies in Washington Heights alone. "We probably have the largest concentration of travel agencies in the entire city," says Delgado. This isn't too surprising given that a recent Columbia University study found that half of all Dominicans living in the U.S. travel home to visit at least once a year. Delgado adds that most of these travel firms also provide remittance services: approximately 500,000 New York-based Dominicans send nearly \$1 billion to relatives in the Dominican Republic each year.⁴⁵

At least one immigrant entrepreneur in New York has built his neighborhood-based travel agency into a mini-empire of travel service businesses. Hector Delgado (no relation to Walther Delgado), who immigrated to New York from Ecuador when he was 17, started a real estate brokerage firm in Queens after a few years working in restaurants and factories. He soon converted that into a basic travel agency called Delgado Travel. Over the years, Delgado expanded the business to allow customers to send packages, wire money and phone relatives in Ecuador as well as purchase plane tickets. Delgado Travel now boasts 19 locations across the five boroughs and a half-dozen more in New Jersey, and the company does \$1 billion in annual business. More recently, Delgado has opened a radio station that broadcasts both here and in Ecuador.

TAPPING IMMIGRANT ENTREPRENEURS FOR ECONOMIC GROWTH

Immigrant entrepreneurs could be an even more powerful economic driver for New York City in the years ahead. But unlocking their potential will require addressing the many obstacles immigrants face as they attempt to start and grow businesses in the five boroughs

IMMIGRANT ENTREPRENEURS HAVE BEEN AN EXTRAORDINARY CATALYST FOR ECONOMIC GROWTH IN New York City during the past decade. But with the right planning and support, immigrant entrepreneurs could provide an even bigger boost to the city's economy in the years ahead.

It doesn't take a wild imagination to see that immigrant-run firms are likely to become even more integral to New York's economy in the future. Immigrants now make up 36.6 percent of the city's population, accounting for 115 percent of the city's population gain during the 1990s and 130 percent from 2000 to 2005.⁴⁶ (See Charts 8 and 9, page 27) Demographers project that immigrants will continue to drive the city's population growth over the next 25 years. These trends bode well for the local economy, since immigrants have been starting businesses at a significantly higher rate than native-born New Yorkers.

The stakes are high: with the city expected to add as many as 900,000 new residents by 2030, New York undoubtedly needs new job generators.⁴⁷ And in today's global economy, many of the city's traditional sources of employment growth, such as the securities industry, haven't been creating large numbers of new jobs. In fact, several of the largest corporations based in New York have been creating the bulk of their new jobs elsewhere.

What will it take for New York City to tap the full potential of its growing population of immigrant entrepreneurs?

First, policymakers and community leaders will have to find ways to address the formidable obstacles immigrants encounter when attempting to establish or expand businesses in New York.

Some of these factors, like the skyrocketing cost of real estate and insurance, are common to all entrepreneurs but pose particular difficulties for small businesses with limited profit margins. These costs drive many immigrant-owned enterprises in New York out of business and constrain countless others from ever growing beyond mom-and-pop size. They've also prompted numerous successful immigrant entrepreneurs to relocate out of New York City to less expensive locales like Florida, North Carolina and Georgia—states that have fast-rising immigrant populations.

Immigrant entrepreneurs, however, face a number of additional problems that most other fledgling businesses do not, from a lack of understanding about the rules and regulations businesses in New York must obey, to difficulty accessing financing for lack of a credit history.

Language and cultural barriers exacerbate these problems. Unable to communicate effectively, immigrant entrepreneurs are less likely to attempt to sell goods and services in markets beyond their own ethnic communities, or to seek help from government agencies and nonprofit economic development organizations. Without such help, many immigrant business owners take bad advice from friends, family or accountants, and make costly mistakes. Others turn to professionals who speak their language but take advantage of them.

CHART 8: IMMIGRATION POPULATION GROWTH IN NYC, 1990-2000

	Overall Population Change 1990-2000	Foreign-Born Population Change 1990-2000	Foreign-Born Share of Population Growth 1990-2000
Bronx	128,861	111,034	86.2%
Brooklyn	164,662	259,200	157.4%
Manhattan	49,659	68,574	138.1%
Queens	277,781	321,186	115.6%
Staten Island	64,751	28,107	43.4%
New York City	685,714	788,101	114.9%

Source: 1990 and 2000 U.S. Census

CHART 9: IMMIGRATION POPULATION GROWTH IN NYC, 2000-2005

	Overall Population Change 2000-2005	Foreign-Born Population Change 2000-2005	Foreign-Born Share of Population Growth 2000-2005
Bronx	24,225	51,829	213.9%
Brooklyn	19,989	27,776	139.0%
Manhattan	52,416	3,920	7.5%
Queens	12,833	66,018	514.4%
Staten Island	20,802	19,404	93.3%
New York City	130,265	168,947	129.7%

Source: 2000 American Community Survey, Supplementary Survey and 2005 American Community Survey

Harnessing the potential of immigrant entrepreneurs will also require greater attention and support from city economic development officials and the many nonprofit community organizations, chambers of commerce and business assistance groups that work with small businesses around the five boroughs. These entities should be well positioned to help immigrant entrepreneurs overcome these challenges and develop systems that enable them to grow. Unfortunately, too few of the city's established economic development entities have effectively connected with immigrant populations. Meanwhile, immigrant entrepreneurs remain mostly detached from the city's overall economic development strategy.

The sections that follow detail the specific challenges facing immigrant entrepreneurs in New York and analyze what government agencies and nonprofit business assistance groups currently are and are not doing to support this part of the city's economy. ❖

SMALL BUSINESS BLUES

In a town with high costs and fierce competition, immigrant businesses in New York often have no margin for error

IN NEW YORK TODAY, THE MOST DIFFICULT challenge for nearly every small business is staying afloat amid rising costs for real estate, health care, energy and insurance. But according to microenterprise experts, immigrant-owned firms are more likely to operate with razor-thin profit margins and less apt to set up accounting and management systems to help them deal with these costs.

Of course, New York has always been a relatively expensive place to do business. But small firms today are feeling particularly squeezed by a series of cost increases that have hit in recent years, from the 18.5 percent property tax increase enacted by the city in 2002 to sharply higher heating bills and insurance rates. Many immigrant entrepreneurs report that the greatest single obstacle has been the stratospheric rise in real estate costs.

Not long ago, entrepreneurs in ethnic neighborhoods like Flushing, Jackson Heights and Brighton Beach had little trouble finding relatively affordable retail and office space. In a sense, though, new entrants into these local markets are the victims of the successes their predecessors have enjoyed: today, real estate prices in these and other immigrant neighborhoods aren't far off from what businesses located in midtown Manhattan are paying. Firms located along these strips that signed long-term leases five or ten years ago might have been able to lock in moderately-priced rents, but newer firms are paying top dollar and often struggle mightily just to break even.

These sky-high real estate prices are a big reason why so many immigrant-owned firms go out of business. "The rents are so expensive that some of our guys are deciding not to renew their leases," says Luis Salcedo, executive director of the National Supermarket Association, a group predominantly made up of Dominican entrepreneurs.

According to neighborhood leaders, high real estate costs also explain why some immigrant entrepreneurs are relocating to cheaper locations in

other states. For instance, Vasantrai Gandhi, who owns a jewelry store in Jackson Heights, says that rents along 74th Street are now as high as \$125 to \$150 per square foot and are forcing some business owners to consider relocating out of the city. "Landlords are asking for higher and higher rents," says Gandhi. "When the time for renewal comes up, sometimes those rents are so high that immigrants or any small business have very limited options. Many have gone out of business. Some say it's better to do business somewhere else. One jewelry store closed recently and is moving to Los Angeles, where the rents are quite low."

Olga Djam, a Colombian-born entrepreneur, adds that a number of Spanish-speaking entrepreneurs have left the city in the last year or two for Florida, North Carolina, Georgia and other places where immigrant populations are growing and real estate is more affordable. "Many of my clients have moved out of New York in the past year or two," says Djam, who owns an insurance company in Jackson Heights and advises a number of immigrant entrepreneurs. "They can't keep up with the costs of New York. They've decided to move out and try a place like Florida. Quite a few people have moved."

The high cost of real estate has had an even bigger impact in industries such as food manufacturing, where companies hoping to grow require significantly more space. Even as many ethnic food manufacturers are thriving, several have been forced to relocate to the surrounding region. "I know of a bakery where they started off by importing goods and now they are building a factory in New Jersey," says Walther Delgado, executive director of the Audubon Partnership for Economic Development, a Washington Heights-based local development group. "They can't expand here because it's too costly."

Other costs have gone up as well. For instance, insurance prices are now so expensive that some immigrant-owned firms are taking their chances

without it. “There’s this whole population of uninsured business people,” says Joyce Moy. “They either do without it or it’s the first thing to go when business costs go up. There was this fire in Sunnyside. The first thing the owner had cut was insurance. Their store burned down the next day.”

Similarly, local business leaders say a shockingly high share of immigrant entrepreneurs can’t afford health insurance for themselves or their employees. “Eight out of 10 of the businesses I see would probably not have health insurance,” says Djam. “A lot of them

will go back to their home country, to Colombia in my case, and that’s when they’ll go see the dentist or get a checkup from a doctor. It turns out to be cheaper.”

The state’s Healthy New York program is designed to make health insurance more affordable for small businesses, but observers say that few firms are taking advantage of it. “Most business owners don’t know about it,” says Diane Baillergeon, CEO of Seedco. “For some, it’s still beyond their reach financially. And sometimes the application process is beyond what they’re able or comfortable to do.”

UNDERSTANDING RULES AND REGULATIONS

New York’s regulatory environment is a headache for most entrepreneurs, but language and cultural barriers make it particularly difficult for many immigrants

MANY IMMIGRANT-OWNED BUSINESSES THAT manage to generate enough revenue to survive New York’s high-cost environment get tripped up navigating the city’s complex system of rules and regulations. Others must put so much effort into staying in compliance with the city’s myriad laws that they are unable to take advantage of opportunities to grow.

New York’s tough regulatory environment poses a daunting challenge to nearly every business owner, but it creates far deeper problems for immigrant entrepreneurs since large numbers of them—mainly due to language and cultural barriers—aren’t aware of local regulations or are unfamiliar with the basics of running a business. Many immigrant entrepreneurs end up getting penalized for failing to comply with rules they didn’t even know about, from the need to incorporate with the state to paying a specific business tax or applying for a permit that enables them to have a sign.

Cristina Alvanos, a Colombia native, says it’s all too common for immigrants to start businesses without finding out about the laws they need to comply with. When she started a money transfer business a few

years ago, she knew that she had to register the company, get a tax ID number, purchase liability insurance and apply for unemployment insurance and workers’ compensation because she had worked for another firm for 11 years. “A lot of people don’t know this,” she says. “I get calls from people telling me they got fined because they didn’t know they needed workers’ compensation. They don’t know that when you have a sign, you have to have a permit and make it visible.”

Brian Singer, program manager for business and community economic development at CAMBA (formerly known as the Church Avenue Merchants Block Association), adds that a number of the immigrants he’s worked with have had no idea what a credit report is, or how bad credit can impact their ability to get financing down the road. But an even more common problem, Singer says, is a failure to understand which taxes need to be filed. Undoubtedly, numerous immigrant-owned businesses knowingly evade or under-report taxes. But as Singer and other small business experts point out, immigrants generally have a more difficult time than other entrepreneurs getting all the facts about taxes.

No Place to Park

Major ethnic shopping districts like Jackson Heights, Richmond Hill, Flushing, Brighton Beach and Washington Heights have become incredible assets for the city's economy and undoubtedly have potential for additional growth. Yet these rising commercial centers also face significant challenges to their continued success. The biggest problem has to do with convenience and accessibility.

Every one of these shopping districts depends on a large number of shoppers to arrive by car from Long Island, New Jersey, Westchester and Connecticut. Yet they all have a serious shortage of metered parking spaces and only some of them have municipal parking lots nearby. Not surprisingly, most are also plagued by intense traffic congestion.

"There's not enough parking and traffic here is horrendous," says Raymond Ally, speaking about the bustling commercial strip on Liberty Avenue in Richmond Hill.

The situation is just as bad in Jackson Heights, according to Vasantrai Gandhi, chair of Queens Community Board 3, which represents Jackson Heights, East Elmhurst and North Corona. "There is no affordable parking lot or municipal parking lot, not only on 74th Street but in the entire Community Board 3 area," says Gandhi, himself a longtime entrepreneur on 74th Street. "There are as many as 23 municipal parking lots in Queens, but not one in [this] area. We convinced one landlord to convert his vacant lot on 75th Street into a parking lot, and that has provided some relief. But it is a small parking lot, and cannot accommodate more than 56 cars. And when customers come here to buy bulkier items, like groceries, they cannot carry all their purchases with them."

Compounding the problem, some of these neighborhood retail strips are beginning to face competition from malls as well as emerging ethnic shopping areas in the suburbs that are typically less congested and more convenient for suburban shoppers than their counterparts in the five boroughs. Ally, for instance, worries that people who in recent years have done much of their shopping on Liberty Avenue eventually will get fed up with having to drive around in search of a parking space and go to one of the newly built malls off the Belt Parkway. In a similar vein, South Asian immigrants today can find many of the ethnic goods they need in Hicksville, Long Island and Edison, New Jersey.

