



SMALL BUSINESS, BIG DREAMS

**A SURVEY OF ECONOMIC DEVELOPMENT
ORGANIZATIONS AND THEIR SMALL BUSINESS
CLIENTS IN LOW-INCOME ASIAN AMERICAN AND
PACIFIC ISLANDER COMMUNITIES**

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The National Coalition for Asian Pacific American Community Development is honored to be able to highlight the work of our member organizations, and the Asian American and Pacific Islander (AAPI) communities they serve, through this report. Our thanks go to all our members serving their local small business community, and in particular to the following organizations that participated most actively in the development of this document:

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EXECUTIVE SUMMARY

Owning a small business is an often-pursued pathway out of poverty, particularly in immigrant communities in the United States. Asian American and Pacific Islander (AAPI) small business owners play a vital role in their local communities and make positive contributions to the local economy.

KEY FINDINGS

Small Business, Big Dreams profiles nine National CAPACD members that serve AAPI small business clients in low-income communities across the country. The work of these community based organizations is critical to maintaining and promoting the vitality of AAPI neighborhoods. This report provides a more nuanced narrative about the challenges to wealth building through entrepreneurship in low-income AAPI communities.

National CAPACD analyzed available federal data on small businesses and collected primary data from our membership to supplement this analysis. In addition, we conducted client surveys and key stakeholder interviews, allowing us to assess entrepreneurship from the provider and consumer sides within the AAPI community.

- 1. Who are AAPI small business owners?** The AAPI community is among the most diverse in terms of ethnicity, language, immigration history and education. There are at least 40 ethnic subpopulations comprising the AAPI population. **Unfortunately, available data do not reflect the true diversity of AAPI small business owners, presenting a challenge to accurately identifying their needs.** This lack of disaggregated data for small businesses at the federal level, coupled with the persistent “model minority” stereotype that permeates our dominant narrative, diminishes the ability of AAPIs to access the resources they need to succeed as entrepreneurs. For example, in the Minneapolis-St. Paul-Bloomington metropolitan statistical area (MSA), almost 40 percent of all Asian American firms were classified as ‘other Asian,’ larger than any single AAPI ethnic category identified by the survey (Chinese, Filipino, Japanese, Asian Indian, Korean and Vietnamese). Hmong and other Southeast Asian entrepreneurs have made significant contributions in this particular community, but the aggregate data in its current form obscures their needs and contributions to the local economy.
- 2. Where do AAPI small business owners get financial guidance and resources? The AAPI business owners surveyed for this report state that they rely primarily on family and friends for advice and money, similar to many other entrepreneurs in other communities of color.** This finding is supported by a 2018 U.S. Small Business Administration (SBA) Office of Advocacy study on financing patterns and credit market experiences by race and ethnicity. It found that AAPIs turn to friends and family more than any other racial or ethnic group for startup financing. *Small Business, Big Dreams* also found that because of cultural norms, AAPI small businesses perceive banks as untrustworthy, have a fear of taking on debt and are unfamiliar with services and products offered by financial institutions.
- 3. What are the needs of AAPI small business owners? While the needs of AAPI business owners are diverse, analysis of survey data demonstrates consistently the need for trusted resources that can provide culturally competent one-on-one technical assistance and business counseling.** Twenty-eight percent of respondents cited limited English proficiency as a barrier to starting or operating their small business, with 17 percent stating they did not know where to find free help in their language. Forty-four percent of the sample does not turn to anyone for business advice. This need for assistance and counseling is present throughout the life span of AAPI small business, and varies by market. For example, small businesses in hot real estate markets need assistance in reaching new market segments or renegotiating leases to avoid displacement as their business districts change.

- 4. How do AAPI entrepreneurs access capital? AAPI small business owners, particularly microentrepreneurs, experience significant challenges in securing capital from mainstream U.S. financial institutions.** The most frequently cited barriers in our sample were: poor credit (28 percent), difficulty in navigating the loan application process (20 percent), linguistic barriers (18 percent) and lack of knowledge of capital availability (17 percent). Use of personal capital to operate businesses has serious implications on the growth and financial stability of their business and households. AAPI business owners who have limited proficiency in English are also more vulnerable to predatory lending, including from online sources.

RECOMMENDATIONS

Findings from this report point to several key federal policy priorities that would support the growth and sustainability of AAPI entrepreneurship in low-income communities. We also identify priority areas for practitioners and future opportunities for research. Some recommendations are applicable to communities of color regardless of ethnicity.

- 1. Data Disaggregation**—Collect more and better disaggregated data about AAPI small businesses, including small business lending data through section 1071 of the Dodd Frank Act.
- 2. Language Access**—Implement meaningful language access plans at federal agencies such as the Small Business Administration, Minority Business Development Agency (MBDA) and U.S. Department of the Treasury to ensure that AAPIs with limited proficiency in English can access available services and capital.
- 3. Appropriations**—Provide robust annual funding to small business programs that increase access to culturally and linguistically competent services, particularly in communities of color that do not have significant wealth. Examples of such programs include the SBA Program for Investment in Microentrepreneurs, SBA Community Advantage and Micro-loan programs, SBA Small Business Development Centers, Office of Refugee Resettlement Microenterprise Development Program and the Community Development Financial Institutions Fund.
- 4. Consumer Protection**—Support an independent and strong Consumer Financial Protection Bureau and extend the Truth in Lending Act.
- 5. Anti-Displacement/Equitable Development**—Incorporate meaningful and inclusive community engagement processes, including with small business owners, during federally funded infrastructure and development projects. Provide resources to mitigate construction impacts, support growth and prevent displacement of community-owned businesses.
- 6. Community Reinvestment**—Incorporate meaningful and inclusive community engagement processes, including with small business owners, during federally funded infrastructure and development projects. Provide resources to mitigate construction impacts, support growth and prevent displacement of community-owned businesses.
- 7. Cultural Competence**—Invest in culturally competent technical assistance providers and business counseling at financial institutions and community based organizations to increase access to existing services.

This report fills an important gap in existing knowledge about AAPI businesses and the role they play in protecting and sustaining their communities and neighborhoods. It is our hope that the substantial contributions AAPI entrepreneurs make in spite of these limitations will lead to more and better investment in the AAPI small business community, supported by policies that do the same.



INTRODUCTION

AAPI small businesses are significant cultural resources and anchor rapidly changing neighborhoods all across America. The Mom and Pop shops that make up Chinatowns, Koreatowns or Little Saigons give AAPI neighborhoods a unique and authentic character, catalyze local economies, and most importantly, fulfill the daily needs of local residents, many of whom have limited proficiency in English. Entrepreneurship is also a primary source of income and serves as a ladder for economic opportunity for many low-income immigrant and refugee AAPIs. As of the 2012 Survey of Business Owners (SBO), there are approximately 1.9 million Asian-owned businesses in the U.S., almost half of which have fewer than 20 employees and 19 percent of which are in the accommodations and food services sector. With limited English proficiency and fewer options for entering the U.S. job market in positions that offer pathways to growth and financial stability, many turn to entrepreneurship to support themselves and their families.

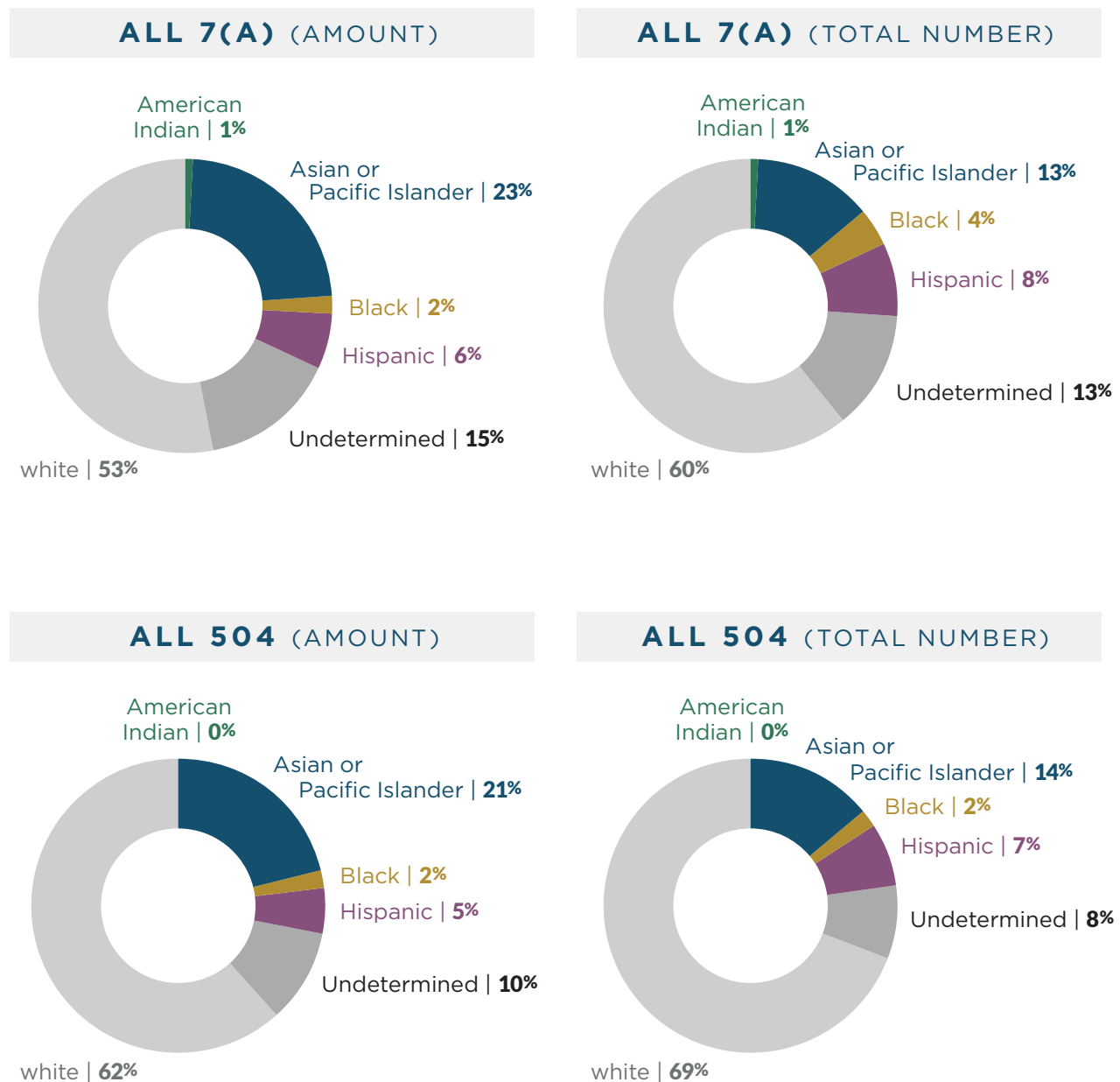
The importance of business ownership as an asset building strategy for Americans overall is well documented. According to a 2017 Federal Reserve Bulletin article, business equity is the second largest source of family non-financial assets after residential equity in the U.S. Notably, the net worth of business owners in this country is almost 2.5 times higher than non-business owners according to a 2011 Association for Enterprise Opportunity report. Other studies, including a 2014 Aspen Institute report, find that microbusiness ownership has become increasingly more important and relevant as an income security strategy since the Great Recession devastated the net worth of many households, and years of erosion in wages have made family-supporting jobs a rarity.

Despite the well-documented importance of business ownership to low- and moderate-income individuals, the current level of investment from government and philanthropic sources is inadequate to meet the business counseling and capital needs of AAPI small business owners in low-income communities. National CAPACD's members and their clients find that SBA funded groups such as SCORE and Small Business Development Centers often lack the language and cultural competency required to work with recent AAPI immigrant and refugee populations. In fact, SCORE, a nonprofit that provides small business mentoring and training to entrepreneurs through over 320 offices nationwide, is reliant upon the availability of volunteers to deliver services and thus does not guarantee that coaching can be provided in AAPI languages. SBA's Program for Investment in Microentrepreneurs (PRIME) grant program awards technical assistance, capacity building and discretionary grants to community based organizations. But according to the SBA's website, only three out of 34 PRIME grantees in Fiscal Year 2017 explicitly list AAPIs as part of their target population.

Publicly available SBA data, provided on page 7, demonstrates the extent to which AAPI entrepreneurs are able to access available capital. In 2017, AAPIs received 13 percent of the total number of 7(A) loans approved (representing 23 percent of total loan volume) and 14 percent of the total number of 504 loans approved (representing 21 percent of total loan volume). Examining loan volume by total number of loans allows the reader to understand that a narrow pool of AAPI entrepreneurs are receiving larger loan sizes. For AAPIs, the average 7(A) loan size is \$712,589 and the average 504 loan size is \$1.2 million. This implies that the loans are unlikely reaching low- and moderate-income

AAPI entrepreneurs and microenterprises. Although AAPIs are accessing a greater number of loans as well as larger 7(A) and 504 loans compared to other minority groups, all racial minority groups lagged far behind white entrepreneurs regarding the total number of 7(A) and 504 loans approved. These data clearly makes the case that there should be greater investment in entrepreneurs of color generally.

SBA 7A and 504 lending (2017):



This available data, Census data and other existing literature on AAPI small business ownership do not demonstrate the significant needs that exist in the diverse AAPI entrepreneurial community. In fact, the true financial vulnerability of many low- and moderate-income AAPIs is often masked by aggregated data of the racial category as a whole, allowing "model minority" stereotypes to further perpetuate. The "model minority" myth, the perceived collective success of AAPIs being used as a model to which other racial minorities should aspire, has all too frequently been used as a political wedge with other communities of color and undoubtedly serves as a detriment in the movement to bring greater attention to growing AAPI poverty and the increasing racial wealth gap. **In order to counter the model minority stereotype, it is essential to provide a more nuanced understanding of the AAPI small business landscape.**

This research provides a snapshot of the needs and market opportunities for entrepreneurs in low-income AAPI communities, the commercial districts in which they conduct business and the community based organizations that support them. National CAPACD's report profiles nine member organizations from across the country, all of which serve small business clients in low-income AAPI communities through a variety of economic development strategies. These organizations also surveyed a sample of their clients in seven different metropolitan statistical areas (MSAs). Our findings on the following pages illustrate the extent to which **AAPI small business owners face significant barriers to access culturally appropriate resources and capital—relying primarily on themselves, friends or family to finance and operate their business** (page 18). Seventeen percent of survey respondents stated they did not know who to turn to for free business assistance in their language. Data and stories shared from National CAPACD's members in this report demonstrate how community based organizations are innovating to address these barriers and support low-income AAPI communities to establish a pathway toward economic security for themselves and their families. **The report's purpose is to inform the development of needed business counseling programs, and further policy priorities that increase investment in AAPI small businesses and the community based organizations that serve them.**

ECONOMIC NEED AND OPPORTUNITY IN AAPI COMMUNITIES

AAPIs are the most diverse and fastest growing racial group in the country according to a 2017 demographic analysis published by the Pew Research Center. Despite this, there is limited data available about AAPIs, particularly disaggregated data. The data that does exist about AAPI entrepreneurs paints a rosy picture of success. A 2018 study published by the SBA Office of Advocacy on *Financing Patterns and Credit Market Experiences* found that AAPIs currently own over one-fourth of all minority owned small businesses in the U.S. as of 2016. In fact, this study found that AAPIs are considered ‘over-represented’ in the U.S. employer-owned firms (10 percent) relative to their U.S. population representation (5.6 percent). Further, according to the New American Economy, the national rate of entrepreneurship among the general U.S. population was 9.4 percent compared to 10.5 percent of Asian immigrants in 2015 (9.1 percent of AAPIs as a racial category overall). Numerous studies also cite the significant contributions of AAPI entrepreneurs to the U.S. economy—spurring job creation and high sales and receipts (\$707.6 billion in 2012 for all Asian entrepreneurs according to the 2012 Survey of Business Owners).

Despite this documented success, there are undoubtedly disparate levels of investment and success within the AAPI small business community. Although AAPIs as a whole have been doing better economically since the 1970s, there has also been a dramatic increase in the number of AAPIs living in poverty. **Further, according to a 2018 Pew Research Center report, Asians at the top of the income ladder for this racial group have over eight times as much income as those at the bottom of the ladder in 2016 (\$109,578 as compared to \$12,523).** In this regard, Asians are the most economically divided racial group in the U.S. National CAPACD’s own analysis of poverty data collected by the Census demonstrates that while economic gains since the Great Recession have meant declining poverty rates for most racial/ethnic groups, AAPI poverty population levels have not yet fallen below their post-Recession peak (see chart below).

Racial/Ethnic Group	% Change in Poverty Population from 2010 (end of Recession) to 2016
General Population	-4.2%
Non-Hispanic white	-5.6%
Black/African American	-7.3%
American Indian, Alaskan Native	-3.1%
Hispanic/Latinx	-4.0%
AAPI	+12.5%
--AA	+12.5%
--NHPI	+12.6%

Source: U.S. Census, 1-Year American Community Survey, 2010 & 2016

National CAPACD’s 2013 report, *Spotlight on Asian American and Pacific Islander Poverty: A Demographic Profile*, found that AAPIs living in poverty are more concentrated in metropolitan areas than any other racial/ethnic poverty population. **In fact, one-third of all Asian Americans living in poverty live in only three MSAs: Los Angeles, New York and San Francisco. The top 10 cities with the largest AAPI poverty populations (listed in the chart below) amount to half of all AAPIs living in poverty in the U.S.**

Many of these same MSAs with the highest rates of poverty are also areas with the highest rates of AAPI business ownership. This highlights the importance of utilizing business ownership as a wealth-creation strategy for low-income AAPI communities—allowing social change agents, funders and government to also address geographic concentrations of poverty. For this reason, National CAPACD’s network of community based organizations play a particularly important role in catalyzing place-based economic development and addressing growing poverty rates in low-income AAPI communities.

The infographics in Appendix A highlight statistics about business ownership and factors that impact the economic well-being of AAPIs.

Rank of City by Size of Poverty Population	Metro Area	# of AAPIs Living in Poverty	Rank by # of AA Businesses	Rank by # of NHPI Businesses
1	New York-Newark-Jersey City, NY-NJ-PA Metro Area	285,013	1	3
2	Los Angeles-Long Beach-Anaheim, CA Metro Area	258,856	2	2
3	San Francisco-Oakland-Hayward, CA Metro Area	110,251	3	5
4	Chicago-Naperville-Elgin, IL-IN-WI Metro Area	64,436	5	18
5	Sacramento-Roseville-Arden-Arcade, CA Metro Area	53,750	17	8
6	Seattle-Tacoma-Bellevue, WA Metro Area	51,803	11	9
7	Houston-The Woodlands-Sugar Land, TX Metro Area	49,403	6	20
8	San Jose-Sunnyvale-Santa Clara, CA Metro Area	47,967	7	14
9	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area	46,882	13	24
10	Urban Honolulu, HI Metro Area	46,368	9	1

Source: U.S. Census, 1-Year American Community Survey, 2015

METHODOLOGY

Data collected and utilized in this report are organized into three categories: National CAPACD member data, small business client data and publicly available data about AAPI entrepreneurs. These are described further below. Please refer to Appendix B on page 59 for definitions of frequently used terminology.

NATIONAL CAPACD MEMBER DATA

The primary data source for this report comes from National CAPACD's members, economic development organizations from across the country that are implementing strategies to support entrepreneurship in low-income AAPI communities. A total of 20 members were engaged through two focus groups and 11 phone interviews that were conducted between September 2017 and June 2018. These sites are listed below.

- Asian Economic Development Association*—St. Paul, MN
- Asian Pacific Islander Small Business Program (API SBP)*—Los Angeles, CA
- Asian Pacific American Network of Oregon (APANO)—Portland, OR
- Asian Services In Action, Inc. (ASIA)*—Cleveland, OH
- Business Center for New Americans (BCNA)*—New York, NY
- Center for Pan Asian Community Services (CPACS)*—Atlanta, GA
- Chinatown Community Development Center (CCDC)—San Francisco, CA
- Chinese Service Center (CSC)*—survey site and member of API SBP collaborative—Los Angeles, CA
- Coalition for a Better Chinese American Community (CBCAC)—Chicago, IL
- Friends of Little Saigon (FLS)—Seattle, WA
- Hawai'i Alliance for Community Based Economic Development (HACBED)—Honolulu, HI
- Hmong American Partnership (HAP)—St. Paul, MN
- Pacific Asian Consortium in Employment (PACE)*—Los Angeles, CA
- Philadelphia Chinatown Development Corporation (PCDC)*—Philadelphia, PA
- Pilipino Workers Center of Southern California (PWC)—Los Angeles, CA
- Pacific Island Knowledge 2 Action Resources (PIK2AR)*—Salt Lake City, UT
- Renaissance Economic Development Corporation (REDC or Renaissance)*—New York, NY
- Seattle Chinatown International District Preservation and Development Authority (SCIDpda)—Seattle, WA
- Steps Coalition—Biloxi, MS
- Wishwas—Queens, NY

Of these groups, nine (* above) also served as survey sites that completed an organizational survey and administered client surveys to local small businesses. These nine sites were selected for surveying based on the following factors:

- **Type of organization:** Site has experience mobilizing with, advocating for and providing counseling and/or capital to AAPI small businesses in their communities. Most organizations surveyed are multi-service organizations that have a variety of economic development and social service programs, including small business programming. Several are wholly committed to small business development as their sole mission with entrepreneurs as their primary clientele.
- **Depth of experience in serving their small business community:** National CAPACD surveyed a variety of organizations, including those who have operated programs for decades as well as those who are just starting out with small business programming.

- **Profile of constituents served:** National CAPACD sought to capture a diversity of AAPI ethnic sub-populations.
- **Geographic distribution:** Organizations were selected based on their alignment with areas of concentration for AAPI population overall, AAPI poverty population, AAPI business ownership, and areas with growing/emerging AAPI and immigrant and refugee populations.

Data provided by these nine sites were used to create organizational profiles featured in this report (starting on page 21), as well as to further identify and document common themes and trends among AAPI business owners in low-income AAPI communities across the U.S.

SMALL BUSINESS CLIENT DATA

National CAPACD’s nine participating sites administered in-language surveys with 15 to 20 randomly selected small business clients. The 15 question survey was translated and administered in the following languages—Bengali, Burmese, Cambodian/Khmer, Chinese, Hindi, Hmong, Nepali and Vietnamese. A total of 144 responses were received from seven different MSAs as identified on the map below.

PUBLICLY AVAILABLE DATA ABOUT AAPI ENTREPRENEURS

National CAPACD drew on publicly available data sources about AAPI entrepreneurship. This report drew on the 2012 SBO administered through the Census in order to gain a deeper understanding of national statistics and trends within the AAPI entrepreneurial field, as well as those specific to the MSAs that aligned with National CAPACD's nine participating sites. It should be noted that the SBO, which is typically conducted every five years, is not currently planned for an update and thus no data more current than 2012 are available at this time. The survey is being replaced with the Annual Survey of Entrepreneurs (ASE), which focuses only on employer firms. Thus, firms such as sole-proprietorships without employees, partnerships without employees, or some small family-operated businesses without employees—what could be considered the most marginal businesses—may not be captured through this ASE data set. For this reason, National CAPACD did not utilize any data from the ASE despite the fact that more recent data (through 2016) is available.

WHEN BIG DREAMS TAKE FLIGHT

Soktevy (Tevy) Phann had considered opening a Cambodian restaurant, but knew that the restaurant business was tough with high startup costs. She sought out consultation from Asian Economic Development Association (AEDA) staff, who advised her to test out a concept she had for her old cotton candy machine at their 2017 Little Mekong Night Market. Thus, Spinning Wylde, her mobile food concept named after the spinning bowl that produces cotton candy and her energetic son named Wylde, was born. With 15 tasty flavors of organic sugar cane, a culturally-relatable product, ‘instagram-able’ pictures and a half-sized bus covered in chalk paint, Spinning Wylde became an instant hit.

