

ISSUE II 2005

MARKETWISE

Community Economic Development Magazine



Features...



1 IMMIGRANT ISSUES

Reaching the Vietnamese
Boat People SOS introduces immigrants to American life.



8 CULTURAL EXCHANGE

Global Business
ECDC's Enterprise Development Group promotes financial self-sufficiency for a variety of immigrants.



16 SMALL BUSINESS DEVELOPMENT

Recognizing Business Trends
Fifth District sees sizable growth of Hispanic businesses.



20 BUSINESS RESOURCES

Linking Culture and Business
The Virginia Hispanic Chamber of Commerce provides tools for small business growth and cultural understanding.



30 GROWTH STRATEGIES

Planning for Success
The Vision Shared initiative embarks on strategies for West Virginia's growth.



40 AFFORDABLE HOUSING

Making it Affordable
Charleston Affordable Housing combines quality housing with affordability.

Insights...

PEOPLE.....	28
RESEARCHER'S CORNER.....	38

MARKETWISE

Dan Tatar
Assistant Vice President and Community Affairs Officer

Jennie Blizzard
Editor

Cindy Elmore
Publications Specialist

Geep Schurman
Designer/ Photographer

Translations...



represent the very essence of communication and miscommunication between people despite their economic backgrounds or countries of origin. In this issue of *MARKETWISE*, we highlight the work of three organizations that convey a critical message: recognizing the role that immigrants play

in the United States' economic mainstream cannot be ignored or underestimated. As the country becomes more diverse than ever, these organizations exemplify the willingness and desire to tackle the challenges and embrace opportunities to serve immigrants in the community development arena. Boat People SOS, which started as an agency to help refugees, now extends into the area of individual development accounts and small business development. The Ethiopian Community Development Council's Enterprise Development Group provides economic assistance to immigrants who represent over 30 countries. The Virginia Hispanic Chamber of Commerce is nurturing a new and growing genre of entrepreneurs while stressing the importance of educating the masses about Hispanic culture. Meanwhile, West Virginia's Vision Shared Initiative is crafting an important message in the state regarding community development and youth retention that they hope will translate into success for West Virginia. Charleston Affordable Housing in South Carolina continues to transmit the importance of offering housing in an area where real estate prices continue to skyrocket. No matter what language an individual speaks, the translation of community development needs is clear and consistent. Creating ways to reach out to diverse individuals is a necessity, not an option.

Jennie W. Blizzard
Editor

Cover photo, Geep Schurman:
Neon lights in the Eden Center, a Vietnamese business district in Northern Virginia

MARKETWISE is published three times a year by the Federal Reserve Bank of Richmond. Free subscriptions and additional copies are available upon request; address requests to the CAO, Federal Reserve Bank of Richmond, P.O. Box 27622, Richmond, VA, 23261; or call (804) 697-8457. Material may be reprinted or abstracted provided MARKETWISE is credited. Please provide to the Community Affairs Office a copy of any publication in which material is reprinted. The views expressed are not necessarily those of the Federal Reserve Bank of Richmond or the Federal Reserve System, nor are they meant to imply endorsement of specific investments or programs.

CROSSING OVER: Boat People Group Helps Refugees Adjust to U.S. Life

by Cindy Elmore



The “fall of Saigon” on April 30, 1975, which ended the Vietnam War, prompted a wave of immigration. More than 125,000 Vietnamese fearing Communist retaliation because of their close ties with Americans fled Vietnam during the spring of 1975. Between 1978 and 1995, a second wave of Vietnamese refugees exceeding a million left Vietnam in small, crudely made boats. Known as “boat people,” they were often attacked by pirates or ended up in asylum camps in Thailand, Singapore, Indonesia, Hong Kong or the Philippines, where they awaited entry into new homelands.

Dr. Nguyen Dinh Thang, a native of South Vietnam, entered college after the communist takeover in 1975 but escaped in 1978. In a rickety boat crammed with 500 people and

*Nguyen Dinh Thang
Executive Director, BPSOS*

(continued on page 2)





Boat People SOS saved thousands of Vietnamese refugees from the South China Sea.

BPSOS has 20 programs that are grouped into four departments: community development, health and mental health, family services and survivor services.

unable to eat or drink for three days, Thang endured trials including squalls on the South China Sea and being turned away by Malaysian police after they discovered the boat had too many refugees. As the boat's hull began

to crack, the refugees were forced to jump overboard. Fortunately, Thang survived the ordeal and arrived in the United States seven months later to begin life in a new world.

From the time of his arrival, Thang advocated for Vietnamese refugees and conducted rescue missions while completing his doctorate in mechanical engineering from Virginia Tech and working as an engineer at David Taylor Research Center. In 1988, Thang joined an all volunteer nonprofit called Boat People SOS (BPSOS) to respond to the massive waves of Vietnamese fleeing Vietnam. He guided the organization as a volunteer until he became the full-time executive director in 1999. Partnering with the United Nations High Commissioner of Refugees, BPSOS rescued over 3,000 Vietnamese boat people from the South China Sea.

Today, BPSOS has grown into an organization that also deals with community development issues. As a national organization with 14 branch offices and an annual budget of \$4 million, BPSOS has 20 programs that are grouped into four departments: community development, health and mental health, family services and survivor services.

Common Ground

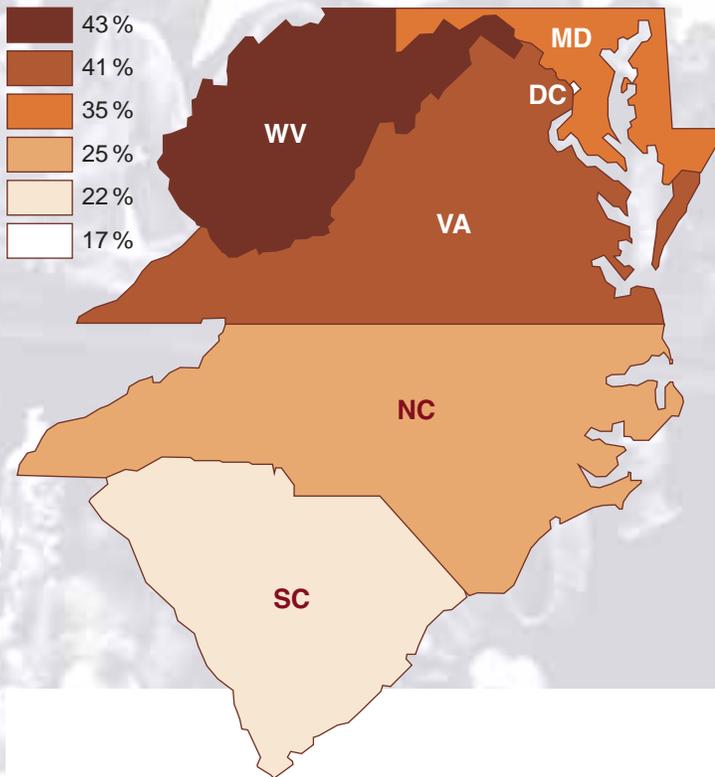
More than two million Vietnamese have immigrated to countries like the United States, France, Canada and Australia. According to the U.S. Census Bureau, there were 1,122,528 immigrants from Vietnam in the United States during 2000. The foreign-born from Vietnam made up the fifth-largest immigrant group in 2000. Based on the 2000 Census, the largest number of Vietnamese immigrants lived in California (418,249) and Texas (107,027). Although most of the Boat People who fled Vietnam were Vietnamese, a significant minority — about 30 percent — were Vietnamese of Chinese descent. Many of them Cantonese-speaking, constituted the bulk of the middle and large business community in Saigon and other business centers.

Trang Khanh Tran, who oversees BPSOS's community development department, can also relate to the experiences that many Vietnamese have faced. The oldest of seven children, Tran recalled her father's heroic prison escape and how he relied on his naval training to guide him to safety. She also vividly remembered the cries of her younger brothers and sisters when Communist soldiers came to her home threatening to imprison her mother for concealing her father's whereabouts. But cries turned into smiles when the family received a letter from her father that he had arrived in the United States and his plan to work for



Among the rescued immigrants were hundreds of children.

Asian Born as a Percent of Foreign-Born Population in the Fifth Federal Reserve District

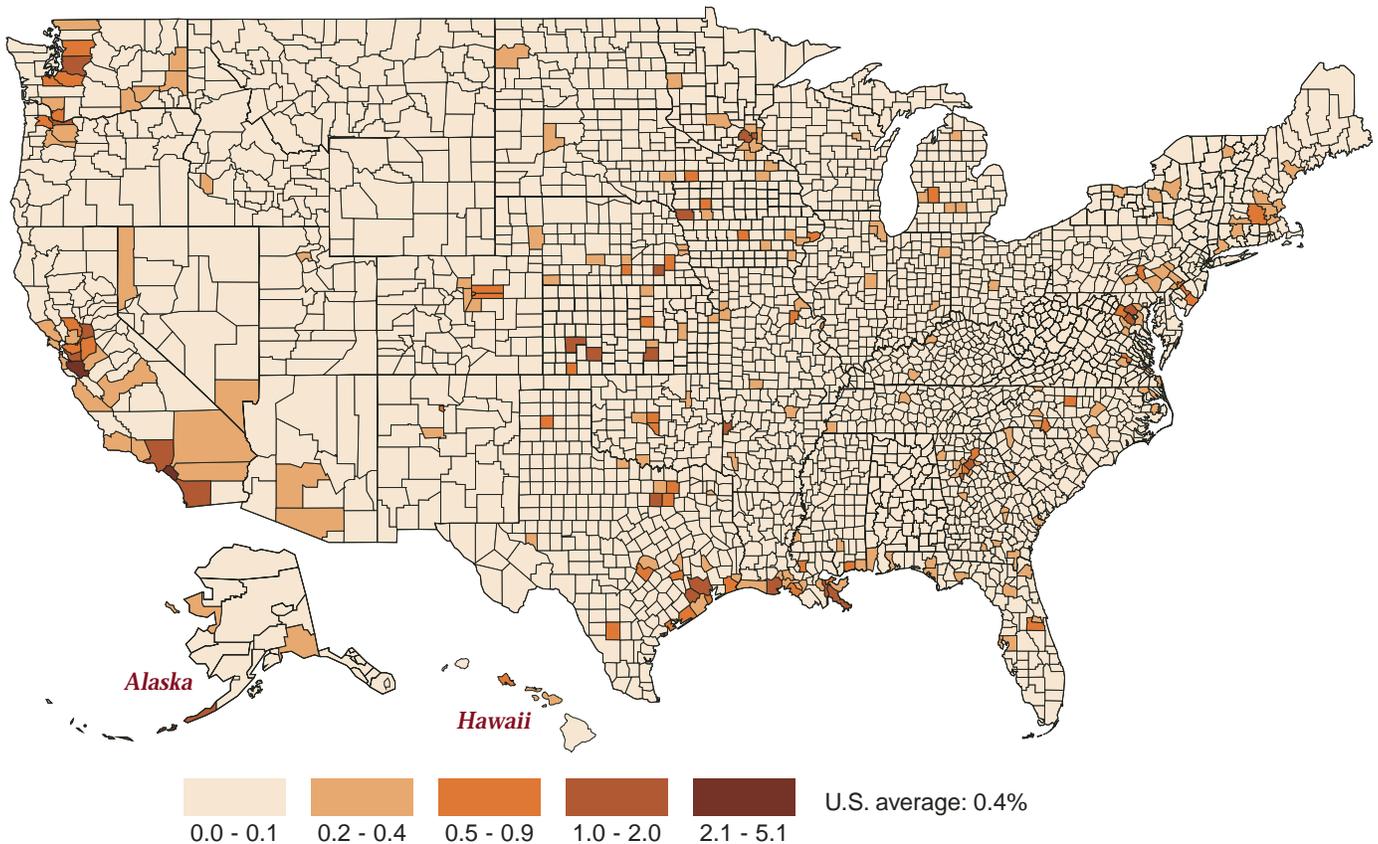


"My parents always taught me to be grateful for what I have been given... BPSOS is my way of giving back."

Trang Khanh Tran

*Trang Khanh Tran
BPSOS Community Development Department*

The Foreign-Born from Vietnam in the United States as a Percentage of Total County Population, 2000



Source: U.S. Census Bureau. Census 2000. Summary File 3.



BPSOS community development staff seeks to assist Vietnamese refugees and immigrants through two key programs, Road to Independence through Savings and Education (RISE) and Neighborhood Empowerment Support through Teamwork (NEST). From left to right: Lien Hoa Nguyen, Ouyen Nguyen, Uyen Dang, Thang Phan and Khanh Tran.

their passage money. After 12 years, her father's diligence was rewarded when all of his family was reunited in the Hampton Roads area of Virginia.

Tran's experience drives her passion for assisting Vietnamese people. "My parents always taught me to be grateful for what I have been given," she said. "BPSOS is my way of giving back." For this reason, Tran left her computer programming job at the NCI Information Systems to work long hours with BPSOS assisting Vietnamese immigrants.

A New and Extended Focus

In 1990, BPSOS moved its headquarters from San Diego, California, to Falls Church, Virginia, to better respond to major shifts in U.S. and international policies towards Vietnamese boat people. According to Thang, "Vietnamese boat people were no longer treated as refugees after 1988 and all the camps were closed in 1996." Due to these changes, the focus of BPSOS changed. Since most of the boat people had either been repatriated or resettled by 1996, BPSOS shifted its mission to helping and empowering Vietnamese

immigrants and refugees in the United States. The organization began advocating for Vietnamese immigrants, assisting more than 1,500 refugee families in their social and economic adjustment to life in America. "Few organizations concentrated their resources and energy on domestic issues facing Vietnamese," Thang said. "We launched a major campaign on naturalization and started 20 programs for other unmet needs. Currently, we are at the forefront of anti-human trafficking. We offer everything from A to Z to help people out," he said.

Providing a host of services, BPSOS's community development department has two key programs, Road to Independence through Savings and Education (RISE) and Neighborhood Empowerment Support through Teamwork (NEST). RISE helps low-income refugees and immigrants from Vietnam build financial assets by opening initial bank accounts, encouraging savings through individual development accounts (IDAs), hosting tax clinics, assisting with homeownership, providing financial education opportunities and offering microenterprise education.



A new resident to the United States, Kim Le, sought the help of tax preparers at BPSOS.