"About 10 or 15 years ago, there were businesses [on 74th Street] who would tell you that their customers were coming from all over the tri-state area and they would travel quite a bit to shop in Jackson Heights to buy their bulk groceries or buy their gifts if they were going to India," adds Madhulika Khandelwal, a Queens College professor and director of the school's Asian/American Center. "That has changed somewhat since there are now more ethnic shopping areas. [Among] the reasons why customers don't want to come to Jackson Heights are the parking problems and the crowded streets. They would rather go to New Jersey or a place on Long Island where parking is not a problem. New York City should think about how to make these places more welcome and user friendly," she says. ❖

One immigrant Singer worked with recently had run a deli for seven years but hadn't realized that he wasn't filing taxes properly. "He came to us because he needed to renew his cigarette license, but the government wouldn't do it because his corporation was inactivated because he hadn't paid a franchise tax," says Singer. "I'm sure he would have paid the \$200 a year if someone had told him this. His accountant obviously didn't do it. Now, he has to pay the franchise tax and all these penalties. For this guy, it was a franchise tax. The next one, it'll be something else."

To a large extent, problems like these stem from the fact that many immigrant business owners have been in the United States for only a short time and are not completely familiar with local laws. Additionally, many immigrants plunge into starting a business

after seeing a friend or relative do so without bothering to learn about the regulations with which they must comply.

Cultural barriers also contribute to the problem. In some cases, for instance, entrepreneurs make mistakes here because they hail from countries where they sought to avoid any contact with the government from fear of harassment and exploitation. "In the majority of the cases the reason [immigrants] left their country is because of non-trust of the government," says Maria Castro, chief executive of the Manhattan Hispanic Chamber of Commerce and a longtime business owner. "Therefore, they're not used to paying taxes and they now have to. And that stumps them for growth, in terms of banking and procurement opportunities."

For many immigrants, however, the biggest obstacle is a limited ability to speak and understand English. To be sure, scores of immigrants are able to operate successful businesses without having a strong command of English, serving a customer base predominantly made up of immigrants who speak their native tongue. Yet, limited language skills prevent many from fully understanding local requirements, make it near impossible for others to correctly file applications for loans or contracts and intimidate some from seeking help from government agencies or nonprofit service providers.

The language gap is a big reason why so many immigrants end up relying on friends, relatives and improperly equipped professionals for advice on running a business. Too often, this ends badly. Most commonly, immigrant entrepreneurs get faulty information about how to file their taxes, advice that frequently hurts them down the line when they're ready to grow. But in some instances, immigrants get taken for a ride.

"I had a client who owned a good Colombian restaurant," says Olga Djam, a Queens-based entrepreneur. "Because she didn't know how to write it out, she would pay taxes every quarter to her accountant and he would file for her. But it turned out the accountant was [using her money] to file taxes for another business instead. It took years for her to correct this. These things happen because of the language barriers. Unfortunately, they will be taken advantage of."

Language barriers also deter numerous immigrant-owned businesses from marketing their goods and services to a larger audience, thereby stifling their growth potential. For instance, Djam points to a friend who's been hugely successful selling traditional Colombian cakes and other desserts that she makes out of her home. The woman, however, has never learned English and probably never will. While there's nothing wrong with this, Djam says, it also puts a pretty low ceiling on the baker's potential for growth.

Wellington Chen sees the same thing occurring in downtown Flushing, where many Chinese-owned businesses near the Main Street subway station in Flushing only attempt to sell to people from the Chinese community, even though a majority of those passing by the storefronts there aren't Chinese. "No businessman would deliberately chase away 67 percent of customers, but that's exactly what's happening," says Chen. "Over 100,000 people pass through every day, but if you only cater to yourselves, you lose many customers."

Bursting the Bubble on Coney Island Avenue

Several dozen immigrant entrepreneurs from Pakistan and the Middle East had to contend with a problem far more serious than gaining access to financing or learning city regulations: the economic consequences of the deportation and detention of hundreds of local residents shortly after the tragic events of September 11, 2001.

Pakistani-owned firms were instrumental in helping revitalize a several-block stretch of Coney Island Avenue in Brooklyn during the late 1990s. But many of the entrepreneurs lost a significant chunk of business when the U.S. Immigration and Naturalization Service (INS) implemented the Special Registration program following 9/11, as several hundred neighborhood residents were deported and thousands more fled the city voluntarily.

Mohammed Razvi, an entrepreneur and community leader who is originally from Pakistan, estimates that 30 firms along Coney Island Avenue shut down in the months after 9/11, sometimes because the business owner was deported, but more often because of the huge drop in customers. "The people who used to come every day to these stores packed up and left," says Razvi. "20,000 people left Brooklyn because of fear of Special Registration. It caused these immigrants to flee to other states, like Maryland and Massachusetts."

The repercussions have been felt by a number of businesses across the city. For example, Shaheen Sweets, the city's oldest Indian and Pakistani sweets company, laid off about half of its 42 employees and closed its Brooklyn manufacturing operations, in part because of the loss of Pakistani customers after 9/11. "What happened after September 11th is that a lot of people started leaving, especially businesses that we were supplying—Indian, Pakistani and Bangladeshi grocery stores and restaurants," says Tariq Hamid, the owner of Shaheen Sweets, which now does all of its manufacturing at a Jackson Heights facility.

Razvi says he understood the need to investigate terrorist threats after 9/11, but believes that federal and local law enforcement agents overreacted, deporting—or threatening to deport—large numbers of immigrants for minor immigration violations. He argues that New York is worse off as a result. "These people have given legs to these neighborhoods and the city abandoned them," he says. ♦

DISCONNECTED

Lacking credibility in immigrant communities, established business development organizations struggle to reach foreign-born entrepreneurs

NEW YORK CITY HAS NO SHORTAGE OF organizations that work to educate entrepreneurs about how to start a business and overcome obstacles to growth. But only a small share of these local development corporations, business improvement districts, chambers of commerce and other nonprofit business assistance organizations have managed to effectively connect with immigrants.

Too often, immigrants looking to start or grow a business in New York either don't hear about existing programs, don't trust the established organizations that offer seminars and one-on-one technical help or encounter language and cultural barriers when attempting to access services from these entities. "There are so many nonprofits which don't have the trust," says Mohammed Razvi, a Pakistan-born entrepreneur who now runs the Brooklyn-based Council of People's Organizations. "Some of the nonprofits, they never realize that all of a sudden the whole community has changed."

Entrepreneurs and community leaders interviewed for this report say that too few of the city's mainstream economic development organizations have made genuine attempts to reach out to immigrant entrepreneurs. For instance, large business organizations around the five boroughs rarely hold their events and meetings in immigrant communities, opting instead to use the same catering halls they've used for generations. One elected official in Queens, who wished to remain anonymous, says that 99 percent of Hispanic business owners there have never heard of the borough's major economic development organizations. Meanwhile, many community-based development groups target their services primarily at businesses that have been around for decades without simultaneously trying to make connections with immigrant-run firms that have arrived on the scene more recently.

Undoubtedly, it isn't always easy for established business assistance organizations to deliver services to new immigrant communities. It requires

leadership and a willingness to expand programs and membership. It also necessitates building trust by getting to know community leaders, hiring multilingual staff, offering seminars and other programs in languages other than English, marketing programs in ethnic newspapers and partnering with community-based entities that have more credibility among immigrants. "You can't expect these business owners to come to you. You need to get out to these businesses," says Queens College professor Tarry Hum, whose extensive research about Chinese-owned firms in Sunset Park found that very few immigrant business owners in the neighborhood were members of the local business organizations.

Many nonprofits have limited resources to take on these new challenges, especially since federal, state and city governments have reduced funding for these groups in recent years. A number of others don't even know where to begin.

Of course, immigrants themselves are often ambivalent about working with these organizations. "Even when we refer clients out to outside organizations, they are hesitant to go," says Jacob Massaquoi, a Liberia native and founder of African Refuge, a Staten Island-based organization that provides social services to the borough's large Liberian refugee community. "One of the reasons is trust. People who have suffered trauma are mistrustful of others. Another reason is language barriers. We speak English, but have an accent. If you have an accent, you have a very difficult time of articulating and negotiating your needs."

Since some immigrants will always have this insular mentality, it's important that New York's ethnic communities develop strong nonprofit institutions of their own to assist foreign-born entrepreneurs. In some cases, this has already happened (See "Empresarias," page 33). For the most part, however, the immigrant-run nonprofits around the five boroughs have neither the expertise nor the capacity to provide needed services to entrepreneurs and small

Empresarias Helping Empresarias

Liliana Carrillo owned a clothing company and a marketing business in her native Colombia. But today, Carrillo puts her entrepreneurial skills to work as the head of *Empresarias Hispanas en Liderazgo* (Hispanic Women Entrepreneurs in Leadership), a Jackson Heights-based organization devoted to helping Hispanic women in Queens launch and grow businesses. Carrillo co-founded the organization in 2004 with three other seasoned entrepreneurs after seeing that many of the South and Central American immigrants living in Jackson Heights, Elmhurst, Corona and other parts of Queens didn't have a place where they could access Spanish-language information about running a business.

At the time, several other Queens organizations were offering workshops and other support services to entrepreneurs and small business owners, including some in Spanish. But Carrillo says that many immigrants living in the area were unaware of these programs, and numerous others didn't feel comfortable going to them. "[Many Hispanic immigrants] feel more comfortable going to small local organizations that are run by Hispanics who speak their language and have been going through the same problems as them," Carrillo says, through an interpreter. "Whether it's because of language, lack of self-esteem or documentation issues, they feel more comfortable with their own people.

Carrillo's group appears to be filling a need: overall membership has climbed to more than 400, and the organization's monthly breakfast meetings now routinely attract between 70 and 100 women—up from 20 when the group first met in October 2004. Importantly, they seem to be reaching foreign-born entrepreneurs and business owners that, for a variety of reasons, never sought assistance from government agencies or higher profile economic development organizations. Attendees of recent meetings include owners of restaurants, beauty parlors and spas; a woman who bakes cakes out of her home and sells them to local stores; a jewelry designer; individuals who import food, clothing and other products from their home country; and several Mary Kay Cosmetics saleswomen.

The organization's monthly breakfast meetings are conducted in Spanish and feature a mix of networking and education. At each meeting, a few entrepreneurs make brief presentations about the businesses they own or are planning to open, and receive feedback from those in attendance. At some meetings, representatives from ACCION New York, NYANA, the Queens Economic Development Corporation (QEDC), and other local organizations speak about their programs or upcoming workshops. Veteran entrepreneurs often share insights about lessons they have learned or minefields to avoid. ❖

businesses. Most concentrate on providing social services and legal assistance.

Microenterprise organizations like the Business Outreach Center (BOC) Network and the New York Association of New Americans (NYANA) and some of the city's federally-funded small business development centers—such as the one at LaGuardia Community College—have been aggressive in trying to work with immigrant entrepreneurs. Yet, these groups generally aren't as well-funded as the more mainstream business assistance organizations. Many immigrant communities aren't served by these organizations at all. In Queens, the city's most diverse borough, there is only one certified Community Development Financial Institution (CDFI), a designation given to credit unions, groups that operate microenterprise loan funds and other specialized financial institutions that promote community and economic development. There are 27 in Manhattan, 11 in Brooklyn and 4 in the Bronx.

Going forward, it's critical for groups with sufficient expertise and funding to assist business owners

in figuring out ways to penetrate immigrant communities. On this front, the last few years have seen some progress: for example, classes offered by the Queens Economic Development Corporation (QEDC) on how to start a business, formerly offered only in English, are now held in Spanish and Chinese, and they are usually overbooked. Similarly, Seedco, one of the city's largest economic and workforce development organizations, recently hired an account executive who speaks Mandarin, Fukieneese and Cantonese to work with entrepreneurs in Manhattan's Chinatown. "It made a huge difference in our ability to engage that business community," says Diane Baillergeon, Seedco's CEO. "The issues of cultural competence are big."

While hiring culturally competent staff and offering multi-lingual classes are helpful steps, immigrant experts say that the best thing traditional nonprofits can do is partner with grass-roots groups that are run by or have the trust of immigrants. "That is crucial because community organizations serve as a bridge between mainstream outside organizations and the people in need of services," says Massaquoi.

CAPITAL CRUNCH

Unable to secure financing from banks, a large share of immigrant entrepreneurs struggle to access financing to start and grow their businesses

FOR GENERATIONS, NO ISSUE HAS PROVEN MORE frustrating to would-be entrepreneurs and small businesses than gaining access to the capital needed to pay for salaries, rent, equipment, raw materials and other basic expenses. But while nearly every entrepreneur has a difficult time obtaining sufficient financing to start and grow a business, the hurdles are often far higher for immigrant entrepreneurs.

The core of the problem for every entrepreneur, including immigrants, is that most banks have never been especially receptive to making loans to start-ups

Immigrant entrepreneurs confront all the challenges of other small business owners when seeking bank financing, but they often face additional obstacles that make obtaining a loan even more difficult. “It’s virtually impossible to get start-up capital for anybody at the local level,” says one community development expert. “But it’s certainly almost out of the question for immigrants.”

Microenterprise experts and banking officials say that immigrants are less likely than other entrepreneurs to have the collateral necessary to secure a loan.

Industry experts say that large banks tend to avoid the small business marketplace, a problem for cities like New York since recent bank mergers have resulted in fewer banks overall and a higher percentage of very large banks.

or small firms. Banks have long shied away from these loans because new ventures have a high rate of failure, something anathema to risk-averse financial institutions. Banks also earn smaller profit margins on small loans, even though making a \$50,000 loan is often as much work for banks as handing out \$5 million.

Many industry experts say that large banks in particular tend to avoid the small business marketplace, a problem for cities like New York since the flurry of recent bank mergers has resulted in fewer banks overall and a higher percentage of very large banks (See “Declining Number of Banks,” page 36). “Big banks don’t think they can make money there, because it’s time-consuming and costly to do small business lending,” says John Tear, a former senior vice president of Brooklyn’s Community Capital Bank. “Your margins are a little smaller, because there is a lot of work that goes into [making small business loans]. The borrowers are a little less sophisticated, so there is more hand-holding. And a lot of banks don’t want to be bothered with hand-holding.”