Tevy decided to further test the market for her business at other festivals and, due to popular demand, realized she needed to grow her business by adding additional flavors, a photo booth and a generator. She enrolled in AEDA’s business training workshops and took out an AEDA credit builder loan. The business’ success at multiple events garnered positive reviews, which snowballed into invitations from the Mall of America to open a temporary kiosk catering to tourists, and then the Super Bowl to participate in the football event’s 2018 festivities. In 2018, a new food hall opened in St. Paul and Spinning Wylde was offered a retail space.

Tevy was eager to have Spinning Wylde’s first brick-and-mortar home open in St. Paul, where her family first settled in 1982 after escaping the Cambodian genocide. To move into this permanent space and turn Spinning Wylde into a full-time business, Tevy needed new equipment and even more capital. She applied for a \$10,000 micro-business loan from AEDA, which was approved based on her improved credit score from her earlier loan and the business’ proven revenue potential. The loan was financed through an innovative partnership between AEDA and Renaissance Economic Development Corporation of NYC that brought more capital to the Minneapolis-St. Paul region for AAPI small business owners. Today, Spinning Wylde is one of the main attractions of this new food hall. “AEDA really supported me and got me started,” Tevy said. “AEDA’s workshops gave me an understanding of budgeting and building good credit. Through this process, I learned that I needed planning and a solid financial foundation to start a successful business.”



Photo Credit: Asian Economic Development Association

OVERVIEW OF FINDINGS

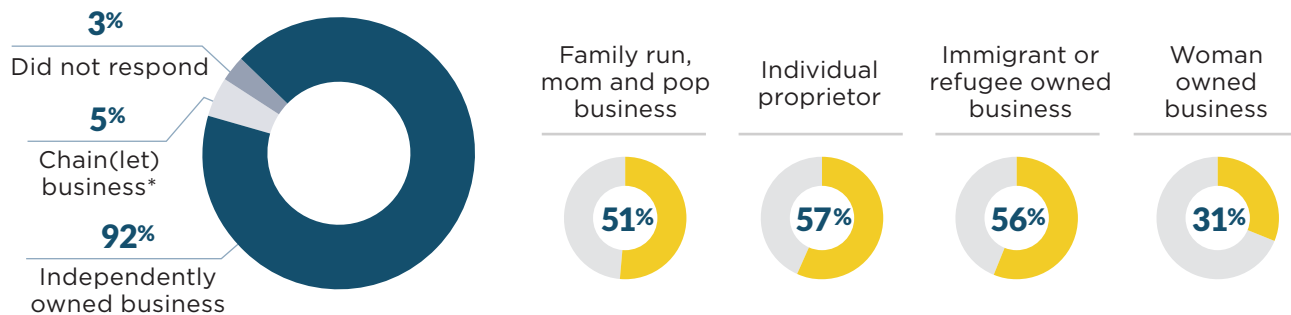
SMALL BUSINESS CLIENTS IN LOW-INCOME AAPI COMMUNITIES

Nine National CAPACD members surveyed a total of 144 AAPI small business owners in St. Paul, Los Angeles, Cleveland, New York City, Atlanta, Philadelphia and Salt Lake City. The following pages provide an overview of the results from these surveys of AAPI small business owners conducted in eight different languages. Unless otherwise noted, the statistics in this overview of findings aggregate responses for all Asian American, Native Hawaiian and Pacific Islander survey participants.

OWNERSHIP

Approximately 56 percent of survey respondents self-identify as immigrant or refugee business owners and 51 percent of respondents self-identify as “Mom and Pop” small businesses—defined as small, independent, family-owned and operated businesses that typically have small business volumes and operate in a single location. Thirty-one percent of respondents opened up a business in the U.S. because they had prior experience running a small business in their home country.

HOW AAPIS DESCRIBED THEIR BUSINESS OWNERSHIP



*a collection of businesses (large or small in number) that share the same brand, business practices or central management.

TOP REASONS FOR OPENING SMALL BUSINESS

#1	Desire to be my own boss	69%	#4	Language barriers to accessing jobs	14%
#2	To build wealth for myself and my family	66%	#5	Lack of required credentials or training for jobs that are available	9%
#3	Experience running a business in my home country	31%	#6	Lack of living wage jobs	8%

NUMBER OF YEARS IN BUSINESS

Survey results show that 35 percent of respondents have been in business 10 or more years and 29 percent are start-ups established within the last two years. National CAPACD members indicate that the technical assistance needs of both startups and long-time or legacy businesses vary widely and meeting such a variety of technical assistance needs is difficult. There are financing

and regulatory components on which staff must remain current in order to effectively serve small business clients. Long-time businesses often require marketing and business planning technical assistance in response to changing demographics or clientele, especially in urban areas experiencing significant amounts of gentrification and displacement.

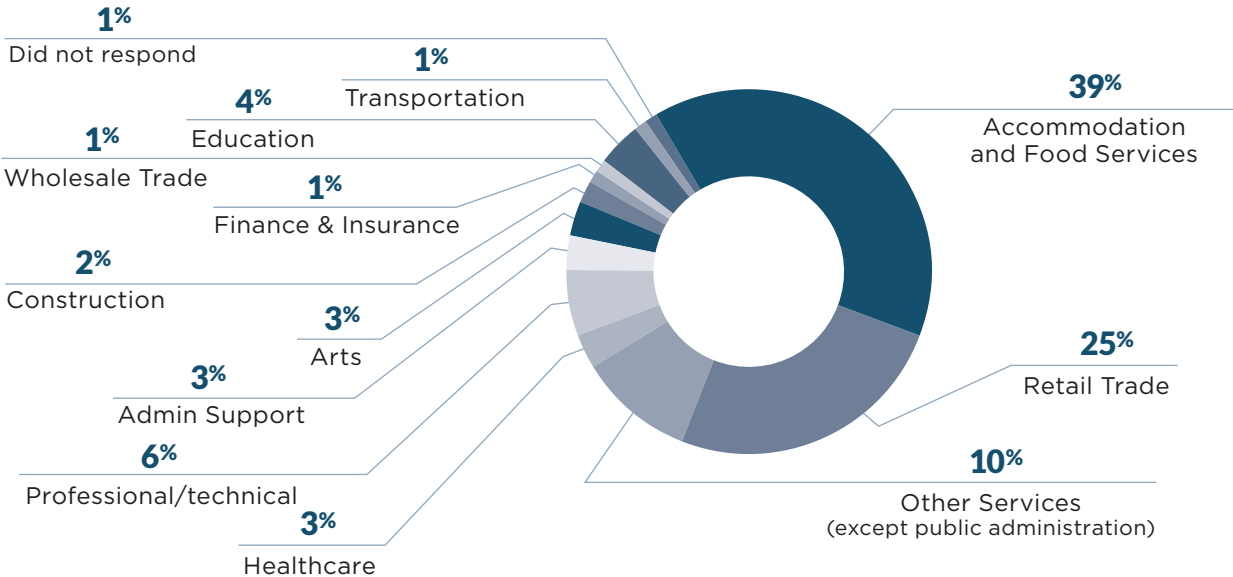
INDUSTRY SECTORS

Thirty-nine percent of respondents reported operating businesses in the accommodations and food services sector, 25 percent in retail trade, 10 percent in other services and six percent in professional, scientific and technical services. Survey respondent representation in most of these industry sectors is higher than the national estimates for all AAPI owned firms as reported in the 2012 SBO. This is likely because National CAPACD’s participating sites surveyed brick-and-mortar establishments in commercial corridors located in low-income AAPI neighborhoods.

The accommodation and food services category includes family-owned, traditional restaurants serving a variety of ethnic foods, as well as newer businesses that have modernized cuisines to expand their consumer base to younger or more diverse audiences. Such businesses can include boba or bubble tea shops, bakeries, poke stores and other fusion-style restaurants. The retail trade category primarily consisted of ethnic groceries and markets, catering to the emerging or already existing AAPI consumers who shop within their respective communities. Other businesses included merchandising businesses and home-based businesses that retail niche or limited quantity products.

The professional, scientific and technical services category can include a variety of businesses ranging from lawyers to accountants to architects and other design professionals. The "Other Services" industry sector includes nail salons, beauty stores or dry cleaners—business sectors that have historically been popular ownership options for AAPI entrepreneurs. This diversity of industry representation for AAPI entrepreneurs directly translates to a diversity of technical assistance and capital needs to start and grow their businesses. National CAPACD did not further analyze technical assistance and business counseling needs by industry sectors, but recognizes the importance of doing so to more deeply understand and articulate their specific needs for future programming opportunities.

BUSINESSES BY INDUSTRY SECTOR



ACCESS TO CAPITAL AND ADVICE

Forty-seven percent of respondents receive loans through friends and family, 33 percent of respondents rely solely on their own funds. Twenty percent of respondents desire loans in the range of \$25,000 to \$50,000, and 23 percent desire loan amounts over \$50,000. It is important to note that the survey tool only asked about desired amounts of capital and not what respondents actually can or cannot receive for debt-based financing based on their financial capacity. Further research is needed to better understand this distinction, as well as the root causes of loan denials.

Survey findings clearly document the extent to which AAPI small business owners rely on themselves or their own personal social networks for business advice or capital needs (chart on page 18). Utilization and access to advice and capital varied significantly by survey site—with some MSAs clearly articulating a great need for culturally competent, language specific services. For example, in the Atlanta–Sandy Springs–Marietta, GA MSA, 93 percent of survey respondents relied on themselves for advice, 73 percent relied on their own sources for capital, 40 percent stated limited English proficiency as a barrier to doing business and 20 percent did not know where to turn to for advice in-language. Overall, respondents show low utilization rates of local SCORE/SBA, MBDA and Chamber of Commerce advising resources—nine percent, nine percent and seven percent respectively—while demonstrating much higher utilization of online sources for advice (28 percent). Only 28 percent of respondents reported going to a bank or credit union (12 percent) for accessing capital, and were more likely to rely on their own personal resources (33 percent) or friends and family (47 percent). This closely matches other research released in 2018 by the SBA Office of Advocacy, which analyzed 2014 ASE data to conclude that **AAPIs were more likely than any other racial category to utilize personal resources for financing their start-up costs.** For those with a limited network (e.g. recent immigrants), the heavy reliance on personal finances is a significant barrier to establishing and growing a business. This inclination to rely on personal networks is influenced by cultural norms, but can also be attributed to a lack of information about available resources, the U.S. financial system and how to build credit-worthiness.

This lack of access to capital is a common issue in many communities of color, as corroborated by other research findings. According to a nationwide study of the 2016 Small Business Credit Survey conducted by all 12 Federal Reserve Banks and released by the Federal Reserve Bank of Cleveland, 40 percent of non-applicant, Black-owned firms did not apply for financing because they were discouraged (i.e., they did not think they would be approved), compared with 14 percent of white-owned firms and 21 percent of Hispanic- and Asian-owned firms. The assumptions of entrepreneurs of color that they will not be approved for capital by traditional financial institutions are well founded. An analysis of the 2014 ASE data from the aforementioned SBA Office of Advocacy report showed that of those AAPI employer firms that applied for capital through a new funding relationship with banks, credit unions or other financial institutions, 35 percent did not receive the amount requested, as compared to 25 percent of white entrepreneurs whom were not approved. Forty percent of Hispanic employer firms did not receive the requested amount and almost 55 percent of African American/Black employer firms did not receive the requested amount from financial institutions.

Business counselors shared that their AAPI clients may also under-report operational costs and revenue, which has serious implications for their access to capital and public benefits. Under-reporting is often a result of confusion from blended personal and business finances or misinformation or poor advice from financial professionals. In practice, business owners often work closely with their accountants to under-report their revenue for the highest return in value and, in turn, receive poor advice that may be detrimental to their ability to access mainstream financial products and services. As an unintended consequence, business owners then have difficulty applying for and securing loans when their financial documents illustrate a lack of assets or financial instability. This is a specific issue with long-standing business owners who seek to grow or expand their business or even for business owners who want to start another business or open a new location for their existing business. These business owners repeat a vicious cycle of self-reliance and inability to tap into mainstream resources because they solely rely on their own personal finances or networks for their next small business venture or project.

HOW AAPI BUSINESSES DESCRIBE THEIR FINANCIAL HEALTH*



My business is profitable** and growing

51%



My business is somewhat profitable, not growing

35%



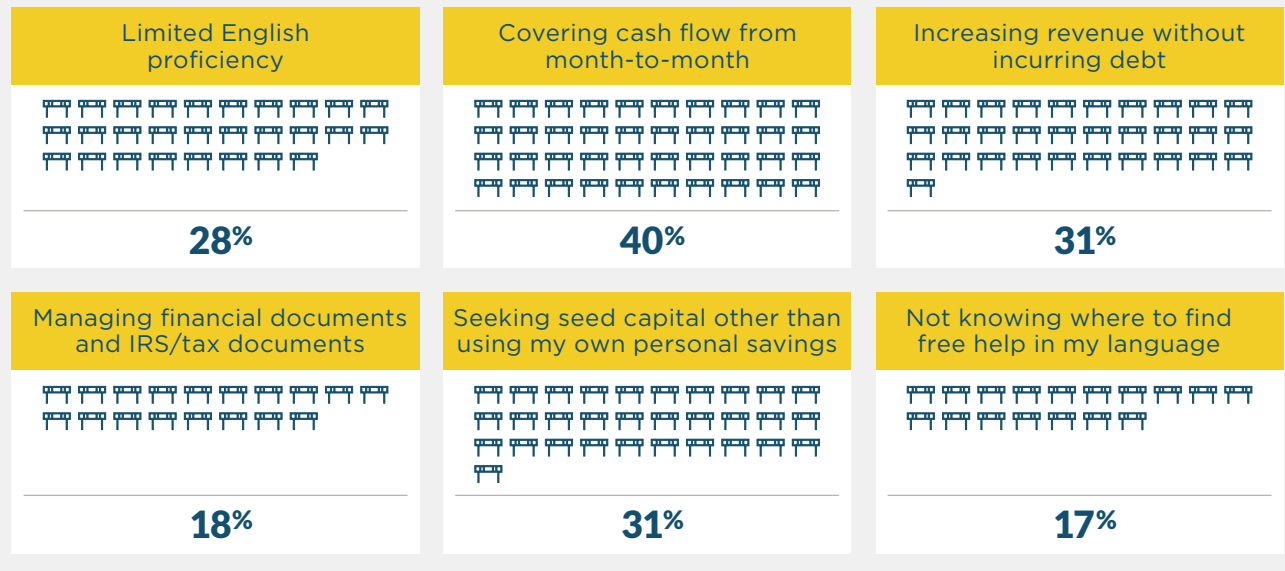
My business is struggling to keep our doors open

12%

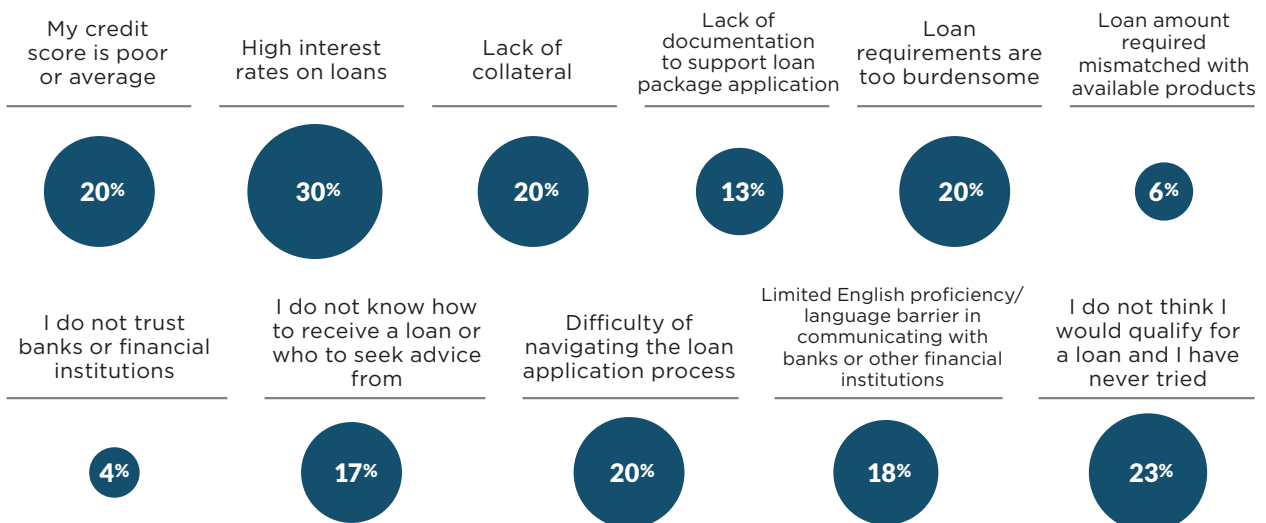
*1.39% Did not respond

**Survey respondents self-defined the term profitable when asked, and were not guided by the business counselor or survey administrator.

PRIMARY START-UP BARRIERS AAPIS ENCOUNTERED



FACTORS THAT PREVENT AAPI CLIENTS FROM SEEKING AND/OR OBTAINING FUNDING FROM TRADITIONAL LENDING SOURCES



SOURCES OF BUSINESS ADVICE AND CAPITAL FOR AAPI CLIENTS

	Advice	Capital	I Don't Know	Did Not Respond
I Rely Solely On Myself	44%	33%	44%	5%
Family and Friends	64%	47%	19%	2%
Local Non-profit Organizations	33%	16%	53%	4%
Local City Small Business Office	12%	3%	75%	8%
Local Chamber of Commerce	7%	1%	82%	8%
Local University	8%	1%	82%	8%
SCORE/SBA	9%	3%	80%	8%
MBDA	9%	2%	80%	9%
Banks	8%	28%	60%	8%
Credit Unions	1%	12%	77%	9%
Other CDFI	5%	10%	78%	8%
Micro-loan Programs	3%	9%	81%	8%
Other Investors	6%	10%	76%	8%
Internet/Online	29%	3%	60%	8%

ORGANIZATIONAL FINDINGS

The community based organizations that were surveyed by National CAPACD grew out of advocacy or community development needs in their cities, and a desire to ensure that their AAPI constituents had access to economic opportunity and culturally and linguistically appropriate products and services. Their small business development programs are at varying stages of development, as reflected by the significant variations in the staffing dedicated to program delivery, number of clients served and types of services provided. The chart (Appendix C) best describes the spectrum of small business programming within National CAPACD's network. The organizational profiles on the following pages provide specific details regarding the extent of their programming in 2017. In surveying this diverse group of organizations, the most significant findings include:

- Of those organizations that offer small business loans (5), the typical loan sizes range from \$10,000 to \$25,000. Two CDFIs in particular were most successful at deploying loans over \$25,000—Renaissance Economic Development Corporation in New York City and Pacific Asian Consortium in Employment in Los Angeles. CDFIs like these have tremendous potential and already make a big impact in reaching large markets like LA and NYC where AAPIs live. These organizations are well established small business Community Advantage and micro-lenders. In the following MSA profiles, the report highlights new and innovative partnerships between established CDFIs and emerging small business programs seeking to bring more capital to their communities.

- Many of these agencies were not originally founded with the intention of becoming business development organizations as evidenced by the number of multi-service organizations. A number of organizations were responding to business concerns about displacement and gentrification, or out of a desire to preserve and promote the character and cultural resiliency of an existing ethnic business community.
- The organizations surveyed highlighted the importance of creating a robust technical assistance program to support local businesses. Barriers to building out a technical assistance and business counseling program include lack of funding and lack of professional development opportunities. The report findings indicate that 66 percent of National CAPACD members (overall) do not receive any small business-related funding or technical assistance from federal agencies. The remaining 34 percent receive federal funding to support small business programming from the SBA or the U.S. Treasury’s CDFI Fund program. In some cases, members have received Federal pass-through funds from a state or city program, such as Community Development Block Grants from the U.S. Department of Housing and Urban Development, which prioritizes general economic development activities.

TECHNICAL ASSISTANCE NEEDS OF AAPI SMALL BUSINESSES



MOST FREQUENT SERVICES PROVIDED TO SMALL BUSINESS CLIENTS



NUMBER OF AAPI LANGUAGES SPOKEN BY COUNSELORS

TOTAL # OF DISTINCT
AAPI LANGUAGES AND
DIALECTS SPOKEN
BY PARTICIPATING
ORGANIZATIONS

22



TOTAL # OF BUSINESS
COUNSELORS IN
PARTICIPATING
ORGANIZATIONS

51



FREQUENCY OF SERVICES PROVIDED “IN-LANGUAGE” TO AAPI CLIENTS



ONE-ON-ONE

55%

WORKSHOP
CLIENTS



33%

LENDING TO AAPI CLIENTS BY ORGANIZATION

MICRO-LENDING ORGANIZATIONS: PACE, BCNA, REDC, ASIA, AEDA

	AEDA	ASIA	BCNA	PACE	REDC	TOTAL
Total AAPI Loan Applicants	16	14	30	156	107	323
Number of applications approved	11	7	24	39	95	176
Number of applications rejected	5	7	6	117	12	147
<\$5,000	0	1	3	29	0	33
\$5,000 to \$10,000	5	0	2	1	1	9
\$10,000 to \$25,000	6	6	7	1	35	55
\$25,000 to \$50,000	0	0	12	4	43	59
Over \$50,000	0	0	0	4	16	20



54%

of reported
AAPI loan
applicants
were approved
across all
organizations

COMMUNITY PROFILES

The following pages highlight the work of nine National CAPACD member organizations that provide a spectrum of economic development services that meet the needs of AAPI entrepreneurs in low-income communities. The variety of services is best categorized in the chart in Appendix C. The profiles on the following pages highlight the experience and scope of each program, as well as key business community and programmatic challenges and opportunities. Also highlighted on each profile is the most recent 2012 SBO data about AAPI firms in each MSA. It should be noted that only some MSAs included statistics specific to Native Hawaiian and Pacific Islander communities where their small business presence was significant.

MAP OF PARTICIPATING SITES

 POVERTY POPULATION RANKING



ATLANTA- SANDY SPRINGS- MARIETTA, GA

#17 MSA RANKING FOR AAPI
POVERTY POPULATION SIZE

AAPI POPULATION*

320,733

TOTAL AA OWNED FIRMS**

45,007 FIRMS

AAPI POVERTY POPULATION*

32,680

% OF TOTAL FIRMS IN MSA**

7.6%

TOTAL SALES OF AA OWNED FIRMS**

\$15,448,482,000

AVERAGE RECEIPTS PER AA FIRM**

\$343,246

NUMBER OF EMPLOYEES FOR AA FIRMS**

74,182 INDIVIDUALS

*2015 American Community Survey

**2012 Survey of Business Owners

Local Challenges: For decades, the Buford Highway, a six-mile transit corridor northeast of the city of Atlanta, has been home to a diverse population of Asian, Latino and Caribbean immigrants and over 1,000 immigrant-owned businesses. It has long been the heart of the area's AAPI community. Recent development pressures have created a hot real estate market that is significantly changing community demographics by displacing the very residents and small ethnic businesses that have given this community its international flavor.

Of the local sample of AAPI businesses surveyed, 73 percent of respondents said they rely solely on themselves for access to capital, citing barriers such as high interest rates on loans (40 percent) and fear that they would not qualify for a loan (27 percent). Forty percent of respondents also indicated that language was a barrier to starting and operating a business, further reinforced by the shocking statistic that 93 percent rely solely on themselves for business advice.

Local Solutions: The Center for Pan Asian Community Services (CPACS) supports and organizes new or existing small businesses along the Buford Highway as part of their effort to preserve and build assets for the area's low-income communities. CPACS is a private non-profit whose mission is to provide self-sufficiency and equity for immigrants, refugees and the underprivileged through comprehensive health and social services, capacity building and advocacy. Founded in 1980, CPACS is the first, largest and oldest organization to focus on AAPI issues in the Southeast. It began by providing services to the Korean American community, but expanded due to community need from other AAPI communities in Atlanta. Today, CPACS employs 50 full- and part-time employees capable of speaking 15 ethnic languages, operating programs in community health, social services, housing, youth and senior services, civic engagement and advocacy.