Since a significant number of low-income Vietnamese remain “unbanked” due to the lack of trust of financial institutions, BPSOS offers a project under RISE, called First Accounts for Immigrants and Refugees (FAIR). According to Thang, “Vietnamese are wary of financial institutions because in 1975 banks in South Vietnam were taken over and the people lost their savings. As many as 30 percent of Vietnamese do not have checking accounts and stash cash at home.” Through FAIR, BPSOS has assisted 165 refugees and immigrants in opening their first bank accounts. Supported by the U.S. Treasury, FAIR increases financial awareness and encourages immigrants to develop relationships with financial institutions.

In addition, BPSOS has assisted 3,000 low-income, Vietnamese-American families with income tax preparation, yielding \$3 million in tax refunds and credits. These tax clinics encourage Vietnamese-Americans in their duties as taxpayers and make them aware of benefits such as the Earned Income Tax Credit. In addition, BPSOS has developed software that allows non-English speakers to fill out in their own native languages forms from the Internal Revenue Service (IRS) and other government agencies. When the forms are printed, an English version is provided for submission to the IRS. Kim Le found out about BPSOS tax clinics on the radio and in the newspaper. A resident of the United States

“Few organizations concentrated their resources and energy on domestic issues facing Vietnamese... We launched a major campaign on naturalization and started 20 programs for other unmet needs.”

Nguyen Dinh Thang

for only one month, Kim Le said, “I came to BPSOS for advice on taxes and they helped me prepare the taxes for my parents.”

BPSOS also offers several IDA programs around the country for Vietnamese. According to Tran, to date, 120 Vietnamese immigrants have saved \$1.2 million towards a home, business, education, car or computer. Half of the \$1.2 million comes from the U.S. Office of Refugee Resettlement program that matches participants’ savings in a 1:1 ratio. Coming to the United States on July 2, 2000, Hai Kieu worked as an elementary school principal in South Vietnam, overseeing 500 students and 13 teachers. “I saved \$2,000 to buy a computer through the IDA program,” she said. “I hope to use the computer to start a business with the help of BPSOS.”



Hai Kieu expresses her gratitude to BPSOS for the opportunity to establish her financial independence through the IDA program.

“What we thrive on as a democracy is the structure of a civil society. Strengthening that in the Vietnamese-American community is my contribution to this country.”

Nguyen Dinh Thang

Since most Vietnamese immigrants were small business owners in South Vietnam, BPSOS’s microenterprise program has been vital to Vietnamese immigrants’ assimilation into the United States. “We are encouraging Vietnamese to open their own business,” said Thang. With funding and volunteer support from Citibank, BPSOS clients receive free small business education and counseling. Recently, BPSOS also developed a business plan for home-based childcare businesses.

Using the FDIC MoneySmart program translated in Vietnamese, financial educators at BPSOS have taught over 200 refugees and immigrants about debt management, credit building and personal finance. “We advocated with the FDIC for translation of MoneySmart into Vietnamese. Before the translation, teaching financial literacy was difficult if a person did not speak English,” said Thang. As result of the financial education process, BPSOS also has secured \$2 million in mortgage loans for 20 families.

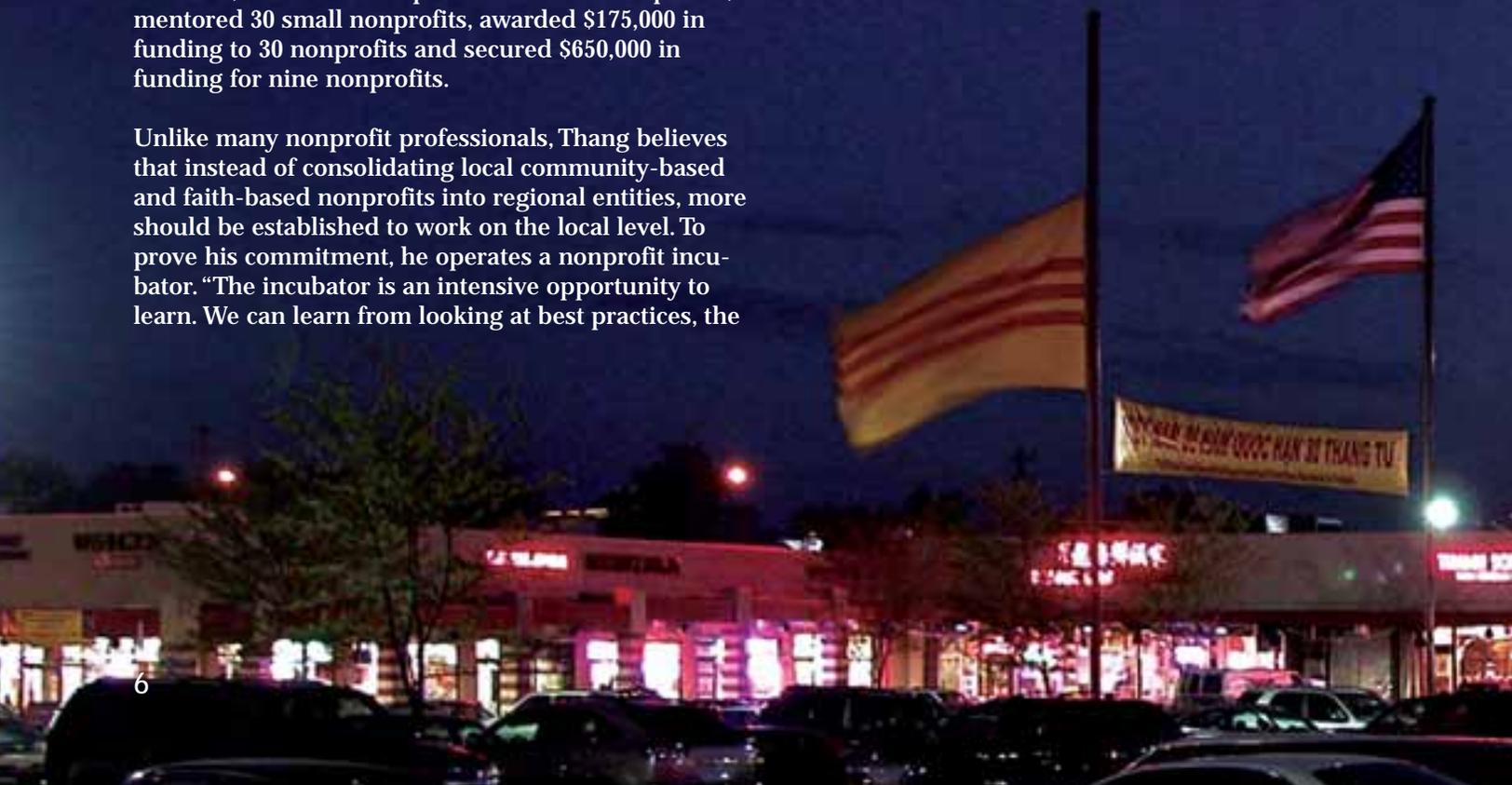
Planting Nonprofit Organizations

The second part of the BPSOS community development program called NEST works to plant nonprofits, including community development corporations (CDCs), in Vietnamese communities. Through the initiative, BPSOS has helped form 12 new nonprofits, mentored 30 small nonprofits, awarded \$175,000 in funding to 30 nonprofits and secured \$650,000 in funding for nine nonprofits.

Unlike many nonprofit professionals, Thang believes that instead of consolidating local community-based and faith-based nonprofits into regional entities, more should be established to work on the local level. To prove his commitment, he operates a nonprofit incubator. “The incubator is an intensive opportunity to learn. We can learn from looking at best practices, the



Eden Center, the largest Vietnamese business district on the East Coast



competition and through collaboration,” said Thang. Even though he realizes that the creation of more nonprofits results in greater competition for federal and state funding, he believes that competition is essential. “We want competition so that we won’t become complacent and these nonprofits are the bricks and mortar of America’s civil society.”

Communicating the Message

Currently housed in the nonprofit incubator is the Vietnamese American Television Station. The program manager, Shandon Phan, looks to Thang to learn nonprofit fundraising strategies. This is one of the many advantages of working in close proximity to the executive director that co-founded and developed BPSOS.

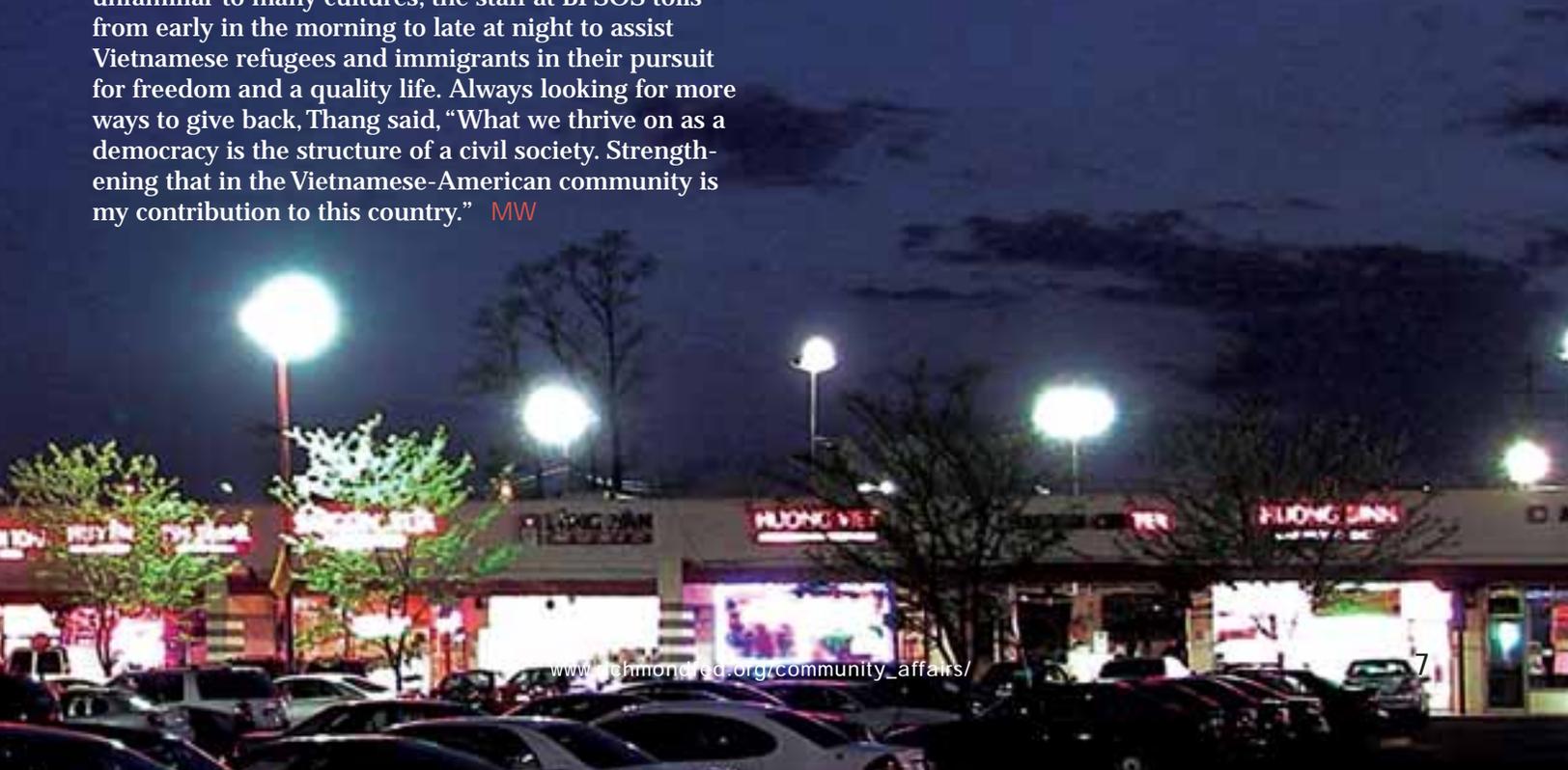
In addition to the television station, BPSOS publishes *Mach Song*, the largest Vietnamese-English publication, which has a monthly circulation of 75,000 and is distributed in 35 cities. Reaching 120,000 listeners, BPSOS also operates four Vietnamese-language radio programs in 35 cities. These communication vehicles strive to increase financial literacy among Vietnamese immigrants by featuring topics such as tax issues, identity theft, debt management and predatory lending.

Surviving and Thriving

The neon lights at the shops in the Eden Center, the largest Vietnamese business district on the East Coast, communicate a story. The vibrant greens, pinks and oranges represent the effervescent spirit of Vietnamese Boat People that have risked everything to live the American dream. Assisted by BPSOS, Vietnamese are offered resources that help them to fully tap into political and economic freedom. With a work ethic that is unfamiliar to many cultures, the staff at BPSOS toils from early in the morning to late at night to assist Vietnamese refugees and immigrants in their pursuit for freedom and a quality life. Always looking for more ways to give back, Thang said, “What we thrive on as a democracy is the structure of a civil society. Strengthening that in the Vietnamese-American community is my contribution to this country.” *MW*



Shandon Phan, Program Manager, VATV



Putting the Power into the Hands of Small Business Owners

by Cindy Elmore



Looking pensively at his hands, Indonesian refugee, Machyar Gleuenta, remembered wondering as a 10-year-old boy in Aceh, Sumatra, if painters possessed magic in their hands that enabled them to create paintings that appeared three-dimensional. “I thought that people who could paint were like a miracle,” said Gleuenta. When he finally met a painter, he said that it was a spiritual meeting. “His hands were no different.

His fingers were no different. There was no mystery.” From that time, Gleuenta knew that becoming a successful painter would take both talent and hard work.

After receiving political asylum in the United States in 1994, Gleuenta was awarded scholarships to study at the Maine College of Art in Portland and the

He knew that not everyone could pay thousands of dollars for an original oil painting, but they could purchase quality reproduction prints.

Pennsylvania Academy of Fine Arts in Philadelphia. When he graduated from art school, he moved to Atlanta to establish his art business. Struggling to make ends meet, he worked as a plumber during the day and painted at night. Eventually experiencing success, Gleuenta was commissioned to paint a portrait of former ambassador to the United Nations, Andrew Young. Seeking to tap into the high-end, art market, Gleuenta relocated to a one-room studio apartment in Northern Virginia. After his business began to take off, he realized the need for financial assistance to take his business to the next level. He turned to the Ethiopian Community Development Council’s Enterprise Development Group (EDG) in Washington, D.C. for assistance with business development and completing applications for a \$15,000 loan from the Office of Refugee Resettlement (ORR).



In art class as a child, Gleuenta made brooms, spoons and anything else that could be sold to tourists. These early experiences taught him the necessity of marketing to a variety of income levels.



Brenda Williams, loan officer for ECDC’s Enterprise Development Group, worked with artist, Machyar Gleuenta, to communicate his business needs to the loan committee.