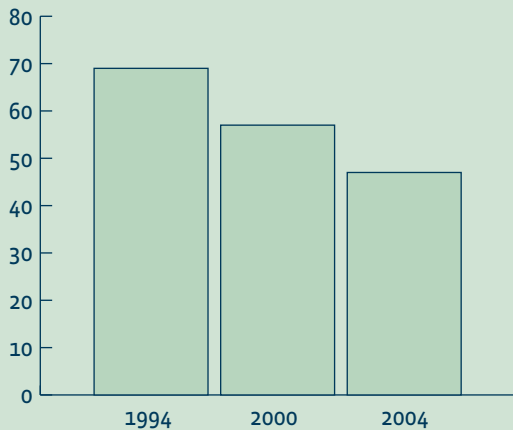
They’re also significantly less likely to have established a credit history. Indeed, many foreign-born individuals—including numerous longtime U.S. residents and business owners—simply never bother to open a checking or savings account or otherwise develop a banking relationship. Having no credit record doesn’t carry the same stigma of having bad credit, but it nevertheless precludes them from being considered for virtually all bank loans. “There are Liberians trying to open businesses on Staten Island, but they have problems getting loans and credit, because they have nothing to show,” says Jacob Massaquoi of African Refuge. “They don’t have bank accounts. They are used to the old way of doing things in Africa.”

Worse, a significant number of immigrant entrepreneurs have developed bad credit, often as a result of maxing out credit cards, unaware that doing so affects their ability to get loans down the road. Additionally, scores of immigrant business owners operate off the books and don’t keep the detailed accounting records that banks require.

Part of the problem is that many immigrants are

CHART 10: DECLINING NUMBER OF BANKS

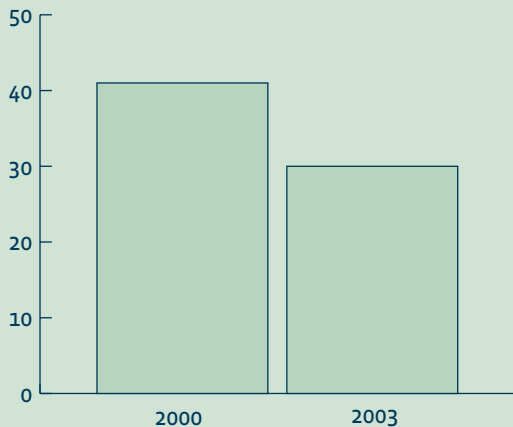
Number of Banks in NYC



Source: SBA Office of Advocacy, Office of Economic Research, from Call Report Data Collected by the Federal Reserve

CHART 11: DECLINING NUMBER OF SMALL BANKS

Number of Small Banks in NYC with Less than \$100 Million in Assets



Source: SBA Office of Advocacy, Office of Economic Research, from Call Report Data Collected by the Federal Reserve

intimidated by banks, either because they're not financially literate or because they had bad experiences with banks in their native countries. Indeed, in some countries, banks are notoriously corrupt or completely inaccessible for low-income people. Language barriers undoubtedly contribute to this problem; even some immigrants who speak English relatively well may not feel confident in their ability to discuss—or understand—detailed financial issues with loan officers.

Whatever the case, large numbers of foreign-born entrepreneurs avoid the banking system, and many of them end up taking bad advice from accountants, friends and other contacts.

“Most of my clients did not have savings or checking accounts,” says Doug Sudell, the former small business development manager for St. Nicholas Neighborhood Preservation Corporation, a North Brooklyn-based community development organization. “They are unfamiliar with [the banking system]. They think it’s expensive. And they’re scared of banks.”

It doesn’t help that banks’ lending officers almost always come from different backgrounds and live in different neighborhoods than the immigrants applying for business loans. Far more often than not, they are unfamiliar with buying patterns in immigrant neighborhoods and underestimate the profit potential of businesses—and this often leads them to reject loan applications from these firms.

Joyce Moy, director of economic development at LaGuardia Community College, says that a Chinese entrepreneur once came into the college’s Small Business Development Center frustrated because no bank would lend him money to import bear gall bladders. While seemingly an odd request, bear gall bladders are a critical ingredient in some Chinese herbal medicine and something many in the city’s growing Chinese community would pay money for. “He had gone to some of the other conventional banks and they said ‘What, are you crazy?’” Moy says. “Well, we took him to an Asian bank who understood that there was a market for this in the medicinal/herbal area and it’s legal. They lent him the money.”

Ecuadorian immigrant Jose Trinidad had similar trouble securing a bank loan for a bakery he wanted to open in Corona. Trinidad had years of experience working in bakeries, both in his native country and in New York. He had also been a successful entrepreneur, selling empanadas on the street in Queens. But the banks he visited didn’t find him a risk worth taking. “He went to banks, but they just take a quick look at your credit score,” says Laura Kozien, communications manager for ACCION New York, a microlender that eventually gave Trinidad a small loan. “He had years of experience, but none of it showed up on paper.”

Trinidad has proved the banks wrong. His bakery, which opened in 2003, is still going strong and now has five employees. He’s also purchased a Mexican

Declining Number of Banks

Small businesses and entrepreneurs usually benefit when a number of banks are engaged in fierce competition to win slivers of the market. Unfortunately, the reverse has been happening in New York: a series of mergers has shrunk the overall number of banks, and the ones that remain tend to be behemoths with little motivation to serve fledgling businesses, which generally look to borrow smaller sums and often involve greater risk.

The number of banks in New York City has been shrinking for at least a decade, declining from 69 in 1994 to 57 in 2000 and 47 in 2004—a 32 percent drop over the 10-year period.⁴⁸ Many of the casualties have been small- and mid-sized banks, the types of institutions most likely to target the small business market. State-wide, there were 41 banks with less than \$100 million in assets in 2000; three years later, only 30 remained.⁴⁹

The dominance of mega-banks in the city undoubtedly has had an impact on small business lending. In 2004, only 5 of the top 20 (and 7 of the top 30) small-business-friendly banks in the state were based in the five boroughs, according to an annual Small Business Administration analysis using data collected by the Federal Reserve Board.⁵⁰ Similarly, only three New York City institutions were among the 29 best banks for “microbusiness lending.”

The seven city banks with good records of lending to small firms were all small- or medium-sized: Woori American Bank (#5); Great Eastern Bank (#6); Community Capital Bank (#10); Banco Popular North America (#15); Marathon National Bank of New York (#18); Atlantic Bank of New York (#23); and First American International Bank (#26).⁵¹ ♦

The Unbanked

Nationwide, only 63 percent of immigrant household heads have a checking account, compared to 76 percent of native-born household heads, according to a May 2006 report by the Brookings Institution and the Federal Reserve Bank of Chicago. The share of those with a checking account varies widely by country of origin: 65 percent of immigrants from India have a checking account, versus 56 percent of those from Korea, 48 percent from China and 27 percent from Mexico. ♦

restaurant in Astoria, which employs many additional New Yorkers.

Adding to the problem, a growing number of banks in New York now underwrite most of their business loan applications in other states. As a result, a significant number of loan applications are now judged by officials hundreds of miles away, who often don't know the first thing about immigrant communities in New York City. If loan applications don't meet banks' preset criteria, there's virtually no room for flexibility.

“Banking is one-size-fits-all, and that is a problem with the immigrant community,” says Walther Delgado, executive director of the Audubon Partnership for Economic Development. “Often, the underwriting criteria is being made by someone out in Texas, so there is no local input. They don't understand the context of a travel agency that has been around for 20 years, has three or four stores, but still, 20 years later, is having cash flow problems.”

A final problem is that many of the city's immigrant neighborhoods are underserved by mainstream financial institutions. While there is no shortage of banks in several of the busiest ethnic business hubs, bank branches are noticeably absent from many other immigrant communities. A 2006 report by the Neighborhood Economic Development Advocacy Project (NEDAP), a Manhattan-based economic justice organization, found that bank branches were in short supply in 33 of 41 city neighborhoods in which at least 40 percent of residents are foreign-born.⁵² According to the report, nine ZIP codes averaged fewer than 0.5 branches per 10,000 residents while 24 other ZIP codes averaged just one branch per 10,000 residents. In contrast, Manhattan's Upper East Side has a branch for every 3,000 residents in the blocks below 80th Street.

Large numbers of immigrants handle their basic financial transactions at check-cashing establishments, money transfer shops and rent-to-own stores—all of which charge higher fees than banks and do not help individuals develop credit histories.

Despite all these concerns, however, community development experts point to a few positive signs. For one, several banks in New York recently have begun to target the small business market, in many cases focusing on opportunities in immigrant communities. “I think banks are starting to reach down a little further and do more [small business lending] and be more flexible in their underwriting,” says one banking expert.

SMALL LOANS, BIG DREAMS

A handful of “microlenders” are helping New York City’s immigrant businesses survive and flourish—but demand far outstrips supply

NONPROFIT MICROFINANCE ORGANIZATIONS have become an indispensable source of capital for thousands of foreign-born entrepreneurs in New York who haven’t been able to secure traditional bank financing. These groups, ranging from giants like ACCION to small credit unions and community development organizations, have sharply increased the number of microloans made to immigrant business owners over the past 5 to 10 years. Yet despite the gains, even the most prolific microlenders are still barely tapping into the enormous demand for capital from immigrant-owned businesses. In addition, there is evidence that some of New York’s microenterprise organizations may have reached a ceiling in the number of microloans they are able to make each year—a cap caused not by insufficient demand but because they lack the capacity to serve additional clients.

Microlending first achieved prominence abroad, as a tool to spur self-sufficiency and economic growth in the developing world. But in recent years it has become an essential way to get seed capital into the hands of immigrants, refugees and others in the U.S. who are seeking to start or grow a business but don’t meet banks’ strict lending requirements. And by helping individuals start and grow businesses, it’s also provided a big boost to the economies of neighborhoods and cities.

Although the loans are typically very small—ranging from a few hundred dollars to \$50,000—they furnish immigrants with both needed resources and valuable financial experience, helping to prepare them to seek traditional bank financing down the road. Microloans also offer a much cheaper alternative to loan sharks, which still serve as the primary source of loans in some ethnic neighborhoods despite charging astronomical interest rates.

Clearly, microlenders have found a receptive audience. In the past five to ten years, the number of microloans has increased significantly. For instance:

- ACCION New York, the nation’s largest microfinance institution, increased its loan portfolio by more than 150 percent between 2001 and 2005, from \$5.2 million in 2001 to \$13 million in 2005.⁵³ The number of loans it made each year jumped from 754 to 1,440 during the same period.
- In 2000, the New York Association of New Americans’ (NYANA) served just 11 clients through its microloan program, lending a modest \$178,000 overall. By 2005, NYANA was making 85 microloans in a year, totaling \$848,000.⁵⁴
- The number of individuals in New York City receiving seed capital grants from Trickle Up, a microenterprise organization that works with low-income entrepreneurs across the world and in the U.S., has increased from 55 in 1997 to 186 in 2005.⁵⁵

A significant portion of microlending in New York goes to immigrant entrepreneurs. For example, in 2005, all of the microloans made by NYANA went to foreign-born individuals—42 to immigrants and 43 to refugees.⁵⁶ Similarly, 67 percent of the microloans handed out by ACCION New York in 2004 went to Latinos/Hispanics and 11 percent to Africans. Meanwhile, 57 percent of those receiving Trickle Up grants between 2004 and 2005 were born outside of the U.S.⁵⁷

Microlending has been on the rise in cities across the country, in large part because microfinance organizations have aggressively targeted fast-growing immigrant communities and tailored their services accordingly. They typically have offices in ethnic communities and employ loan officers who speak multiple languages and understand the cultural backgrounds of their borrowers. For instance, NYANA can provide services to loan applicants in Spanish, Russian, Bosnian, French, Creole, Tibetan, Nepali, Arabic, and Hindi. The Business Outreach Center (BOC) Network, another source for microloans, has offices in Corona, Flatbush, Hunts Point, Chinatown,

Giving Immigrant Entrepreneurs a “Second Look”

Small businesses and entrepreneurs weren't a major focus of New York State's economic development strategy during the 12 years of Governor George Pataki's administration. Under Governor Pataki's watch, however, the State Banking Department launched a small-scale initiative that could have big-time benefits for immigrant and minority entrepreneurs.

Initiated by the late State Banking Superintendent Neil Levin, the effort started off by simply assembling a mix of bankers, microlending officials and technical assistance providers into a networking group. It then included a series of meetings in neighborhoods across the city, bringing together front-line lending officers from banks located in those areas with leaders of local nonprofits that were making microloans and providing technical assistance to entrepreneurs. Given the large untapped market for credit in many New York neighborhoods, the goal was to get banks comfortable enough with microlenders that they would regularly refer their clients—the ones who had solid prospects, but either didn't have a credit history, hadn't been in business for two years or otherwise failed to meet their strict lending criteria.

These “second look” referrals, as they are commonly known, were rarely made in New York prior to the Banking Department's initiative. That has started to change, as the walls begin to come down between banks and microfinance organizations. George Gardes, director of small business banking for Atlantic Bank of New York, says the networking group was his first introduction to groups doing microlending in the city. “We didn't know they existed, the microlenders,” says Gardes. “Now, if I can't make a loan, I'm calling either NYANA or ACCION and I refer the customer to them.”