CPACS primarily serves small business clients in the Chamblee and Doraville areas near Buford Highway and in Clarkston, a city designated for refugee resettlement in the 1990s and is known as the "Ellis Island of the South." Its small business program employs bilingual, Korean-speaking business counselors to serve businesses along the Buford Highway at high risk of displacement. Their program primarily focuses on serving its small business clients in the areas of business management, marketing/sales and other financial capability services. In 2017, CPACS served 26 AAPI clients, a majority of which were Chinese-owned firms in business 10 or more years and Nepalese and Burmese firms that have been in business for less than two years. The majority are food service types, with less than 10 employees and an annual revenue range of \$420,000 to \$480,000. The bulk of services that CPACS provides are in conducting workshops, "Managing a Business," and marketing, sales and tax assistance.

ORGANIZATIONAL STATISTICS: CPACS

Organization budget (all programs) **\$4 million**

SB program budget as % of overall org budget (2017) **.5%**

Year SB program established **2015**

of FT staff organization wide **50**

of FT business counselors **.2 FTE**

AAPI languages spoken (SB program) **Korean**

AAPI client sub-populations served (SB prog) **Korean**

Total AAPI SB clients served (2017) **26**

One-on-one Counseling Activities **Y**

Group Education Activities **Y**

Business District Management **Y**

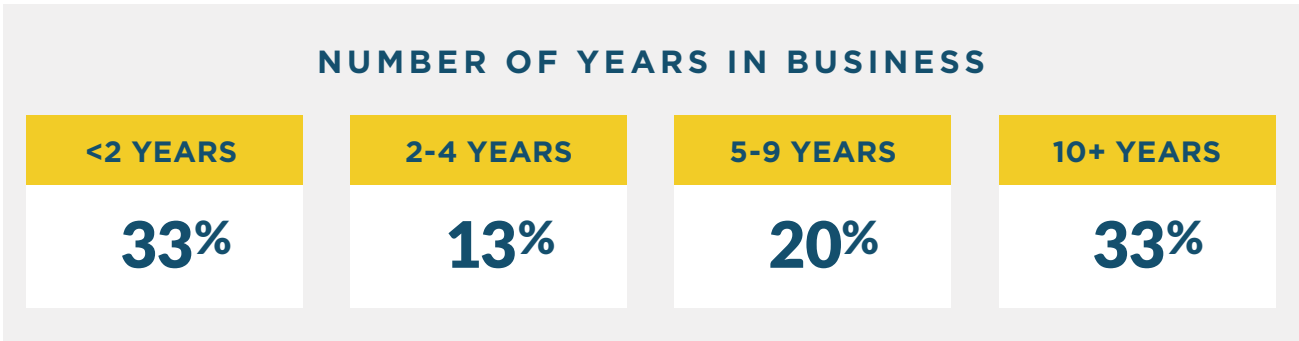
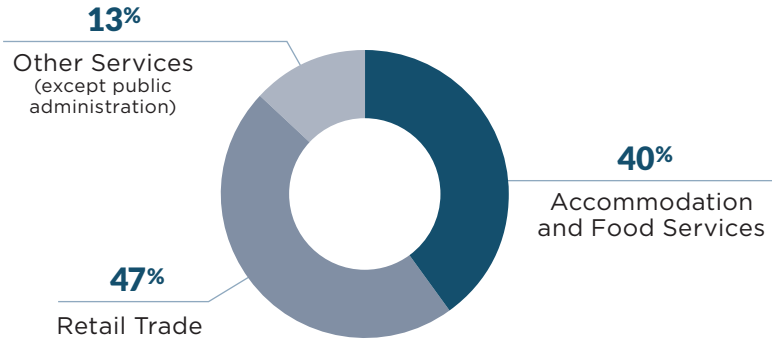
Micro-Lender or CDFI **N**

"Community based customers may move out. Clarkston is a growing city. Any new projects in the locality may impact my small business."

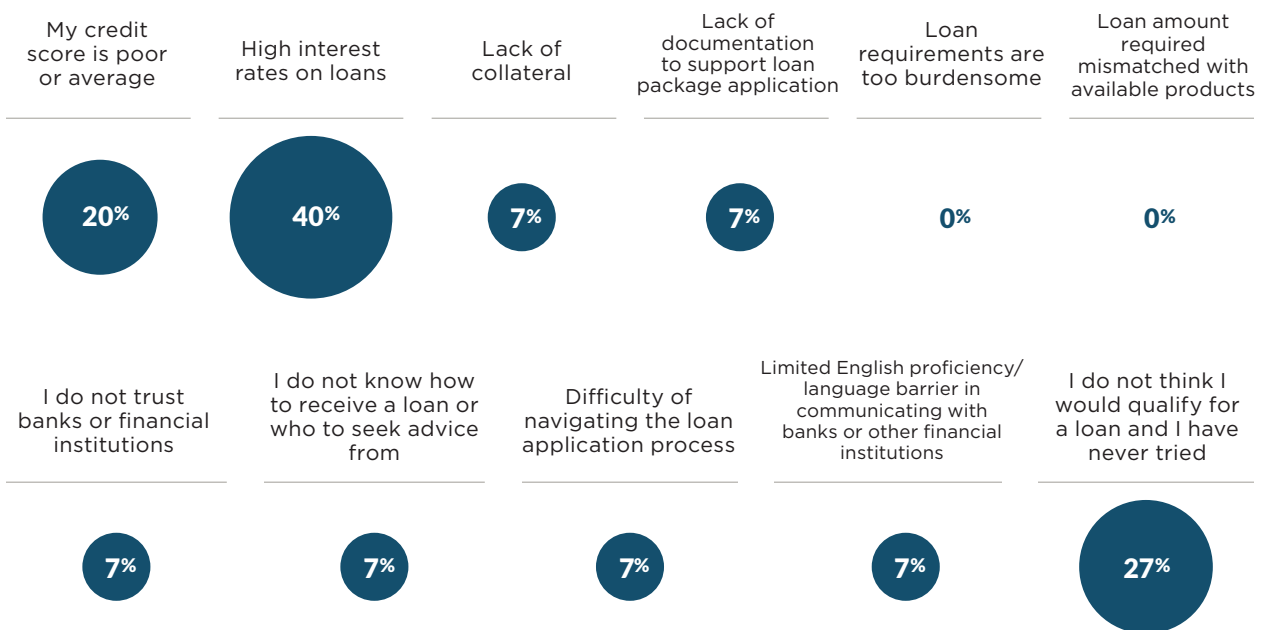
ATLANTA SMALL BUSINESS CLIENT RESPONSES

15
BUSINESSES

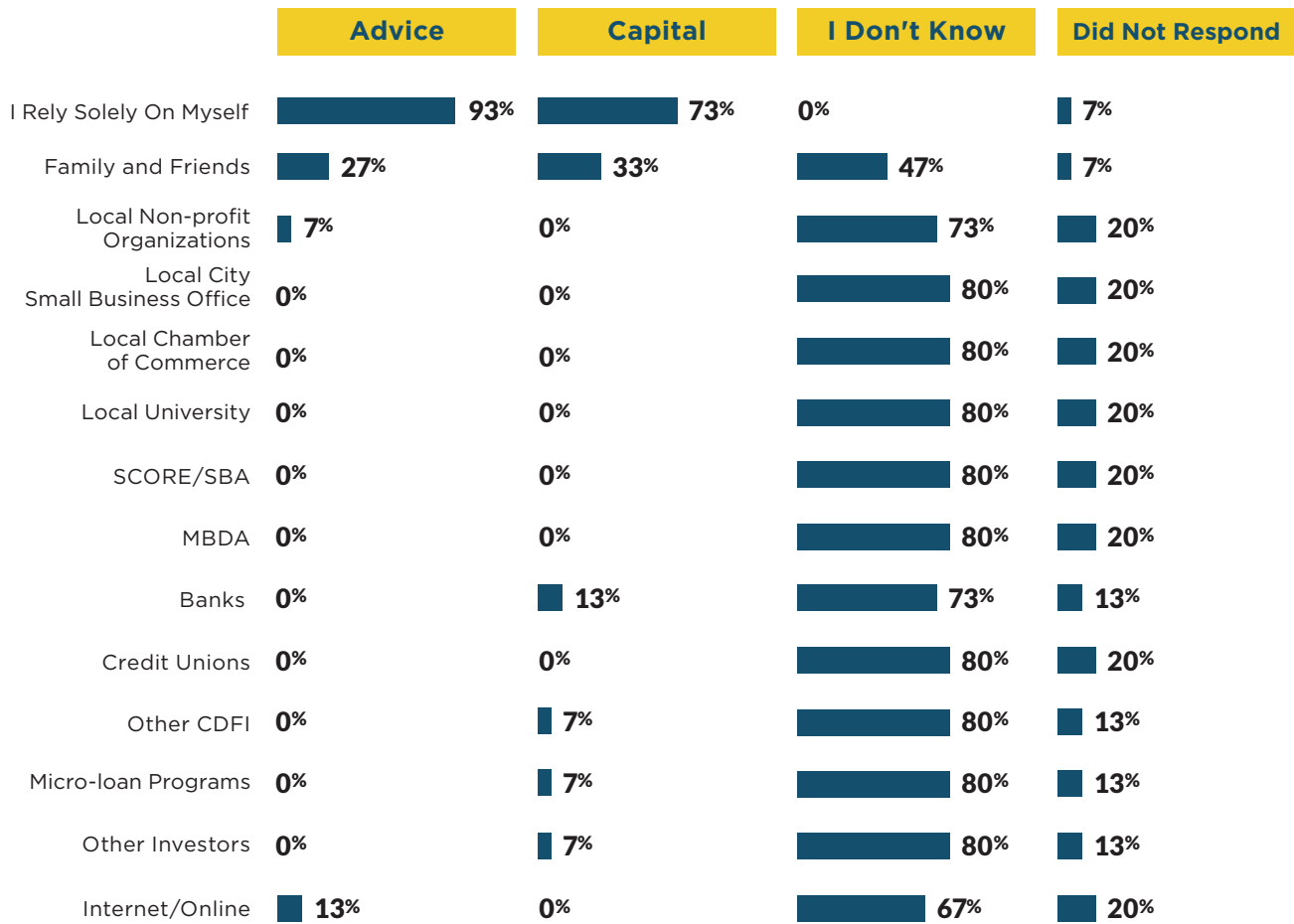
BUSINESSES BY INDUSTRY SECTOR



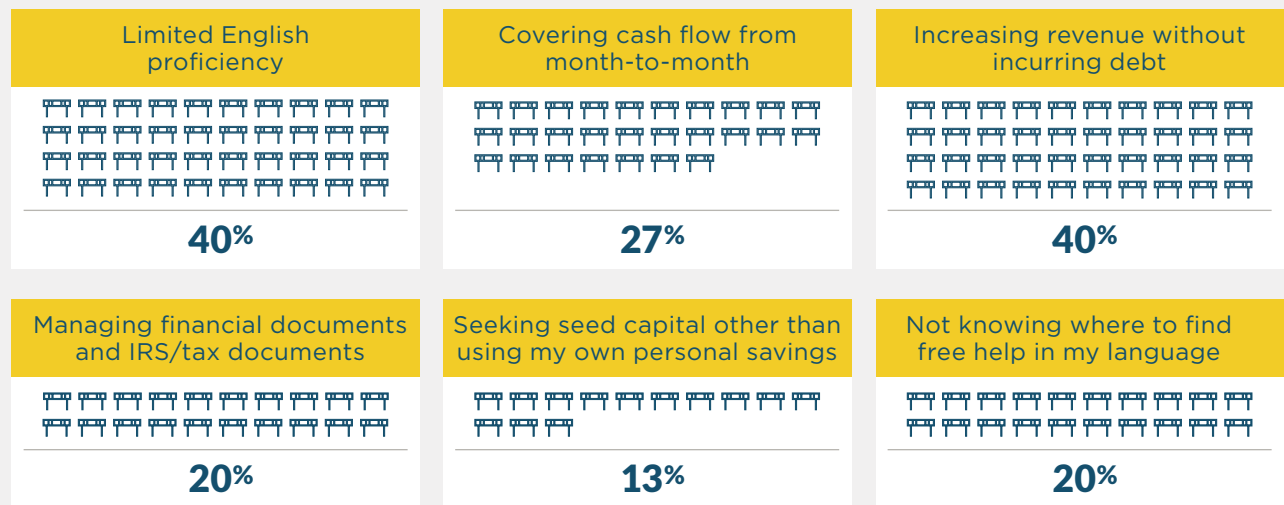
BARRIERS TO ACCESSING LOANS FROM FINANCIAL INSTITUTIONS



ACCESS TO CAPITAL AND ADVICE



MAJOR BARRIERS FACED IN STARTING OR OPERATING SMALL BUSINESS



PROFILE OF AA OWNED BUSINESSES IN

LOS ANGELES- LONG BEACH- SANTA ANA, CA MSA

#2

MSA RANKING FOR AAPI
POVERTY POPULATION SIZE

AAPI POPULATION*

2,133,117

AAPI POVERTY POPULATION*

258,856

TOTAL AA OWNED FIRMS**

291,775 FIRMS

TOTAL NHPI OWNED FIRMS**

5,023 FIRMS

% OF TOTAL FIRMS IN MSA**

20%

TOTAL SALES OF AA OWNED FIRMS**

\$123,446,093,000

AVERAGE RECEIPTS PER AA FIRM**

\$423,087

TOTAL SALES OF NHPI OWNED FIRMS**

\$648,513,000

AVERAGE RECEIPTS PER NHPI FIRM**

\$129,109

NUMBER OF EMPLOYEES FOR AAPI FIRMS**

481,628 INDIVIDUALS

*2015 American Community Survey

**2012 Survey of Business Owners

ORGANIZATIONAL STATISTICS: PACE

Organization budget (all programs)	\$23.3 million
SB program budget as % of overall org budget (2017)	9%
Year SB program established	1993
# of FT staff organization wide	300
# of FT business counselors	12
AAPI languages spoken (SB program)	Cantonese, Hokkien, Malay, Mandarin, Tagalog, Thai, Vietnamese, Khmer
AAPI client sub-populations served (SB prog)	Clients not required to report
Total AAPI SB clients served (2017)	261
One-on-one Counseling Activities	Y
Group Education Activities	Y
Business District Management	N
Micro-Lender or CDFI	Y

ORGANIZATIONAL STATISTICS: API SBP

Organization budget (all programs)	\$650,000
SB program budget as % of overall org budget (2017)	100%
Year SB program established	1999
# of FT staff organization wide	8
# of FT business counselors	6
AAPI languages spoken (SB program)	Cantonese, Mandarin, Toisanese, Other Chinese, Japanese, Korean, Tagalog, Thai
AAPI client sub-populations served (SB prog)	Chinese, Filipino, Japanese, Korean, Thai, Other
Total AAPI SB clients served (2017)	1565
One-on-one Counseling Activities	Y
Group Education Activities	Y
Business District Management	Y
Micro-Lender or CDFI	N

Local Challenges: There are so many reasons to open a business in Los Angeles—access to a diverse market with strong purchasing power, a thriving state economy and openness to innovation and new ideas. But similar to their counterparts in other large cities, entrepreneurs in Los Angeles face challenges with rising commercial rents in a highly competitive business environment. Access to adequate capital and the ability to establish credit worthiness are also significant barriers to establishing and growing a business, particularly for immigrant and refugee entrepreneurs, as is navigating the complex state and regional tax structure and regulatory requirements. AAPI small businesses surveyed for this report cited the following barriers to accessing capital and business financing: 40 percent did not think they would qualify for a loan, 37 percent found the loan requirements too burdensome, 29 percent lacked collateral, 29 percent face difficulty in navigating the loan application process and 31 percent said their limited English proficiency was a barrier in communicating with banks and financial institutions.

Local Solutions: Pacific Asian Consortium in Employment (PACE) and Asian Pacific Islander Small Business Program (APISBP) are two of National CAPACD’s member organizations in this region.

“In my culture, we get loans from [a] brother or sister. [There is] better trust—more trust with relatives. Once I applied for a bank loan and I cancel one day later. \$20,000 loan, \$250 to cancel.”

Pacific Asian Consortium in Employment (PACE) is a 501(c)(3) community based organization, SBA Community Advantage and micro-lender, CDFI and award-winning SBA Women’s Business Center. PACE was founded in 1976 to address the employment and job training needs of the AAPI communities in Los Angeles. While PACE began as an organization to serve low-income AAPIs, PACE clients today reflect the increasing ethnic diversity of Los Angeles, serving significant numbers of Latinos, African Americans and other communities of color. PACE’s Business Development Center was inspired by the needs of

minority business owners after the Los Angeles riots in 1992, with PACE Finance Corporation (a CDFI) established to deliver emergency disaster loans to businesses effected by the civil unrest.

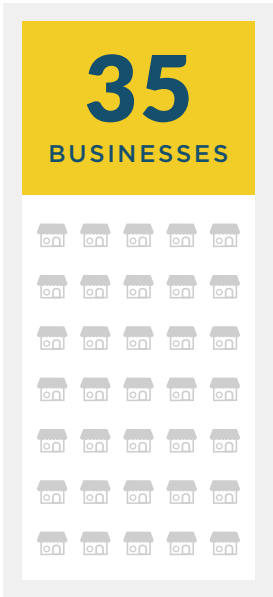
Today, the organization offers one-on-one counseling, small business training and assistance with government contracting to its small business clients. PACE offers a multitude of trainings ranging from topics on marketing to business plan writing to financial education. It serves as a Volunteer Income Tax Assistance (VITA) site that can support small business clients. The program employs 12 full-time business counselors who speak 12 ethnic languages. Their small business program primarily works with pre-startups, startups and businesses in operation for less than two years. In 2017, PACE served 71 AAPI clients through one-on-one counseling and 190 AAPI clients through their various workshops. Additionally, their strategic collaborations with local partners allowed PACE to reach an additional 1,600 individuals through educational expos and small business events.

Asian Pacific Islander Small Business Program (API SBP) is a consortium of five members based in five neighborhoods across LA County. Please see page 29 for description featuring API SBP’s innovative model of service delivery.

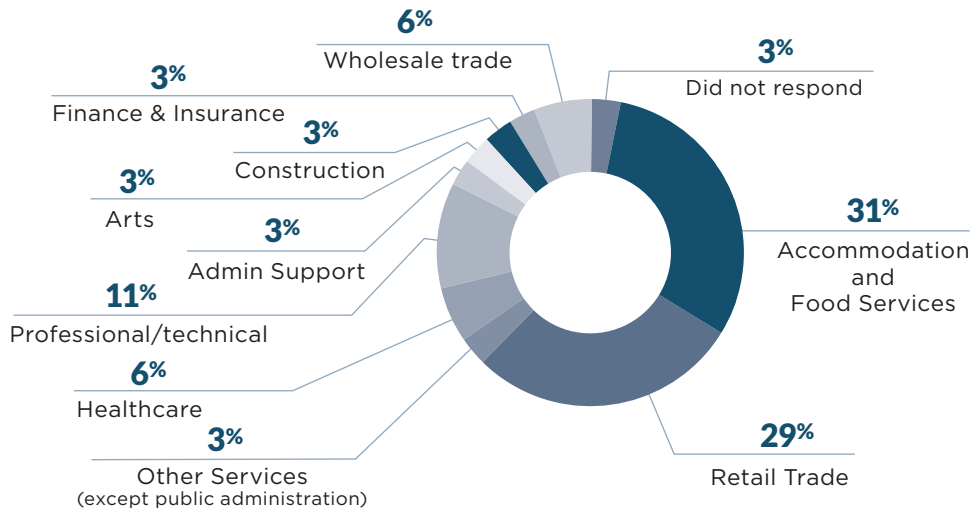


Above: Search to Involve Pilipino Americans/API SBP supports local businesses like Genever in LA’s Historic Filipinotown.

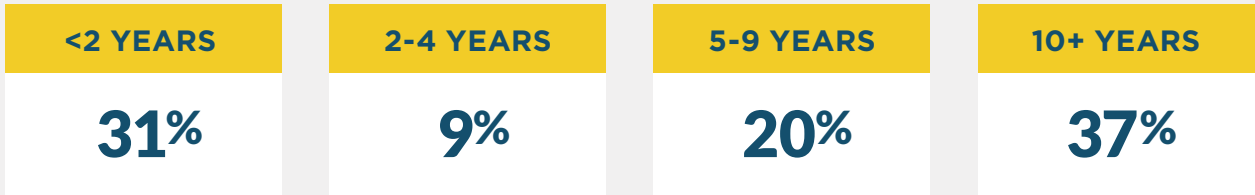
LOS ANGELES SMALL BUSINESS CLIENT RESPONSES