He turned to the Ethiopian Community Development Council’s Enterprise Development Group (EDG) in Washington, D.C. for assistance...

He knew that not everyone could pay thousands of dollars for an original oil painting, but they could purchase quality reproduction prints. He took his idea to Brenda Williams, a loan officer at EDG. “We recommended an ORR loan, one of EDG’s loan fund sources. We direct people where they need to go,” said Williams.

Today, Gleuenta offers high-quality reproduction prints. He recommends EDG to other small business owners. “There is no way that I could have done it without a loan considering the cost of the transparencies, travel to New York and a van to transport the art,” he says.

According to Williams, “At first, the loan committee did not understand about artists and what they needed to do business. It was an education process.” Assisted by



Belay Embaye,
EDG Program Director

Williams, Gleuenta worked to communicate his business needs to the loan committee for approval. "With EDG I was able to get into reproduction prints and offer people art at a range of prices," he said.

Creating Sustainable Community Economic Development Opportunities

An independent nonprofit subsidiary of the Ethiopian Community Development Council (ECDC), EDG was developed to provide microeconomic development support services for low- to moderate-income clients throughout the greater D.C. metro area. Incorporated as a separate entity in October 2000, EDG's initiatives include a Microloan, Used Car Loan Financing, and Individual Development Account (IDA) programs. The Microloan Loan program began in 1992 with a \$25,000 grant from the U.S. Department of Health and Human Services Office of Refugee Resettlement and expanded in 1994 with a grant from the Small Business Administration (SBA). Funded by the SBA, the U.S. Department of Treasury's Community Development Financial Institution (CDFI), the U.S. Department of Health and Human Services, the State of Virginia, Arlington County, Fairfax County, and other jurisdictions, and local national banks such as

An independent nonprofit subsidiary of the Ethiopian Community Development Council, EDG was developed to provide microeconomic development support services for low- to moderate-income clients throughout the greater D.C. metro area.



IDA counselors, Emmanuel Mpfayokurera and Nurayni Tanir-Hapol, encourage Enterprise Development Group's clients to establish IDA accounts in order to purchase automobiles, start small businesses, pay for an education or buy a computer.



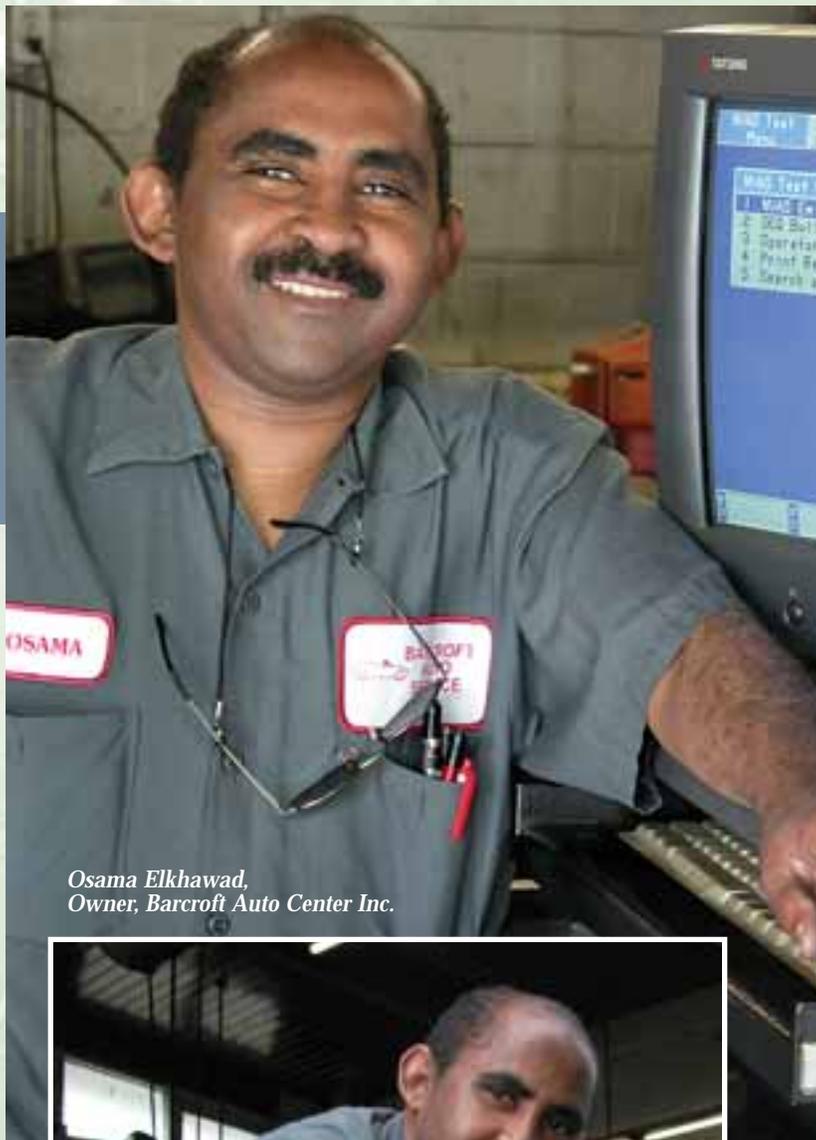
Michelle Wilson, Loan and Technical Assistance Manager for EDG

Capital One, Bank of America, Citibank, the Calvert Foundation, and others, the Microloan program provides clients with direct loans ranging from \$500 to \$35,000. According to EDG program director Belay Embaye, "EDG is an independent, nonprofit subsidiary of ECDC. We offer microloans to unbankable low- to moderate-income entrepreneurs with diverse ethnic backgrounds. The IDA program, funded by ORR, provides financial literacy education to bring about behavioral change and

financial incentives at a two-to-one match grant to low-income refugees and asylees to purchase assets such as a car, computer, house or business."

In addition, EDG jump starts financial independence for low- to moderate-income individuals and families through the Used Car Finance program. Realizing that owning an automobile is a key to establishing immigrants and low-income people in their communities,

An intermediary financial lender of the SBA and a certified member of the CDFI, EDG is the only organization that operates in the entire metropolitan area of Washington, D.C.



Osama Elkhawad,
Owner, Barcroft Auto Center Inc.



“EDG really helped me. I needed to finance the machine and the banks would not work with me because I didn’t have a lot of credit history. It is not easy for an immigrant.”

Elkhawad

EDG offers clients direct loans up to \$10,000 on vehicles that are less than five years old and have less than 60,000 miles at half of the prevailing market interest rate for such clients. An intermediary financial lender of the SBA and a certified member of the CDFI, EDG is the only organization that operates in the entire metropolitan area of Washington, D.C.

Calculating Big Profits for Small Business

A refugee from the Sudan, Osama Elkhawad came to EDG in 2001 requesting a \$35,000 loan to purchase an emissions diagnostic machine for his service station. An accountant in the Sudan, Elkhawad began working as a cashier at a service station and quickly moved up to bookkeeper after he came to the United States. While working at the service station, he also learned mechanical repair and decided to open his own shop. EDG assisted him with the initial loan to establish an automotive service repair business in Annadale, Virginia, and purchase an emissions diagnostic machine. Elkhawad knew that the mandated inspections would generate a steady stream of business activity. “EDG really helped me. I needed to finance the machine and the banks would not work with me because I didn’t have a lot of credit history. It is not easy for an immigrant,” he said.

Working with Michelle Wilson, the loan and technical assistance manager for EDG, Elkhawad secured the loan and has opened a second service station with five bays. “Osama works very hard and is almost finished paying his first loan. He only has \$5,000 left to pay on his loan and has two years left to pay it,” said Wilson. The secret to Elkhawad’s success is hard work and persistence. “I dream of a healthy, happy life. Right now, I work seven days a week, 17 hours a day. I’m thankful



Angela Trammel, owner of three Curves franchises, financed her first Curves fitness center through EDG's loan program.

"Applying for a loan to start the business was much harder than buying a house. EDG staff helped me through every step of the process."

Trammel

to EDG for the loan because even though I have credit cards, the banks would not help me," he explained.

Becoming Financially Fit

A young, mother of two, Angela Trammel, had been laid off from her job at the Marriott after 9/11. Since she was a member of a Curves Fitness Center and loved the concept of empowering women to become physically fit, she began researching the cost of purchasing a Curves franchise and ways to finance the endeavor. "I was on-line looking for financing and I linked to EDG. I knew that they had diverse clients." The cost for the franchise was \$19,500, but it took \$60,000 to open the doors to her fitness center. "Applying for a loan to start the business was much harder than buying a house. EDG staff helped me through every step of the process," said Trammel.



Shirley Suggs manages one of Trammel's Curves franchises.

Just three years later, Angela and her husband, Ernest, own three Curves Fitness Centers with 12 employees. Recently, giving birth to her third child, she has found the financial freedom and flexibility needed to care for her busy family. In fact, within a three year period, the Trammel's grew their annual household income from \$80,000 to \$250,000. "I had felt that I could do it from day one. I'm grateful to EDG for giving me the opportunity," she said. "The power to amaze yourself" is the Curves advertising slogan. With assistance from EDG, she has amazed herself and those in her community.



Michelle Wilson

"We plan to diversify our loan and operating funds... Our goal is to meet the myriad of social and economic needs of our clients while diversifying our funding sources."

Belay Embaye

While EDG celebrates the success of business owners like Gleuenta, Elkhawad and Trammel, the organization is also striving to become more financially fit and still meet the vast array of economic needs of low- and moderate-income people. Working toward this end, EDG has established three main financial goals to achieve by 2008: to become more self-reliant by meeting most of its financial needs for its core operations from earned revenues; to diversify its funding sources to at least 50 percent from government and 50 percent from non-government sources and raise a minimum of \$5 to \$8 million in revolving capital. "I look forward to the day that we are self-sufficient. We plan to diversify our loan and operating funds. We will begin charging moderate fees for services. Our goal is to meet the myriad of social and economic needs of our clients while diversifying our funding sources," said Embaye. MW

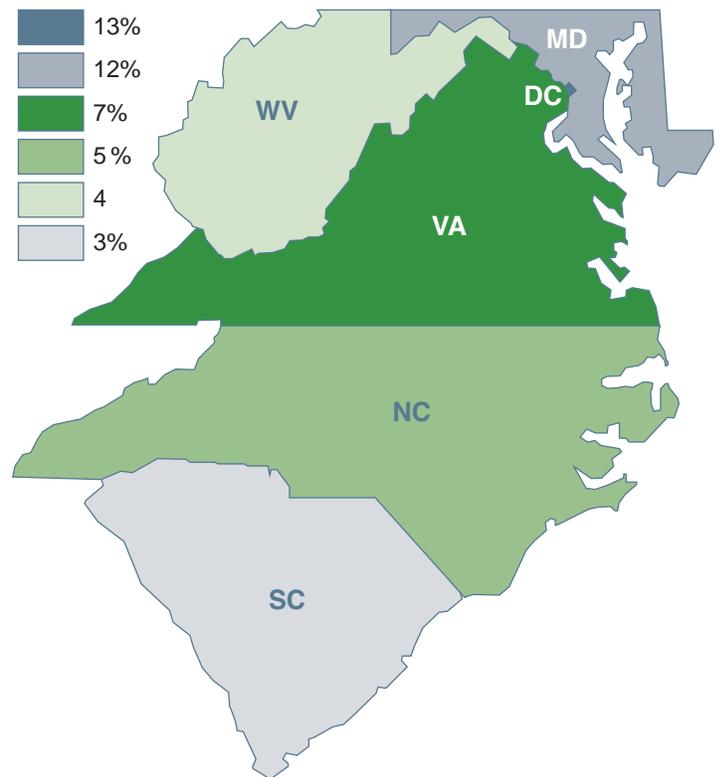
EDG's Microloan Program Accomplishments

- Provided microloans to over 380 entrepreneurs
- Disbursed over \$6.5 million in loan funds
- Created 500 new jobs and retained 370 jobs
- Raised over \$8 million in loan funds
- Provided business development and financial training for over 3,500 individuals in the Washington, D.C., metropolitan area

Characteristics of Loan Clients

- Ninety-eight percent of all microloan clients are low- to moderate-income individuals.
- Eighty-five percent of all microloan clients are minorities (women, new immigrants, African-Americans, Hispanics, Asians, etc.)
- Thirty percent of all microloan clients are female entrepreneurs, mostly head of households.

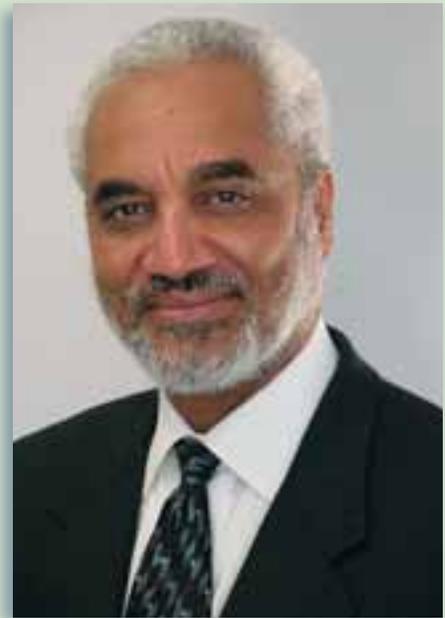
African Born as a Percent of Foreign-Born Population in the Fifth Federal Reserve District



EDG's IDA Program Accomplishments to Date

- Enrolled 727 clients with a total savings of \$959,000
- Committed \$1.9 million in match grants to be disbursed throughout the program
- Purchased assets with total value of \$9,535,000
- Trained over 680 clients in household income management, credit management, taxes, risk management, retirement and investment planning
- Successfully graduated 528 clients with acquired assets worth more than \$11 million. (Sixty-seven percent of graduates are individuals; 33 percent are families; 42 percent are female.)

ECDC Guides Refugees and Immigrants in their New Homeland



Tsehaye Teferra, President, Ethiopian Community Development Council

Founded by Dr. Tsehaye Teferra in 1983, the Ethiopian Community Development Council (ECDC) was established as a nonprofit organization to respond to the growing Ethiopian community in the Washington, D.C., metropolitan area and across the country. "In 1983, there were many Ethiopians coming as refugees from Africa and there was no organization to welcome or guide them. We organized to meet the needs," said Teferra. From the beginning, ECDC has served a diverse community of refugees and immigrants from around the world while focusing on the African newcomer community both locally and nationally. According to Teferra, "We referred refugees to vital services, provided translation services and worked as a bridge between the newcomer and the new country since they had no familiarity with the new culture."