What helped hook Gardes and officials at several other institutions is that it's in banks' interest to make these referrals. After all, if they help a client get a microloan, the client is likely to set up various accounts with the bank. There's also a good chance the client will be in good shape to come back for a traditional bank loan in a year or two, after developing a good credit history with the microlending organization. “It makes good business sense,” says Darlyne Bratton, vice president of HSBC Bank USA and one of the early supporters of the department's effort to increase “second look” referrals. “Since we are able to refer them [to a microlender], hopefully when they need a checking account or other financial services, they would come to us. And in years to come, ideally they'll be bank ready. Whatever reasons they were declined [for a bank loan], those things would have been resolved by getting the [loan with the] alternative financial lender.” ♦

Washington Heights, Fort Greene, Harlem and West Brighton on Staten Island.

Microfinance organizations also generally aren't as rigid with their lending guidelines as banks. Like banks, most microfinance organizations are focused on lending to individuals who have the capacity to repay. Yet, they do not automatically reject applicants who haven't lived in the U.S. for a long time, have no credit history or haven't been in business for a couple years. And they allow borrowers to use untraditional sources of collateral, like stereo equipment or a television, which is key since many immigrants don't own homes or other typical sources of collateral.

“Banks won't lend to a person who has been in the country for less than a year; we will,” says Robert Espaillat, president and CEO of ACCION New York. “We have limits on risks we can take, but we have very creative underwriting guidelines.” According to Espaillat, ACCION New York receives about 400 inquiries each month from individuals looking for financing and ends up making loans to roughly 20 percent of them.

Another critical factor is that microfinance organizations usually put as much or more emphasis on providing technical assistance as they do with lending money. They help foreign-born business owners and would-be entrepreneurs—many of whom have limited financial literacy—to write business plans, develop marketing plans and understand everything from commercial leasing agreements and contracts to government regulations. Nearly as important, many microenterprise groups continue to mentor and advise their clients after providing a loan.

Banks simply don't have the time or incentive to work with potential borrowers in this way. Yet, this individual coaching and hand-holding is critical in preparing many foreign-born entrepreneurs to qualify for a microloan. “We work on business plans for relatively recent immigrants, and we virtually have to hold them by the hand and walk them through the process, right up to the desk of the loan officer,” says Walther Delgado of the Audubon Partnership for Economic Development.

Finally, microfinance organizations got a huge boost from the federal government during the mid-1990s, when the Clinton administration created critical funding streams to support their microlending programs—particularly the Community Development

Financial Institutions (CDFI) Fund, administered by the Treasury Department, and the Microloan program run by the Small Business Administration (SBA).

Microfinance organizations undoubtedly fill a need by providing financing and technical assistance to underserved entrepreneurs. And there is evidence that they are achieving impressive results. For instance, 69 percent of ACCION New York borrowers who responded to a 2004 survey said that they would not have been able to expand their business, or would have had to pay higher interest rates to expand, without their microloan. Of equal note, the pro-

per month. Microenterprise experts have suggested that loan sharks account for about \$10 million in financing deals each year in Washington Heights and as much as \$15 million in the Queens neighborhoods of Corona, Jackson Heights and Elmhurst.

Part of the problem is that large numbers of immigrant entrepreneurs simply don't know about microfinance organizations or the services they offer. With limited resources even to do their core work, microfinance organizations have little or no money in their budget for marketing or advertising, and thus remain unknown to most immigrant entrepreneurs.

President Bush has dramatically scaled back funding to the Community Development Financial Institutions (CDFI) Fund and the SBA's Microloan program, both of which provide key support to microenterprise organizations in New York and other cities, and help fund hundreds of small loans to entrepreneurs. The CDFI Fund's budget has shrunk from \$118 million to \$55 million, while the annual allocation for SBA's Microloan program has declined from \$19 million to \$13 million.

portion of ACCION New York borrowers who sought financing from loan sharks and other informal lenders decreased from 26 percent to 3 percent after receiving an ACCION loan.⁵⁸

Unfortunately, microfinance organizations still serve only a relatively small share of immigrants who own or want to start a business. "It's no stretch to say that there's a huge untapped market for credit," says Dan Delehanty, economic and community development officer for North Fork Bank and former director of the community affairs unit at the New York State Banking Department. "The volume [of microloans] is still pretty low."

ACCION New York is far and away the largest microlender in New York. Yet, according to Espaillat, ACCION's entire outstanding loan portfolio—about \$14 million—is not quite as large as that of a typical small bank branch in Queens. Microlending at some of the smaller microfinance groups in the city has actually declined slightly in the last year or two. At the same time, thousands of immigrants still turn to loan sharks—or prestamistas, as they are commonly known in Latino communities—for loans, even though they often must pay about 25 percent interest

Since banks typically decline about 40 percent of the applications they receive for small business loans, they could provide a pipeline of clients to microfinance groups. Unfortunately very few banks in New York regularly refer the loan applicants they turn down to microlenders (See "Second Look," page 38). Indeed, only seven percent of ACCION New York's microloan clients found out about the organization from a bank; 37 percent were referred by other microborrowers.

The larger issue is that many of the groups that offer microloans are understaffed and lack the resources to expand upon the work they do with mentoring, pre- and post-loan counseling and other technical assistance. Instead, most of their funds are dedicated for loan pools. This is certainly understandable, since the banks, foundations and government agencies that support microenterprise organizations obviously want to keep overhead low and maximize the amount of money flowing to entrepreneurs. But these funders sometimes fail to grasp a fundamental tenet of microlending: the upfront hand-holding and technical assistance is critical to making loans. "The loan funds can't grow beyond a certain point if the capacity of the organization to work with borrowers

doesn't grow along with the capital," says Nancy Carin, executive director of the citywide BOC Network.

Several microfinance groups actually leave money sitting on the table, because they lack the capacity to get loans out the door. According to Carin, the BOC Network has about \$100,000 that they could still deploy. The problem is that BOC's sole loan officer also provides technical assistance to business owners and manages a portfolio of about 40 outstanding loans; he can't easily take on many new clients. Carin asks, "How many more loans can one person manage?"

Banks, philanthropic foundations and the government could help allay these problems by increasing operating support or allowing microenterprise lenders to spend a larger share of their existing funds on technical assistance, staff training and marketing. Unfortunately, key sources of funding for microenterprise groups are actually being reduced.

Most notably, President Bush has dramatically scaled back funding to the Community Development Financial Institutions (CDFI) Fund and the SBA's Microloan program, both of which provide key support to microenterprise organizations in New York and other cities, and help fund hundreds of small loans to entrepreneurs. The CDFI Fund, which had an annual budget of \$118 million as recently as 2001, was allocated just \$55 million in the 2006 fiscal year. Meanwhile, federal funding for the SBA's Microloan program dropped from \$19 million in fiscal year 2000 to \$13 million in 2006. Last year, in his budget proposal for fiscal year 2007, President Bush proposed eliminating the Microloan program altogether and slashing the CDFI Fund's annual allocation to just \$8 million.⁵⁹

The Microloan program provides relatively small loans to start-up or growing small businesses, and has been particularly useful to small business owners who cannot access the SBA's traditional loan program—the 7(a) loan—due to the small scale of their operations. According to the SBA, the program funded 159 small loans in the New York City region in 2005. The CDFI Fund program, which helps coordinate commercial banks' partnerships with low-income communities by providing training and private sector matching loans to foster community development, has been useful in addressing the market failures that exist in commercial lending in low-income neighborhoods.

Given the increasing importance of immigrant entrepreneurs to the economy of New York and so

many other cities, many microenterprise experts argue that funding for these two programs should be increased, not cut. "The only other source of lending other than the Microloan and CDFI programs for [most immigrant entrepreneurs] are loan sharks, as many of them do not bank," says Dennis Reeder, executive director of the Washington Heights and Inwood Development Corporation.

New York State has a valuable CDFI program of its own, dispersing about 25 grants each year to community development financial institutions around the state that offer microloans to minority- and women-owned businesses. The grants, typically between \$25,000 and \$100,000 each, primarily help cover the cost of providing technical assistance to loan applicants but also can fund organizations' loan pools or loan loss reserves. The state funds are a lifesaver for several microenterprise groups, but the program's meager annual budget of just \$1.5 million limits its impact. "The state program has enabled a number of CDFI's in the city to significantly increase what they are able to do, but it's still a drop in the bucket," says Cathie Mahon, an advisor to the New York CDFI Coalition, which advocates on behalf of community development financial institutions around the state.

Over the years, microenterprise groups have also received critical financial support from a number of banks. But experts say that some of the banks that traditionally funded microenterprise development in New York have reduced their support in recent years, sometimes simply because a bank merged and adopted the other institution's community development priorities. Meanwhile, community development officials assert that the foundation community overall has been relatively slow to support microlending in the U.S., even though several foundations support overseas microloan programs. "The banking foundations and the corporate foundations were the major way that microenterprise programs got some discretionary funds in the past," says the head of one microfinance group. "It wasn't, for us, the mainstream foundations, which were more focused toward a lot of social issues that didn't always include small business. I would encourage the foundation community and the corporate funders to look at the social and community development impact of microenterprise [programs]. Microenterprise is the place where wealth is created and where assets are created in communities."

CITY LIMITED

The Bloomberg administration has taken some important steps to support small businesses, but hasn't done enough to integrate immigrant-run firms into its overall economic agenda

MAYOR BLOOMBERG HAS CONSISTENTLY championed immigrants as a positive force for New York and has been a vocal critic of national proposals to impose significantly more restrictive immigration policies. His administration has also put in place a number of valuable new initiatives to support small businesses, some of which clearly have benefited immigrant-run firms. But while the mayor deserves credit for these stances and actions, immigrant entrepreneurs remain little more than a footnote in the city's overall economic development strategy.

Few if any of the administration's signature economic development initiatives are focused on supporting immigrant entrepreneurs or boosting ethnic shopping districts around the five boroughs. At the same time, those programs the administration has put in place to aid small businesses too often aren't connecting with immigrant communities. Indeed, city economic development officials have demonstrated little understanding of the unique obstacles facing immigrant entrepreneurs and haven't quite grasped how to effectively deliver business assistance services to people who speak limited English or are predisposed to distrust government agencies. "They don't get how immigrant entrepreneurs need help," says Flushing-based City Council Member John Liu.

Nobody questions the city's intentions in this area: if anything, the mayor has indicated that he understands the economic importance of immigrants. "Today, more than ever, immigrant entrepreneurs are central to New York City's cultural, civic, and economic life," said Mayor Bloomberg, through a statement. "Our administration is committed to doing everything possible to help them succeed—and to encourage even more entrepreneurial activity in immigrant communities in all five boroughs."

The administration has taken a few positive steps that back up those sentiments. Most notably,

the administration transformed the previously moribund and unfocused Department of Business Services into a much more robust agency with a clear mission to provide services to small businesses and support neighborhood development. Aptly renamed the Department of Small Business Services (SBS), the agency has opened NYC Business Solutions centers in each of the five boroughs,⁶⁰ in an effort to provide entrepreneurs with easier access to support services.

SBS now offers numerous free microenterprise workshops offering guidance around "business basics," accounting, licensing and other issues important to small-scale entrepreneurs—one class is a "boot camp" for those planning to open a restaurant. Most of the classes are taught in English, but several are offered in Spanish and some are available in Mandarin or Korean. The workshops are generally offered at SBS offices in lower Manhattan and at NYC Business Solutions centers across the five boroughs, though a handful are held in collaboration with community-based organizations that enjoy high credibility among immigrant communities such as CAMBA and the New York Association for New Americans. "To the extent we can, we're trying to drive those resources into communities where people live and work," said SBS Commissioner Robert Walsh in a 2005 interview with the Center.

The agency also periodically sends business outreach teams into neighborhoods around the city, offering advice on how to comply with regulations and licensing laws and providing information about other services to business owners who may not be aware of government services or have a difficult time accessing them. In some cases, these teams have visited neighborhoods where foreign-born entrepreneurs are concentrated. For instance, earlier this year the outreach teams visited 12 immigrant-run businesses in Corona that were impacted by a building fire, helping

them to apply for emergency grants and connect with the State Insurance Department for damage claims.

Additionally, the Mayor's Office for Industrial and Manufacturing Businesses, established in early 2005, has provided tax incentives and other assistance to a number of medium-sized manufacturing companies owned by immigrants—including Wonton Food, Brass Masters and United Knitwear. Also important to many immigrant-owned firms, in 2005 Mayor Bloomberg signed into law Executive Orders 36 and 71, committing the city to taking a number of steps to increase city contracting opportunities for minority- and women-owned businesses.

Even the Economic Development Corporation (EDC), the city's primary development agency, has gotten into the act. Despite its general focus on larger-scale projects and businesses, EDC has been instrumental in creating a new import and distribution center for 200 to 300 wholesale businesses, led by a consortium of several dozen Korean-owned firms that were at risk of being displaced from their long-time homes in Midtown Manhattan. While details of the project have yet to be finalized, the wholesalers are close to inking a deal to relocate to an 890,000 square foot warehouse in Jamaica, Queens that will be carved up into small units owned by different wholesaling firms.

Perhaps most encouraging, EDC remained engaged with the project despite some choppy waters: in October 2004, eight months after proposing to build the wholesale center in College Point, the mayor pulled the plug on the initiative following a torrent of opposition from local residents and politicians that city officials say smacked of racism. Several of the Korean business owners who had invested in the College Point development lost money and felt betrayed by the mayor. But insiders who've worked with the Korean wholesalers salute EDC for its perseverance and commitment to finding alternative locations. "[EDC officials] really wanted to make this project work," said one person involved in the development.

Despite these positive changes, however, New York City's commitment to its ever-expanding population of immigrant entrepreneurs has yet to register within the city's overall economic development strategy in any meaningful way.