BUSINESSES BY INDUSTRY SECTOR

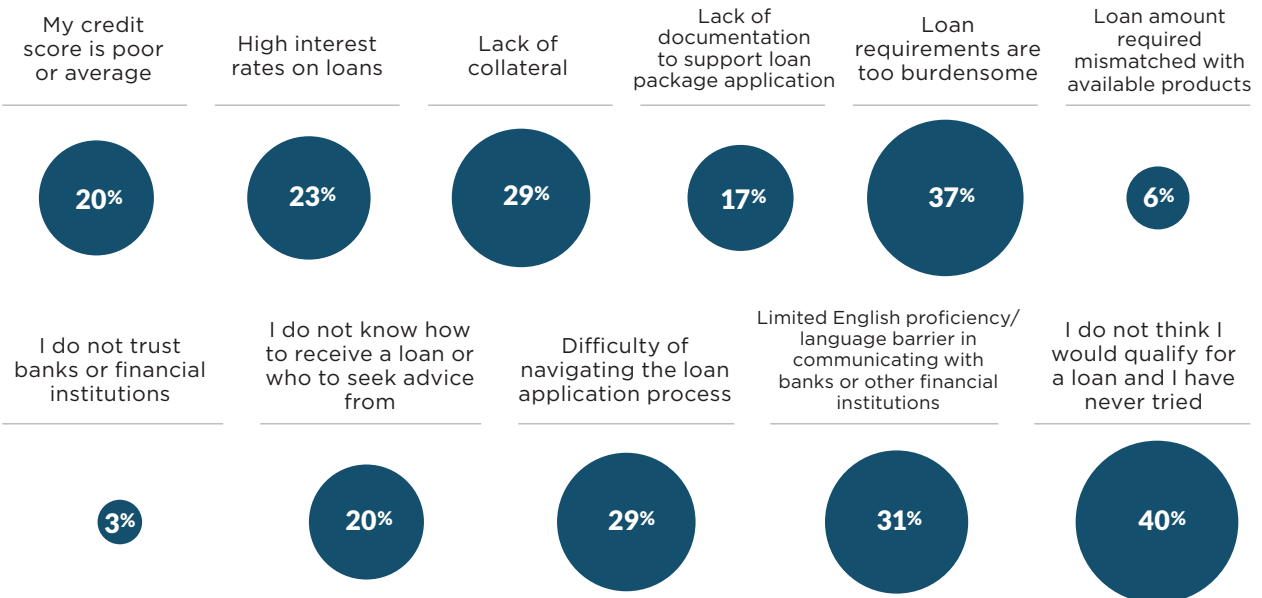


NUMBER OF YEARS IN BUSINESS *

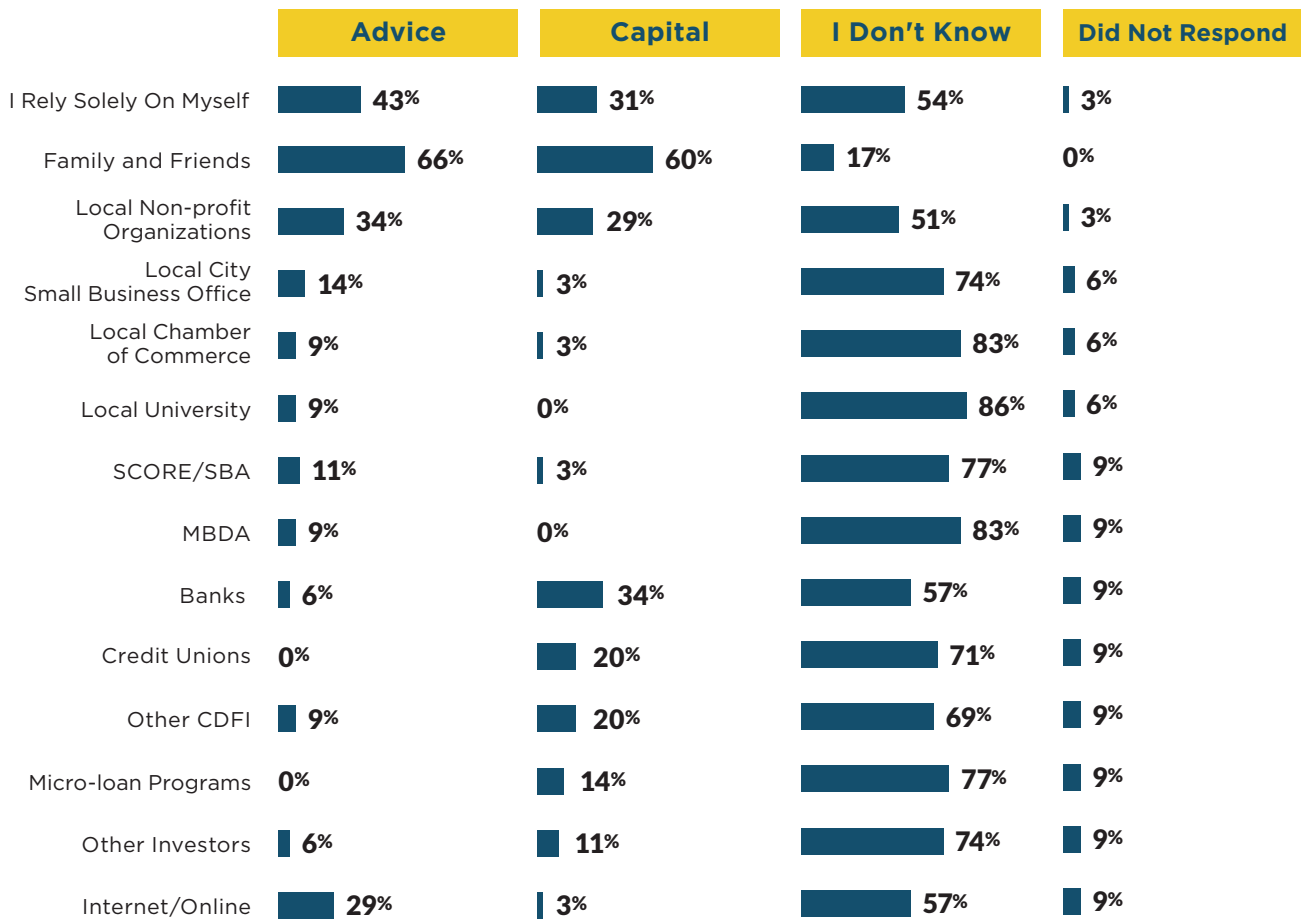


*3% Did not respond

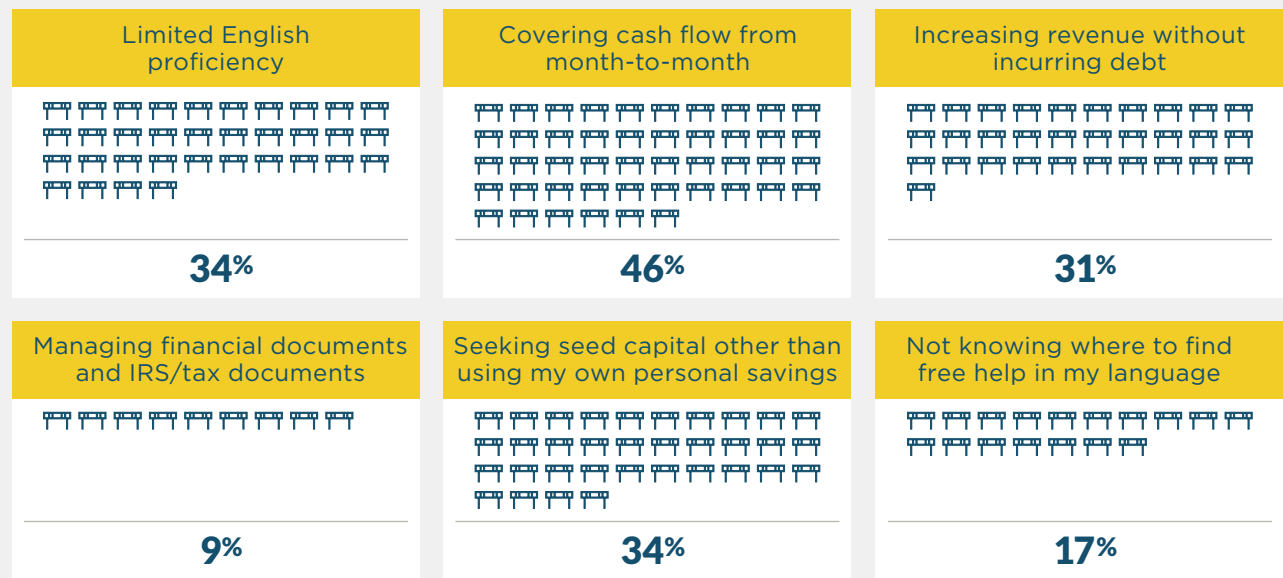
BARRIERS TO ACCESSING LOANS FROM FINANCIAL INSTITUTIONS



ACCESS TO CAPITAL AND ADVICE



MAJOR BARRIERS FACED IN STARTING OR OPERATING SMALL BUSINESS



SPOTLIGHT ON INNOVATION:

ASIAN PACIFIC ISLANDER SMALL BUSINESS PROGRAM

A Small Business Collaborative Fundraising and Business Counseling Model

HISTORY

Over 20 years ago, the Executive Directors of Chinatown Service Center, Little Tokyo Service Center, Koreatown Youth & Community Center, Search to Involve Pilipino Americans and Thai Community Development Center came together to discuss how best to serve AAPI businesses in their neighborhoods. Their ethnic business districts were not being served by any of the existing small business assistance organizations in Los Angeles, despite the fact that there were high levels of entrepreneurship and great demand for assistance. A survey at that time showed that of all the city's existing business assistance programs' front desks, only one out of 28 had the ability to provide assistance in any Asian language (most provided resources only in English or Spanish), even though 15 percent of the small businesses in the county were Asian-owned and 80 percent of those were owned by immigrants.

HOW IT WORKS

The leaders of these organizations seized this opportunity to create API SBP, a separate 501(c)(3) nonprofit organization that would tackle the small business development needs of AAPI small business owners in Los Angeles through collective fundraising and programming rather than competing against one another for the same opportunities. API SBP's model embeds a program into each of the five community based institutions, all of which have well established reputations in their respective communities. All five partners provide a broad range of services including senior, youth and family services, job development, asset building, housing assistance, childcare, etc. This allows the program to sustainably scale to serve a diverse clientele in several geographic areas of the city, while also remaining intimate, accessible and culturally relevant. The scale and unique niche allows API SBP to complement, and not compete with, larger existing business assistance agencies (i.e. SBA SBDCs, SCORE or other City and County efforts).

Today, API SBP earns a \$150,000 contract from the SBA serving Los Angeles County, and augments that contract with corporate, foundation and public agency funding. API SBP disburses funds via sub-contracts to its partner agencies so that they can hire a full-time business counselor in their organization. The organizations and counselors work together as a team sharing their individual strengths and resources with one another. Under the leadership of Ron Fong, Executive Director, and Colleen Seto, Program Manager of API SBP, the five partner agency business counselors collectively coordinate program goals and activities, and share resources, problems and solutions to issues the business counselors are facing. The business counselors provide financial education, financial coaching and credit assistance to small business owners and startups. With combined knowledge and experiences, API SBP's business counselors are better able to problem solve and have access to information and



Above: A business counselor of Chinatown Service Center/API SBP works with the owner of Bubble U.

resources because of API SBP’s collaborative model. Overall management of the program is handled by a lean central staff that manages all funding, contract management and training for API SBP staff. If this core management did not exist, it is probable that if a Business Counselor were hired by one of the partners s/he would be supervised by a Director of Job Development or Economic Development Manager, not a small business specialist.

API SBP serves over 2,500 AAPI entrepreneurs annually and, in 2017 alone, created 29 new businesses and nearly 300 jobs were created or preserved. In the same year, API SBP’s business counselors provided over 1,900 counseling hours and conducted nearly 80 workshops, trainings and networking events.

CHALLENGES AND OPPORTUNITIES

Without the foresight of the five founding executive directors of the partnering agencies, API SBP would not exist today to serve the greater good of their respective AAPI small business communities. However, this model has its challenges. Branding of a collective program can present challenges for fundraising and visibility. Because the business counseling is conducted by the partnering agencies, clients typically approach business counselors at partner agencies that they may have heard of or know from community sources such as an

ethnic newspaper or other community institutions, rather than through API SBP. Additionally, funders are often interested in funding one ethnic community or one partner agency. Although the funds raised are meant to hire business counselors for API SBP, the business counselors are technically employees of the five partnering agencies. API SBP must manage time for the business counselors’ work between API SBP and the partner agency. On the other hand, if there is staff turnover, API SBP can better mitigate challenges of any one organization.

API SBP’s model undoubtedly holds promise for other communities seeking to reach scale in serving a growing entrepreneurial constituency. Although the model was established because of the linguistic and cultural uniqueness of the various Asian ethnic groups, the model has broad applicability. The structure could be used in any urban setting where neighborhoods are delineated by physical, ethnic or cultural barriers, and where it would be difficult for one center to penetrate multiple segments. Further, leveraging the trust of a community based organization is essential in starting any new programming. Using existing institutions to access isolated communities provides a strong relationship between the counselor and client. The API SBP model can be duplicated where multiple communities need services but are best reached by multiple local organizations. The model is simple and highly cost-effective.

An example of the ongoing viability of this model is API SBP’s recent expansion of the collaborative to include the United Cambodian Community of Long Beach.

“This kind of work is highly impactful. We are creating businesses, creating or saving jobs, which leads to building assets for families. Our work is stabilizing communities.”

— *Ron Fong, Executive Director of API SBP*

MINNEAPOLIS- ST. PAUL- BLOOMINGTON, MN-WI MSA

#16 MSA RANKING FOR AAPI
POVERTY POPULATION SIZE

AAPI POPULATION*
226,819

AAPI POVERTY POPULATION*
36,034

TOTAL AA OWNED FIRMS**
14,069 FIRMS

% OF TOTAL FIRMS IN MSA**
4.4%

TOTAL SALES OF AA OWNED FIRMS**
\$3,648,505,000

AVERAGE RECEIPTS PER AA FIRM**
\$259,329

NUMBER OF EMPLOYEES FOR AA FIRMS**
23,093 INDIVIDUALS

*2015 American Community Survey

**2012 Survey of Business Owners

Local Challenges: The Twin Cities metropolitan area is home to the largest urban concentration of Hmong in America—approximately 64,000 individuals, 25 percent of whom live below the poverty level. Having arrived as refugees from war-torn Laos, Hmong families arrived with little to no assets and have spent the last 40 years rebuilding their lives and creating economic opportunity for their community. While the poverty rate has declined dramatically for this community (approximately 40 percent in the 1990s by comparison), many in the Hmong community continue to struggle with building assets for themselves and future generations. Low-asset business owners are viewed unfavorably by traditional lenders, including local CDFIs, making a lack of access to capital a major challenge to start-up and growth for many who see business ownership as their primary pathway to building household wealth. In fact, 60 percent of the area's business owners surveyed for this report (Hmong and other Southeast Asians) stated they had difficulty navigating the loan application process. Community-based organizations that serve the area's Southeast Asian entrepreneurs have innovated to meet the capital needs of these entrepreneurs, but also struggle to provide the full scope of services that are necessary to help these entrepreneurs succeed. Southeast Asian entrepreneurs are often in need of culturally competent, intensive counseling and technical assistance. But programs offering comprehensive, in-language services operate at a high cost-per-client and are chronically underfunded.

Local Solutions: The Asian Economic Development Association (AEDA) is a 501(c)(3) community based economic development association whose mission is to increase economic opportunities for Asian Americans in the Twin Cities. The organization's small business program was formed in 2008 in response to transit-oriented development that threatened to displace an AAPI small business community. The Green Line Light Rail connects downtown Minneapolis to downtown St. Paul, and runs straight through the heart of Little Mekong. AEDA provides business counseling, training, technical assistance, credit assistance and small loans to new and existing small business owners.

ORGANIZATIONAL STATISTICS: AEDA

Organization budget (all programs)	\$1.32 million
SB program budget as % of overall org budget (2017)	25%
Year SB program established	2014
# of FT staff organization wide	6
# of FT business counselors	2
AAPI languages spoken (SB program)	Hmong, Vietnamese
AAPI client sub-populations served (SB prog)	Asian Indian, Cambodian, Chinese, Filipino, Hmong, Tongan, Vietnamese, Other
Total AAPI SB clients served (2017)	92
One-on-one Counseling Activities	Y
Group Education Activities	Y
Business District Management	Y
Micro-Lender or CDFI	Y

"I focus on minority customers but our customers are scattering around the city. I don't have much money for advertising. This prevents me from heading to far away customers."

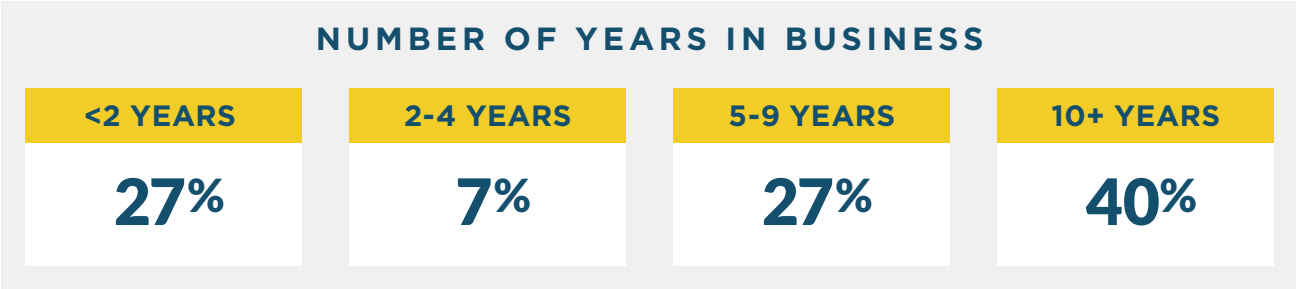
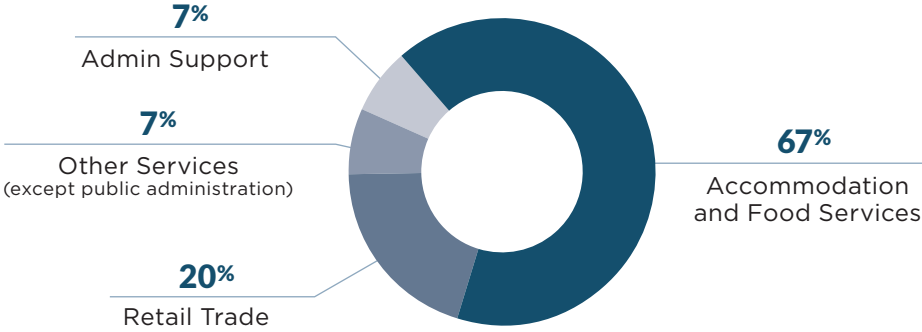
"If I have a good customer base, my income will be stable. My business is really small meanwhile the others have advantage of online selling, I don't have that."

AEDA's clients are primarily Southeast Asians with little assets, many of whom other lenders would not serve. A little over half of AEDA's annual clients are Hmong. A majority of these business owners have been in business less than two years. Forty-seven percent of AEDA's clients have less than \$90,000 in revenue. The bulk are accommodation and food service types, followed by retail trade types. A large portion of AEDA's loan portfolio reflects loans in the \$10,000 to \$25,000 range, followed by \$5,000 to \$10,000.

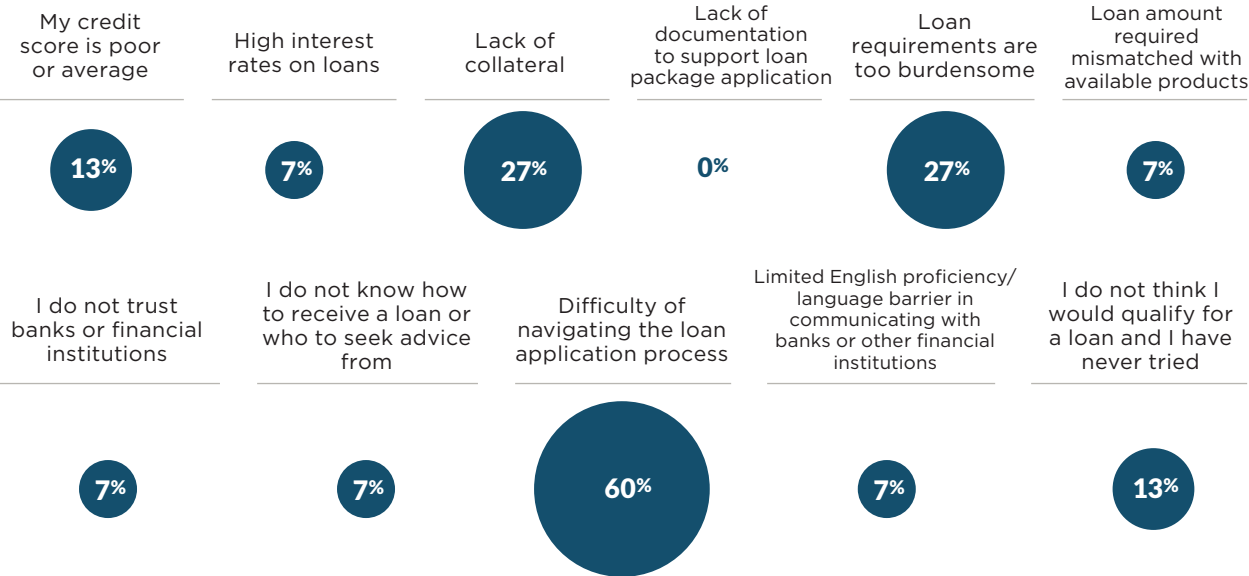
MINNEAPOLIS SMALL BUSINESS CLIENT RESPONSES



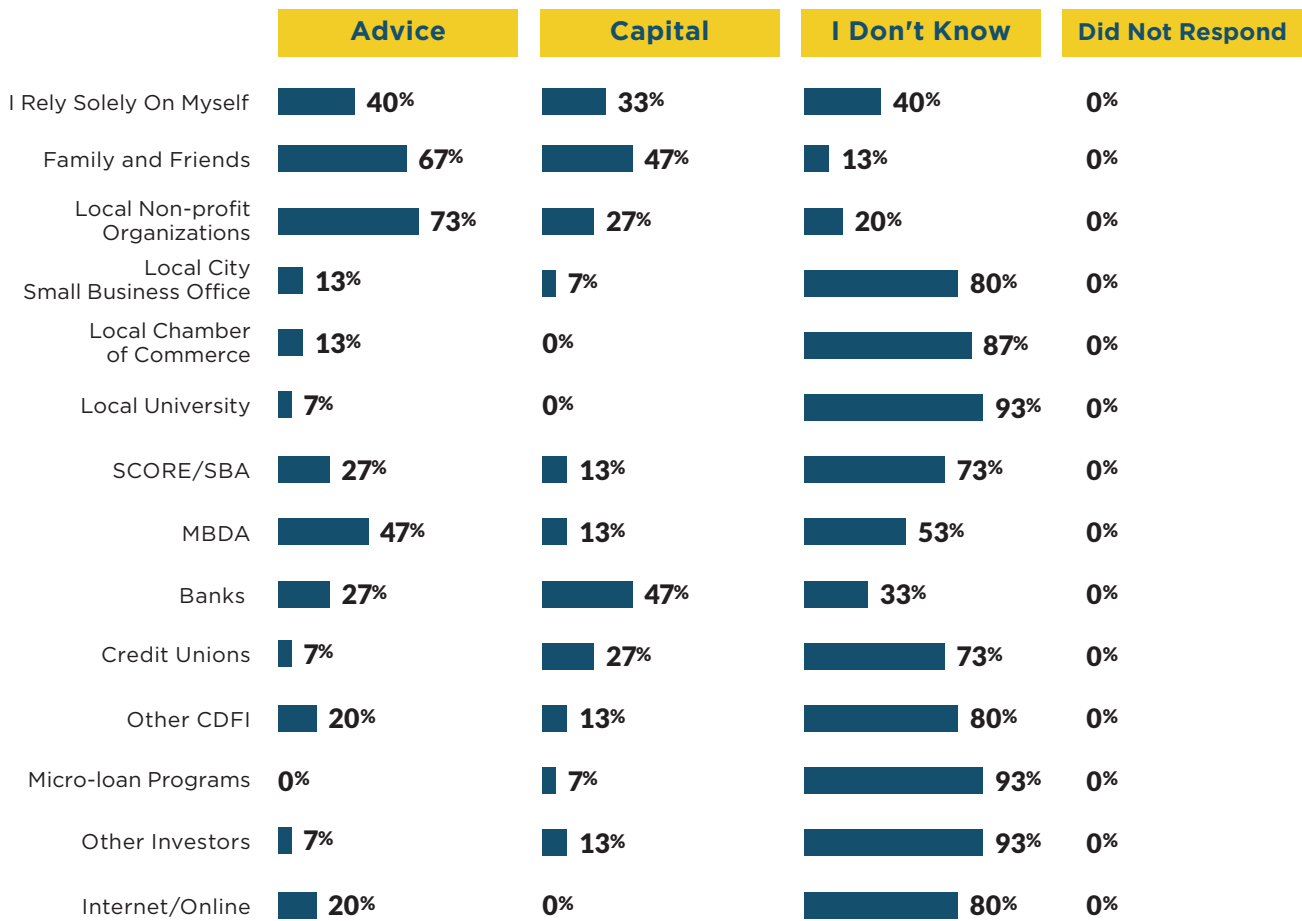
BUSINESSES BY INDUSTRY SECTOR



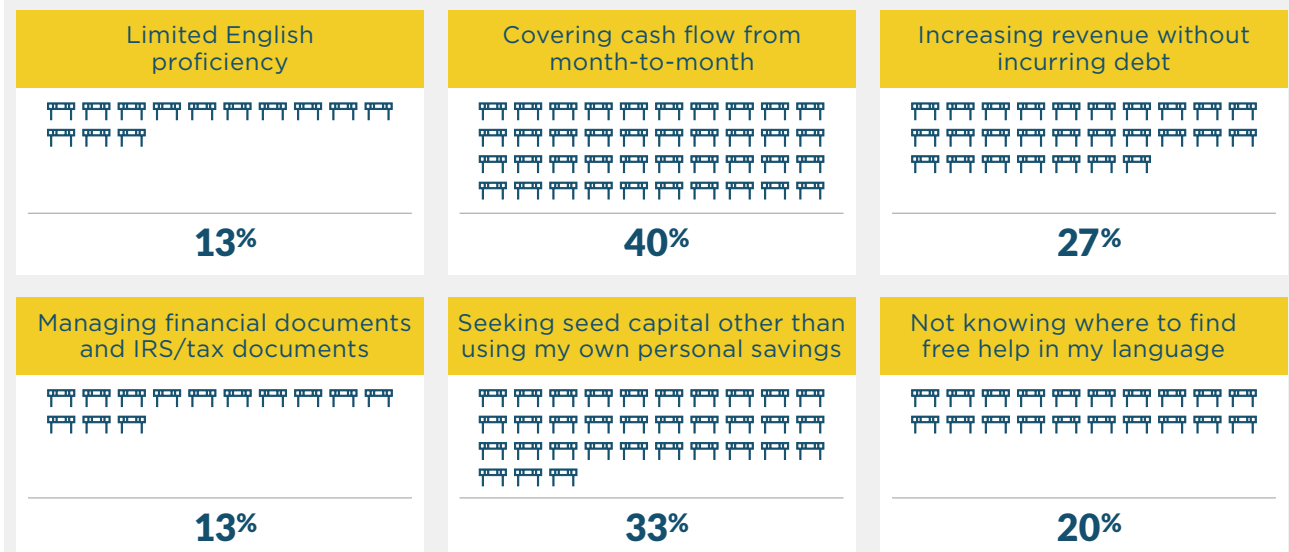
BARRIERS TO ACCESSING LOANS FROM FINANCIAL INSTITUTIONS



ACCESS TO CAPITAL AND ADVICE



MAJOR BARRIERS FACED IN STARTING OR OPERATING SMALL BUSINESS



NEW YORK-NORTHERN NEW JERSEY-LONG ISLAND, NY-NJ-PA MSA

#1 MSA RANKING FOR AAPI POVERTY POPULATION SIZE

AAPI POPULATION*
2,218,722

AAPI POVERTY POPULATION*
285,013

TOTAL AA OWNED FIRMS**
299,264 FIRMS

TOTAL NHPI OWNED FIRMS**
3,328 FIRMS

% OF TOTAL FIRMS IN MSA**
13.8%

TOTAL SALES OF AA OWNED FIRMS**
\$100,204,881,000

AVERAGE RECEIPTS PER AA FIRM**
\$334,838

TOTAL SALES OF NHPI OWNED FIRMS**
\$342,681,000

AVERAGE RECEIPTS PER NHPI FIRM**
\$102,969

NUMBER OF EMPLOYEES FOR AAPI FIRMS**
426,686 INDIVIDUALS

*2015 American Community Survey

**2012 Survey of Business Owners

ORGANIZATIONAL STATISTICS: BCNA

Organization budget (all programs) **\$1.7 million**

SB program budget as % of overall org budget (2017) **100%**

Year SB program established **1997**

of FT staff organization wide **13**

of FT business counselors **7**

AAPI languages spoken (SB program) **Cantonese, Mandarin, Hindi, Nepali, Nyeshang, Vietnamese, Tibetan**