In 1990, ECDC initiated its national refugee resettlement and placement program, which operates through a network of independent, community-based organizations and ECDC branch offices. ECDC established the African Resource Network (ARN) in 1991 to increase public awareness at a national level about African refugee issues and to help African community-based organizations in the U.S. strengthen their agencies through community, organizational and resource development.

Today, ECDC has 60 staff members with four branch offices in Arlington, Virginia; Washington, D.C.; Denver, Colorado; and Las Vegas, Nevada. The organization remains true to its mission of resettling refugees, while promoting cultural, educational and socioeconomic development programs in refugee and immigrant communities in the United States and conducting humanitarian and socioeconomic development programs in the Horn of Africa.

IDA Clients' Country of Origin

Afghanistan	3
Albania	1
Angola	1
Benin	1
Burkina Faso	1
Burma	46
Burundi	3
Cameroon	12
China	7
Colombia	2
Democratic Republic of the Congo	25
Eritrea	26
Ethiopian	372
Former Soviet Union	23
Guinea	1
Indonesia	1
Iran	29
Kenya	1
Kosovo	5
Liberia	1
Mauritania	4
Mongolia	1
Nepal	1
Nigeria	3
Republic of the Congo	1
Pakistan	1
Rwanda	7
Sierra Leone	7
Somalia	25
Sudan	51
Togo	4
Turkistan	1
Uganda	1
Ukraine	3
Vietnam	49

Hispanic Population and Business Trends in the Fifth District

by Aileen Watson



Se hablan español aquí'. The percentage of the U.S. population of Latino origin is on the rise, and with it, the number of Latino-owned businesses is growing. The increase in the Latino population can be attributed to both immigration and the fact that families of Latino heritage tend to consist of more children than non-minority families. Estimates of the buying power of Latinos suggest that a large and developing market exists for businesses that target this segment of the U.S. population. However, many Latinos face barriers to starting or expanding a business — particularly the lack of fluency in English and limited formal education, along with unfamiliarity with the U.S. cultural norms of doing business.

The U.S. Census Bureau defines a person of Hispanic origin as a person of Cuban, Mexican, Puerto Rican, South or Central American, or other Spanish culture or origin, regardless of race. The terms Hispanic and Latino are often used interchangeably in the United States, as they are here, to respectfully indicate any people whose roots are in a Spanish-speaking country. There are many distinct cultural and language differences among the various Spanish-speaking countries. However, as a minority segment of the U.S. population, there are common issues faced by Hispanics who are business owners or prospective business owners.

A Population Boom

The Census Bureau reports that the Hispanic population (of any race) increased from 12.5 percent of the U.S. population in 2000 to 13.8 percent in 2003. In the Fifth District (the District), which includes Virginia, Maryland, North Carolina, South Carolina, D.C. and parts of West Virginia, the change in the Hispanic population over the three years from 2000 to 2003 ranged from an increase of 20.4 percent in North Carolina to a reduction of 1.6 percent in South Carolina. In the District of Columbia, the Hispanic population grew by 15.5 percent, and in Virginia, by 15.1 percent. Maryland's Hispanic population rose by 13.7 percent, and West Virginia had the least change

with an increase of 0.4 percent. For the District as a whole, the Hispanic population grew by 15.1 percent between 2000 and 2003.

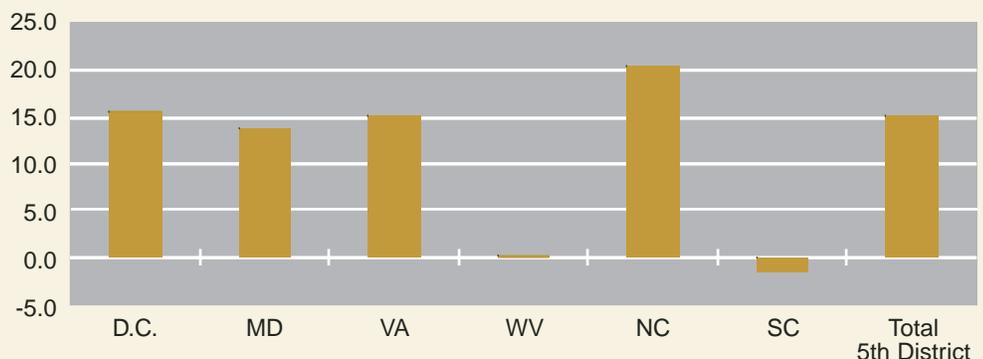
Census data includes Hispanics who were born in the United States or have documents allowing them to live in the country. However, estimates of the number of undocumented immigrants of Hispanic origin vary widely. Pew Hispanic Center research by Jeffrey S. Passel noted that North Carolina now has an estimated 300,000 undocumented immigrants and that Maryland and Virginia each have an estimated 200,000 to 250,000 undocumented immigrants. Recent proposals for a possible program to allow undocumented immigrants to remain and work legally in the United States for a limited period of time are currently being hotly debated.

A lack of formal education limits work choices for many immigrants of Hispanic origin. In the March 22, 2005 issue of the *Washington Post*, Sylvia Moreno reported on the Pew Hispanic Center study: "What drives the growth in immigrant populations in general is employment opportunities," Passel said, especially in fields that do not require formal education. Specifically, Passel cited the booming construction industry in Virginia, Maryland and the D.C.; the service industry in Washington, D.C.; and poultry processing plants on the Eastern Shore [Del-Mar-Va Peninsula].

A Growing Presence

Hispanic-owned businesses, whether the owners are immigrants or native-born, often start as a small shop or food-stand in neighborhoods with a predominantly Spanish-speaking population. The U.S. Small Business Administration (SBA) reports that Hispanic-owned businesses increased by 20.5 percent from 1992 to 1997.

Percent Change in Hispanic Population 2000 - 2003



Nearly 86 percent of Hispanic-owned businesses were sole proprietorships. Forty-two percent of Hispanic-owned businesses were classified as service businesses, roughly 13 percent were construction, and another 13 percent retail, with smaller percentages in other classifications.

The Census Bureau's 1997 *Economic Census* calculated there were 37,260 Hispanic firms in the Fifth District, with a total of \$5.47 billion in sales and receipts. Among those businesses, 6,427 were employer firms (meaning they had at least one employee on the payroll) with a total payroll of \$1.35 billion. Within the District, the Commonwealth of Virginia had the most Hispanic-owned firms (13,703), followed by Maryland (11,158) and North Carolina (7,270). The businesses in those three states together amassed \$4.5 billion in sales and receipts.

Educational Levels and Income

Hispanic business owners tend to be young, and immigrants typically have limited formal education. According to Cuban-American Jose Isasi, president and CEO of Que Pasa Media Network, which includes three Spanish-language newspapers and seven radio stations in North Carolina. The classic story is the hardworking, smart person who starts a little *bodega* and is very successful. "...So they open another and another, and they are doing really well financially and with customer satisfaction. But as they grow, education is a big problem." They need management and financial skills to make the leap from a small business to a large business. Isasi says, "When they are small and buying for their store, they can go from shelf to shelf to see what they need if they have 80 products — but not when they have 300 products." He points out that Hispanic business owners who lack the formal education (and don't have the time to take classes) turn to their trusted friends for assistance. He mentions a restaurant cook who decided to start his own restaurant. As the business expanded from one restaurant to eight, with locations spread as far as 100 miles apart, the owner realized his lack of education in management and banking could



cause his business to fail. His solution was to hire retired Hispanic friends who have the necessary background and experience, to advise him and to help him manage his business.

According to the Census Bureau's 2002 *Survey of Business Owners*, 3.9 percent of the 7.7 million owners of employer businesses are Hispanic, and of those, 44 percent are under the age of 45. The level of education among Hispanics depends

in large part on whether they were born and raised in the United States. Census Bureau data for 2003 show that 73.5 percent of the Hispanic population who were born in the United States had at least finished high school, 40.4 percent had at least some college and 13.5 percent held a bachelor's degree or more. Foreign-born Hispanics were less likely to have formal education, with 44.7 percent having high school graduation or more, 21.5 percent having at least some college and 9.8 percent having a bachelor's degree or more.

The range of average earnings of Latinos by level of education runs from \$18,981 for less than a high school education to \$67,679 for Hispanic workers with an advanced degree. Between those points, Hispanic workers with a high school diploma earned on average \$24,163. Those with an associate's degree or some college earned \$27,757 and those with a bachelor's degree earned on average \$40,949.

Assimilation

In addition to education, assimilation — that is, becoming part of the general culture — opens doors for Hispanic business owners. Language is a significant barrier to Latino business owners who dream of expanding beyond their local Hispanic community. The Pew Hispanic Center/Kaiser Family Foundation 2002 *National Survey of Latinos* reports that language usage is a measure of assimilation. "In general, the attitudes and beliefs of English-dominant Hispanics are much more similar to those held by non-Latinos than the attitudes and beliefs of Spanish-dominant Latinos." Hispanic children growing up in the United States are likely to

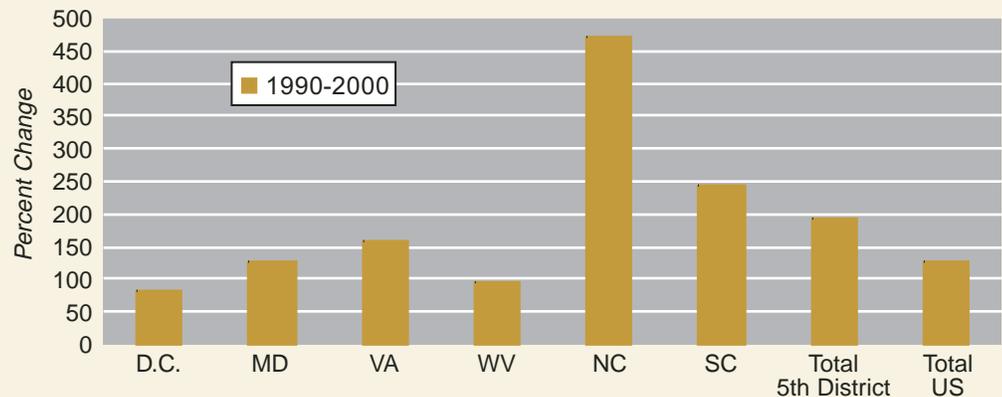
get more years of formal education than their immigrant parents. Hispanic children also speak English at school — and the number of these children is sizeable. This suggests that the next generation of Latino business owners is likely to be more numerous, better educated, and more fluent in English and U.S. business culture. But new arrivals in the United States and native-born Latinos who leave school to work in the family business continue to look to trusted Latino friends for business advice.

Hispanic “Buying Power”

The growing Hispanic population presents a huge market for business. The Selig Center for Economic Growth, in the Terry College of Business at the University of Georgia studied the “buying power” of minorities in the United States and calculated current dollar (not adjusted for inflation) estimates for Hispanic buying power. Jeffrey M. Humphreys, the author of the study, says Hispanic buying power defined as disposable personal income — will rise from \$222 billion in 1990 to \$992 billion in 2009, a gain that far outstrips the estimates for non-Hispanic buying power — 347.1 percent compared to 148.5 percent. According to Humphreys’ estimates for 1990 through 2000, North Carolina ranks first in the District at a growth rate of 470 percent and South Carolina second at a growth rate of 243 percent. In addition, the study ranks North Carolina twelfth nationwide in market size for the period 1990 through 2004, making it one of the “most attractive Hispanic markets in the nation.” The study found that Latinos spent more than the average U.S. consumer on groceries, gas and motor oil, household textiles, men’s clothing, children’s clothing and footwear. In contrast, the author reported that Hispanics spent less than non-Hispanics on floor coverings, healthcare, entertainment, reading, education, life and other personal insurance, cash contributions and tobacco products. Hispanic expenditures were in proportion to non-Hispanics for the categories of restaurants, alcoholic beverages, housekeeping supplies, furniture, appliances, women’s and girls’ clothing, public transportation, personal care products and services.

Businesses are targeting the Hispanic population by offering products from their countries of origin, advertising in Spanish and seeking bilingual employees. Automated voice messages in Spanish are available

Percent Change in Estimates of Buying Power Hispanic Residents 1990 - 2000



over the phone at many department stores, utilities and government agencies, including the Internal Revenue Service. Radio and television stations provide programming in Spanish, giving Hispanic businesses an opportunity to direct their advertising to the Hispanic audience. Bank ATM’s offer a Spanish language option, and numerous local Spanish-language newspapers are in circulation. Many of the businesses catering to Latinos are owned or managed by Hispanics.

Outlook for Hispanic-owned Businesses

The SBA calculated rates of survival, expansion and contraction in minority-owned U.S. businesses that were operating from 1997 through 2001. All of the businesses studied were employer establishments; the number of Hispanic-owned businesses was 209,128. The study did not include non-employer businesses or new businesses started during that time period.

The survival rate for Hispanic-owned businesses during the period from 1997 to 2001 was 68.6 percent, compared to non-minority owned business’ survival rate of 72.6 percent. Hispanic business owners’ highest survival rates were in the classifications of manufacturing and retail, with survival rates of 72 percent in each. Close behind were Hispanic-owned wholesale and FIRE (Finance, Insurance, and Real Estate) establishments, each at a 71 percent survival rate. Looking at survival rate rankings among all states for Hispanic-owned businesses, South Carolina was ranked number one in the United States with a survival rate of 88.6 percent and North Carolina had a survival rate of 54.7 percent.

Thirty-four percent of Hispanic-owned businesses expanded from 1997 through 2001 — a higher percentage than any of the other identified minority-owned or non-minority owned businesses in the study. The top four expansion rates for categories of Hispanic-owned businesses were non-classifiable businesses (50 percent),

construction (40 percent), retail (35 percent) and manufacturing (33 percent).

The study also examined contraction rates and found that non-minority owned businesses contracted at a rate of 21.1 percent during 1997-2001, while Hispanic businesses contracted at a 17.8 percent rate. The categories for Hispanic-owned businesses with the highest contraction rates were mining (38 percent), manufacturing (26 percent), wholesale (24 percent) and retail (22 percent). In addition to having a strong survival rate over the years 1997 to 2001, Hispanic-owned businesses also had the highest rate of expansion and the lowest rate of contraction. Having a banker helps businesses survive and expand.

Becoming Part of the Economic System

"For rural Mexican business-owners, the checkbook doesn't exist back home," says Isasi. He points out that some 70 to 80 percent rely on family or friends when they need a loan. Or a friend introduces them to a trusted banker. The cash-only style of business is a growing security concern because small businesses are known to have cash, which attracts thieves. The Federal Reserve is working with banks and local organizations in Spanish-speaking neighborhoods to help educate businesses and the public about the safety and convenience of banking in the United States. In addition, Hispanic groups meet with local police to talk about how they can solve the problem.