The administration's top priorities over the last five years have included the construction of new

sports stadiums, redevelopment of Manhattan's far west side, rezoning of the East River waterfront and expansion of the city's biotechnology sector. But EDC's five-borough development agenda has largely bypassed the city's major ethnic business districts, and there has been no major city effort to market ethnic neighborhoods like Flushing, Brighton Beach and Washington Heights as destinations for shopping, dining or tourism. Though SBS has made real progress in working with small firms and aiding community revitalization efforts, the agency hasn't effectively penetrated many of the city's immigrant communities and, according to many in those communities, often fails to grasp the complexities of delivering business assistance services to immigrants.

Take the NYC Business Solutions centers. SBS created at least one center in each borough to make it easier for business owners and entrepreneurs to access a range of city services and information. In many respects, the centers have been a success. But while they might be an ideal way for SBS to reach more entrepreneurs and small business owners around the five boroughs, they don't have the same kind of appeal to many immigrants whose life experiences have left them wary of the government or uncomfortable seeking assistance from people outside their community. "The city is not the place immigrants typically go for services," says one Brooklyn nonprofit leader who frequently works with foreign-born entrepreneurs.

Although the solutions centers aim to offer "one-stop shopping" for business owners looking for assistance, most are not well-equipped to deal with entrepreneurs walking through the door who don't speak English well. For instance, the sole solutions center in Queens, located on 91st Avenue in Jamaica, has no full-time staff member who is fluent in Spanish—a huge oversight for a borough with so many new immigrants from South and Central America. Volunteers who speak Spanish and Mandarin come into the Queens center periodically to teach workshops.

"SBS [under Mayor Bloomberg] has been more pro-business than in other administrations, but the language capacity isn't there," says one Queens-based small business expert. "And it's really hard to serve the immigrant population if they're not really integrated into the community and located in the community. They have a lot more trust in local leaders

who look and speak like they do.”

Officials at the solutions centers regularly refer clients to microenterprise organizations located in immigrant communities that are more adept at providing technical assistance and other business services to foreign-born entrepreneurs. But some community development experts say that despite their willingness to refer entrepreneurs to those organizations, SBS reduced funding for these microenterprise entities after opening their centers. Since many of these groups already were operating on a shoestring, the combination of funding cuts and a higher volume of referrals has left them to do more work with less money.

“They’ve totally disinvested in community organizations that have highly developed microenterprise programs,” says one microenterprise expert. “[SBS] will not fund [nonprofit groups to provide] technical assistance, because they’re doing that through the Business Solutions centers.”

Others argue that SBS has never dedicated a meaningful share of its resources to business assistance organizations that have credibility and trust among immigrant communities—not only microenterprise organizations, but also merchants associations, grassroots service organizations started by immigrants and college-based Small Business Development Centers. It’s not that SBS doesn’t fund organizations around the city to provide economic development and business assistance services. Rather, according to critics, the agency tends to fund long-established local development corporations and Business Improvement Districts (BIDs) that focus more on commercial revitalization projects and industrial issues than providing technical assistance to entrepreneurs. While many of these groups do vital work and are worthy of the support they receive from SBS, too few of them have connected with immigrant communities or have the cultural and language competencies to effectively serve foreign-born entrepreneurs.

A related problem is that although BIDs have emerged as a primary vehicle by which SBS promotes community development and supports small businesses, these entities are in several ways ill-positioned to support immigrant-run firms.

To be sure, BIDs have proven successful in helping to revitalize both small-scale commercial strips and high-profile retail districts, and a number of diverse business centers around the city have embraced

the model. The Downtown Flushing Transit Hub BID, established in 2003, has helped to bring together the neighborhood’s fractured business community and was critical in getting needed sanitation and traffic improvements that are likely to benefit all sorts of businesses. Citywide, the number of BIDs has grown from 44 to 55 during the Bloomberg administration, a spike that wouldn’t have happened without an aggressive push from SBS.

Yet, some critics argue that BIDs are designed more to increase building owners’ property values than to bolster small-scale businesses. In some districts, the establishment of a BID has helped push out microbusinesses in favor of large chain retailers like Jennifer Convertibles, Foot Locker and others that can afford to pay higher rents and the BID assessment fee. “[SBS’s] big hype is on BIDs, but by definition BIDs are probably not in the best interest of immigrant small businesses and entrepreneurs,” says an economic development expert based in Upper Manhattan. “They are property owner associations.” Most immigrant businesses, by contrast, rent their operating space.

Moreover, no BIDs exist in several of the city’s most important ethnic business districts, such as Liberty Avenue in Richmond Hill, 74th Street in Jackson Heights, Eighth Avenue in Sunset Park and Junction Boulevard in Corona. Local merchants in these areas say that the result is that their business communities are left without real access to SBS. Some of these areas have merchants associations, but they are usually bare-bones entities that are run by a business owner in his or her spare time. “I don’t see those merchants associations having as much summoning ability for resources as a BID,” says one community development expert. “The communities that would like to see more community development know that BIDs are it.”

One final concern is that neither SBS nor EDC has forged substantial linkages with the Mayor’s Office of Immigrant Affairs. On its own, this small unit generally has de-emphasized working with immigrant entrepreneurs or providing business assistance in favor of a focus on education, human rights and other social issues. Some officials consider this a missed opportunity. “That office should be working closely with the small business office,” says City Council Member Hiram Monserrate, who represents Corona, Elmhurst and Jackson Heights.

TICKET TIME BOMB

The city's overzealous regulatory enforcement efforts have had a harmful impact on many immigrant entrepreneurs across the five boroughs

IN RECENT YEARS, FEW THINGS HAVE RILED immigrant entrepreneurs across the five boroughs more than the Bloomberg administration's efforts to increase revenues from tickets and fines, a decision born out of the city's once precarious fiscal situation but which has fallen disproportionately on the backs of small businesses.

Administration officials deny there has been a "ticket blitz," but immigrant entrepreneurs and other small business owners avow that enforcement agencies—including the Departments of Sanitation, Consumer Affairs, Transportation, Finance, Health, Fire and Buildings—have been issuing more summons. And while there's no evidence that ticketing agents have singled out businesses owned by immigrants, loads of firms in predominantly immigrant neighborhoods have received summonses.

"Unfortunately, this city is becoming very hard to have a small business [in]," says Cristina Alvanos, a Colombian-born entrepreneur based in Jackson Heights. "We pay taxes. We employ people. But we're getting a lot of harassment. [The city thinks] we just shake the tree inside the office and the money falls down."

Alvanos has been ticketed multiple times by the Department of Sanitation (DOS), including once for displaying a faxed copy of a permit instead of

the original. Numerous other entrepreneurs interviewed for this report singled out DOS enforcement agents, whose responsibilities include ticketing businesses that have trash on the sidewalk in front of their store during certain hours of the day. "You go outside at 10:29 and everything's fine. Then at 10:31, someone throws something on the [sidewalk] and an inspector comes by and gives you a summons," says Luis Salcedo, executive director of the National Supermarket Association, a group that advocates on behalf of more than 150 supermarket owners in the New York region, most of which are Hispanic. "[The inspectors] all have discretionary power, but they'd rather harass and abuse you. They see immigrant storeowners as successful and they get jealous. They don't know that you owe \$1 million and work 15 hours a day."

According to agency officials, the number of "dirty sidewalk" violations issued by DOS increased by 17 percent between fiscal years 2003 and 2005, from 20,090 to 23,546. The number of violations for "failing to clean 18 inches into the street" increased by 77 percent during the same period, from 11,277 to 19,949.⁶¹

Local development officials note that immigrant entrepreneurs are less likely than other business owners to be aware of every city ordinance, and therefore

CHART 12: INCREASING NUMBER OF SANITATION FINES HURT SMALL BUSINESSES

	Number of Violations Issued 2003	Number of Violations Issued 2005	Percent Change
Dirty Sidewalk	20,090	23,546	17%
Failure to Clean 18 Inches Into the Street	11,277	19,949	77%

Source: NYC Department of Sanitation

more likely to be hit with fines. And entrepreneurs themselves grouse that these enforcement agencies rarely attempt to educate them about the rules and hardly ever show leniency.

In 2002, for instance, the Department of Buildings issued summonses to more than 100 merchants on Roosevelt Avenue, 103rd Street and other retail areas in Corona for having illegal awnings, violating an ordinance of which most entrepreneurs and business advocates weren't even aware. The businesses, a large number of which were owned by immigrants, faced fines of between \$250 and \$1,000 and were required to take down their signs or spend hundreds of dollars to replace them.

"It's been devastating. It's probably their profit margin for the month," says City Council Member Hiram Monserrate, who represents parts of Corona, Elmhurst and Jackson Heights. "It says to me that this city has been negligent in informing small businesses, particularly immigrant businesses, about what the rules and regulations are. You have these agencies, each of them with their own separate bureaucracy, each one having very little translation skills, hammering these poor guys and gals who are scratching to make a living. The harassment of small businesses in the city is horrendous."

The city's overzealous ticketing efforts haven't just impacted storefront businesses. Many immigrants who run manufacturing firms say that the city has sharply increased the number of parking tickets and traffic fines to delivery trucks in recent years, a problem made worse by the fact that fines have in many cases doubled. Lowell Hawthorne, owner of Golden Krust, a manufacturer of Caribbean beef patties, says that "parking tickets are a major factor" in the high cost of doing business in New York.

Hawthorne applauds city officials for providing his firm with tax incentives, which have lowered his overall costs. But other firms haven't been as lucky. Jorge Alamilla, owner of Mayab Happy Tacos, a firm based in Bushwick that manufactures tortillas, says that the city has ticketed his delivery trucks so many times—with fines of \$300, \$600 and even \$900—that some out-of-town trucking companies have refused to work with him. "We had been doing business with some companies for 10 years, but after this started they said: 'Sorry, this is your last load, because New York City is unbelievable,'" he says.

Global Thinking

In recent years, Bloomberg administration officials have circled the globe trying to convince corporations in the United Kingdom, China, Germany and other countries to open branch offices in New York City. The strategy makes a lot of sense in today's global economy. But the administration has missed another big opportunity in its own backyard: to assist small businesses based in New York in exporting their goods and services to new markets, whether across the globe or simply throughout the United States.

Exporting products and services outside the region is among the surest strategies for small firms to grow to the next level, and offers tremendous promise for a number of immigrant entrepreneurs in New York. After all, the boom in immigration across the country has created a growing demand for ethnic products and, unlike many emerging immigrant communities around the U.S., New York is home to dozens of companies that manufacture, import and distribute goods targeted at immigrants from virtually every corner of the globe.

Several immigrant-run firms in New York already distribute to customers around the country. But many others that easily could reach new markets haven't yet seized the opportunity, often because they don't know how to go about it or find the regulations too daunting.

Currently, however, neither EDC nor SBS operates an export assistance program. Several small business experts interviewed for this report say that helping small firms export their products isn't even on their radar.

The good news is that a strong model already exists in the city. Brooklyn Goes Global, a program run by the Brooklyn Chamber of Commerce, helps companies from across the borough promote and export products nationally and overseas. The widely acclaimed program provides one-on-one advice to business owners and also helps local firms enter trade shows, like the International Fancy Food Show and Kosherfest, which could connect them to new customers outside of New York. Unfortunately, the program's small budget allows it to serve just a fraction of the companies in Brooklyn that could benefit from its services. Thus far, for instance, it has only begun to work with immigrant-run firms in Brooklyn that have export potential. Meanwhile, there is no similar program in any of the other boroughs.

"There is an opportunity to help our companies do better business in America, and in some cases, sell products overseas," says Steve Kaplansky, director of Brooklyn Goes Global. "We need to help them understand what's out there, know what the regulations are, streamline their operations and understand that they don't need to reinvent the wheel." ♦

RECOMMENDATIONS

Immigrant entrepreneurs have been indispensable to New York City's economic growth in recent years—and, given that immigration is projected to continue driving the city's population growth and that local policymakers have barely begun to explore the possibilities for strengthening immigrant businesses, it's clear that they could provide an even bigger boost to prosperity in the decade ahead.

But for the city to take full advantage of this tremendous economic asset, public and private sector leaders will have to show a greater appreciation for the role that immigrant-run firms have come to play in the city's economy and provide more assistance to help immigrant entrepreneurs scale the multitude of unique obstacles they face in their efforts to start and grow businesses in the five boroughs. These recommendations offer an action plan for government, banks, foundations and nonprofit economic development organizations that will help New York City capitalize on this growing but often neglected part of the economy.

Government

Integrate immigrant entrepreneurs into New York City's overall economic development strategy. Mayor Bloomberg has demonstrated through his statements and some policy actions that he understands and appreciates how much immigrants contribute to New York City's cultural, civic and economic life. But his administration has only begun to incorporate immigrant entrepreneurs into its larger economic development framework. Going forward, the mayor and his top economic aides would be wise to embrace New York's growing population of immigrant entrepreneurs as a powerful engine for future growth, and to pursue policies that place them closer to the heart of the city's economic agenda. As Deputy Mayor Daniel Doctoroff and the heads of the Economic Development Corporation and Department of Small Business Services (SBS) strive to create a master plan for the city's economic development, they should carefully consider how best to support immigrant entrepreneurs and strengthen several of the city's major ethnic business districts.

Develop a new framework for providing business services to immigrant communities. As this report details, too few of the programs overseen by the Department of Small Business Services are reaching immigrant entrepreneurs. Considering the importance of these emerging businesses, the agency should conduct a comprehensive assessment of how it can better serve this growing part of the city's business community. The goal would be both to connect many more immigrant entrepreneurs

with existing SBS programs and also create a new set of specially-tailored mechanisms for serving immigrant communities that take into account the limitations of traditional government-run programs and the different cultural norms and practices of those communities.