AAPI client sub-populations served (SB prog) **Asian Indian, Bangladeshi, Chinese, Korean, Nepalese, Pakistani, Sri Lankan, Vietnamese, Tibetan, Other**

Total AAPI SB clients served (2017) **164**

One-on-one Counseling Activities **Y**

Group Education Activities **Y**

Business District Management **N**

Micro-Lender or CDFI **Y**

ORGANIZATIONAL STATISTICS: REDC

Organization budget (all programs) **\$2.5 million**

SB program budget as % of overall org budget (2017) **100%**

Year SB program established **1997**

of FT staff organization wide **25**

of FT business counselors **13**

AAPI languages spoken (SB program) **Cantonese, Mandarin, Other Chinese, Korean, Taiwanese**

AAPI client sub-populations served (SB prog) **Chinese, Korean, Caucasian, African American, Hispanic, Other**

Total AAPI SB clients served (2017) **711**

One-on-one Counseling Activities **Y**

Group Education Activities **Y**

Business District Management **N**

Micro-Lender or CDFI **Y**

Local Challenges: AAPI business ownership is a significant economic engine for the region—with over 300,000 AAPI owned firms. Forty percent of the Asian American firms in this area are owned by Chinese, 27 percent are owned by Asian Indians, 13 percent are owned by Koreans, and 11 percent are owned by other growing Asian ethnic populations. The total number of employees of AAPI businesses in this MSA decreased by six percent since the 2007 SBO, likely because of the Recession. Small family businesses that have historically made up the character of the city's many distinct neighborhoods are increasingly facing rising commercial rents, unscrupulous landlords, and intense competition from multinational corporations. New immigrants seeking to open their own businesses have limited income to adequately finance start-up and ongoing operational costs and struggle to navigate the myriad regulatory hurdles required for successful operation. Of the area's AAPI entrepreneurs surveyed for this report, 39 percent cited poor credit

as a barrier to obtaining capital, and 28 percent cited lack of documentation to support the loan package application as a problem. Fifty percent cited seed capital as a major barrier to opening a business, likely attributable to the unusually high cost of doing business in New York City.

Local Solutions: The Business Center for New Americans (BCNA) and Renaissance Economic Development Corporation (Renaissance or REDC) are two of National CAPACD’s member organizations in this region.

The **Business Center for New Americans** (BCNA) is an SBA approved micro-lender and an AERIS rated CDFI with offices in downtown Manhattan and in northwestern Queens. BCNA’s mission is to create a pathway to self-sufficiency for immigrant and refugee entrepreneurs in New York City by providing access to affordable credit, empowering with financial education and offering training in best business practices and technology. BCNA provides loans, which range from \$500 to \$50,000, to business owners who are not able to obtain loans from traditional lenders, many because of a lack of credit history. In 2017, of the \$2,580,500 in loans made to business owners, 50 percent were under \$3,000 and 88 percent were under \$10,000. Businesses requesting loans must be within the five boroughs of New York City. For those businesses located in Manhattan, Brooklyn or in the Bronx, they must be immigrant, refugee or woman-owned.

BCNA employs seven business counselors who speak 15 languages that reflect the diversity of New York City’s entrepreneurs. Of these staff, four speak six Asian languages: Cantonese, Mandarin, Hindi, Nepali, Vietnamese and Tibetan. In 2017, BCNA held 39 small business workshops serving a total of 336 attendees, with 19 percent of workshop participants self-identified as AAPI. Sixty of their one-on-one counseling clients identified as AAPI.

Renaissance Economic Development Corporation (REDC) was established in 1997 to meet the small business needs of the region’s burgeoning AAPI community. In 2017, REDC’s 13 business counselors served over 700 clients through a robust menu of individualized and group services. Unsurprisingly, popular services include the “Financing and Capital” workshops and one-on-one counseling sessions focused on tax planning, start-up assistance, marketing/sales and legal issues. The organization is an established CDFI that is well known for its culturally competent underwriting practices that meet the needs of immigrant clients, many of whom are unfamiliar with the U.S. financial system. For example, in addition to standard tax return documents, when underwriting a loan to a food business REDC may analyze a restaurateur’s raw food purchases.

These documents are often written in Chinese or Korean and fall outside the scope of traditional credit analyses. Refer to REDC’s spotlight on pages 44 and 45 for a description of their innovative small business lending efforts in partnership with Asian Services in Action in Cleveland, OH.



Left: Investing in the success of small businesses is an important strategy to preserving the identity and character of AAPI neighborhoods and business districts.

“Landlord has not given lease, does not accept check, only cash. He wants us to leave the space if paid in check.”

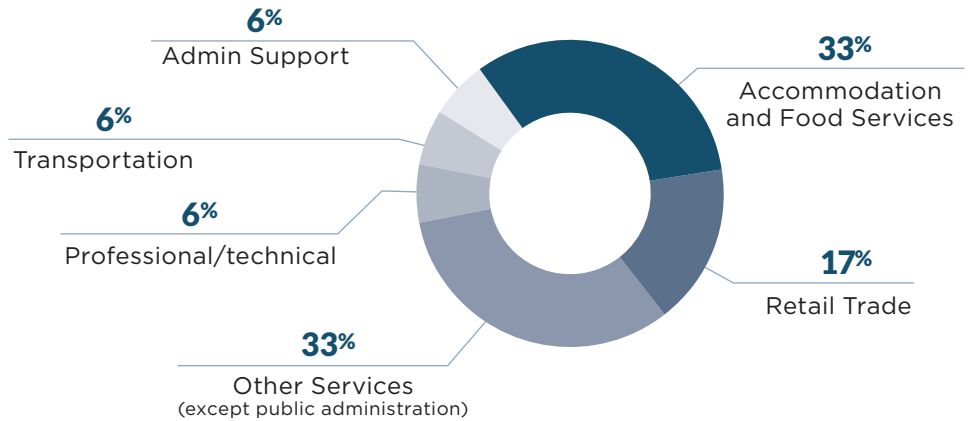
“Rapid rent increase every year (3-5 percent increase). Restaurant business and inflation makes us difficult to survive.”

“Five percent rent increase every year. If the rent price keeps increasing it will be difficult to survive.”

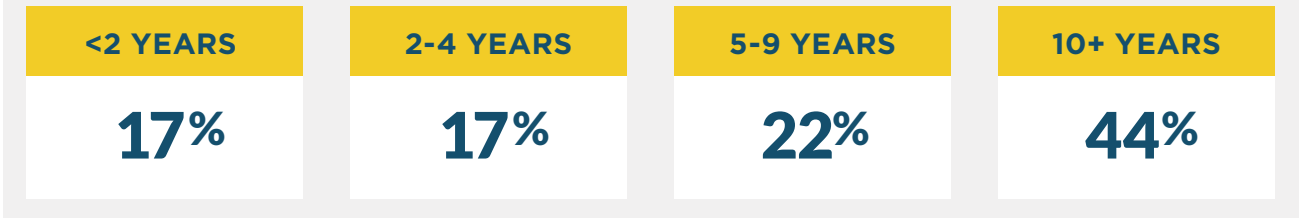
NEW YORK SMALL BUSINESS CLIENT RESPONSES



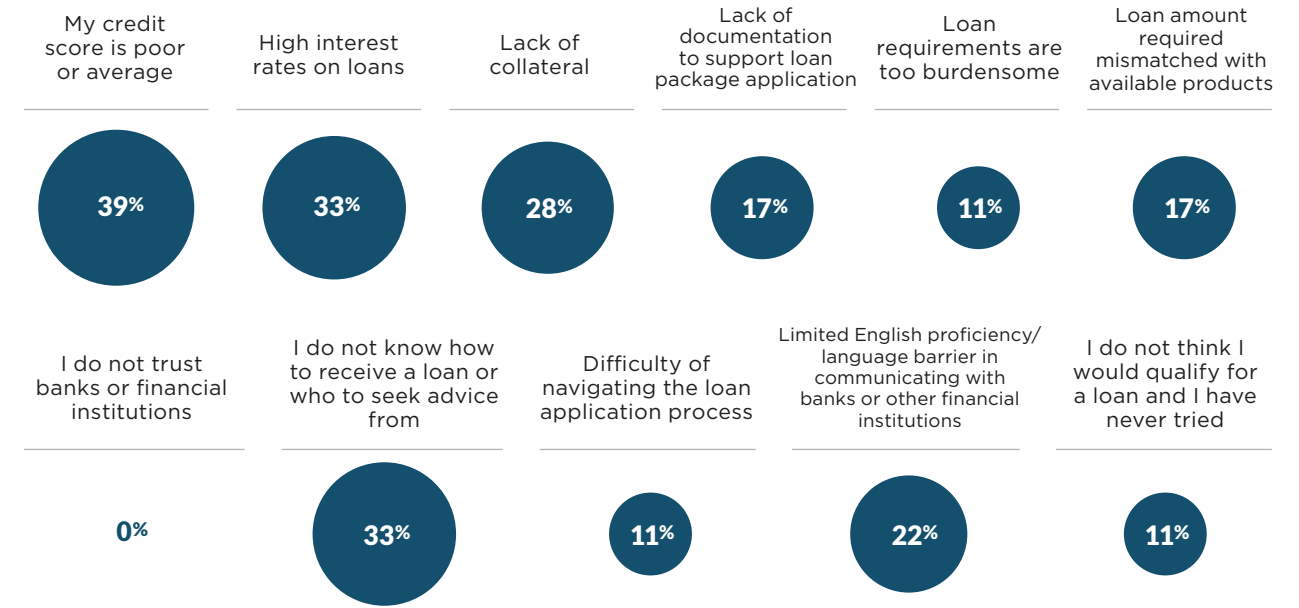
BUSINESSES BY INDUSTRY SECTOR



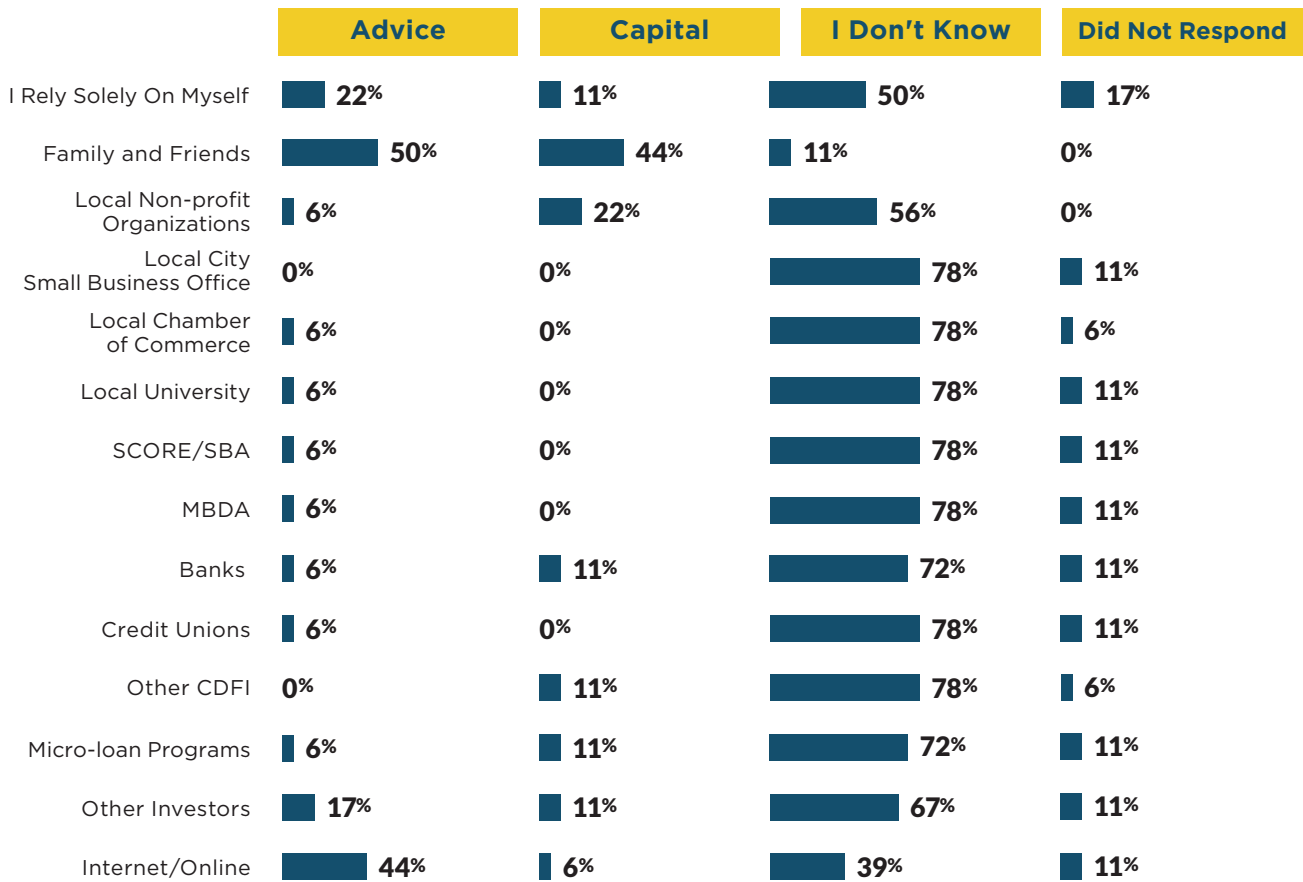
NUMBER OF YEARS IN BUSINESS



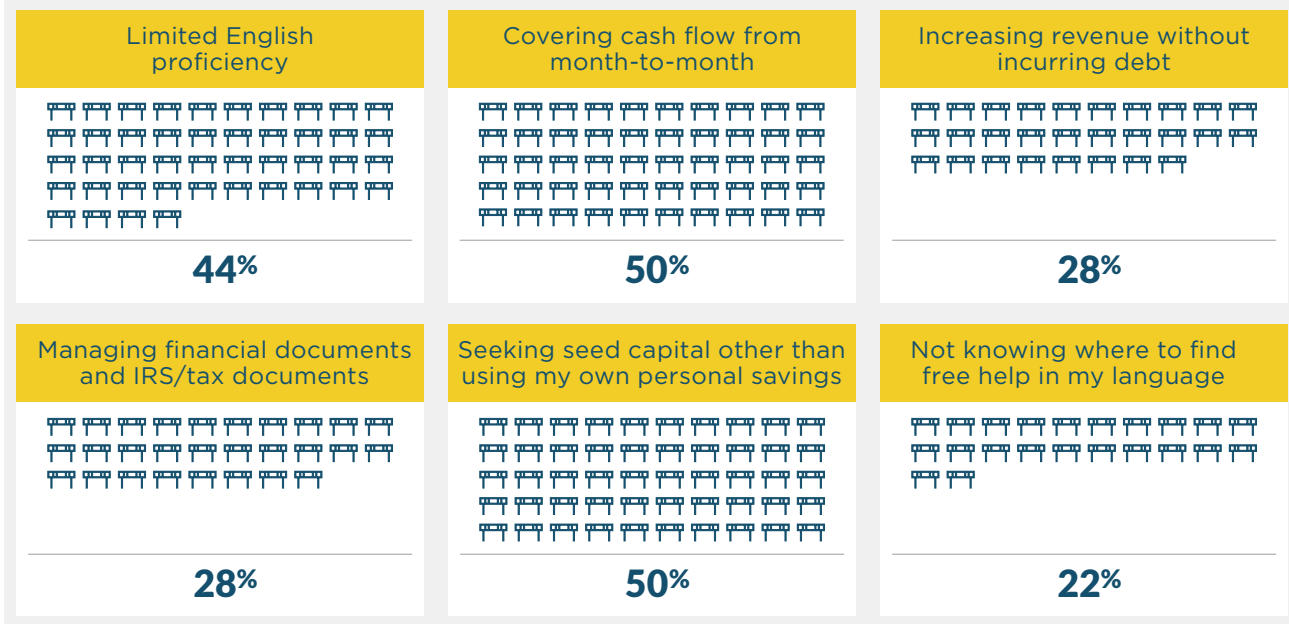
BARRIERS TO ACCESSING LOANS FROM FINANCIAL INSTITUTIONS



ACCESS TO CAPITAL AND ADVICE



MAJOR BARRIERS FACED IN STARTING OR OPERATING SMALL BUSINESS



PHILADELPHIA-CAMDEN-WILMINGTON, PA-NJ-DE-MD MSA

#9 MSA RANKING FOR AAPI POVERTY POPULATION SIZE

AAPI POPULATION*

357,752

AAPI POVERTY POPULATION*

46,882

TOTAL AA OWNED FIRMS**

33,057 FIRMS

% OF TOTAL FIRMS IN MSA**

6.9%

TOTAL SALES OF AA OWNED FIRMS**

\$12,264,697,000

AVERAGE RECEIPTS PER AA FIRM**

\$371,017

NUMBER OF EMPLOYEES FOR AA FIRMS**

58,035 INDIVIDUALS

*2015 American Community Survey

**2012 Survey of Business Owners

Local Challenges: Like many other hot real estate markets, Philadelphia's Chinatown faces a lack of affordable residential and commercial rent and a significant risk of displacement from new developments. In fact, 25 percent of Philadelphia's AAPI entrepreneurs surveyed for this report expressed some concern about the threat of displacement and stated a desire for more affordable commercial ownership options and policy solutions such as legacy business ordinances. High taxes place additional strain on those who live in and operate businesses in the area. Small businesses in the area also report difficulty securing loans and diversifying services and goods to meet market needs. These challenges are compounded by a lack of access to in-language services from public and private agencies in the area.

Local Solutions: Philadelphia Chinatown Development Center (PCDC) is a 501(c)(3) grassroots, community-based organization. PCDC was formed in 1966 when a transportation project threatened to demolish a valuable recreation center in Chinatown and its mandate was to represent Chinatown in matters of urban renewal and community development. As a community development corporation, PCDC focuses their small business development services on commercial district management activities and business organizing on key policy priorities. PCDC operates a Main Street sanitation program that serves the district, and also employs two part-time bilingual Mandarin-speaking staff members to work directly with neighborhood businesses on promotional activities such as the Chinatown Night Market. PCDC works closely with the City of Philadelphia's Office of Neighborhood Economic Development, referring businesses requiring technical assistance to a Chinese language speaking counselor.

PCDC's small business program is unique in that it is integrated with the strategic goals of its Chinatown Neighborhood Plan, a 10-year framework for creating affordable housing, ensuring community benefit from major development and supporting small businesses in the area. PCDC is heavily involved in neighborhood and historic preservation of Chinatown and is one of a few agencies that can provide culturally competent services in the area.

The majority of owners served through PCDC's services are Chinese. There are nearly 300 businesses located in Philadelphia's Chinatown, primarily food-related, professional/technical services and retail businesses, employing an estimated 1,500 individuals. The average number of years in business in the district is nine years. The bulk of PCDC's survey respondents desire loans of \$25,000 or more to support expansion with one business seeking to re-finance an existing loan. Though none of the respondents reported having difficulty paying their monthly rent, all respondents favored affordable commercial rent programs.

ORGANIZATIONAL STATISTICS: PCDC

Organization budget (all programs) **\$829,189**

SB program budget as % of overall org budget (2017) **23%**

Year SB program established **2008**

of FT staff organization wide **7**

of FT business counselors **2.5**

AAPI languages spoken (SB program) **Mandarin**

AAPI client sub-populations served (SB prog) **Chinese, Other**

Total AAPI SB clients served (2017) **20**

One-on-one Counseling Activities **N**

Group Education Activities **Y**

Business District Management **Y**

Micro-Lender or CDFI **N**

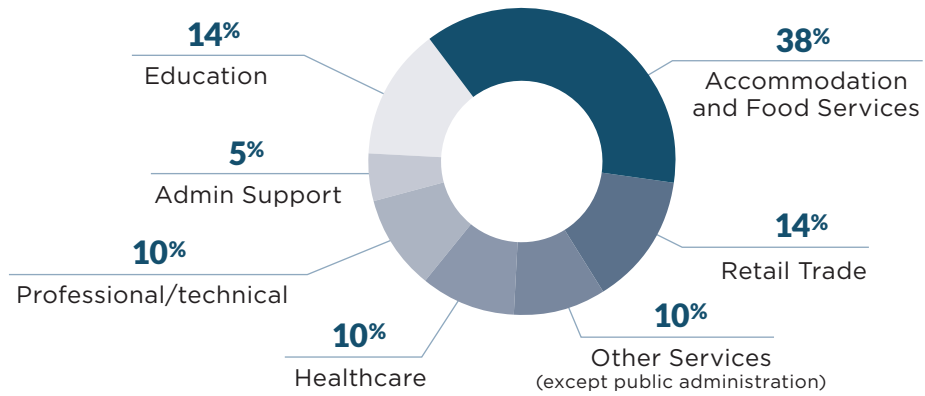
"[I need to] get [an] outside customer base. Asian Americans now [are moving out and] expand to other [areas]. I have difficulty with training and retaining employees."

"[It is] difficult to find investing money to [open a] second location."