Latino-owned businesses are a rapidly growing part of the economy in the Fifth District. As the percentage

of the U.S. population with Latino roots rises, the opportunities for businesses to serve this market cannot be overlooked. Federal and local-level resources are available to help Latinos increase their business knowledge and skills so they are better positioned to succeed and expand their businesses, thus contributing to their local economy. And new business-owners are often guided by other Latinos who have "been there, done that." MW

Sources:

Census Bureau, *Current Population Report, Educational Attainment in the United States: 2003*, June 2004.

Estimates of the Size and Characteristics of the Undocumented Population, Jeffrey Passel, Pew Hispanic Center, Washington, D.C., March 2005.

"The Multicultural Economy 2004; America's Minority Buying Power," *Georgia Business and Economic Conditions*, volume 64, number 3, The University of Georgia, Third Quarter 2004, p 7.

SBA Research Summary No. 251, Feb. 2005, *Dynamics of Minority-Owned Employer Establishments, 1997-2001*, Ying Lowry, Ph.D., U.S. Small Business Administration, Office of Advocacy, 2004. Washington, D.C. 20416.

(Survey Brief, March 2004, www.kff.org or www.pewhispanic.org, p.1.)

U.S. Census Bureau, *Current Population Survey, Annual Social and Economic Supplement, 2003*

U.S. Small Business Administration (SBA) Office of Advocacy report *Minorities in Business, 2001*.

Some District Resources for Hispanic Business Owners

Baltimore

Hispanic Chamber of Commerce (BHCC) provides members with an opportunity to network and exchange information on their business experience. The BHCC also provides interface with state and local government agencies that assist small businesses and offers seminars geared to existing businesses with the goal of helping them successfully reach the next level as they grow.

Greenwood, South Carolina

Small Business Development Center (SBDC) provides seminars, Internet information and consultation to new business owners and potential business owners; co-sponsors programs with the Internal Revenue Service and the South Carolina Department of Revenue to educate business owners about tax-related matters. In the fall of 2005, South Carolina's

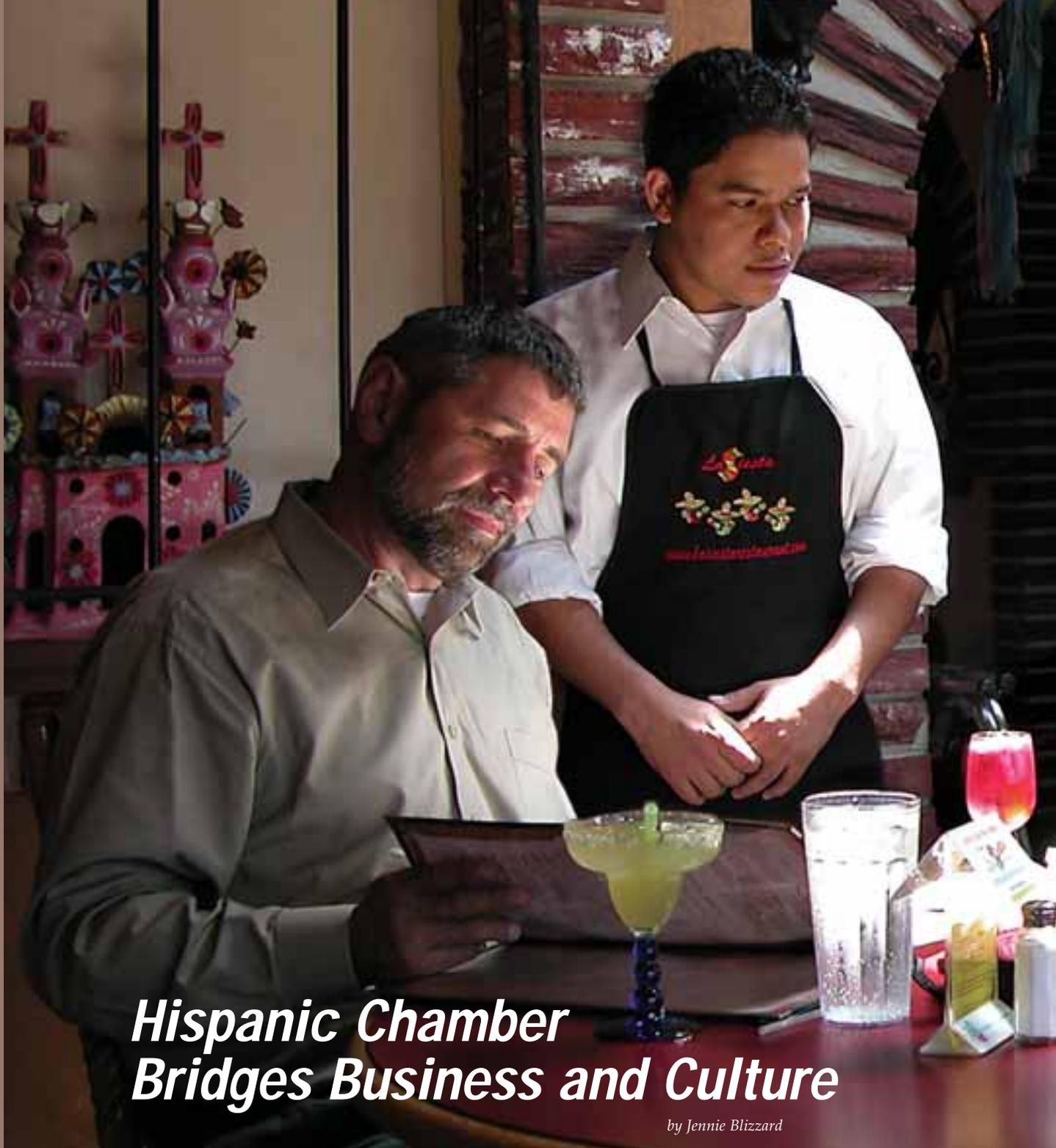
SBDC offices will hire graduate assistants in an International MBA program to assist Latino business owners in Spanish or English over the phone, via video-conferencing or in person.

Virginia

Hispanic Chamber of Commerce (VAHCC) helps Hispanic businesses succeed by connecting them with business opportunities within Virginia.

North Carolina

Hispanic Chamber of Commerce (NCHCC) offers Hispanic business owners seminars and helps them connect with appropriate contacts in the Small Business Administration, City Hall or with other relevant resources, depending on their needs.



Hispanic Chamber Bridges Business and Culture

by Jennie Blizzard



When Carlos Gomez immigrated to the United States from Columbia 23 years ago, he was looking for a change. In 1997, he dealt with an unwanted and unfortunate, career-altering event, a lay off from a university. With change, Gomez found unexpected entrepreneurial success. As the owner of two businesses, Cargo Cleaning Services, which employs 12 and his most recent venture that opened almost two years ago, El Arriero, Gomez represents a growing number of Hispanic business owners. "I always had in mind to open a small restaurant," Gomez says of El Arriero, which sells American and Columbian fast food. "I wanted to show people that Latin food not only comes from Mexico and Puerto Rico," he says.



In 2000, Hispanics pumped \$460 billion into the U.S. economy — \$6 billion in Virginia alone. The state ranks 10th in the United States with the largest number of Hispanic-owned businesses and a state-wide organization, the Virginia Hispanic Chamber of

Approximately two million Hispanic-owned businesses in the country generated almost \$300 billion in annual gross receipts.

"I always had in mind to open a small restaurant which sells American and Columbian fast food. I wanted to show people that Latin food not only comes from Mexico and Puerto Rico."

Carlos Gomez



Business is a family affair for Carlos Gomez and his wife Alicia Maldonado (right) and his daughter Juliana.



Commerce (VAHCC) helps Hispanic and non-Hispanic entrepreneurs benefit from an emerging market that continues to gain staggering momentum.

According to the U.S. Census Bureau, between 1990 and 2000, Hispanics accounted for 40 percent of the country's population growth. Now the largest minority group in the United States, the Hispanic population is expected to grow by more than 1.7 million a year. Hispanic purchasing power in this country has surged to nearly \$700 billion and is projected to reach as much as \$1 trillion by 2007, nearly three times the overall national rate during the past decade. Approximately two million Hispanic-owned businesses in the country generated almost \$300 billion in annual gross receipts. "Our mission is to build bridges," said Michel Zajur, president and CEO of the VAHCC. "When you translate

statistics into what it means in dollars and cents, it's amazing that the U.S. is becoming the third largest Spanish-speaking country in the world."

Business Advocates

VAHCC promotes business opportunities for its members by providing proactive resource links to and within the Virginia Hispanic community and connects that business community with the community at-large. Zajur reminisces fondly about the organization that he founded in May 2000, which began as informal cultural and language classes at La Siesta, his family's restaurant. "Hispanic people in the community always came



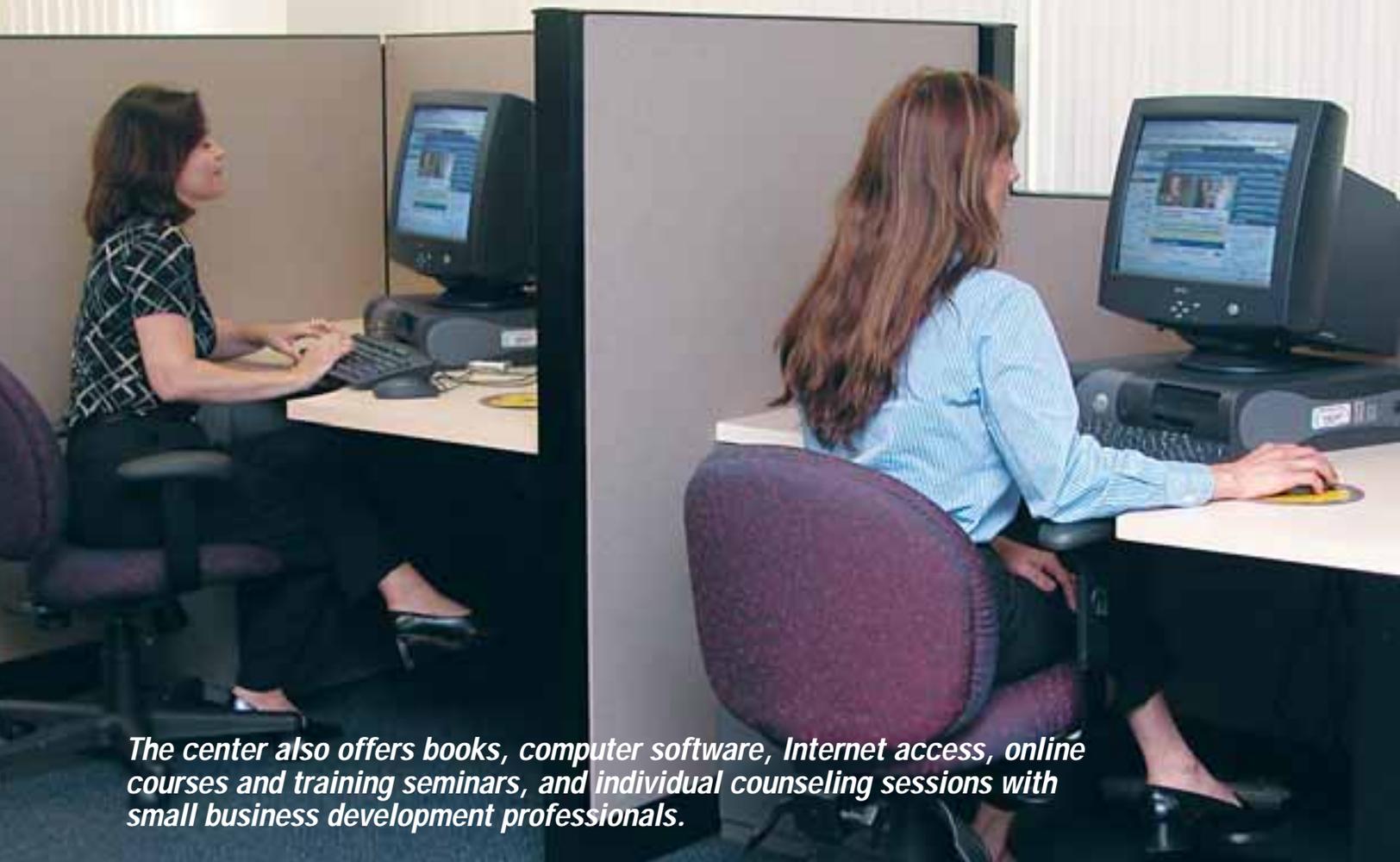
VAHCC provides a wide-array of resources to its members including a business information center and workshops.

there because they felt comfortable. We could relate to their experiences since my father came from Mexico, spoke no English and started the business. We felt like a mini chamber of commerce," he says.

In 2001, the organization opened an office in space donated by Bank of America. A year later, the membership doubled and in 2004, VAHCC opened an additional office in northern Virginia. Northern Virginia is considered the hub for Hispanic businesses, Zajur says. The area has one of the largest Hispanic populations in the country and its close proximity to the state and national capitals has helped connect Hispanics to different regions. "The growth of our organization really has been extraordinary," he said. Zajur also noted that Hispanics are three times more likely to open a business than the community at-large because they aren't afraid to take risks. "Leaving one's homeland for another country is a risk within itself so many immigrants start a business without hesitation," he said. Gomez, who

A state-wide organization, the Virginia Hispanic Chamber of Commerce (VAHCC) helps Hispanic and non-Hispanic entrepreneurs benefit from an emerging market that continues to gain staggering momentum.





The center also offers books, computer software, Internet access, online courses and training seminars, and individual counseling sessions with small business development professionals.

has been a member of the VAHCC since it began, said the Hispanic community needed to get together and talk about the business issues they faced. "Learning how to tap into the American business was a real challenge because of the barrier of the language," he said. "I didn't know how to deal with the big companies, so I had to learn through trial and error. Now the chamber is helping people with things that I had to learn myself."

Growth Trailblazers

VAHCC offers a variety of programs for business owners such as the Bilingual Business Information Center. The center allows access to job searching tools, business start-up materials and computers that provide valuable resources that help empower Hispanic business owners. The center also offers books, computer software, Internet access, online courses and training seminars, and individual counseling sessions with small business development professionals.

The VAHCC is one of four independent organizations — and the only one from Virginia — that comprises a team that provides an array of programs and services to small and minority businesses in the Greater

Washington Metropolitan Area. The team, known as the National Capital Minority Business Opportunity Committee, has joined forces and resources to administer a grant from the U.S. Department of Commerce's Minority Business Development Agency to help minority businesses in the region gain access to markets, capital and assistance as well as to various federal, state and corporate procurement sources.