Partner 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. Experience shows, however, that many immigrants are eager to work with organizations that are based in their own community, have staff that speak their language and take the time to provide the close and sustained assistance that is often necessary. SBS should identify groups that have credibility in immigrant communities, many of which aren't currently in the agency's orbit. Then, it should make these community-based organizations full-fledged partners in delivering business assistance services, much the way the agency now works closely with a handful of local development corporations to manage the city's Industrial Business Zones and conduct outreach to manufacturing firms. To make it work, SBS will have to provide adequate funding for groups to ramp up their services.

Push for well-established economic development organizations to collaborate with newer groups that have roots in immigrant communities. SBS should also facilitate partnerships between longstanding business intermediaries—such as local development corporations and chambers of commerce—and recently founded nonprofits that are rooted in or have closer ties with immigrant communities. By marrying the expertise and resources of the more established groups with the cultural credibility and physical proximity of the newer nonprofits, the agency can quickly and dramatically strengthen the latter without a major expenditure of public resources or the need to build a new set of institutions.

Initiate a major new initiative to help local immigrant-run businesses export their products beyond the five boroughs. A major opportunity for economic growth lies with the scores of businesses throughout the five boroughs that manufacture unique ethnic products, import foreign goods for distribution or provide specialized services to immigrant communities. Many of these firms could easily expand their operations—and create new jobs—by exporting their goods and services to other parts of the country that have emerging immigrant populations but few ethnic businesses of their own. With minimal support, some of the city's small immigrant-run

firms might become the next Goya or Golden Krust. The city's Economic Development Corporation should create a new initiative to actively target these businesses and provide resources to help them develop the expertise and capacity to export into new markets. As part of any such effort, EDC should support a citywide expansion of Brooklyn Goes Global, a well-regarded export-assistance program run by the Brooklyn Chamber of Commerce.

Create a marketing campaign to promote the city's major ethnic business districts as unique destinations for shoppers from throughout the region. Ethnic business districts like Washington Heights, Flushing and Jackson Heights already attract large numbers of shoppers from throughout the tri-state region. But with additional marketing, these business districts could bring in many more shoppers from throughout the area who are looking for products they can't find at Whole Foods or Wal-Mart and a shopping experience that simply isn't available today on the Upper West Side or in Scarsdale. The city's marketing czar, in collaboration with EDC and local business groups, should initiate a campaign to promote these unique city assets throughout the region.

Advocate against federal cuts to microenterprise programs. Mayor Bloomberg has admirably spoken out against immigration reform proposals in Congress that would hurt New York. Working with the city's newly empowered congressional delegation, he should also add his voice in protest against the Bush administration's repeated attempts to eliminate or drastically cut back federal funding for microenterprise programs—like the CDFI Fund and the SBA's Microloan program—that have been incredibly effective in helping immigrant entrepreneurs get access to seed capital and technical assistance. Indeed, the mayor should lobby Congress and the State Legislature to increase support for microfinance programs, most of which are woefully under-funded and receive only a fraction of the resources that go to assist larger businesses.

Make better use of the Mayor's Office of Immigrant Affairs. SBS and EDC should forge closer ties to the Mayor's Office of Immigrant Affairs, and work with the unit to conduct outreach efforts into immigrant neighborhoods.

Rein in overzealous regulatory enforcement efforts. Every city has a stake in enforcing regulations that protect citizens' safety and health and ensure a reasonably high quality of life. In recent years, however, many of New York's enforcement agencies have gone overboard in issuing tickets to small businesses around the five boroughs—and the perception is that the city's motivation in doing so has been more a desire to collect revenue than to prevent egregious violations. The mayor and agency leaders need

to recognize that this has seriously poisoned the business environment in the five boroughs, and they should send a strong message to curb excessive ticketing.

Banks

Support efforts to get more immigrants into the banking system. Too many immigrants never establish a checking or savings account, and fail to develop a credit history. Not doing so subsequently hurts those who wish to receive bank financing to start a business. Banks can help bring many more immigrants into the banking system by lowering or removing barriers to establish various accounts, opening more branches in immigrant communities, hiring lending officers who come from ethnic communities and speak a mix of languages, and offering products that immigrants want, like money transmission services.

Refer rejected business loan applicants to microlenders. All banks in New York should make it a standard practice to refer immigrants who are turned down for business loans to ACCION, NYANA, the BOC Network or other groups that make microloans. Currently, too few banks are making these referrals, even though doing so may help them get business from that entrepreneur down the road.

Help microfinance organizations with capacity-building efforts. As part of their community development efforts, banks could do much more to help microenterprise organizations build capacity for their lending. Specific actions should include everything from having bank officials serve on the groups' lending committees to giving them input on managing portfolios.

Foundations

Support microenterprise organizations as part of community development initiatives. Many philanthropic foundations provide financial support to microfinance organizations on an international level, but only a small number of them have embraced microenterprise activities as an effective tool for asset-building and community development in New York and other American cities. Foundations should take a new look at the impact of microenterprise groups in supporting the growth of immigrant and minority entrepreneurs, and the role they play in creating wealth and growing communities. Even a relatively small amount of support from foundations could make a real difference for these organizations, particularly if directed at bolstering and expanding the critical technical assistance services these groups offer.

LOS ANGELES

Immigrant entrepreneurs helped kick-start LA's economy after the 1992 riots and have since become a reliable source of economic growth, producing thousands of tiny businesses and a surprisingly high share of the region's fastest growing firms

HOLLYWOOD REMAINS THE MOST VISIBLE SYMBOL of Los Angeles' economy, with the entertainment industry providing thousands of jobs. Other high-profile sectors like aerospace, international trade and tourism continue to play a key role in the economic health of the region. But in recent years, a new economic engine has emerged in LA: the thousands of immigrant entrepreneurs hailing from Mexico, China, El Salvador, Armenia, Vietnam and many other points on the map.

Foreign-born entrepreneurs gave Los Angeles a shot of adrenaline in the early and mid 1990s, acting as a catalyst for growth at a time when the city's economy was reeling from the riots in South Central, a devastating earthquake and downsizing in the defense industry following the end of the Cold War. Since then, immigrant entrepreneurs have become an even more potent force in the local economy. They are creating an ever-growing share of the new businesses in Los Angeles, from mom-and-pop *carnicerías* and nail salons to ethnic food manufacturers that ship products around the country and restaurants that have grown into national chains. They have also aided in the revival of once-depressed neighborhoods, like Pico Union, and triggered phenomenal growth along previously quiet strips such as Valley Boulevard in Monterey Park and Pioneer Boulevard in the "Little India" section of Artesia.

"Immigrant entrepreneurs really changed the landscape of the LA area," says Yusa Chang, vice president and chief operating officer of the Pacific Asian Consortium in Employment (PACE). "They've created a lot of jobs and opportunities. It's phenomenal."

With foreign-born individuals accounting for 94 percent of the city's population growth between 1980 and 2000, it's not surprising that businesses started by immigrants have become a vital component of LA's economy. Although government data doesn't measure what share of all LA businesses are owned by

immigrants, the number of firms in the region with less than five employees increased by 67 percent between 1994 and 2004, from 155,808 enterprises to 260,196.⁶² This net gain of 104,388 firms accounted for an astounding 94 percent of the overall growth in the number of businesses during this period (111,597).

Immigrants clearly helped spark this explosion of microbusinesses. Roberto Barragan, president of the Van Nuys-based Valley Economic Development Center, estimates that about 80 percent of the new entrepreneurs in Los Angeles are immigrants. "The economy in LA is defined by different sectors, but entrepreneurship in LA is being defined by the immigrant population," says Barragan.

Los Angeles County, which includes the cities of Los Angeles, Long Beach, Glendale and others, leads the nation in the number of Hispanic- and Asian-owned firms; it has more Hispanic businesses (188,472) than even Dade County (Miami) and three times as many Asian-owned firms (140,411) as any other county in the U.S.⁶³ Among cities, LA is second in both categories only to New York City.

As in other cities, the majority of enterprises owned by immigrants in LA are small mom-and-pop operations. Yet, an analysis done for this report found that in 2005, at least 22 of LA's 100 fastest-growing companies were founded by first-generation immigrants.⁶⁴

In fact, LA has produced some of the largest and most successful ethnic firms in the country. In 2006, 36 of the 500 largest Hispanic-owned businesses in the U.S. were based in Los Angeles County.⁶⁵ Meanwhile, the average Asian-owned firm had higher receipts in LA than in nine of the ten other cities with the most Asian-owned businesses.⁶⁶

National restaurant chains like Panda Express and El Pollo Loco got their start in LA County, as did clothing retailer Forever 21 and fashion designer BCBG Max Azria. LA was the birthplace of East West Bank,

CHART 13: MICROBUSINESSES ACCOUNT FOR THE VAST MAJORITY OF NEW FIRMS IN LA*

	Number of Firms 1994	Number of Firms 2004	Change 1994-2004
Firms with less than 5 employees	155,808	260,196	104,388
All Firms	243,187	354,784	111,597

*Los Angeles-Long Beach MSA
Source: U.S. Census Bureau

a Chinese-American bank that now has more than 60 branches in California and Texas, as well as food processing giants including LuLu’s Desserts, Cacique, Southern Tsunami Sushi and Red Chamber Group. Large ethnic grocery chains like Hong Kong Supermarket, 99 Ranch Market, Vallarta Market and Top Valu Market started here; so did ViewSonic, a leading manufacturer of TV and computer display technology.

SECTORS

It’s still common to find immigrants in LA opening donut shops, nail salons, groceries, restaurants and other niche retail businesses. But the city’s foreign-born entrepreneurs also have a significant presence in food processing, fashion, toy wholesaling, technology and other key sectors where there’s often more potential for growth. “It’s no longer just a few little restaurants run by Vietnamese or Mexicans,” says Linda Griego, a successful entrepreneur who served as deputy mayor of Los Angeles from 1991 to 1993. “In certain industries, like food products, I wouldn’t be surprised if immigrant businesses have contributed 50 percent of the growth.”

Immigrants started several of LA’s fastest growing technology firms, such as Pricegrabber.com, Newegg.com, Red Peacock International and Systech Solutions.

Foreign-born entrepreneurs in LA have also left an indelible mark on the food manufacturing industry, which has nearly 1,300 firms and more than 46,000 employees in Los Angeles County.⁶⁷ According to industry leaders, many of the fastest-growing food businesses in the area are owned by immigrants who have been capitalizing on the growing demand for ethnic products. Most of these entrepreneurs started

out by targeting the expanding ethnic communities in Southern California, making items from specialty Mexican cheeses and tortillas to Chinese noodles and Middle Eastern syrups. But several of them now distribute to ethnic groceries and mainstream supermarkets around the country.

One example is Huy Fong Foods, now one of the nation’s largest and most recognizable Asian food manufacturers. David Tran, an ethnic Chinese immigrant from Vietnam, started the company in Los Angeles in 1980. At the time, Tran was producing his first chili sauce by hand and delivering it to local Vietnamese restaurants. Before long, the company was so successful that it had to relocate to a 68,000 square foot plant elsewhere in LA County, in suburban Rosemead. Today, Huy Fong manufactures five chili products out of that facility, including its famous Sriracha Hot Chili Sauce. Its trademark clear plastic bottles, green caps and rooster logo are sold in restaurants and supermarkets around the world.⁶⁸

Immigrant-run businesses also remain an integral part of LA’s still-vital fashion industry. According to industry experts, entrepreneurs originally from Korea, Iran, China and Latin America own the vast majority of sewing contracting shops in the city, as well as a number of design firms, major manufacturing companies and wholesalers. These immigrants founded some of the city’s most successful fashion businesses, such as Koos Manufacturing, a maker of high-end denim jeans, and Paris Blues, a manufacturer of teen clothing. They also helped broaden the city’s sprawling downtown fashion district into a vibrant blend of manufacturing, wholesale and retail concerns.

CHART 14: COUNTIES IN THE U.S. WITH THE MOST HISPANIC-OWNED BUSINESSES

County	State	Number of Hispanic-Owned Businesses
Los Angeles	CA	188,472
Miami-Dade	FL	163,188
Harris	TX	61,934
Bronx	NY	38,325
Queens	NY	35,244
Hidalgo	TX	34,494
Bexar	TX	33,518
San Diego	CA	32,761
New York	NY	31,850
Orange	CA	30,137

Source: 2002 Economic Census, Survey of Business Owners, U.S. Census Bureau

CHART 15: COUNTIES IN THE U.S. WITH THE MOST ASIAN-OWNED BUSINESSES

County	State	Number of Asian-Owned Businesses
Los Angeles	CA	140,411
Queens	NY	48,241
Orange	CA	46,015
Honolulu	HI	35,376
Santa Clara	CA	30,007
New York	NY	29,020
Cook	IL	27,779
Kings	NY	25,988
Harris	TX	24,922
Alameda	CA	24,908

Source: 2002 Economic Census, Survey of Business Owners, U.S. Census Bureau

“I don’t think the apparel business [in LA] would be what it is without the immigrants,” says Ilsa Metchek, executive director of the California Fashion Association. “Ninety-nine percent of the contractors to this day are [owned by] immigrants.”

This immigrant-dominated sector continues to be a force in LA’s economy despite increasing global competition. In fact, LA is the nation’s largest center for apparel manufacturing, with 59,300 jobs versus 22,600 for New York City.⁶⁹

PROBLEM AREAS

Given recent demographic trends, immigrant-run businesses surely will be a key factor in the city’s future growth. Yet, foreign-born entrepreneurs in Los Angeles encounter numerous obstacles.