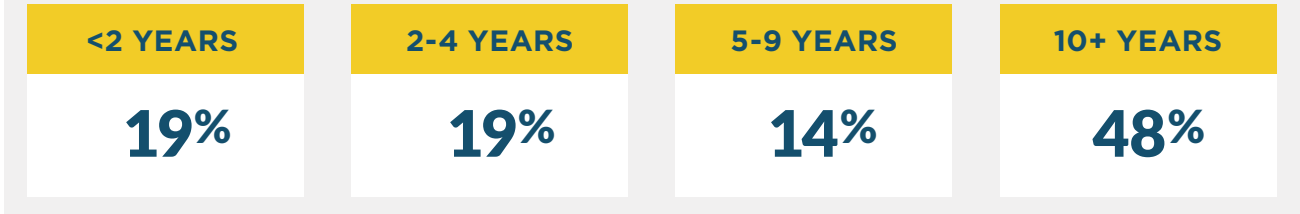
PHILADELPHIA SMALL BUSINESS CLIENT RESPONSES

21
BUSINESSES

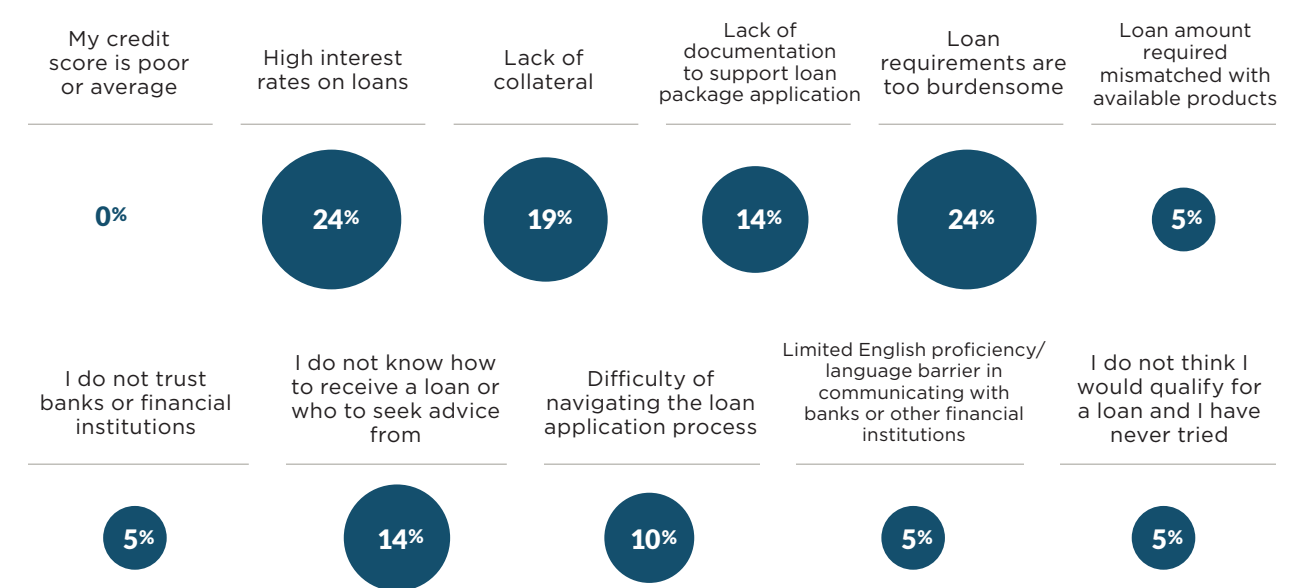
BUSINESSES BY INDUSTRY SECTOR



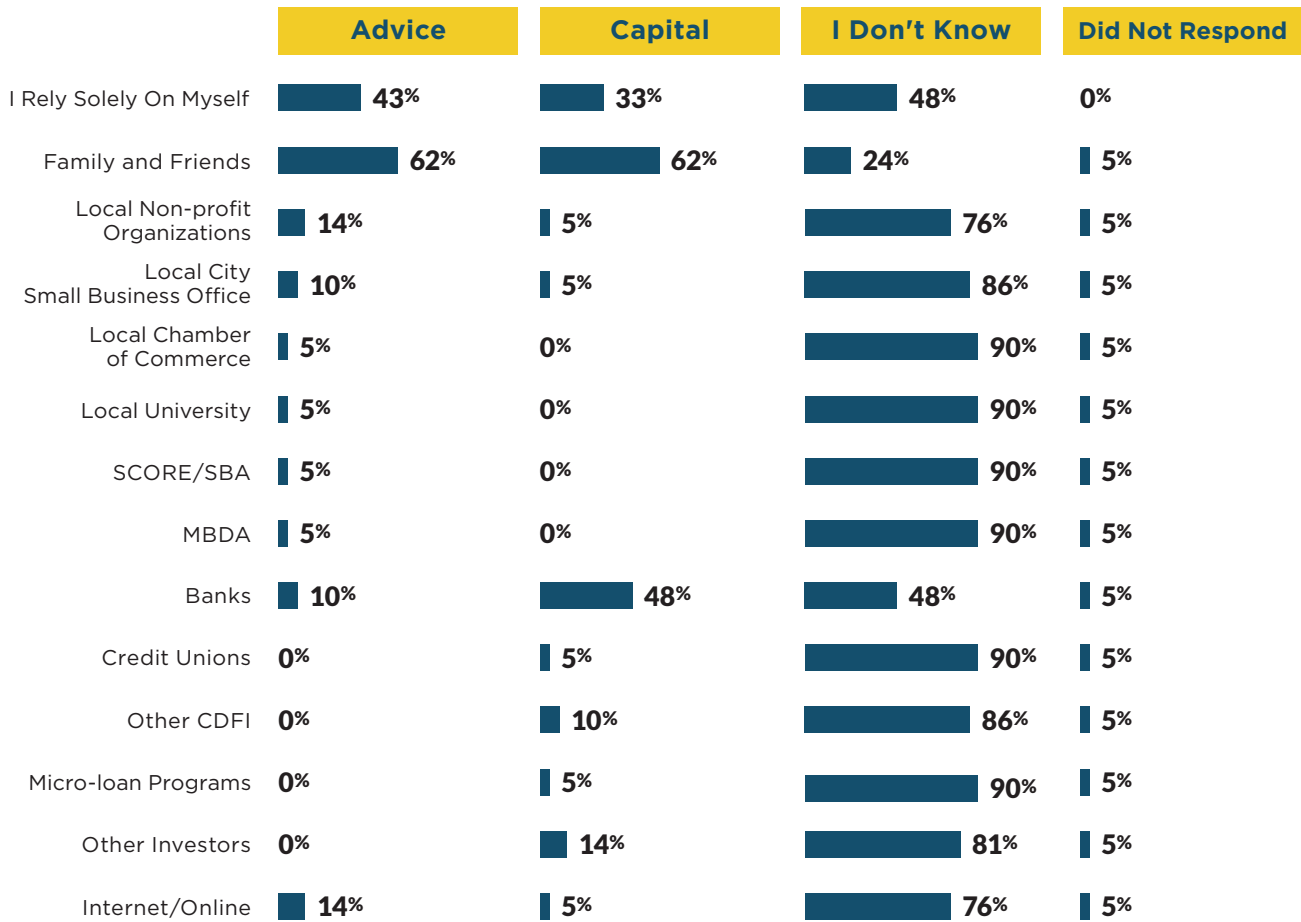
NUMBER OF YEARS IN BUSINESS



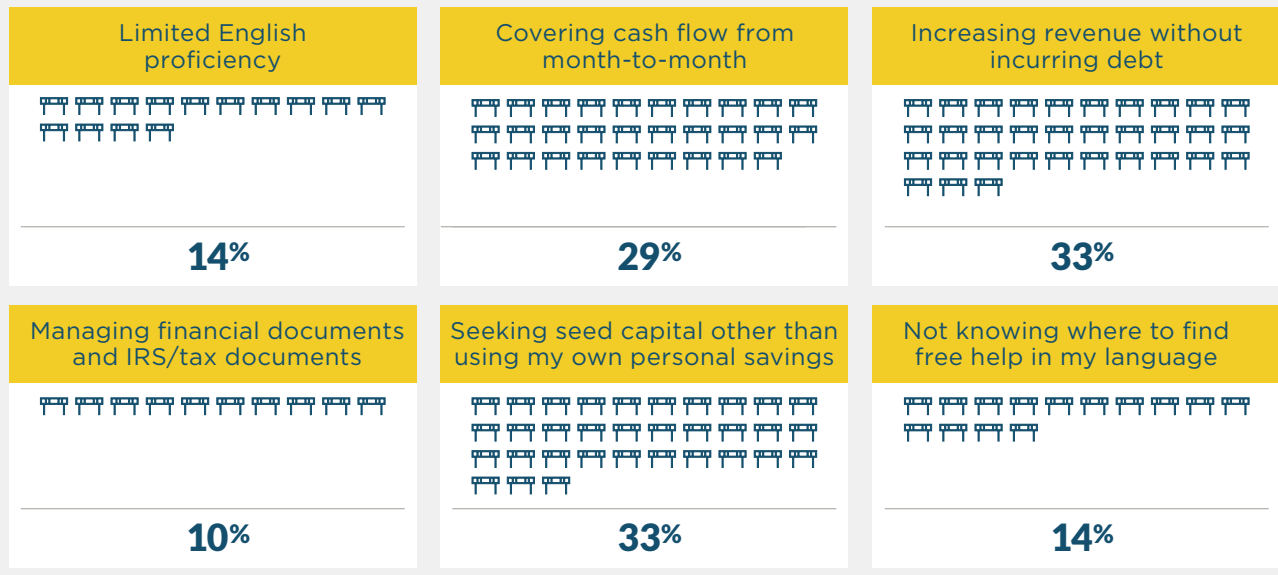
BARRIERS TO ACCESSING LOANS FROM FINANCIAL INSTITUTIONS



ACCESS TO CAPITAL AND ADVICE



MAJOR BARRIERS FACED IN STARTING OR OPERATING SMALL BUSINESS



CLEVELAND- AKRON, OH MSA

#40 MSA RANKING FOR AAPI
POVERTY POPULATION SIZE

AAPI POPULATION*
46,661

AAPI POVERTY POPULATION*
6,891

TOTAL AA OWNED FIRMS**
4,959 FIRMS

% OF TOTAL FIRMS IN MSA**
2.7%

TOTAL SALES OF AA OWNED FIRMS**
\$2,059,766,000

AVERAGE RECEIPTS PER AA FIRM**
\$415,359

NUMBER OF EMPLOYEES FOR AA FIRMS**
13,116 INDIVIDUALS

*2015 American Community Survey

**2012 Survey of Business Owners

Local Challenges: Cleveland’s AsiaTown is one of the region’s most vibrant dining districts and culturally unique destinations with more than three dozen eateries, markets and shops. To sustain this culturally important community, Asian Services in Action (ASIA) and community advocates have outlined long-term goals to increase residential density, improve visibility of existing businesses and attract a more diverse business mix to the district. Cleveland’s refugee population is growing at a rapid pace—it increased by 69 percent between 2012 and 2016 according to the Refugee Services Collaborative of Greater Cleveland. The time is thus ripe for generating pathways to financial stability for low-income refugees that bolster the local economy.

However, in order to successfully catalyze local business development, a significant investment must be made in culturally competent business development programs. Forty-five percent of Cleveland’s AAPI entrepreneurs surveyed for this report cited limited English proficiency as a major barrier to starting or operating a business, and 35 percent cited language as a barrier to communicating with banks or financial institutions.

ORGANIZATIONAL STATISTICS: ASIA

Organization budget (all programs)	\$5.6 million
SB program budget as % of overall org budget (2017)	3.5%
Year SB program established	2016
# of FT staff organization wide	86
# of FT business counselors	3
AAPI languages spoken (SB program)	Burmese, Cantonese, Mandarin, Nepali, Thai, Urdu, Mon
AAPI client sub-populations served (SB prog)	Burmese, Chinese, Nepalese, Other
Total AAPI SB clients served (2017)	27
One-on-one Counseling Activities	Y
Group Education Activities	Y
Business District Management	N
Micro-Lender or CDFI	Y



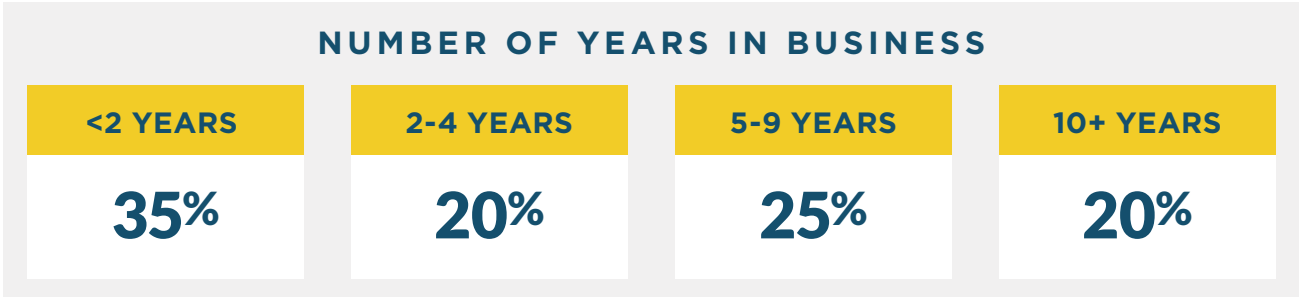
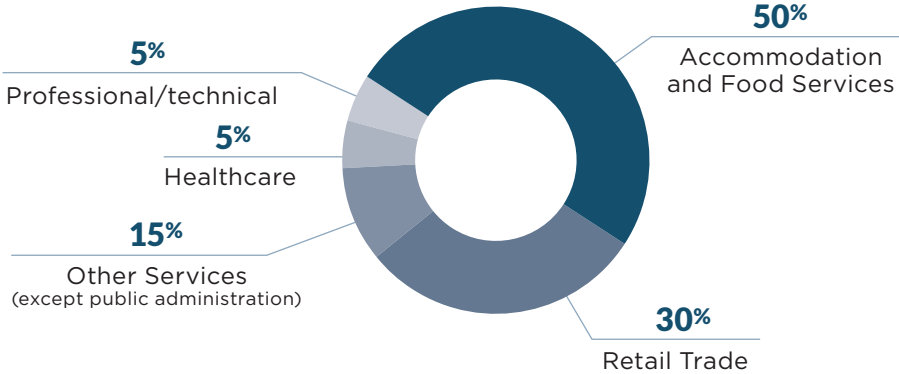
Local Solutions: Please refer pages 44 and 45 for a description of ASIA and their unique partnership with Renaissance Economic Development Corporation (REDC) to offer micro-loans to AAPI small business owners in the Cleveland area.

Left: ASIA helped secure a micro-loan for Rot Sorn (pictured right) and her husband, owners of Lyeh Thai Food. Sorn and her husband are resettled refugees from Southeast Asia.

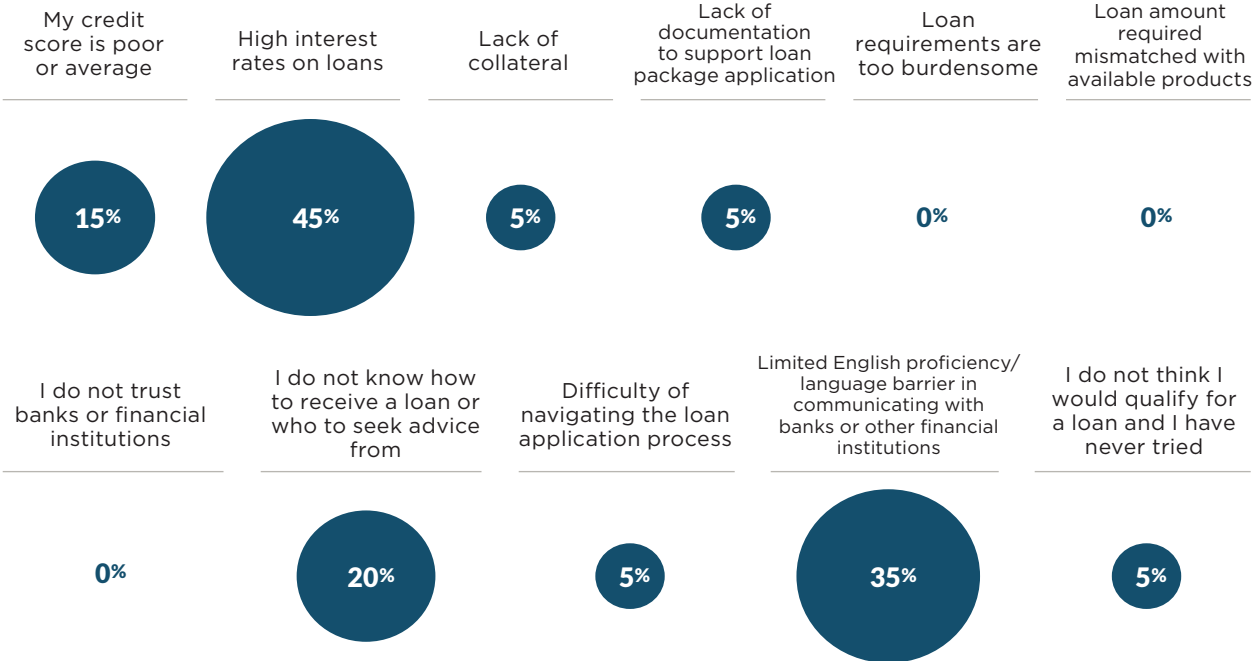
CLEVELAND SMALL BUSINESS CLIENT RESPONSES

20
BUSINESSES

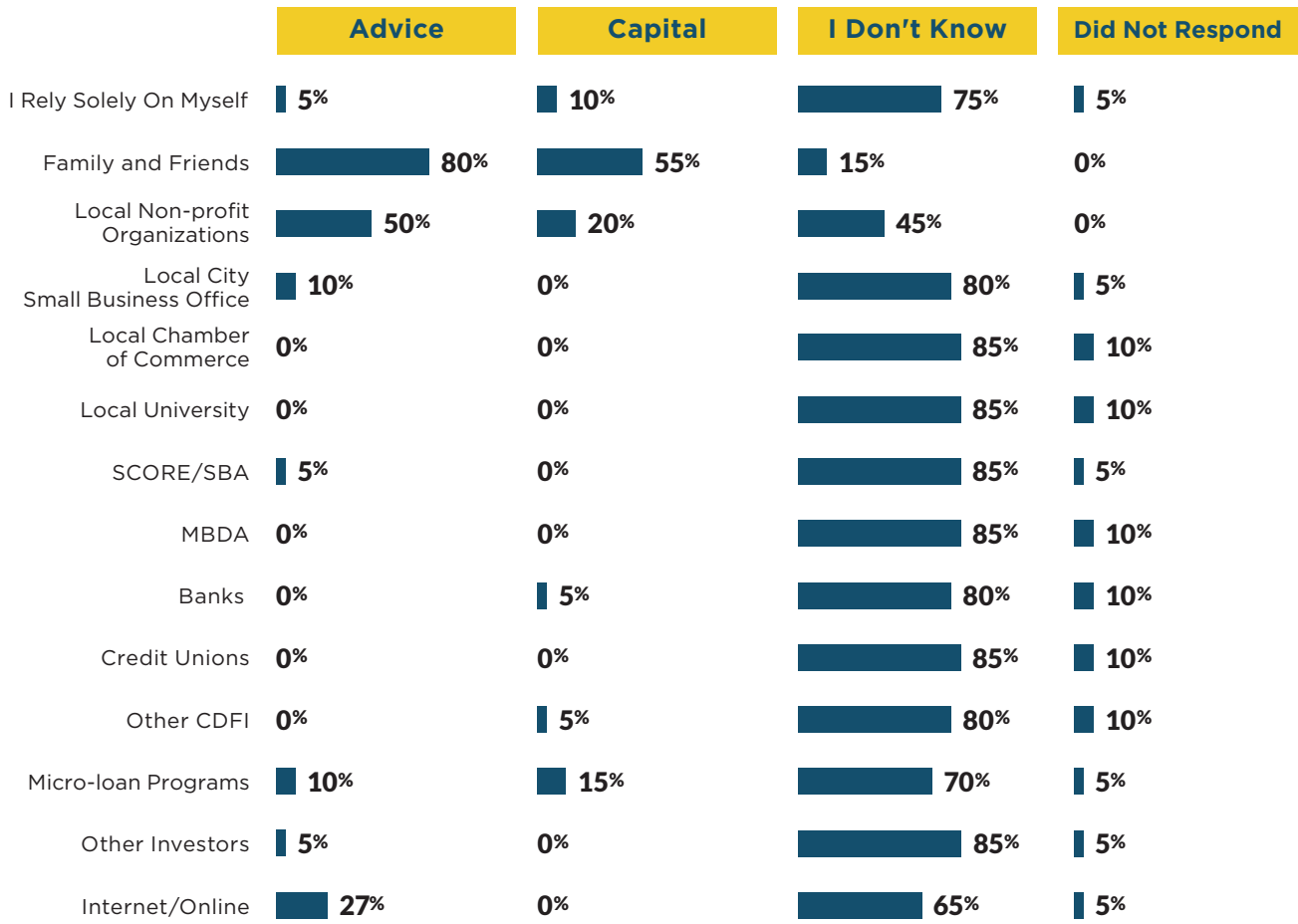
BUSINESSES BY INDUSTRY SECTOR



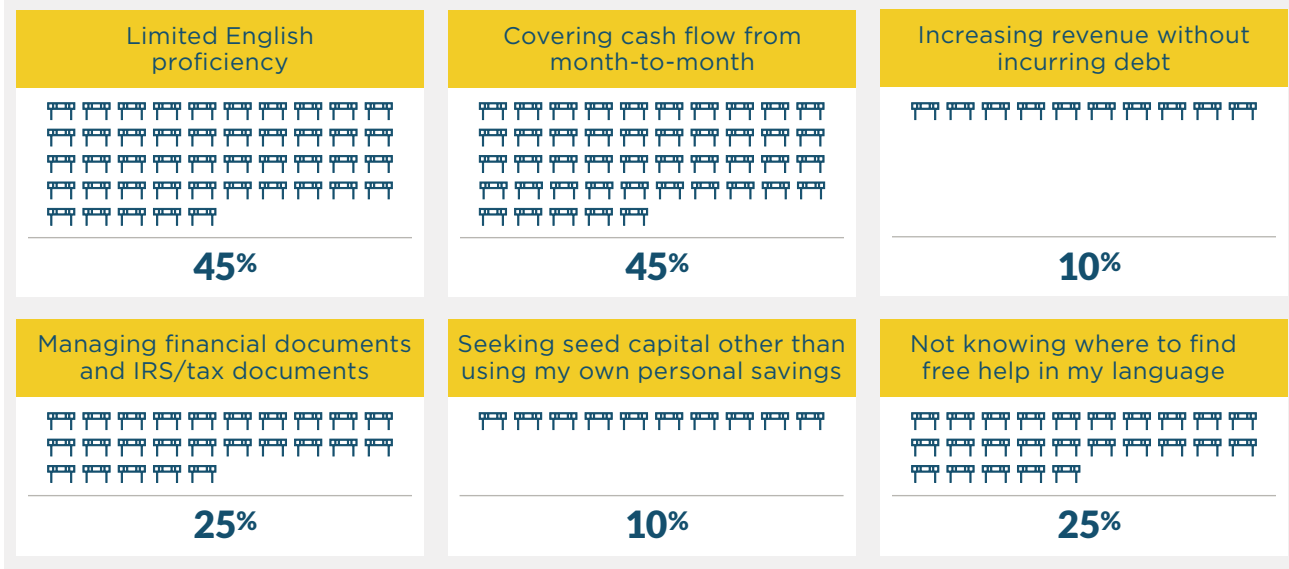
BARRIERS TO ACCESSING LOANS FROM FINANCIAL INSTITUTIONS



ACCESS TO CAPITAL AND ADVICE



MAJOR BARRIERS FACED IN STARTING OR OPERATING SMALL BUSINESS



SPOTLIGHT ON INNOVATION: ASIAN SERVICES IN ACTION, INC. AND RENAISSANCE ECONOMIC DEVELOPMENT CORPORATION

National Partnership for Local Benefit

Asian Services In Action, Inc. (ASIA) is a 501(c)(3) community based organization that provides social and health services for underserved, low-income and immigrant communities in Northeast Ohio. ASIA's small business program is one component of the organization's Newcomers Family Support Center. Through this Center, clients and community members, many of whom are often immigrant and refugee families, access a variety of services that support their economic well being and acculturation to the U.S., including but not limited to legal, financial capability, housing counseling and small business services. ASIA's small business program primarily focuses on startup assistance and business planning with a focus on credit assistance. ASIA's multilingual staff speak some 55 ethnic dialects and its small business program enlists three full-time business counselors who can speak seven ethnic languages serving primarily the Burmese, Chinese, and Nepalese immigrant communities. ASIA and Renaissance Economic Development Corporation (REDC) became partners in 2014 and launched ASIA's small business micro-loan program.