Membership benefits include procurement matching between the Hispanic and business communities, job posting opportunities, referral services, mentorship programs for businesses and involvement with community leaders as well as member discounts. Services offered at discounted rates include matching potential employees and employers; job-seeker screening for Spanish-speaking candidates; presence at job fairs and other VAHCC events; translation and interpretation; advertising opportunities; business seminars; workshops and education; and customized specialty services.

Like most business owners, Hispanic entrepreneurs face the common challenge of the lack of capital. According to Zajur, many times Hispanic business owners save the money they need and operate on limited budgets. But

language barriers can make an entrepreneur's success more problematic. "You can't ask the questions you want and you don't have the confidence to communicate what you need and how you need it," Zajur said. Because of this barrier, Zajur noted that often unscrupulous people take advantage of many business owners.

All Aboard

A common misconception exists that the VAHCC consists of only Hispanic business owners. But non-Hispanic members benefit from VAHCC's services, especially with an ever-growing Hispanic market. Ray Bigam, owner of Peter Alexander Fine Jewelers joined VAHCC one year ago. He decided to join because he felt there was a need for the Hispanic and non-Hispanic business communities to partner to learn how their alliances could be mutually beneficial. "Being a member of the chamber has sent some people my way who are looking for Hispanic-friendly retailers," said Bigam. "If we don't learn how to cater to Hispanics, we will be sending our business to competitors that have taken the time to learn how to communicate with them."

Language is considered one of several factors businesses must grasp to reach the Hispanic market. "They're a little leery to do business with you if you don't speak



Ray Bigam, owner of Peter Alexander Fine Jewelers, encourages Hispanic as well as non-Hispanic members to take advantage of VAHCC's services.

Membership benefits include procurement matching between the Hispanic and business communities, job posting opportunities, referral services, mentorship programs for businesses and involvement with community leaders as well as member discounts.





Michel Zajur, President and CEO
Virginia Hispanic Chamber of Commerce

their language,” Bigam said. The Spanish Academy and Cultural Institute, founded by Zajur’s wife, Lisa, works with area businesses and organizations on cultural training. “We want the bridges we build to be beneficial for Hispanics as well as non-Hispanics,” Michel said. “We want to tear down language and cultural barriers for both cultures.” *For more information about The Spanish Academy and Cultural Institute, see page 28.*

Heinrich Hispanidad, a firm that specializes in Hispanic marketing, notes that many companies in the United States attempt to reach the Hispanic market through translated marketing and advertising materials. Straight translations, which depend on accurate linguistic text transfer from one language to another, tend to miss emotional and culturally relevant elements as well as differences in the consumer’s country of origin. For example, after years of market research, national retailer Sears decided to grab a share of the Hispanic market by opening “multicultural stores” where fashions, signs, color schemes and displays are geared to appeal to Hispanic, black and Asian shoppers. In multicultural

stores, brightly colored fashions are brought to the front of racks and to the entry display to appeal to multicultural markets.

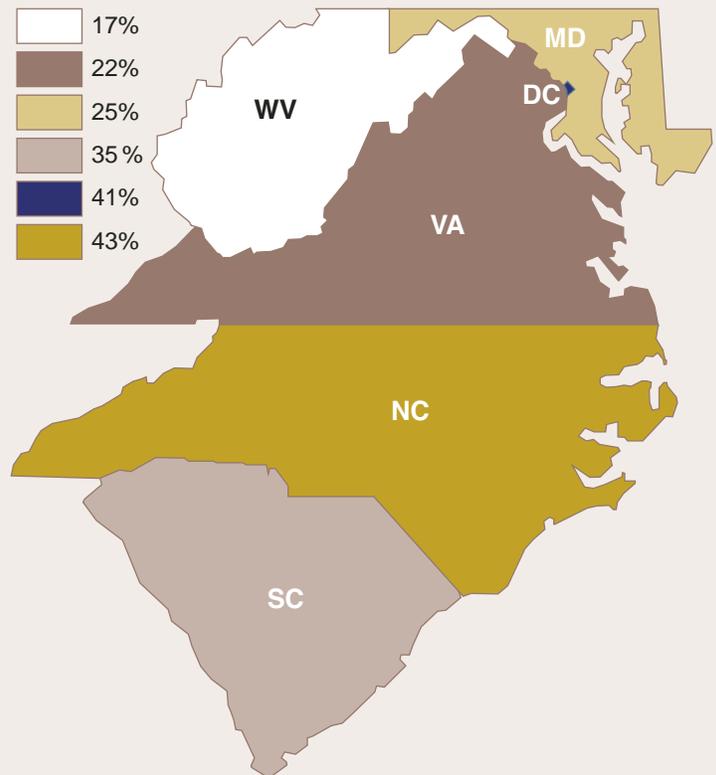
All Inclusive

“We have a real welcoming attitude and atmosphere here at the chamber,” said Zajur. “Through cultural understanding and language you can be part of it.” Zajur added that many Hispanics will do business only with Hispanics, but the VAHCC has made a conscientious effort to partner with other minority groups. Zajur wants to continue to build the organization and its events to continue to make a difference in the economic development of the community. “We’re real inviting about teaching people about the language and culture. But it’s also important that businesses are inviting the Hispanic community.” *For more information about the Virginia Hispanic Chamber of Commerce visit www.vahcc.com or call 804-378-4099.*

Sources:

U.S. Census Bureau, HispanTelligence®, Center for Women’s Business Research, Small Business Administration, Media Economics Group, Virginia Hispanic Chamber of Commerce

Latin American Born as a Percent of Foreign-Born Population in the Fifth Federal Reserve District



North Carolina Hispanic Chamber Mixes Business with Salsa

by Carl Neely

Take dancing shoes if you're traveling to Raleigh, North Carolina, for a networking event sponsored by the North Carolina Hispanic Chamber of Commerce (NCHCC). Established in Raleigh in 1996, NCHCC advocates for the development and success of Hispanic businesses and the overall business community. As a former banker, Federico van Gelderen, president of the NCHCC as well as publisher of *Que Pasa* news, understands the importance of accessing capital as well as the unique challenges that Hispanic Americans face. NCHCC provides a wide array of services and benefits such as business-after-hours events that provide a cultural forum for networking; monthly member guest receptions that spotlight a small business; and mini-presentations as well as monthly lunch and learn seminars that provide fundamental information for businesses to succeed in new markets.

Recently, the Chamber, along with the Raleigh Mexican Consulate, were instrumental in encouraging the North Carolina Banker's Association to sponsor a study by the Keenan Flagler Center of the University of North Carolina at Chapel Hill on the economic impact of Hispanics in North Carolina. NCHCC partners with local organizations such as the North Carolina Department of Labor to provide technical assistance to businesses on safety regulations and the Occupational Safety and Health Administration's requirements. NCHCC also partners with the Small Business and Technology Center to provide information on accessing capital and start-up assessments.

The United States Hispanic Chamber of Commerce has recognized the NCHCC as a representative for Hispanics in the state as well as a link between the business community and Hispanics. *For more information call 919-782-8764 or visit www.nchcc.org.* MW

Statistics

- More than one eighth of the people in the United States are of Hispanic origin.
- The number of prosperous Hispanic households — those with incomes of at least \$100,000 — rose 137 percent between 1990 and 2000.
- Current Hispanic purchasing power is 8.5 percent of total U.S. purchasing power, but will reach 11 percent by 2010, when taking into account factors such as the narrowing Hispanic vs. overall U.S. income gap and the increase in the number of Hispanic households with earned income.
- For 2003, the 500 largest Hispanic-owned firms in the country reported record revenues of \$26.3 billion, an increase of 13.9 percent from the previous year. It marks the 500 largest Hispanic-owned firm's directory's best year-to-year growth since 2000, and a dramatic comeback from the 1.7 percent loss seen in 2002.
- Hispanic women-owned businesses number 553,618, employ 320,000 and generate \$44.4 billion in sales nationwide.
- More than one-third (34.9 percent) of all Hispanic-owned firms are owned by women. Hispanic, women-

owned firms employ 18.5 percent of the workers in all Hispanic-owned firms and generate 16.3 percent of the sales.

- Four in 10 minority, women-owned firms are owned by Latinas.
- Hispanic advertising by U.S. companies grew 24 percent in 2003, compared with 8.6 percent for the general market.
- More Hispanics live in the United States than the entire population of Canada, which is 32.5 million.
- Latinos working and living in the United States send over \$30 billion annually in remittance to family in Latin American countries.
- Mexico alone receives over 15 billion a year in remittances from the United States. These remittance dollars make up Mexico's largest industry.

Sources: U.S. Census Bureau, HispanTelligence®, Center for Women's Business Research, Small Business Administration, Media Economics Group



Lisa Zajur: Director of the Spanish Academy & Cultural Institute

by Jennie Blizzard



Q & A

What's the history behind the Spanish Academy and Cultural Institute? How did it begin?

The Spanish Academy & Cultural Institute began in 1987 and started as a cultural program for school children showing them a love of learning Spanish and the Hispanic culture. My educational background specializes in curriculum design, communications and teaching methods. My husband is from Mexico and we combined our talents to put together a fun, entertaining children's show that focused on learning Spanish and the Hispanic culture. We wanted the children to walk away with a positive attitude towards the Hispanic culture. We have worked with over 50,000 school children and currently perform our show at Paramount's Kings Dominion as well as within the school systems. I was also the owner and director of a small bilingual preschool for 11 years in which we taught Spanish daily to the children. As the Hispanic population increased the demand for industry-specific Spanish was requested. We expanded our programs to include language and cultural training for companies and organizations.

What exactly does the Institute offer?

The Spanish Academy & Cultural Institute offers customized corporate Spanish through our Awaken the Spanish Within® Spanish courses which include: Real Estate/Mortgage Spanish, Banking/Financial Spanish, Medical/Health Spanish, Restaurant and Hotel Spanish, Architectural and Construction Spanish, Law Enforcement Spanish, Landscaper's Spanish, Juvenile Justice Spanish and Educator's Spanish. We also conduct cultural training seminars on the Hispanic culture. We have an Immersion School in Zacatecas, Mexico, where participants can experience life as a

Lisa Zajur's Awaken the Spanish Within® program puts participants on the fast track to learning Spanish language and culture.

Latino by immersing themselves for two weeks and experiencing the warmth of the Hispanic culture by living in Mexico, attending Spanish classes, field trips and events. Our popular Awaken the Spanish Within® Immersion weekends take place in the United States on the East and West coasts. This program is for participants who don't have time for weeks of classes or time for traveling, so we bring Latin America to them! Participants check into a hotel for the weekend and learn Spanish through interactive, engaging activities. We set up the hotel to feel as if you are in a Hispanic country. A 200-page course manual and 15-CD audio programs are included in the weekend training. Our participants continue on their journey learning Spanish after the weekend using these materials. We stay in touch with them after the weekend with online quizzes, and our *Su Pasaporte* e-newsletter that keeps participants learning about the Hispanic culture and provides them with Hispanic events that they can go to practice their Spanish with others.

“We create a desire for participants to want to continue learning Spanish, keeping them on the journey into the Spanish language and Hispanic culture.”

How did you come up with the idea of the Awaken Spanish Within program? Exactly what does it involve?

When I married into the huge Hispanic family, I learned Spanish just to understand what my mother-in-law was saying! I sat through a Spanish course at a local college and could not make the connection in what I was learning in class and then trying to speak. I assumed there had to be other people like me who felt Spanish-challenged too. I began studying patterns between English and Spanish, researched and consulted for years with foreign language specialists on learning Spanish. I also studied the brain and how it learns. I put all of this knowledge into a method and system of learning that I developed called Voice Tonality™ Technology that currently has a patent-pending. Voice Tonality™ Technology is a whole brain approach to learning that gets your brain waves to line up in a sequential order utilizing the left and right brain simultaneously.

Describe some of the work that you've done with financial institutions?

We worked with Bank of America in training the tellers and bank managers in our Awaken the Spanish Within® Banking Spanish program. We got the word out within the Hispanic community that the tellers could speak Spanish. Hispanics drove to that specific bank to conduct their banking. They had a line out the door.

What cultural factors should financial institutions keep in mind when doing business with and attracting Hispanic customers?

Cultural training is very important for an organization. Understanding the Hispanic culture is equally as important as learning to speak Spanish. Making your organization Hispanic friendly through language training and cultural training will show the Hispanic community how much you care. Placing signs in Spanish and English throughout the building and incorporating Hispanic holiday celebrations within your organization will also demonstrate your efforts in reaching out to the Hispanic community.

How is your Institute different from other programs that teach people how to speak Spanish?

Our Awaken the Spanish Within® programs are unique because we focus on speaking. Our goal is to get our participants communicating with the Hispanics they

are serving as quickly as possible. We create a desire for participants to want to continue learning Spanish, keeping them on the journey into the Spanish language and Hispanic culture. We teach through a whole brain approach to learning based on Voice Tonality™ technology which powers our audio programs that are listened to outside of course instruction to reinforce what is learned in class. These audio programs help participants to see and hear word patterns within the Spanish and English languages. You will hear the words and phrases repeated in various voice tones. Voice Tonality™ technology is a system of learning designed to enhance the learning process. Participants remember Spanish words and phrases easier, faster and quicker than in any other method of learning.

What future plans do you have for the Institute?

Our future plans include expanding our programs nationally and internationally to reach as many people as possible over the next 10 years. By 2025, every third person you meet will be Hispanic or of Hispanic descent. My passion is to unite people by teaching non-Spanish speakers Spanish so that they may bridge the language barrier. We want to be the main resource for training employees and preparing corporations for serving Hispanic customers. The sooner corporations embrace this fact, the better. All others will be left behind in the global market. MW

For more information visit www.awakenthespanishwithin.com.





Mike Basile, Co-Chair, A Vision Shared



Kenny Perdue, Co-Chair, A Vision Shared



Scott Rotruck, Chair, West Virginia Council for Community and Economic Development

Sharing a Vision for West Virginia's Future

by Frances Stanley

West Virginia is tired of watching its best and brightest leave. Too often, college and high school graduates choose to leave their hometowns in West Virginia to pursue their futures outside of the state. While the reasons vary from a stagnant economy to the lack of job opportunities, West Virginia is taking measures to reverse this trend by engaging its citizens in an initiative that identifies and tackles critical issues that present challenges to economic advancement. Through the comprehensive initiative known as West Virginia: A Vision Shared! (A Vision Shared), West Virginians are given an opportunity to share the vision for a brighter future.