Immigrant entrepreneurs in LA struggle with the same problems as other small business owners, from high costs and burdensome regulations to difficulty accessing capital and a lack of affordable manufacturing space. LA ranked as the second most expensive California city to do business in a 2005 survey.⁷⁰

As in New York City, language and cultural barriers have exacerbated many of the problems for foreign-born entrepreneurs in LA, and in many cases, created additional hurdles. For instance, many immigrants here never open checking accounts or establish credit histories—thus making it more difficult to obtain a business loan down the road—in part because many found that banks in their native country were corrupt, undependable or open only to elites. Meanwhile, the legions of foreign born entrepreneurs in LA who have limited English language skills often struggle with tasks as basic as applying for a permit and as complicated as crafting a business plan. Language gaps are also a major reason why so many immigrant entrepreneurs tend to focus narrowly on their own ethnic market, and why too few avail themselves of business assistance services provided by nonprofits and government.

“The language barrier is a significant challenge to overcome,” says Cynthia Amador, executive director of CHARO Community Development Corporation, a nonprofit that provides entrepreneurship resources and other economic development services primarily to LA’s Latino community. “About 80 percent of our clients have basic English comprehension. But when you get into business deals—cash on cash, return on

investment, and cost of goods—they can't translate. It's much too difficult for them. They don't know how to write a business plan that's going to suit a bank. They bring out a business plan, and the only thing they know how to write is in Spanish. We tell them it sounds really great in Spanish, but the bank can't read it and doesn't want to receive it in Spanish."

Adding to the problem, many state and local government agencies, nonprofit business assistance providers and banks still offer their application forms and other program materials only in English, and most don't have staff that can answer questions or provide technical assistance in entrepreneurs' native languages. Viem Hong, a business counselor with PACE, notes that business owners from China and Vietnam have trouble filling out applications for some of the required business licenses because the forms are in English. "Many of them do without [a license] because no one can explain it to them," he says.

Similarly, Yvette Nunez, manager of the Food Industry Business Roundtable, says that some immigrant-owned food manufacturing companies in LA have a difficult time communicating with the government inspectors who visit their facilities, and understanding their rulings. According to Nunez, few of the inspectors are multilingual and the inspection forms are all in English. "We found that [the owner] just says 'yes, yes' and then the inspector leaves and they have no clue what they need to do," says Nunez.

LA-based economic development experts also claim that some of the business assistance programs funded by the federal government—like the Service Corps of Retired Executives (SCORE) and the Small Business Development Centers (SBDCs)—don't make enough of an effort to provide their services in languages other than English. "LA is 41 percent Spanish-speaking, but there is not one Spanish-speaking SCORE representative in LA," states one microenterprise expert, adding, "The federally funded programs have not caught up to the reality of entrepreneurship in the U.S. today."

City and state policymakers in Los Angeles also could do more to incorporate immigrant-run businesses into the city's overall economic development strategy.

There have been positive steps. The city of Los Angeles, the LA Unified School District and other local government entities do a good job of getting the

word out about public-sector procurement opportunities to microenterprise organizations that work with immigrant entrepreneurs. Whenever the city needs a general contractor, an architect or a photographer, it will be announced in the list sent out each night by the city's office of procurement opportunities. Amador says she regularly puts this information to use, encouraging entrepreneurs to pursue these opportunities.

Nevertheless, business owners and microenterprise experts attest that in recent years local and state government officials have done little to engage immigrant entrepreneurs or address the obstacles that hamper their growth. "[Los Angeles government is] not always very friendly to immigrant-run businesses," says Linda Griego, the former deputy mayor. "There aren't a lot of friendly programs to nurture these businesses. It doesn't take a lot. You don't need to change the bureaucracy. You need to do more outreach."

"There has been a disconnect with local government," adds one Asian business leader. "Government pays lip service to diversity issues, but a lot of government has not been set up to deal with how to communicate with immigrant-owned businesses. If they deal with minority businesses, they tend to be African Americans or second- and third-generation owners where the language is not so much of a concern."

Compounding the problem, critics charge that local government officials in LA haven't paid very much attention to small businesses in general. "They're not geared towards small businesses. They're more geared towards retaining jobs than creating new ones," says Griego. "Part of it is that immigrant-run businesses are so small. They're going to be a blip on the radar. Nobody's counted the 10,000 microbusinesses that have each created two jobs. But that's what's happened. Government would rather bring in a large company."

Some business leaders are hopeful that Mayor Antonio Villaraigosa will push for the needed changes. After winning election in 2005, Villaraigosa quickly outlined an ambitious economic development agenda and appointed highly respected civil servant Bud Ovrom to be deputy mayor for economic development and head up a mayoral business team that will court businesses and attempt to cut through red tape. According to Ovrom, the mayor intends to personally phone local business owners to ask how the city can help them grow.

HOUSTON

From taquerías to shopping malls, immigrant entrepreneurs are having a Texas-sized impact on Houston’s economy

PRIOR TO HOUSTON’S INFAMOUS OIL BUST IN THE early 1980s, immigrant-owned businesses were mostly an afterthought in the city’s economy. In the last quarter-century, however, entrepreneurs hailing from Mexico, Vietnam, Nicaragua, China, Nigeria and other parts of the globe have generated loads of new businesses across Houston, sparked the growth of vibrant new business districts and helped to diversify the city’s economy.

Today, Houston ranks third among all American cities in the number of Hispanic-owned businesses (41,753) and is home to 16 of the largest 500 Hispanic-owned firms in the country.⁷¹ Perhaps more surprisingly, Houston also ranks sixth among U.S. cities in the number of Asian-owned firms (15,966).

Immigrant entrepreneurs in Houston have opened countless taquerías, boba tea shops, landscaping firms, supermarkets, banks, and a multitude of other businesses. One of these entrepreneurs, an immigrant from Pakistan, founded a wireless communications firm that topped the 2006 Houston Small Business 100 list, a ranking of the city’s most successful small businesses compiled by the *Houston Business Journal*.⁷² Another immigrant, a native of Nigeria, started an international oil exploration,

refining and trading company that now has more than 1,000 employees worldwide and was recently cited as the second largest black-owned firm in the U.S. by *Black Enterprise* magazine.⁷³

A number of small restaurants founded by immigrants have expanded into wildly successful chains with locations across the city, such as Taquerias Arandas, Ninfa’s, Doneraki and Kim Son. Immigrants also have developed many of the strip malls built around the city in recent years, one of the clearest signs yet that the newest Houstonians are contributing to the economy of this ever-expanding metropolis.

“From construction to energy to restaurants, I don’t think there are any major industries in Houston that are not affected in a positive way by immigrants,” says Farid Varina, who came to Houston from Pakistan in 1985 and founded Prime Communications in 1999, a wireless retail firm that now has revenues of more than \$50 million.

To be sure, Anglo-owned firms still play a leading role in Houston’s economy, and remain dominant in the critical energy, biomedical and aeronautical sectors. Yet, local business leaders say that the proliferation of small- and medium-sized, immigrant-run firms has exerted a strikingly positive effect on the city’s economy, a claim undoubtedly reflected by the fact that 94 percent of the new businesses created in Houston between 1995 and 2005 had fewer than 50 employees.⁷⁴

Shirley Brooks, a senior loan officer at the Houston branch of ACCION Texas, says immigrants and refugees account for about 30 to 40 percent of the business owners and would-be entrepreneurs that come to her office seeking financing. Similarly, Neil Polansky, longtime director of Houston’s One Stop Business Center, says that a growing number of the entrepreneurs that come through the center’s doors for information about starting a business are immigrants. Indeed, he says that as many as 15 percent of them have great difficulty speaking English.

CHART 16: HOUSTON POPULATION BREAKDOWN

	Percent of Population 1990	Percent of Population 2000
Hispanics	28%	37%
Anglos	41%	31%
Blacks	28%	25%
Asians/Other	4%	7%

Source: Stephen L. Klineberg, *The Houston Area Survey* (2002); U.S. Census Bureau

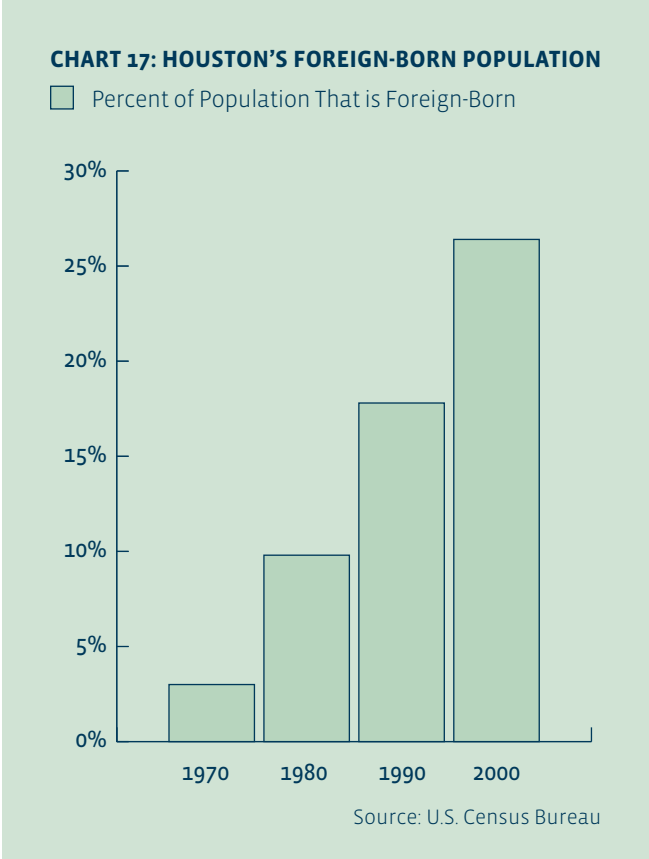
“I have no stats, but I can state unequivocally that immigrant entrepreneurs have been an important part of Houston’s economy,” says Polansky. “Sometimes it just blows my mind.”

Foreign-born entrepreneurs have emerged as a growing force in Houston’s economy thanks to a flood of new immigrants and refugees during the last two decades. Individuals born outside the U.S. accounted for 70 percent of Houston’s population growth during the 1990s. By 2000, 26.4 percent of the city’s residents were foreign born, up from 9.8 percent in 1980 and 3.0 percent in 1970.

Houston has the largest Nigerian population in the U.S. and the third largest Vietnamese community. Hispanics, however, now outnumber all other groups in Houston, accounting for 37 percent of the city’s population (Anglos make up 31 percent, blacks 25 percent and Asians/others 7 percent). While Houston has long had a significant Hispanic population, it has grown exponentially in recent years; surveys conducted by Rice University demographer Stephen Klineberg show that 63 percent of Hispanics over the age of 18 living in the area today are first-generation immigrants.⁷⁵

Barton Smith, an economics professor at the University of Houston, says that first-generation Hispanic immigrants in Houston have tended to be less entrepreneurial than their Asian counterparts, most likely because a much smaller proportion of them were entrepreneurs and professionals in their home countries. Even so, entrepreneurs who emigrated from Mexico and Latin America are increasingly making their mark in Houston’s economy. Success stories abound, from Nicaragua-born Fernando Somoza, who started a chain of auto dealerships in Houston that now employs more than 200 people, to Ecuadorian native Antonio Grijalva, who founded a human resources and administration services firm that has grown into the largest minority-owned business in Houston and was listed as one of the 500 fastest-growing private companies nationwide by *Inc.* magazine.

Another particularly vivid illustration of Houston’s recent immigration influx has been the inexorable expansion of Houston’s thriving Asian business district along Bellaire Boulevard. Once a barren and rundown area, it’s now the largest Asian business district in the South, and still growing. Today, several hundred Chinese and Vietnamese businesses line strip mall after strip mall for miles along this sprawling district,



with new shopping centers seemingly going up every month.

The Bellaire revitalization traces its roots to 1983, when Hong Kong native T.D. Wong developed a shopping center called Diho Plaza. Though the district was initially known as a home for Taiwanese businesses, Vietnamese entrepreneurs have driven much of the recent growth. In 1999, Vietnamese immigrant Hai Du Duong developed the massive Hong Kong City Mall, the largest shopping complex on the strip, with 400,000 square feet full of Asian-owned clothing shops, video stores, pho restaurants and cafes.

“[The growth along Bellaire] has added a lot of taxes to the area and created jobs,” says Hubert Vo, a Vietnamese immigrant who once headed Houston’s Vietnamese Chamber of Commerce and now serves as a member of the state legislature. Like other successful Vietnamese business owners, Vo moved into developing real estate; he owns the mall on Bellaire Boulevard that houses his district office. “Twenty years ago, this area was all vacant land,” he says. “It was nothing more than dairy farms. Even six years ago, across the street was vacant.”

PROBLEM AREAS

Immigrant entrepreneurs have thrived in Houston for many of the same reasons as other small business owners in this commerce-friendly city: a surplus of inexpensive real estate, no zoning restrictions, relatively low labor costs and affordable housing. All of this makes it relatively easy to open and expand a business, according to local business leader Tim Cisneros. “Houston may be America’s last frontier of true opportunity,” he says. “Immigrants feel welcomed.”

Indeed, Houston has the fourth-highest rate of entrepreneurial activity among the nation’s 15 largest metropolitan areas, behind only Atlanta, Riverside/San Bernadino, CA and San Francisco, according to a 2006 report by the Kauffman Foundation.⁷⁶

Nevertheless, immigrant entrepreneurs in Houston encounter similar obstacles as those in other cities, from language barriers to financing roadblocks. One drawback more unique to Houston is that it doesn’t have nearly as extensive a network of business assistance services available to entrepreneurs—offered by either nonprofits or the local government—as cities like New York and Los Angeles.