Founded by Asian Americans for Equality, REDC is a 501(c)(3) community based organization, a U.S. Treasury-certified CDFI and a SBA-approved Community Advantage and micro-lender. REDC provides low-interest small business loans, training and counseling services to low income and immigrant communities in New York City. As one of the top 10 micro-lenders by dollar in the country, REDC can provide higher loan amounts but it primarily focuses on providing micro-loans to its clients. REDC's 13 business counselors speak six AAPI languages primarily serving Chinese, Korean and other non-AAPI clients. Over the past 20 years, REDC has lent over \$46 million (80 percent of all loans being made to minority and low- to moderate-income clients) and provided technical assistance to over 1,200 businesses and 10,000 entrepreneurs. Thus, REDC has created and retained over 5,000 jobs in its local community.

HISTORY

At National CAPACD's 2014 Convention, leaders from REDC and ASIA met to discuss the possibility of a partnership to provide micro-loans to the emerging Southeast Asian immigrant and refugee population in Northeast Ohio, many of whom are ASIA's clients. With no existing CDFI in their region that could provide micro-loans to ASIA's clients and a belief that micro-loans would go much further in Northeast Ohio than they would in New York City, the two organizations developed a pilot project where REDC provides technical assistance and capital to develop ASIA's micro-loan program. In turn, ASIA deploys loan capital to its small business community.

HOW IT WORKS

Together, REDC and ASIA utilized their competitive advantages and expertise to develop a strong partnership. REDC dedicated a full-time staff person to advise ASIA on implementing culturally responsive lending practices (including applications, protocols or other administrative procedures). Similarly, ASIA dedicated one manager and one full-time staff person trained on micro-lending to start up the program.

REDC provides loan capital in the amount of \$100,000 to ASIA to deploy as micro-loans. When a client wants to apply for a loan, ASIA provides financial counseling to address any credit issues and then works with the client to assemble the loan package. ASIA sends the application to a REDC loan officer to underwrite the loan by calculating cash flow ratios and the client's capacity to repay the loan. Essentially REDC assists ASIA with due diligence and assessing credit risk of the loan as well as loan closing and servicing (i.e. collections and payments). Because 80 percent of ASIA's clients are refugees, ASIA focuses less on the client's credit scores and more on alternative methods like self-sufficiency documents to demonstrate the client's ability to pay the loan back when putting together loan packages. ASIA's clients have historically been rejected for conventional loans for a variety of reasons: inability to produce documentation to support the loans, lack of tax filings, too many delinquencies on their credit report and lack of knowledge about how

to resolve issues. The REDC loan officer makes a recommendation for approval or denial of the loan and, if the loan is approved, the loan approval is signed by both parties and ASIA plays the part of Pre-loan and Post-loan TA as well as loan origination so that they can provide the micro-loan to its client. As of summer 2018, ASIA deployed eight loans to its clients out of a total 17 loan packages submitted in 2017 with most loans ranging from \$1,800 to \$20,000.

CHALLENGES AND OPPORTUNITIES

REDC was familiar with providing capacity building technical assistance to small business owners, but never to a partnering organization. The first year of their partnership was solely dedicated to infrastructure development and learning from one another on details, processes and procedures. As a result of this experience, REDC believes they have a strong understanding of how they can replicate this process with other partner organizations much more smoothly and quickly.

ASIA's greatest learning curve was in putting together loan packages at the beginning of the partnership. For the first four months of the partnership, ASIA's loan packages were consistently rejected by REDC. Today, ASIA clearly understands what REDC's loan officer is looking for and has better protocols for putting together loan packages. Complicating this project implementation was program staff turnover at ASIA within the first year, requiring ASIA to rehire and retrain new staff.

Both REDC and ASIA agree that it is critical that both organizations have the capacity of one full-time staff on each side who can learn and commit their time to micro-lending. Both organizations also stress the importance of relationship building and trust with one another at the operational and strategic, decision-making levels. REDC and ASIA have learned that partnership on an innovative project between two separate organizations is not easy but both organizations believe that this model is sustainable financially and strategically and produces mutually positive outcomes. With support from REDC in a phased approach over several years, ASIA hopes to fully build out a separate entity (with ASIA as the parent organization) that would serve as a CDFI and SBA-approved micro-lender. ASIA would hire an in-house loan officer and be an independent lender that could potentially purchase resources from REDC.

REDC, having learned how to be a technical assistance partner and provider to ASIA, hopes to expand these partnerships with other AAPI serving community based organizations. With additional investment, this model could undoubtedly be taken to scale nationally to build the capacity of other organizations who seek to increase access to capital for underserved, low-income AAPI communities.

At the crux of REDC and ASIA's partnership is trust in one another and a deep commitment to serving AAPI communities. Both organizations collaborated with one another to tackle a problem together and continue to work alongside one another as partner agencies. REDC and ASIA's partnership is significant because it demonstrates a vision for how to systematically and sustainably address a lack of access to capital—one of the most daunting barriers to building wealth and small business success in low-income communities.

“Across the nation, there are not enough micro-lending institutions serving the AAPI community. The dialogue of entrepreneurship needs does not include the AAPI community enough, especially when it comes to access to capital.”

— *Jessie Lee, Managing Director of REDC*

SALT LAKE CITY, UT MSA

#6 MSA RANKING FOR NHPI
POVERTY POPULATION SIZE

#42 MSA RANKING FOR AA
POVERTY POPULATION SIZE

AAPI POPULATION*

60,516

AAPI POVERTY POPULATION*

6,651

TOTAL AA OWNED FIRMS**

3,904 FIRMS

TOTAL NHPI OWNED FIRMS**

678 FIRMS

% OF TOTAL FIRMS IN MSA**

4.5%

TOTAL SALES OF AA OWNED FIRMS**

\$874,586,000

AVERAGE RECEIPTS PER AA FIRM**

\$224,023

TOTAL SALES OF NHPI OWNED FIRMS**

\$58,581,000

AVERAGE RECEIPTS PER NHPI FIRM**

\$86,403

NUMBER OF EMPLOYEES FOR AA FIRMS**

9,375 INDIVIDUALS

*2015 American Community Survey

**2012 Survey of Business Owners

Local Challenges: Salt Lake City boasts the nation’s largest Native Hawaiian and Pacific Islander (NHPI) populations (proportional to its overall population) in the continental U.S. This city is home to the largest population of Tongan Americans and has the fourth-largest population of Samoan Americans in the U.S. Other significant Pacific Islander populations in Salt Lake City include Native Hawaiians, Guamanians, Charmorros, Marshallese, Fijians and Tahitians. According to a 2014 report by Empowering Pacific Islander Communities, NHPI households in Salt Lake City are particularly challenged in their efforts to build assets and pathways to economic stability. For example, Samoans and Tongans both have high rates of poverty (12 percent and 19 percent, respectively), high rates of limited English proficiency (20 percent of Tongans, seven percent of Samoans) and lower rates of educational attainment. NHPI communities in this region also have higher rates of workers per household (three or more workers) than any other racial group—28 percent overall for NHPIs, 37 percent for Tongan Americans and 29 percent for Samoan Americans. With higher rates of poverty, and larger-than-average household sizes (4.6 as compared to 3.0), entrepreneurship is a viable and important pathway to building wealth for NHPI populations of the Salt Lake City area. However, like many other communities of color, NHPI entrepreneurs in the area struggle with accessing capital and credit for start-up costs, and understanding the U.S. financial system and financing options. They need access to culturally competent business counseling on topics related to marketing and the importance of building a business network. In fact, National CAPACD found through this survey that NHPIs in Salt Lake City were more likely than any other survey site to state that they do not think they would qualify for a loan. When coupled with other barriers to accessing credit (35 percent cited poor credit and 40 percent cited high interest rates), NHPIs in this region face significant barriers to starting and sustaining their businesses.

Local Solutions: Pacific Islander Knowledge 2 Action Resources (PIK2AR) is a 501(c)(3) asset-based community organization whose mission is to help Utah’s Pacific Islander communities build alliances, bridge communities and improve economic development by providing programs in violence prevention, cultural preservation and economic impact. PIK2AR organizes the Salt Lake City Pacific Island Business Alliance (SLCPIBA), a local, membership-based organization of socially responsible organizations and individuals that support the needs of Pacific Islander business owners and entrepreneurs in Salt Lake City. The SLCPIBA is the only Pacific Islander focused business organization in the continental United States. PIK2AR engages four volunteer business counselors, of whom two are bilingual in Tongan, to serve its clientele. Its small business program offers both group and one-on-one educational

ORGANIZATIONAL STATISTICS: PIK2AR

Organization budget (all programs)	\$60,000
SB program budget as % of overall org budget (2017)	5%
Year SB program established	2015
# of FT staff organization wide	0
# of FT business counselors	4 volunteers
AAPI languages spoken (SB program)	Tongan
AAPI client sub-populations served (SB prog)	Fijian, Samoan, Native Hawaiian, Tongan, Tahitian, Maori, Pohnpei, Marshallese, Krosae, Chuuke, Yap
Total AAPI SB clients served (2017)	85
One-on-one Counseling Activities	Y
Group Education Activities	Y
Business District Management	N
Micro-Lender or CDFI	N

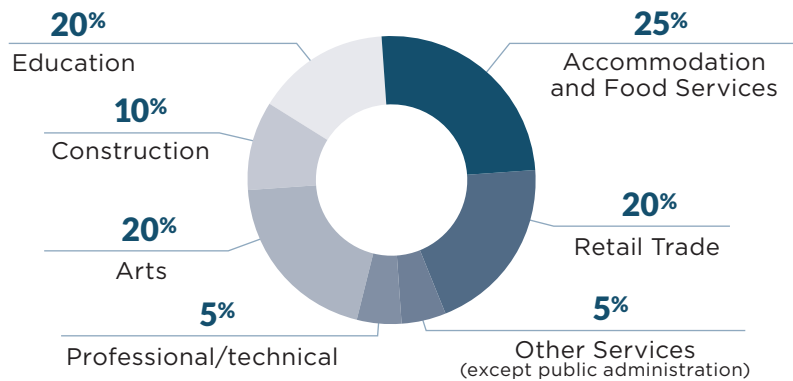
activities on topics such as startup assistance, financing/capital, business accounting and budgeting. Of the 85 Pacific Islander clients served in 2017, 21 percent were Native Hawaiian, 32 percent were Samoan, 26 percent were Tongan, 5 percent were Fijian and 16 percent were other Pacific Islander (Tahitian, Maori, Pohnpei, Marshallese, Krosae, Chuuke, Yap). In 2017, PIK2AR hosted one small business expo that attracted 150 individuals.

PIK2AR describes its clientele as primarily ‘pre-entrepreneurs’—that is individuals exploring business as a means to economic opportunity, but who lack any specific entrepreneurial knowledge or previous small business experience.

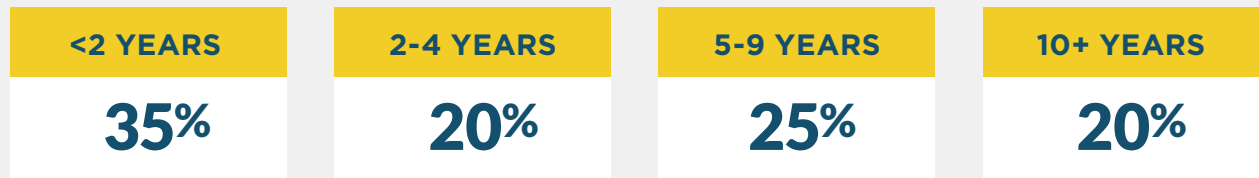
SALT LAKE CITY SMALL BUSINESS CLIENT RESPONSES



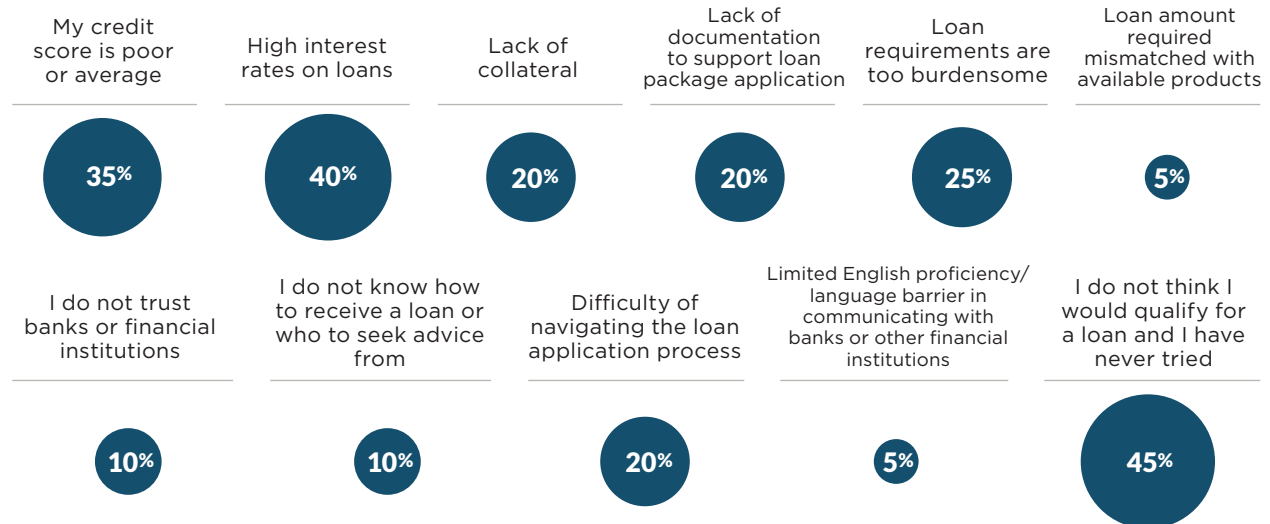
BUSINESSES BY INDUSTRY SECTOR



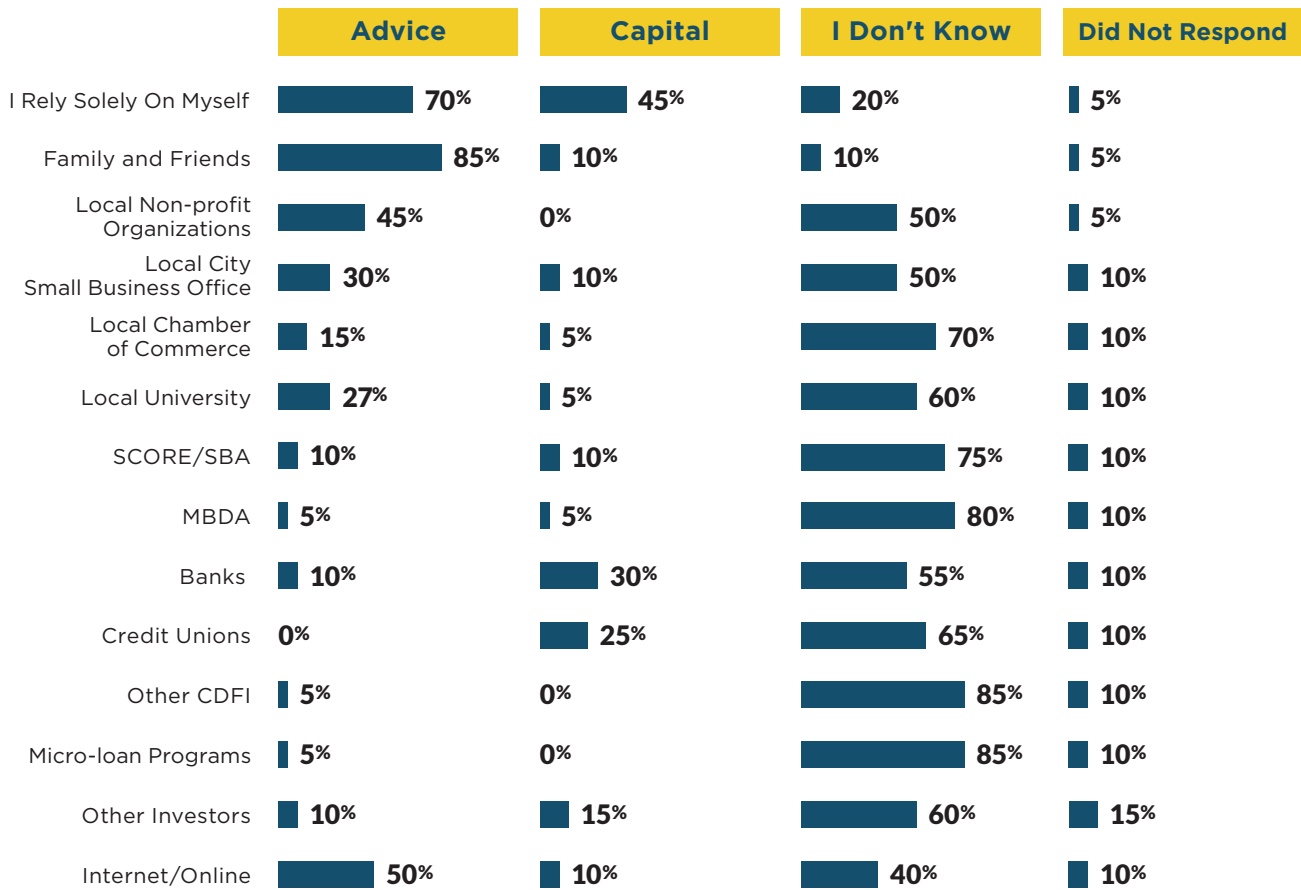
NUMBER OF YEARS IN BUSINESS



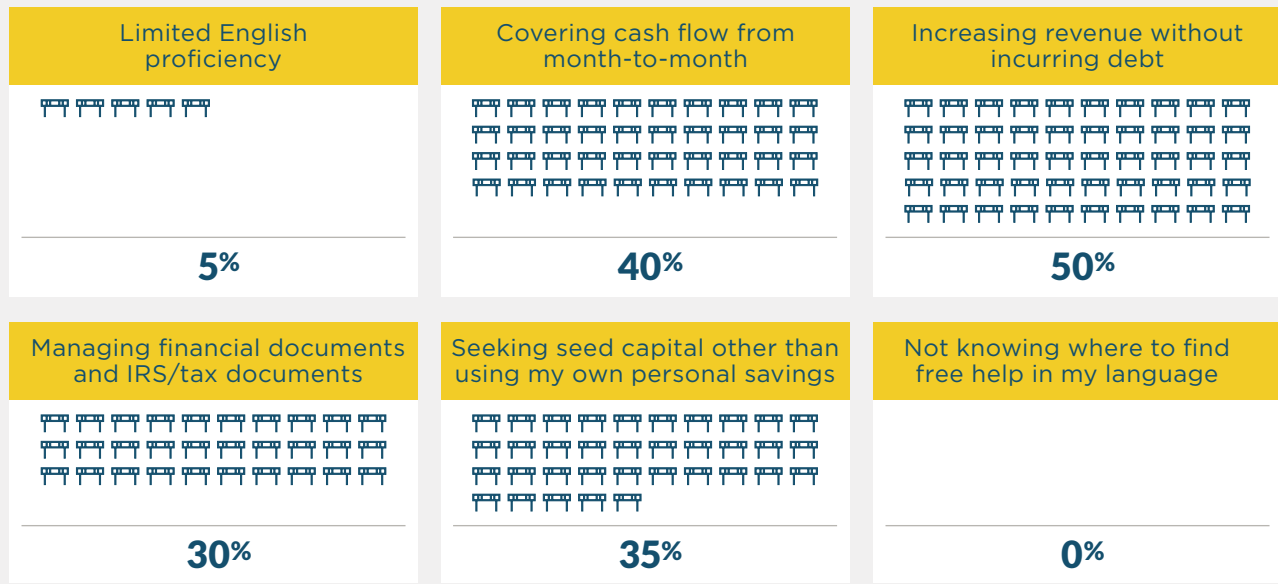
BARRIERS TO ACCESSING LOANS FROM FINANCIAL INSTITUTIONS



ACCESS TO CAPITAL AND ADVICE



MAJOR BARRIERS FACED IN STARTING OR OPERATING SMALL BUSINESS



RECOMMENDATIONS

POLICY PRIORITIES

Findings from this report point to several key federal policy priorities to support the growth and sustainability of AAPI entrepreneurship in low-income communities served by National CAPACD's membership. Federal policy recommendations include:

- **Data Disaggregation**—Collect more and better disaggregated data about AAPI small businesses, including small business lending data through section 1071 of the Dodd Frank Act.
- **Language Access**—Implement meaningful language access plans at federal agencies such as the Small Business Administration, Minority Business Development Agency (MBDA) and U.S. Department of the Treasury to ensure that AAPIs with limited proficiency in English can access available services and capital.
- **Appropriations**—Provide robust annual funding to small business programs that increase access to culturally and linguistically competent services, particularly in communities of color that do not have significant wealth. Examples of such programs include the SBA Program for Investment in Microentrepreneurs, SBA Community Advantage and Micro-loan programs, SBA Small Business Development Centers, Office of Refuge Resettlement Microenterprise Development Program and the Community Development Financial Institutions Fund.
- **Consumer Protection**—Support an independent and strong Consumer Financial Protection Bureau and extend the Truth in Lending Act.
- **Anti-Displacement/Equitable Development**—Incorporate meaningful and inclusive community engagement processes, including with small business owners, during federally funded infrastructure and development projects. Provide resources to mitigate construction impacts, support growth and prevent displacement of community-owned businesses.
- **Community Reinvestment**—Preserve, enforce and enhance the current requirements for financial institutions to invest in economically disadvantaged small businesses through the Community Reinvestment Act.

PRACTICE PRIORITIES

The following recommendations are a summary of practice priorities that National CAPACD believes are critical to adequately support microenterprise and small business development organizations:

- There should be greater investment in innovative programs and partnerships, such as the one between ASIA and REDC, that increase access to capital for small businesses—particularly in certain geographic regions that have limited access to CDFIs or alternative financing options.
- There should be greater investment in culturally appropriate financial capability and asset building programs that help small businesses better understand how to appropriately manage and report their finances, build or repair credit and engage with the mainstream U.S. financial system.
- There should be significant investment in trusted, community based organizations that can offer culturally and linguistically appropriate business counseling and technical assistance—both in group and individual settings. Key topics that emerged include those focused on financial management, marketing and customer segment analysis and commercial tenant leasing/negotiation. These services are particularly critical in hot real estate markets where AAPI small businesses are at risk of displacement.

ANTI-DISPLACEMENT POLICIES FOR AAPI BUSINESS DISTRICTS

“In the BuHi corridor, there used to be a GM plant that closed several years ago and it started being re-developed as a movie studio. As that empty place is being re-developed, people are anticipating that displacement will happen and that rental prices for small business owners will increase. People worry about Asian American businesses being pushed out of the area. It seems this understanding is not well known amongst small business owners yet... We don't think many small business owners are ready for that impact.” — CPACS, Atlanta, GA

With increasing frequency, National CAPACD's members have cited small business displacement as a primary concern and an impetus for starting microenterprise development activities within their communities. In this research project, businesses located in cities with the hottest real estate markets (New York, Los Angeles and Atlanta), cited their concerns about business displacement. According to a 2016 report by the Institute for Local Self-Reliance (ILSR), many hot market urban areas have experienced significantly rising retail rents over a one-year period from 2015 to 2016. While average retail rents in the U.S. in 2015 rose an average of two percent, U.S. cities with high rates of AAPI business ownership saw significantly higher increases in retail rents: New York, 10 percent; Oakland, 16 percent; Salt Lake City, nine percent; and Seattle, 8 percent. Undoubtedly, the rising price of conducting businesses in these hot markets is most acutely felt by entrepreneurs in low-income neighborhoods, those with limited access to capital or technical assistance to sustain and grow their business, and those looking to start new businesses—the demographic of many AAPI entrepreneurs.