By building upon the state's strengths and seeking solutions to local, regional and statewide challenges, concerns are being addressed while building the state's new economy. "A Vision Shared is a unique collaboration," said Becky Cain, president and CEO of the Greater Kanawha Valley Foundation and a member of Vision Shared's leadership. "It has private and public partnerships, and it has business and labor working together to create a new future for West Virginia. It is

a plan for West Virginia by West Virginians." The initiative's implementation plan contains a vision for a preferred economic future of West Virginia, identifies strategies to strengthen West Virginia's economy and establishes performance measures to gauge success. The goals of A Vision Shared aim to significantly improve the state's economy and increase the wealth of residents.

Birthing a Vision

A Vision Shared grew out of the West Virginia Council for Community and Economic Development's (the council) legislative mandate to establish and maintain a comprehensive economic development strategy. The council, a group of private-sector leaders appointed by the governor to advise the state's development office, hired Atlanta-based Market Street Services, Inc., in 2000 to assess West Virginia's economic competitiveness and to assist the state in developing an economic development strategy and implementation plan.

Market Street Services conducted a detailed demographic and economic analysis of West Virginia and held extensive interviews with stakeholders, including



Becky Cain, Chair, Vision Shared's Building Bridges and Empowering Citizens Steering Committee

"It has private and public partnerships, and it has business and labor working together to create a new future for West Virginia. It is a plan for West Virginia by West Virginians."



West Virginia's A Vision Shared initiative has brought together a unique and distinctive group of professionals to strategize about community development challenges facing the state.

Four core steering committees have developed work plans to address the four issue areas identified in the initial Market Street Services' study.

local government officials, business leaders, community organizations and legislators to learn their views about economic and social conditions. In reviewing key economic indicators, West Virginia ranked lower than other states. In per capita income, West Virginia was 35 percent below the national per capita average. Thirty-four percent of the population did not have a high school diploma and only 12 percent had a bachelor's degree compared to the nation's 24 percent. The population was also aging rapidly. West Virginia had the highest median age in the nation and had lost population in younger age groups. Nationally, there has been a shift from manufacturing to more service and technology-based industries. This change has had a profound impact on West Virginia, since during the past 10 years over 10 percent of the jobs in manufacturing have been lost and not replaced.

The assessment also included best practices and models used in comparable areas to stimulate ideas for change in West Virginia. Market Street Services also conducted a system-level analysis of how the state delivers community and economic development, finding that many of the state's methodologies for dealing with issues critical to community and economic development were disjointed and not working. In an analysis of how legis-

lation and policies may impact the business climate, the report indicates that the state was deeply rooted in the "old economy." Little effort had been made to adopt innovative approaches of bringing a new mix of businesses into the state and creating a "new economy," a knowledge- and idea-based economy with characteristics that range from technological innovations to entrepreneurial vitality.

After six months, Market Street Services produced the report *West Virginia: A Vision Shared!* detailing West Virginia's past and providing goals to address four core issue areas to improve the state's economic climate. These included the need to improve the intellectual infrastructure in the state; to build a newer, more diversified economy; to implement a results-based government; and to build bridges between West Virginians in the private and public sectors. The council then empowered the Implementation Task Force to act upon the recommendations set forth in the Market Street Services report, and *A Vision Shared*, the initiative, was born.

Vision Shared's Structure

The council oversees *A Vision Shared's* implementation and receives support for the initiative from the Claude Worthington Benedum Foundation and other public and



Amanda Ritchie, (second from the left), a facilitator for A Vision Shared, helps coordinate volunteer team activity.

private funders. The Center for Entrepreneurial Studies and Development (CESD), a nonprofit affiliated with West Virginia University, helps coordinate and facilitate A Vision Shared's activities, including the management of focus area team work.

The Implementation Task Force sits at the top of A Vision Shared's organizational chart. This leadership team, created by the Council, is responsible for designing and implementing Vision Shared's plan. Co-leading this group are Mike Basile, a managing lawyer with Spilman, Thomas and Battle, and Kenny Perdue, president of the West Virginia AFL-CIO.

The Implementation Task Force works with the Vision Council, a think tank created by the West Virginia Council for Community and Economic Development, to develop solutions. The Vision Council is a small committee comprised of people from the Claude Worthington Benedum Foundation, expatriate West Virginians, young intellectuals within the state and some of the state's most recognized leaders. Currently, the group is working to create what will be known as the Vision Shared Policy Institute, an independent, objective policy research and development entity dedicated to identifying and researching policy issues and publishing policy recommendations.

Three special teams also report to leadership relating to communications planning, pension fund investment and Homeland Security economic development. The communication planning team fosters understanding of and interest in A Vision Shared and effectively communicates the goals and accomplishments of the initiative. The pension fund investment team investigates ways that a small percentage of pension funds can be used to advance West Virginia's economy. The Homeland Security Economic Development Commission focuses on how to best position West Virginia for economic development initiatives regarding homeland security in areas such as biometrics, chemistry and energy.



Getting to the Core

Four core steering committees have developed work plans to address the four issue areas identified in the initial Market Street Services' study. These steering committees oversee the work of a myriad of focus area teams established to tackle discreet issues and opportunities, and in turn the focus area teams and working groups report progress back to the steering committees.

The first issue area relates to intellectual infrastructure. *The Intellectual Infrastructure in the 21st Century* steering committee addresses such critical goals as enhancing teacher quality, recruitment, and retention; offering a seamless education system; increasing math proficiency; improving worker training; developing a credentialing system; and supporting early childhood development. The performance measures used to gauge progress include high school graduation and drop out rates, SAT scores, college completion rates, attendance levels at two-year colleges, GED attainment rates and improvements in primary and secondary education test scores. Many only graduate from high school, but it is important to create a seamless education system and improve higher education, public education and worker training to create a workforce that allows West Virginia to compete in a global economy. Through its efforts, the steering committee, focus area teams, and working groups continue to make progress by seeking to reconvene the state's P-20 Council to integrate three traditionally disconnected levels of education—preschool, K-12 and postsecondary; by endorsing the National Commission



...the steering committee, focus area teams, and working groups continue to make progress by seeking to reconvene the state's P-20 Council to integrate three traditionally disconnected levels of education — preschool, K-12 and postsecondary;



on Teaching and America's Future goals; by promoting Project MERIT (Mathematics Education Reform Initiative for Teachers); by creating credentialing standards; and by hosting a policy forum aimed at raising awareness about the link between early childhood education and economic development.

The second issue area relates to West Virginia's economy. *The New Economy: New Challenges and New Solutions* steering committee addresses critical goals such as diversifying the economy, providing opportunities for capital investment, increasing entrepreneurship and nurturing technology integration and commercialization. The performance measures used to gauge progress include per capita increases, increases in exports by state-based firms, small business creation rates, existing business investments, tourism visitation and expenditures, increases in retail sales tax revenues and reduction in the poverty rate. This steering committee will put into place processes to diversify the economy and increase individual wealth; further, technology will play a significant role in the economic future, creating high-tech jobs that can help West Virginia compete in a global market and encourage more companies to locate in the state. The steering committee, focus teams and working groups' initiatives have resulted in enacting new tax

credits that benefit technology transfer and commercialization; developing a implementation plan for a regional angel network; publishing *The Residential and Commercial Benefits of Rural Broadband: Evidence from Central Appalachia* report; and receiving two grant awards to be used to support entrepreneurship.

In addition, the entrepreneurship focus area team has developed an Entrepreneurship Development System (EDS) to implement its *Blueprint for Entrepreneurship* as a strategy for economic development. This blueprint covers key elements influencing entrepreneurship such as perceptions about entrepreneurship, infrastructure, tax and regulation of entrepreneurs, access to capital, marketing and entrepreneurial education. This team is also collaborating with Advantage Valley, the Advantage Valley Community College Network, the Ashland Innovation Center, the Center for Economic Options, the Charleston Area Alliance, the West Virginia Department of Education, and the West Virginia Small Business Development Center through a Kellogg Foundation grant aimed at promoting vibrant rural economies through expanded entrepreneurship. (See more about *Advantage Valley's Entrepreneurial League System in Marketwise, Issue Two, 2004.*) A Vision Shared is also collaboratively supporting the research of Dr. Richard



Lester, founder and director of the Industrial Performance Center at MIT, to identify targeted industries of the future for West Virginia.

The Results-based Government: Planning for the Future steering committee addresses critical goals such as improving the workers' compensation system; tax reform and modernization; assessing long-term health care needs and issues; supporting and advancing healthy lifestyle initiatives; creating an efficient, one-stop business permitting system; improving judicial selection and retention; and exploring new local governance options. The performance measures used to gauge progress include reforms in business tax policies; changes in worker's compensation ratings; reductions in medical costs, teen pregnancy, infant mortality rates, and per capita tax burdens; and investments in local/regional infrastructure development. The committee encourages state legislators to adopt policies that make West Virginia a better place to live and work and advocates for legislation that will attract new investments into the state.



Many Vision Shared volunteers played a role in passing the Healthy West Virginia Act of 2005. Shown here, state leaders and health advocates watch as Governor Joe Manchin signs House Bill 2816 into law on May 2, 2005.



Holly Clark (sitting left) and Kenny Perdue (sitting right) are optimistic that A Vision Shared's efforts and planning will encourage families to think optimistically about West Virginia's future. Tracy Mills (standing left and surrounded by his family) read about A Vision Shared in the local newspaper and decided to join the group as a volunteer.

There are 7,700 registered 501 (c) (3) nonprofits in West Virginia. Nonprofits make up a significant employment sector in the state.

The focus area teams under the *Results-based Government* umbrella have been busy working with the West Virginia legislators to enact medical malpractice liability reform, change the state's venue statute to restrict out-of-state lawsuits, reform the state workers compensation system, create a \$200 million economic development pool to help stimulate investment in job creation projects, and promote the use of tax increment financing. Also, in 2004, tax modernization bills crafted by A Vision Shared were passed by the legislature to provide tax credits for high-growth, start-up, and R&D businesses.

The fourth core issue area relates to increasing collaboration between private and public sectors throughout the state to gain maximum benefit of resources, knowledge and influence. The *Building Bridges and Empowering Citizens* steering committee addresses such critical goals as improving West Virginia's internal and external image, advancing regional cooperation, building nonprofit capacity, and improving leadership development and technical training. The performance measures used

to gauge progress include measuring whether there has been an increase in the numbers and diversity of nonprofits statewide. This includes creating an inventory of nonprofits detailing funding sources, services provided, service areas and the population served by each nonprofit. Progress is also gauged by whether the regional economic development groups have been created or the provision of technical assistance provided to nonprofits by umbrella groups has increased. In addition, applied research on nonprofits needs to be conducted to learn more about the nonprofit existence in the state.

There are 7,700 registered 501 (c) (3) nonprofits in West Virginia. Nonprofits make up a significant employment sector in the state. Sixty-three percent of those employed by nonprofits work in the health services sector. Twenty-four percent work in social or legal services and the remaining work is in education, civic or social membership or in cultural and recreation service sectors. For income, one in every 12 paid workers works for a West Virginia nonprofit. About 40 percent more people work for a nonprofit than the state government. The nonprofit capacity building focus team is conducting an assessment of the state's current nonprofit capacity and realizes that the state needs an overall improvement in nonprofit capacity. The team cites an increase in the number of nonprofits statewide as a desirable outcome

A Vision Shared would not be possible without volunteers who want to change West Virginia's future. Thousands of West Virginians have contributed time and ideas to decide the direction for the state.

toward an improved quality of life for West Virginians. However, at present, West Virginia does not have the philanthropic resource base to support the vision of more nonprofits.

In addition, the performance measures gauge progress in consolidating area government, services and school districts, increasing the number of public and private collaborations statewide, changing national livability ratings and improving the image of the state. According to Cain, West Virginians have an image problem. The image problem, however, is shared by people in the state as well as outside of West Virginia. Cain states that many West Virginians often dwell on perceived liabilities instead of the state's many assets. West Virginia has many benefits including natural resources and a workforce that produces. West Virginia has needed a strategy to change these perceptions in order to change the state's economic direction.

A Unique Collaboration

A Vision Shared would not be possible without volunteers who want to change West Virginia's future. Thousands of West Virginians have contributed time and ideas to decide the direction for the state. The Vision Shared leadership has developed the Declaration of Interdependence, which encourages West Virginians to believe in themselves and each other, to believe in the greatness of the state and its potential and to leave behind past practices and find new approaches and directions. In addition, the leadership created the Volunteer's Credo, a guide to principles and expectations of those volunteering. A Vision Shared and the Council's leadership believe that volunteering shows a commitment to West Virginia, and one person can truly make a difference.

Another key component to Vision Shared's success has been the leadership provided by representatives from business and labor. Both have come together to work on finding solutions to West Virginia's challenges. A Vision Shared has also received much appreciated bipartisan support. The initiative was created during one governor's administration and has received the support of two new governors since. Basile commented that, in most cases, public policy adopted by one governor is usually abandoned by the next administration. "A Vision Shared is gaining respect and attention and is working well with the Legislature," he said. Fortunately for the State of West Virginia, the work of A Vision Shared continues toward a bright new future for West Virginia.

Implementation will be a long process and therefore includes five- and 10-year benchmarks to gauge the progress. These benchmarks are published annually for all West Virginians to view and are meant to help A Vision Shared gauge its progress. According to Perdue, A Vision Shared works to leverage resources and efforts across the state and aims to rally people to find the best ways to effectively address and improve important issues. If a process is already in place to address an issue, A Vision Shared works through that process and seeks to prevent a duplication of effort.

Moving Forward

There's a new spirit in West Virginia. Through the Vision Shared initiative, the state is working together for the good of all. A Vision Shared is well on its way to making changes that every West Virginian will see and experience in a variety of ways. Vision Shared volunteers are dedicated to improving West Virginia and are committed to evoking fundamental change through a series of solid steps and sustained momentum.

Much progress has been made to date; however, much remains to be done in an effort to find permanent, rather than quick-fix solutions. "The Vision Shared implementation effort reminds me of the anecdote involving the rabbit and the turtle. It is definitely a marathon, not a sprint," Basile said. "We need to pace our efforts to make enduring change in West Virginia." Such long-range planning is a new and innovative approach for West Virginians. It allows them to take charge of their destiny and to assume responsibility for their future. Since every West Virginian has a stake in the Vision Shared process, the ultimate success is for all to share. MW

To learn more about West Virginia: A Vision Shared, please visit www.visionshared.com or email info@visionshared.com.