For instance, while foreign-born entrepreneurs in Houston struggle to access capital as much as immigrants elsewhere, compared to other cities the area has relatively few alternative financial institutions that offer microloans—and the groups that do so are only beginning to tap the demand. For instance, the Houston office of ACCION Texas has only a few staff and has no real marketing budget. According to Shirley Brooks, senior loan officer for ACCION Texas, her office makes 12 to 14 loans a month; by comparison, ACCION New York makes nearly 100.

Houston has just two certified community development financial institutions (CDFIs)—credit unions, banks, community development corporations, micro-enterprise loan and other neighborhood-based financing entities that are primarily focused on community development. In contrast, New York City has 49 CDFIs, LA has 10 and Boston has 9. San Antonio is home to 7 CDFIs, the most of any city in Texas.

Other services for immigrant entrepreneurs are lacking as well. “In Houston, there’s not a lot of places immigrant entrepreneurs can go to get information [about starting a business or accessing financing],” says Brooks. “There may be nonprofit agencies out here, but I don’t see them.”

Part of the problem is that several of the programs geared toward small businesses and entrepreneurs in Houston haven’t been marketed sufficiently to immigrant communities. This goes for city programs as well as nonprofits. For instance, Brooks acknowledges that ACCION Texas’ Houston office has no real marketing budget. In addition, she says that too few immigrant entrepreneurs in Houston make use of the city’s One Stop Business Center, which she heralds as a tremendously useful resource for individuals looking to start a business. “Very few people know it exists,” says Brooks. “They give you a list of permits you need, the cost of those permits, what standards you need for day care, home health agency, a salon or a restaurant. It tells you all the stuff that you need. But the city of Houston doesn’t advertise it. One percent [of all immigrant entrepreneurs] know to go down there to get this information.”

More outreach is needed, according to Representative Vo. “The community needs to be educated much more about what’s available as far as resources,” says Vo. “Some of the immigrant businesses, when they started out, did not know where to go to access the resources of the city and state.”

At the same time, some of the business assistance centers that do exist in Houston simply lack sophistication, according to several local business leaders and economic development experts. “The [small business centers at] junior colleges and community colleges are not doing a good job,” says one business leader. “They don’t have skilled people.”

Limited resources also make it difficult for programs to conduct outreach or tailor their services to immigrant communities. For instance, a number of services that immigrant business owners might find useful are still only available in English, even though Hispanics now make up nearly 40 percent of Houston’s population and Asians were the city’s fastest growing group during the ‘90s. “The biggest obstacle, without a doubt, is the language barrier,” says Neil Polansky, director of the city’s One Stop Business Center. “We try to provide information however we can, but there are a lot of people who come to our office who don’t speak English very well. We provide our English information packet, but I don’t have a staff of 12 people. We don’t have materials in eight different languages. We have about half of our information packet in Spanish.”

BOSTON

Driven by dramatic increases in the city's foreign-born population, immigrant entrepreneurs are just starting to have a major impact on Boston's economy

BOSTON'S ECONOMY HAS LONG BENEFITED FROM entrepreneurs in technology-related sectors like software and life sciences. But while immigrant-owned businesses haven't had quite as powerful an impact on Boston's economy as in New York, LA and Houston—cities that have much larger foreign-born populations—the city has begun to receive a major economic boost from immigrant entrepreneurs. Immigrant business owners hailing from El Salvador, Brazil, Vietnam, and a mix of other countries have sparked the economic revitalization of several neighborhoods and contributed to sectors ranging from information technology to floor finishing.

Immigrant-run businesses are emerging as a potent force in Boston's economy following two decades of sharp increases in the city's foreign-born population. The number of immigrants living in Boston increased by 27,541 during the 1980s, then spiked by another 37,239 during the 1990s.⁷⁷ These jumps more than accounted for Boston's overall population growth over the last 20 years, as the city's native-born population declined during the same period. Overall, foreign-born individuals made up 25.8 percent of Boston's population in 2000, up from 20 percent in 1990 and 15.5 percent in 1980.

Local economic development officials and immigrant experts say that these new arrivals are starting businesses in large numbers. “[Immigrant entrepreneurs] are some of the few engines of growth that are really taking place within the city,” says Paul Watanabe, an associate professor of political science at the University of Massachusetts Boston and co-author of a 2005 report published by the Immigrant Learning Center (ILC) about the impact that immigrant entrepreneurs have had on the city's Allston Village, Fields Corner and East Boston neighborhoods. “They may be small, but they are the seeds that are beginning to germinate.”

According to the Census Bureau, the number of Hispanic-owned firms in Boston increased by 97 percent between 1997 and 2002, from 1,500 to 2,958; over the same five-year stretch, Asian-owned firms in the city increased by 41 percent, from 1,960 to 2,761.⁷⁸

The growth in immigrant-run firms has helped bring new life to Boston's economy at a time when the city needed a jolt. A 2006 report by the Kauffman Foundation, a Kansas City-based foundation whose primary mission is to advance entrepreneurship, found that Boston had the third lowest rate of entrepreneurial activity among the 15 largest Municipal Statistical Areas (MSAs) in the United States.

“The city is in much better financial and economic health than it was before, and I think part of it is the fact that the immigrant community has done that,” says Jerry Villacres, an Ecuador native who is the editor of *El Planeta*, a weekly Spanish-language newspaper that targets Hispanics in the greater Boston area. “A lot of these small [immigrant] entrepreneurs have created a great number of jobs. And you can see the way that [immigrants] are renewing different areas that oftentimes were run down and were in really bad shape.”

The impact of immigrant entrepreneurs is most noticeable at the neighborhood level, where their businesses have played a major role in the resurgence of communities like Fields Corner, Allston Village, East Boston and Jamaica Plain.

Fields Corner, a section of the large Dorchester neighborhood, was a struggling area in much of the 1970s and 1980s, scarred by high crime and a preponderance of empty storefronts. But in recent years, the area has become a bustling commercial center, thanks largely to a steady stream of new businesses started by Vietnamese immigrants. Vietnamese immigrants now reportedly own 126 of the area's 225 businesses (56 percent).⁷⁹ Perhaps even more

importantly, the ILC report notes that three quarters of the business owners they surveyed in Fields Corner have plans to expand.

“If you go back 15 years, [Fields Corner] was struggling. In the early ‘80s, you probably had about 50 percent vacancies,” says Hiep Chu, executive director of Viet Aid (Vietnamese American Initiative

per 88 Markets, three restaurants, a liquor store and an import-export business, employing hundreds of Boston residents.⁸⁰

Brazil native Hildo Costa has had similar success. In 1997, Costa opened a tiny snack bar in Allston serving cheese bread, sugar cane juice and other Brazilian favorites. Two years later, Costa ex-

“If a fraction of the resources that have gone into thinking about multi-million dollar development projects downtown and on the waterfront went into providing support for hundreds of immigrant entrepreneurs that we now have and even more that we could have in the future, I’ve got to believe the impact in the end could be huge.”

for Development, Inc.), a community organization based in Dorchester. “Right now, there are absolutely no vacancies. Over half of those businesses are owned by immigrants.”

Another Boston neighborhood that’s benefited enormously from immigrant entrepreneurs is Allston Village, an eclectic community that abuts Harvard and Boston Universities. Jennifer Rose, executive director of Allston Village Main Streets, a nonprofit business development organization, has calculated that immigrants own 131 of the community’s 283 businesses (46 percent). “It’s a huge, huge part of our economy here,” says Rose. “And it keeps growing.”

While Vietnamese immigrants largely have spurred the revival in Fields Corner, activity in Allston Village is far more diverse: entrepreneurs originally from Korea, Brazil, Russia, Lebanon, Taiwan, Ireland and other countries all have contributed to the community’s comeback.

Local economic development experts say that the vast majority of immigrant-run firms in Boston are very small in size. But at the same time, data suggests that many immigrant entrepreneurs are expanding their firm or opening second and third businesses—a strong indicator of success. “I’ve seen in Allston how people seem to start more than one business. They succeed in one and they start another,” says Rose.

Just take Vietnam native Peter Luu. After arriving in Boston in 1979, Luu started a small seafood market in Boston’s Chinatown. Today, Luu owns seven Su-

panded into a larger space across the street. Today his Café Belo restaurant has 10 locations throughout New England.

PROBLEM AREAS

As Boston’s immigrant population continues to expand, the city likely will see many more success stories like these in the years ahead. But it’s far less clear whether Boston will be able to fully harness the economic development potential of its growing pool of immigrant entrepreneurs. “They have made a profound difference economically, but there’s a big question mark about the future,” says Watanabe.

Watanabe and other immigrant business experts worry that immigrant-run firms in Boston could become victims of their own success. Rents already have begun to rise along some of the commercial strips that immigrant entrepreneurs helped to revitalize in recent years. Additionally, local government agencies are considering infrastructure investments, transportation improvements and waterfront development in or near some of the most vibrant ethnic communities—changes that some immigrant advocates fear will spur even higher real estate prices and ultimately lead to immigrant-run businesses getting priced out of the neighborhoods they’ve helped bring back.

Like their counterparts in other American cities, foreign-born entrepreneurs in Boston also face hurdles ranging from difficulty accessing capital to struggles with understanding local regulations. Yet,

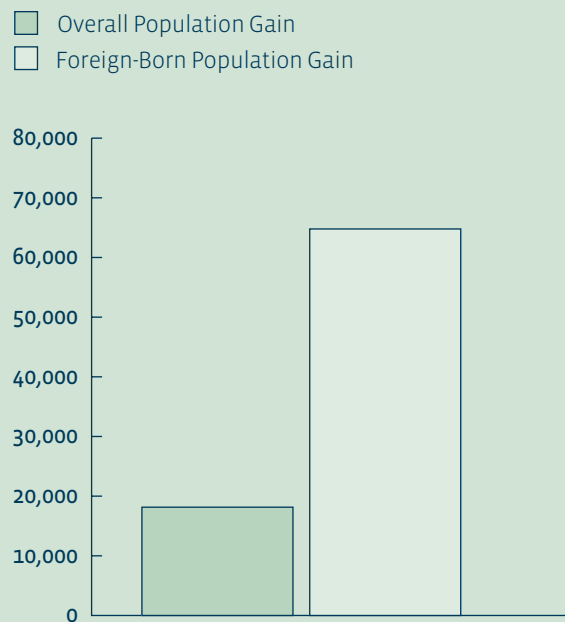
very few of them are taking advantage of assistance offered to small businesses by government agencies, nonprofit business associations or community development organizations. According to the Immigrant Learning Center study, none of the immigrant entrepreneurs from Allston Village, Fields Corner or East Boston that were surveyed received outside assistance in starting their business. In fact, not a single entrepreneur relied on small business support programs offered by the government, received business development advice or accessed traditional sources of financing.

“There’s a huge disconnect,” says Marcia Drew Hohn, director of public education for the Immigrant Learning Center, a nonprofit based in Malden, Massachusetts that provides adult education services to immigrants and refugees in the Boston area. “The immigrant entrepreneurs don’t access mainstream community development organizations and traditional financial services. We’ve got to find ways to bridge that gap.”

Making matters worse, immigrant entrepreneurs generally have not figured into the city’s overall economic development strategy. To his credit, Boston Mayor Thomas Menino has been relatively aggressive in upgrading ESOL programs and crafting social services for immigrants. In 1998, he created the Office of New Bostonians, which runs immigration clinics, refers newcomers to city services and coordinates an initiative that provides English-language instruction for thousands of newcomers. But this new office isn’t focused on immigrant entrepreneurs and doesn’t play a major role in economic development planning.

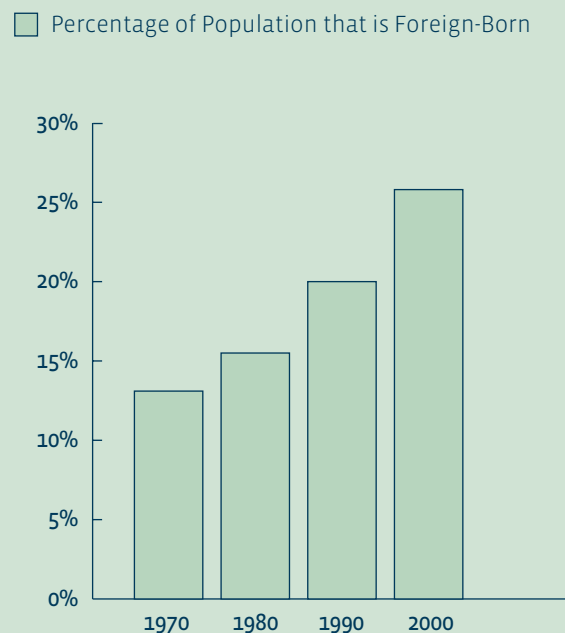
Few if any of Boston’s major economic development initiatives have concentrated on nurturing immigrant-run firms or supporting the ethnic business districts that have formed in the last several years. By primarily focusing on large-scale development projects, says Watanabe, the city is missing a huge opportunity to cultivate a growth engine of the future. “If a fraction of the resources that have gone into thinking about multi-million dollar development projects downtown and on the waterfront went into providing support for hundreds of immigrant entrepreneurs that we now have and even more that we could have in the future, I’ve got to believe the impact in the end could be huge,” he says.

CHART 18: GROWTH OF BOSTON’S POPULATION 1980-2000



Source: U.S. Census Bureau

CHART 19: BOSTON’S FOREIGN-BORN POPULATION



Source: U.S. Census Bureau

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