Additional research needs to be completed on commercial displacement, and the strategies that can be deployed to address it. Two studies of note on this topic include the 2016 ILSR report (cited above) and the City of Seattle's *2016 Commercial Affordability Advisory Committee Recommendations Report*. Both studies include a number of strong recommendations that can be utilized by local jurisdictions, such as Legacy Business Initiatives, investment in additional technical assistance, expanding ownership of commercial structures or creating tax incentives for landlords to maintain commercial affordability.

National CAPACD also believes that development projects that utilize federal dollars, such as major transportation initiatives, should be budgeted appropriately to incorporate adequate mitigation funding. Such projects significantly impact street access and the business' ability to serve its customer base, and significant mitigation funding should be specifically set aside for linguistically and culturally appropriate outreach, neighborhood beautification and safety efforts, promotion and marketing of impacted business (districts) and small business loans.

FUTURE RESEARCH

This report is intended to be a snapshot of the community based organizations serving AAPI small businesses in low-income communities. Undoubtedly, there are a range of issues that warrant additional research to better understand the needs and market opportunities for AAPI entrepreneurs. Future opportunities for research include:

- **Online loans:** Our research did not include online loan activity. There is a gap in data on this issue. Although National CAPACD's research data did not indicate that there were significant numbers of AAPI entrepreneurs utilizing online lending platforms (three percent), business counselors have anecdotally reported that more and more clients are turning to online lending, and clients are with greater frequency dealing with egregious predatory loan practices.
- **Length of time in the U.S.:** Our survey found that 15 percent of respondents have language barriers that prohibit access to jobs, nine percent lack training or credentials for desired jobs and eight percent lack access to living wage jobs. A deeper analysis of this would greatly benefit service providers seeking to support immigrant or refugee AAPI business owners.
- **Succession planning:** Particularly with long-time businesses (10 years or more), there is a need to understand how AAPI business owners are supporting intergenerational wealth transfer by transferring the business to the next generation.
- **Displacement:** Several survey questions focused on this topic, though National CAPACD would like to explore this topic more deeply as it aligns with our broader community development goals. Unsurprisingly, our research found that AAPI business owners in larger cities such as Los Angeles and Atlanta were concerned about displacement more so than businesses in smaller markets. A more robust survey should be conducted to capture neighborhood-level changes to better understand how displacement impacts entrepreneurial opportunity and wealth building in ethnic and low-income business districts.
- **Specific sub-population research:** Although our survey captured a diversity of AAPI entrepreneurs from a variety of AAPI sub-populations (e.g.—Hmong and Pacific Islanders), the sample size of each population makes it difficult to draw significant conclusions specific to certain ethnic communities. Additional study of sub-populations will only create richer and deeper understanding of how to design and implement services and products that can more effectively reach populations with significant needs. Further, it should be noted that although National CAPACD studies the Pacific Islander population in the continental United States, there is great interest in studying entrepreneurship in Native Hawaiian communities in the state of Hawai'i as well.
- **In-depth exploration of the difference between business owner and business counselor interpretation of barriers to accessing capital:** Several of the survey questions used for this report only elicited the perspective of the business owner and did not include the perspective of the business counselor. For example, the survey question related to desired loan amounts could be further explored to determine if AAPI clients actually qualify for these loans or if they simply did not know about the potential loan available to them. Moreover, did clients apply for the loans and get denied and if so, what were the reasons they were denied? Exploring such questions from multiple perspectives would allow for a more nuanced understanding of the barriers, and the types of counseling or technical assistance may be most appropriate to address the challenges.

The organizations profiled in this report, and many others that were not included, are a valued resource to aspiring and existing entrepreneurs who need access to culturally and linguistically appropriate services and capital. Their role in building not only individual wealth, but also community wealth, cannot be overstated. As we seek scalable, sustainable solutions to addressing growing racial wealth inequality, we need look no further than the innovations happening on the ground, in AAPI neighborhoods and communities.

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APPENDIX A

METRO AREA RANKING BY # OF AA BUSINESSES

Rank	Metro Area	# of Asian Firms
1	New York-Newark-Jersey City, NY-NJ-PA Metro Area	299,264
2	Los Angeles-Long Beach-Anaheim, CA Metro Area	291,775
3	San Francisco-Oakland-Hayward, CA Metro Area	110,848
4	Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	69,732
5	Chicago-Naperville-Elgin, IL-IN-WI Metro Area	68,252
6	Houston-The Woodlands-Sugar Land, TX Metro Area	65,649
7	San Jose-Sunnyvale-Santa Clara, CA Metro Area	56,245
8	Dallas-Fort Worth-Arlington, TX Metro Area	52,456
9	Urban Honolulu, HI Metro Area	47,710
10	Atlanta-Sandy Springs-Roswell, GA Metro Area	45,007
11	Seattle-Tacoma-Bellevue, WA Metro Area	36,957
12	Riverside-San Bernardino-Ontario, CA Metro Area	35,033
13	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metro Area	33,057
14	San Diego-Carlsbad, CA Metro Area	32,545
15	Boston-Cambridge-Newton, MA-NH Metro Area	27,806
16	Miami-Fort Lauderdale-West Palm Beach, FL Metro Area	26,677
17	Sacramento-Roseville--Arden-Arcade, CA Metro Area	25,187
18	Las Vegas-Henderson-Paradise, NV Metro Area	18,873
19	Phoenix-Mesa-Scottsdale, AZ Metro Area	17,527
20	Detroit-Warren-Dearborn, MI Metro Area	17,183
21	Baltimore-Columbia-Towson, MD Metro Area	16,209
22	Orlando-Kissimmee-Sanford, FL Metro Area	14,406
23	Minneapolis-St. Paul-Bloomington, MN-WI Metro Area	14,069
24	Portland-Vancouver-Hillsboro, OR-WA Metro Area	13,341
25	Tampa-St. Petersburg-Clearwater, FL Metro Area	13,313

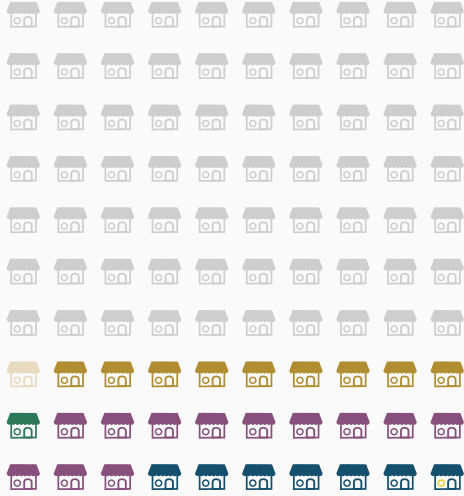
METRO AREA RANKING BY # OF NHPI BUSINESSES








Rank	Metro Area	# of NHPI Firms
1	Urban Honolulu, HI Metro Area	8,487
2	Los Angeles-Long Beach-Anaheim, CA Metro Area	5,023
3	New York-Newark-Jersey City, NY-NJ-PA Metro Area	3,328
4	Hilo, HI Micro Area	3,307
5	San Francisco-Oakland-Hayward, CA Metro Area	2,812
6	Kahului-Wailuku-Lahaina, HI Metro Area	1,883
7	Miami-Fort Lauderdale-West Palm Beach, FL Metro Area	1,401
8	Sacramento-Roseville-Arden-Arcade, CA Metro Area	1,290
9	Seattle-Tacoma-Bellevue, WA Metro Area	1,286
10	San Diego-Carlsbad, CA Metro Area	1,213
11	Riverside-San Bernardino-Ontario, CA Metro Area	1,202
12	Las Vegas-Henderson-Paradise, NV Metro Area	951
13	Kapaa, HI Micro Area	872
14	San Jose-Sunnyvale-Santa Clara, CA Metro Area	754
15	Phoenix-Mesa-Scottsdale, AZ Metro Area	752
16	Portland-Vancouver-Hillsboro, OR-WA Metro Area	740
17	Washington-Arlington-Alexandria, DC-VA-MD-WV Metro Area	694
18	Chicago-Naperville-Elgin, IL-IN-WI Metro Area	687
19	Salt Lake City, UT Metro Area	678
20	Dallas-Fort Worth-Arlington, TX Metro Area	649

Source: U.S. Census, Survey of Business Owners, 2012

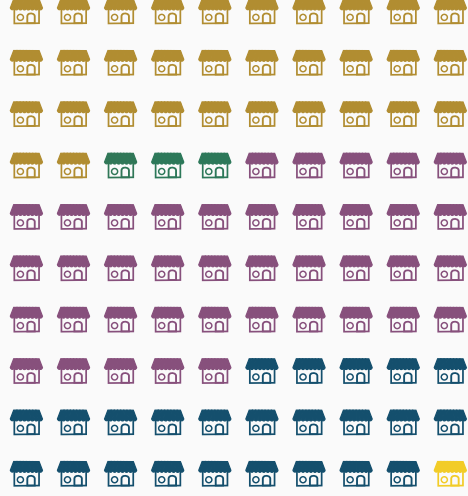
A API RATES OF BUSINESS OWNERSHIP COMPARED TO OTHER RACIAL/ETHNIC GROUPS






% OF ALL US FIRMS



-  Non-Hispanic white firm | **70%**
-  Publicly Held | **2%**
(and other firms not classified by race)
-  Black or African American | **9%**
-  American Indian/Alaskan Native | **1%**
-  Hispanic | **12%**
-  Asian | **7%**
-  Native Hawaiian and Other Pacific Islanders | **0.2%**

% OF ALL US MINORITY-OWNED FIRMS



-  Black or African American | **33%**
-  American Indian/Alaskan Native | **3%**
-  Hispanic | **42%**
-  Asian | **24%**
-  Native Hawaiian and Other Pacific Islanders | **1%**

Source: U.S. Census, Survey of Business Owners, 2012



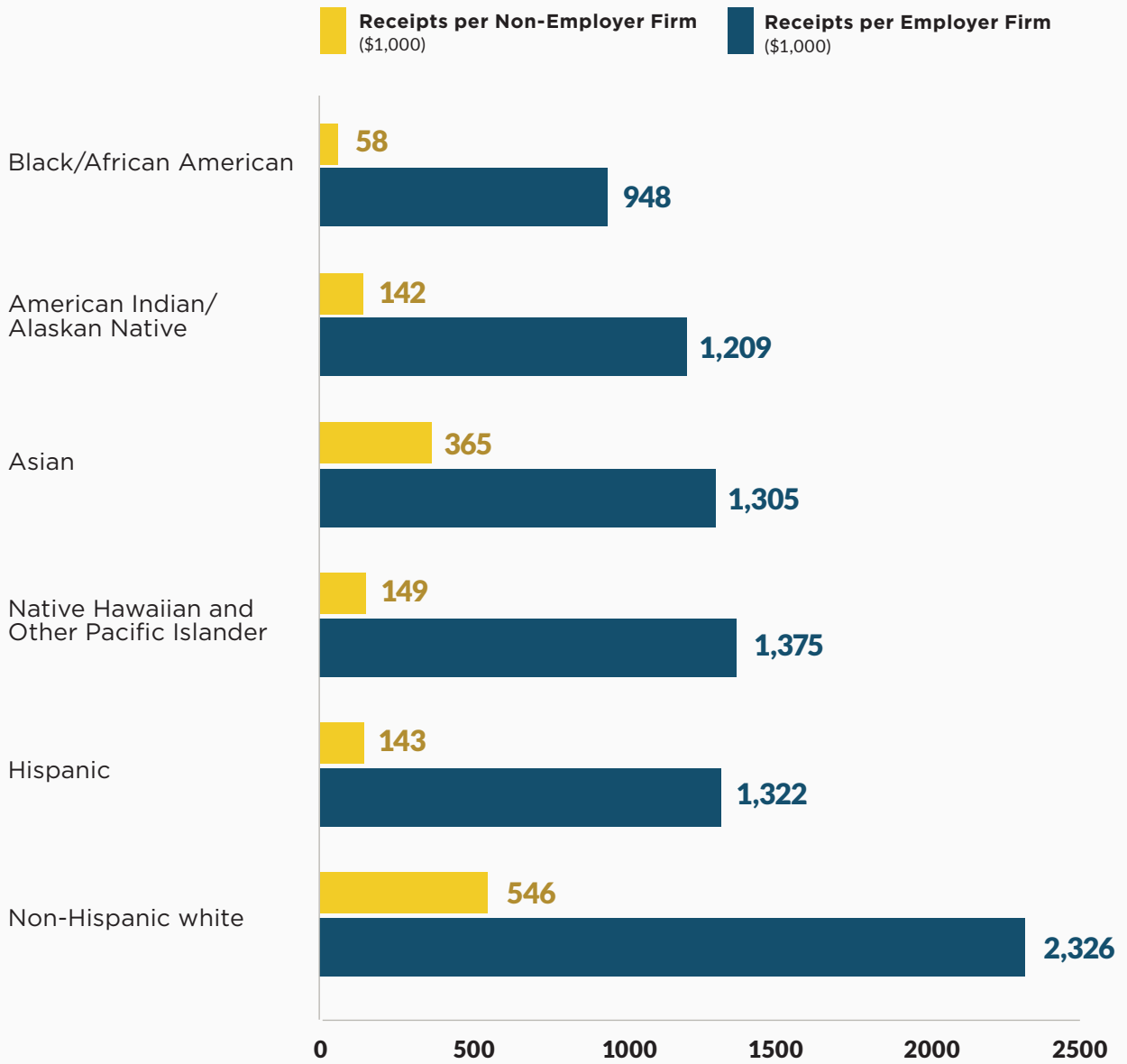
COMPARED TO OTHER MINORITIES,
**ASIAN OWNED FIRMS ARE MORE LIKELY
 TO HAVE MULTIPLE OWNERS,
 WITH ALMOST**

1 OUT OF 5

**ASIAN OWNED FIRMS
 BEING FAMILY-OWNED BUSINESSES**

Source: U.S. SBA Office of Advocacy, 2016

AVERAGE SALES RECEIPTS PER FIRM BY MINORITY GROUP, 2012



Source: U.S. SBA Office of Advocacy, 2016

EMPLOYMENT GENERATED AS A RESULT OF AAPI BUSINESS OWNERSHIP

Category	Number of Firms	Number of Firms with Employees on Payroll	Number of Paid Employees
All Firms	27,626,360	5,424,458	115,249,007
Publicly Held (and other firms not classifiable by race)	446,980	288,255	59,190,444
Non-Hispanic white Firms	19,278,260	4,193,205	48,500,949
Black or African American	2,584,403	109,137	975,052
American Indian/Alaskan Native	272,919	26,179	208,178
Hispanic	3,305,873	287,501	2,329,553
Asian	1,917,902	481,026	3,572,577
Native Hawaiian and Other Pacific Islanders	54,749	4,706	39,001

NOTE: The above numbers of employees do not include owner-operators of sole proprietorships or partnerships which do not have employees on payroll. But for many of these owner-operators, their businesses represent their livelihood.

Source: U.S. Census, Survey of Business Owners, 2012

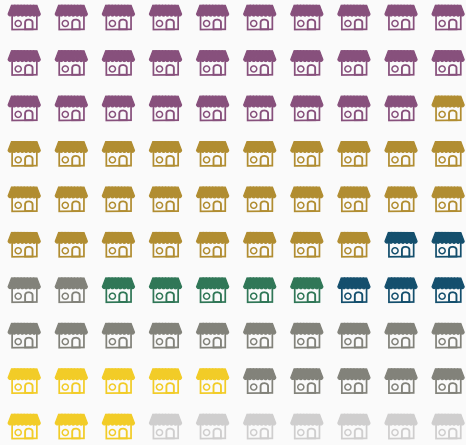








*Other services includes: Repair and maintenance; personal and laundry services (e.g.—nail salons, beauty shops); religious, grantmaking, civic, professional and similar organizations (e.g.—social advocacy organizations); and private households.

Source: U.S. Census, Survey of Business Owners, 2012

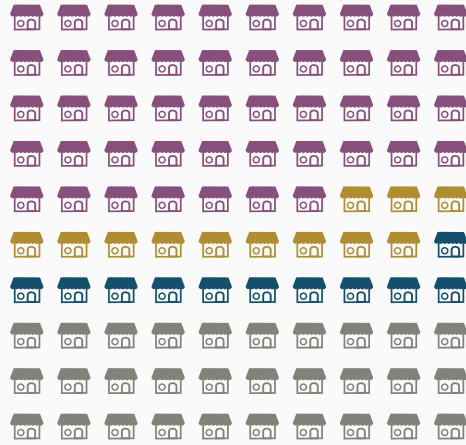
AAPI OWNED FIRMS BY ETHNICITY





PERCENTAGE AA OWNED FIRMS



-  Asian Indian | **29%**
-  Chinese | **29%**
-  Filipino | **5%**
-  Japanese | **5%**
-  Korean | **17%**
-  Vietnamese | **8%**

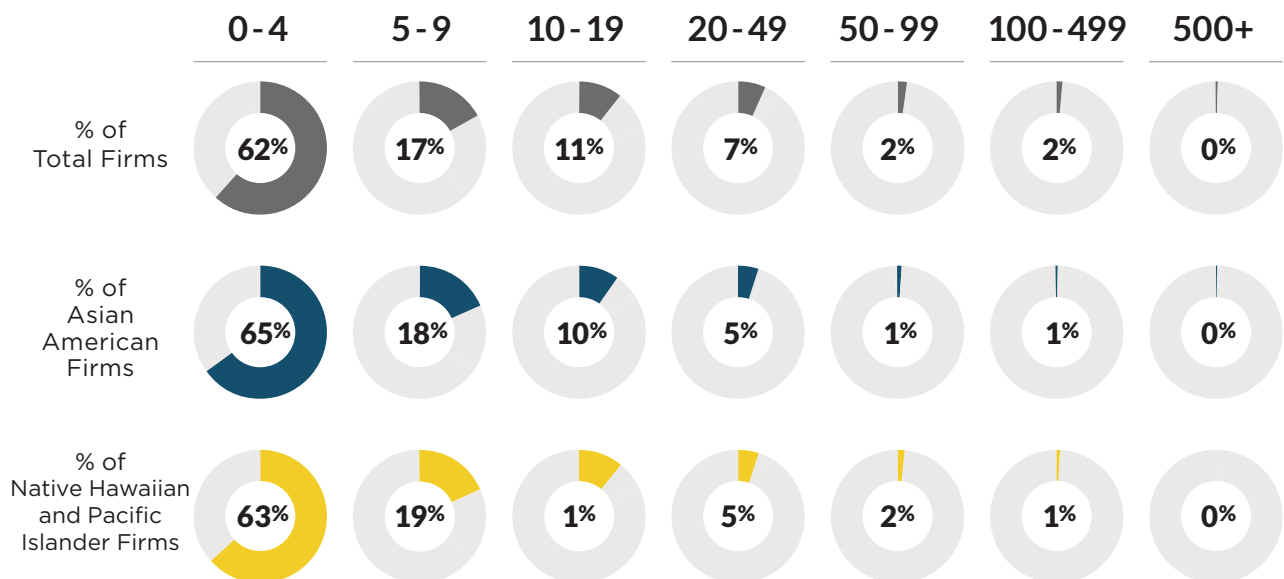
PERCENTAGE NHPI OWNED FIRMS



-  Native Hawaiian | **47%**
-  Guamanian or Chamorro | **12%**
-  Samoan | **11%**
-  Other Pacific Islander | **33%**

Source: U.S. Census, Survey of Business Owners, 2012

BREAKDOWN OF AAPI BUSINESSES BY NUMBER OF EMPLOYEES



NOTE: The total universe of data for this chart is firms with employees on their payroll and does not include firms that might have owner-operators but no employees on payroll (e.g., sole-proprietorships or partnerships without employees)

Source: U.S. Census, Survey of Business Owners, 2012

APPENDIX B

DEFINITIONS

Small Business: The SBA has created a size standard to define the maximum size a business can be in order to participate in government contracting programs or compete for contracts designated for small business. This size standard varies by industry and is generally based on number of employees or the amount of annual receipts. Additionally, businesses must be: 1) a for-profit business of any legal structure; 2) independently owned and operated; 3) not be nationally dominant in its field; and 4) be physically located and operate in the U.S. or its territories.

Microenterprise: The U.S. Census defines microenterprises as those with fewer than five employees, including the owner. A 2013 report by the Association for Enterprise Opportunity goes on to further classify microenterprises into five typologies based on their level of experience, full or part-time status and sales receipts. This delineation is critical to more fully understanding their distinct needs. It should be noted that the varying and complicated definitions of the types of entrepreneurship have had a direct impact on the ability of entrepreneurs and the organizations that serve them to access and navigate resources in their business community. In a 2015 study, *Exploring Definitions of Small Business and Why It is So Difficult*, the author states “While some businesses are considered small if they have fewer than 500 employees, other businesses seem to get lost in the process simply because they fall into a microenterprise category including the Mom and Pop companies, family owned companies, and those individuals that are considered self-employed.”

Cultural Competency: Cultural competency refers to the ability of a provider or an organization to effectively serve the unique social, cultural and linguistic needs of their clients. National CAPACD member organizations are local, community based organizations that are seen as trusted partners and providers of information and assistance in their communities. Member organizations leverage deep ties to their community, local knowledge and linguistic skills to serve low-income AAPIs. Other social service providers would be less likely or unable to serve low-income AAPIs in a way that most effectively meets the needs of this historically disenfranchised community.

Firm: The U.S. Census defines a firm as a business consisting of one or more domestic establishments that the reporting firm specified under its ownership or control. Thus, all data reported from the SBO for this report uses the terminology “firm”.

Race: The U.S. Census defines race as a person’s self-identification with one or more social groups. An individual can report as white, Black or African American, Asian, American Indian and Alaska Native, Native Hawaiian and Other Pacific Islander or some other race. Survey respondents may report multiple races. Note that the term PI throughout the report is used to encompass the NHPI category.

Ethnicity: The U.S. Census defines ethnicity as whether or not a person is of Hispanic origin. For this reason, ethnicity is broken out in two categories—Hispanic or Latino and Not Hispanic or Latino. For the purposes of this report, National CAPACD uses the term ethnicity to also apply to Asian ethnic sub-populations, such as Korean, Chinese, Filipino, Thai, etc.

Technical Assistance: This term refers to the act or service of counseling and advising on policies, principles and practices of good business management.

APPENDIX C

TYPE OF ECONOMIC DEVELOPMENT SERVICE PROVIDER	SMALL BUSINESS/ COMMERCIAL CORRIDOR MANAGEMENT ONLY	EXPLORING/ NASCENT MICROENTERPRISE DEVELOPMENT ORGANIZATION	GROWTH-ORIENTED MICROENTERPRISE DEVELOPMENT ORGANIZATION	ESTABLISHED SMALL BUSINESS PROGRAM
TYPICAL PROGRAM FOCUS	<ul style="list-style-type: none"> • Business community promotional activities • Mobilizing entrepreneurs/ advocating on local issues such as BIDs, sanitation, zoning, safety, new commercial developments, etc. • May offer other business district improvement activities such as façade improvement programs 	<ul style="list-style-type: none"> • Business community promotional activities • Mobilizing entrepreneurs/ advocating on key issues • Limited offering of group education opportunities and topics • Limited offering of one-on-one counseling opportunities that are general in nature • May offer other business district improvement activities such as façade improvement programs 	<ul style="list-style-type: none"> • Business community promotional activities • Mobilizing entrepreneurs/ advocating on key issues • Regular and varied offerings of group education opportunities and topics • Regular and specialized one-on-one counseling opportunities • May offer other business district improvement activities such as façade improvement programs • Exploring opportunities to help increase access to capital 	<ul style="list-style-type: none"> • Business community promotional activities, • Mobilizing entrepreneurs/ advocating on key issues • Regular and varied offerings of group education opportunities and topics • Regular and highly technical one-on-one counseling opportunities • Actively engaged in increasing capital for small businesses, including operating as micro-lender or CDFI



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