RESEARCHER'S CORNER

The Impacts of Targeted Public and Nonprofit Investment on Neighborhood Development

by John Accordino, George Galster and Peter Tatian

In 1999, the City of Richmond, Virginia, decided to target the bulk of its federal Community Development Block Grant (CDBG) funds and Home Investment Partnership (HOME) funds, as well as significant amounts of capital improvement funds and other resources (focused code enforcement and accelerated vacant and abandoned property disposition) on just seven, carefully chosen neighborhoods. Through this initiative, Neighborhoods in Bloom (NiB), the city planned to concentrate significant resources on these neighborhoods until it achieved the critical mass of public investment needed to stimulate self-sustaining, private market activity there. At the same time, the Richmond office of the Local Initiatives Support Corporation (LISC), acting through Richmond's community development corporations (CDCs), targeted its housing investment subsidies (lines of credit, loans and grants) largely to the same neighborhoods. The study, released by the Federal Reserve Bank of Richmond's Community Affairs Office on July 11, assesses the impacts of these efforts after five years, using both quantitative and qualitative methods.

To access the complete study visit:
www.richmondfed.org/community_affairs/

Credit to the Community: Community Reinvestment and Fair Lending Policy in the United States

by Dan Immergluck

This book examines community reinvestment and fair lending problems and policies. Author Dan Immergluck outlines the history of lending discrimination and redlining in U.S. mortgage and small business lending markets, and documents the persistence of such problems today. Immergluck also explains the government's role in developing banking and credit markets in the United States, from some of the earliest days of banking to the ongoing support government provides through the subsidization of secondary markets and maintaining critical regulatory infrastructure. The author challenges advocates for the deregulation of financial services — especially in fair lending and consumer protection — and gives new voice to rationales for social contract policies such as the Community Reinvestment Act. He provides new long-term analysis of the weak enforcement of CRA, and also shows how increased community activism and media attention have led to periods of stronger CRA enforcement. Immergluck recommends that a number of policy changes are needed to modernize the nation's fair lending and community reinvestment laws to make them more relevant for the future.



The Housing Landscape for America's Working Families

by Barbara J. Lipman

In just over half a decade, the number of America's working families paying more than 50 percent of their income for housing has grown 76 percent according to this study released by the Center for Housing Policy, a research affiliate of the National Housing Conference (NHC.) The comprehensive study also compares immigrant working families to their native-born counterparts and reveals that immigrant working families are 75 percent more likely to pay more than half of their income for housing. Working families are defined as low- to moderate-income families that work the equivalent of a full-time job and earn from the minimum wage of \$10,700 and up to 120 percent of the median income in their area.

For more information visit:

http://www.nhc.org/pdf/pub_nc_land_04_05.pdf.

American Nightmare: Predatory Lending and the Foreclosure of the American Dream

by Richard Lord

Many homeowners who can't borrow from banks are turning or have turned to the subprime lending industry for mortgages. Phenomenal fees and usurious interest by unscrupulous lenders have led to a significant number of foreclosures. This book explores the expansion of predatory lending practices and recounts stories of borrowers who've been victimized, contractors and brokers who've been co-opted, and who has capitalized on such practices.

From Rock Concerts to Tax Credits: CAH Winning the Affordability Battle

by Cindy Elmore



From rock concerts to low-income housing tax credits, (LIHTCs) Charleston Affordable Housing (CAH) has implemented creative fundraising and community development tools to provide working families with affordable housing options in a city where the tiniest abodes have six-digit price tags. Known in Charleston, South Carolina, as the “unsinkable Cathy Kleiman,” CAH’s founder and executive director has overcome significant challenges to provide affordable housing to the city’s low- to moderate-income citizens. With endless energy, boundless tenacity and a relentless spirit that rivals storm surges produced by Hurricane Hugo, Kleiman has worked for 15 years in Charleston to build and renovate houses through the city’s first community housing development organization (CHDO). Unlike a hurricane that deposits splintered houses along its path, she has whirled into Charleston leaving architecturally pleasing subdivisions priced for modest wage earners.

Relocating from New York City to her hometown of Charleston in 1990, Kleiman quickly realized that a serious shortage of affordable housing existed in the city after the destruction of 5,000 rental units by

the Category 4 hurricane. "Housing was totally changed by Hurricane Hugo. Insurance money changed Charleston," she said. As older, storm-damaged homes were replaced with more expensive houses, the city became desperate for affordable, rental properties. "I would go to sleep or stand in the shower trying to figure out how I was going to make affordable housing work here," she mused.

Responding to the housing crisis, Charleston's current mayor, Joe Riley, appointed Kleiman to the Council on Homelessness and Affordable Housing. She relied on her experience developing affordable housing for HUD, heading up Section 8 rehabilitation in New York City and working for two very large real estate developers to assist the city.

With an undergraduate degree in political science from Tulane University and a master's in city and regional planning from the University of North Carolina at Chapel Hill, Kleiman was the perfect person to attack the city's problems. She opened the doors to CAH in 1991 as a single mother with two young children and determined to never look back. "I knew nothing about nonprofit development. I started out with only a fax machine and a folding table," she explained with a chuckle. She persuaded a real estate developer on the corner of Meeting and Market streets to rent her office space at the bargain price of \$250 a month.

From the beginning, Kleiman was determined to make CAH an affordable housing developer. "We're set up to be a development organization. Production and finance are way harder than the soft side of community development," she said. For that reason, CAH has focused on housing development and partnered with other organizations to provide needed financial and mortgage counseling.

Kleiman refused to let racial or legal barriers stop her from succeeding. "I told clients, 'I'm the same wine in a different color of bottle.'" Immediately, low-income residents knew that Kleiman was fighting for them. With this same determination, she tenaciously approached 27 architectural, zoning and historical review boards to gain approval for restoration of properties on Charleston's peninsula. "I can remember waiting through four-hour meetings to decide if one part of a house was architecturally correct." Her persistence paid off for citizens of the Lowcountry.



Cathy Kleiman, Founder and Executive Director, Charleston Affordable Housing

Kleiman refused to let racial or legal barriers stop her from succeeding. "I told clients, 'I'm the same wine in a different color bottle.'"

Immediately, low-income residents knew that Kleiman was fighting for them.



The “Cathy Project” was completed in 1994 for low-income, single-parent families. This interior was designed with built-in furnishings like tables, benches and bookcases.

An America Street Initiative site in historic East Side Neighborhood in Charleston designed by Glick Boehm Architects, AIA



Restoring and Rebuilding Historic Houses

In 1994, she completed her first rental units in Charleston appropriately named “The Cathy Project.” The five duplexes included 10 two-bedroom units and were targeted to low-income, single parent families. Funding for the project came from the South Carolina Housing Trust Fund, the HOME Investment Partnership Program (HOME) and Community Development Block Grants (CDBGs), the Federal Home Loan Bank of Atlanta through First Federal of Charleston, the South Carolina Arts Commission and the Charleston Housing Authority. To honor the achievement, CAH received the Metropolitan Life Foundation Award for Excellence in Affordable Housing for the development in November 1998.

Continuing to work on the peninsula to create rental properties, CAH partnered with Bank of America in the Historic East Side Neighborhood Housing, LLP to develop 13 units on four scattered sites in 1995. These sites included 32 Mary Street, 18 Amherst Street, 93 Columbus Street and 72 Nassau Street in the East Side neighborhood. Developed with LIHTCs, the East Side properties still remain fully rented to families who qualify under the HOME and LIHTC program. Recognized locally, regionally and nationally, including Honorable Mention from the Fannie Mae Maxwell Awards of Excellence Program, the Historic East Side project was funded by BB&T, The Enterprise Foundation, NationsBank (Bank of America), the National Trust for Historic Preservation, the Community Foundation, several private religious institutions and Charleston’s HOME and CDBG funds. These rental properties now provide some of the only affordable housing in a hot real estate market where a three-bedroom apartment rents to college students for \$2,800 per month.

In addition, CAH constructed 22 units on 10 scattered sites on vacant lots in Charleston’s East Side where homes were destroyed by Hurricane

Kleiman recruited recording artist and Charleston-native, Edwin McCain, to co-found the America Street Foundation. The foundation's goal is to revitalize some of the decaying streets of America's impoverished urban areas, beginning with America Street in Charleston. By combining the hard work of urban redevelopment professionals and some of America's brightest musical talents, the foundation seeks to host special events and concerts to raise funds to transform urban neighborhoods

Hugo. Named the South Carolina Model, the development was funded through LIHTCs, HOME, Federal Home Loan Bank of Atlanta through SouthTrust Bank (Wachovia), NationsBank (Bank of America) and The Enterprise Foundation. Completed in 1996, the South Carolina Model homes were the first constructed in that historic neighborhood to meet Federal Emergency Management Agency (FEMA) guidelines after Hurricane Hugo. In 1996, the CAH and its architects, Schmitt Walker Architects, AIA, celebrated the success of the South Carolina Model by winning the South Carolina State American Institute of Architects' award for design and Honorable Mention from Fannie Mae's Maxwell Awards for Excellence Program.

In 1998, CAH began rehabilitation with historically appropriate additions to six units for larger families on four sites. Known as the Peninsula Housing Rehab Project, the rental units were created from a combination of vacant, dilapidated, historic houses in Charleston and new construction on the rear of deep lots. Funding for the project came from HOME, CDBGs, Charleston Housing Trust Program and the Federal Home Bank of Atlanta through First Federal of Charleston. The Peninsula Housing Rehab Project received the Maxwell Award for Excellence in 1999 from the Fannie Mae Foundation.

Music Brings America Street to Life

In 1996, Kleiman recruited recording artist and Charleston-native, Edwin McCain, to co-found the America Street Foundation. The foundation's goal is to revitalize some of the decaying streets of America's impoverished urban areas, beginning with America Street in Charleston. By combining the hard work of urban redevelopment professionals

and some of America's brightest musical talents, the foundation seeks to host special events and concerts to raise funds to transform urban neighborhoods. According to Kleiman, "Raising money for housing is extremely difficult because it's hard to find the warm and fuzzy in housing." She believes that people give more readily to causes that have an emotional appeal.

The first housing and community development project funded through America Street Foundation was the America Street Initiative which rehabilitated nine vacant, dilapidated historic structures on America and Amherst streets in Charleston's East Side. The completed project, now owned by the neighborhood-based AME church, provides well-designed, energy-efficient, lead-free, affordable housing for low- to moderate-income families in a community where over 80 percent of the children tested have lead poisoning. The words to McCain's anthem, "America Street," sum up the passion behind The America Street Foundation.



***"I should go riding down America Street.
Funny that it's one way/Riding down from uptown/
to where all of the buildings are broken down...
America Street./
It's right nearby the land of the free and the brave./
If we can't work to make some change/
there might not be much left to save."***





...the Lowcountry cottages also resemble beach bungalows.



Sandra Stringer searched for a year and a half for a home before moving into Fairway Villas.

Par for Course

In recent years, CAH has continued its efforts to develop affordable housing for working families by focusing on homeownership. New homeowners at Fairway Villas say CAH has scored a “hole in one” by giving them the opportunity to purchase one of the 28 stylish homes.

Moving into her new home in January, Sandra Stringer made a lifelong dream come true. “I always thought I would live on Folly Beach. I never thought it would be impossible to live there. My grandparents met there and I grew up on Folly among aunts and uncles.” When Stringer started house shopping with her secretarial salary from the Medical University of South Carolina, she quickly realized that the home prices on Folly Beach did not match her income. Her dreams were crushed. She laughed, “I always thought I would buy a house, spend my life there and die there.”

With the assistance of CAH, Stringer revived her hopes and now lives only seven minutes from Folly Beach on James Island. Since the median home price in Charleston is \$200,000, she understands the value of purchasing her new



AFFORDABLE HOUSING



home for \$151,000. "I didn't believe the offer was accepted until I had the keys in my hand," she said.

Constructed on the site of the first African-American golf course in South Carolina, the Lowcountry cottages also resemble beach bungalows. The site, designed to look like a golf hole, was developed in an environmentally sensitive fashion, saving all grand trees and creating natural drainage areas. Each home features an open floor plan, metal roof and front porch. Equally impressive are green spaces designed to encourage the growth of native foliage.

Working in advertising sales for *Skirt* magazine, Julie Ann Perreta also understands the challenge of finding affordable housing. "If it weren't for this development, I wouldn't own a home on James Island," she says. Currently, Perreta welcomes others to the neighborhood by serving as president of the homeowner's association, which CAH helped establish.

Each home features an open floor plan, metal roof and front porch. Equally impressive are green spaces designed to encourage the growth of native foliage.



Julie Ann Perreta loves the sense of community that she has found at Fairway Villas.



Working as a loan specialist for a mortgage research firm, Tarah Viohl found the perfect house with the right price. As an added bonus, her son, Gavin, even has a playmate next door.



Cathy Kleiman discusses production schedules with new homeowner, Jerilyn Capers.



A real estate broker with Prudential Carolina Real Estate, Edmund Major says that listings in the Charleston area are at a premium.

At Fairway Villas, deed restrictions exist to keep 51 percent of the homeowners with incomes at 80 percent or below Charleston County's 2004 median family income of \$55,900. To make homeownership possible, CAH sometimes goes to great lengths. For example, Robert Soto who is a musician and married with one child, looked to CAH to assist with financing his home. "We had to seek substantial secondary financing and even become an approved Federal Housing Administration lender to assist Robert," said Kleiman. Two days before Christmas 2004, Soto and his family were approved for financing of their new home. "There is no way I could swing a house," Soto said. "Without CAH, I would not be able to live in Charleston."

According to Edmund Major of Prudential Carolina Real Estate, "Listings are at a premium on James Island. Prices are increasing rapidly. A decent single family home is priced between \$185,000 and \$195,000." He states that many professionals like teachers, local bank branch officers and medical workers are having difficulty acquiring a home. "If someone comes to me and they are a first-time homebuyer, it's tough because the banks are often cautious when lending to people who are taking the first steps into homeownership."

To make homeownership possible, CAH sometimes goes to great lengths.



Ellen Grant credits CAH for making her a homeowner.

Example of Financing for CAH Homebuyer in Fairway Villas

Contract Sales Price	\$153,000.00
Settlement Charges to Borrower	\$5,006.25
Gross Amount Due from Borrower	\$158,006.25

Amounts Paid by or in Behalf of Borrower:

Deposit/Earnest Money	\$250.00
Principal Amount of New Loan	\$119,000.00
SC Housing Trust Fund	\$19,600.00
Charleston Affordable Housing HOME Program	\$12,150.00
Charleston County American DREAM Program	\$5,000.00

Adjustments for Items Unpaid by Seller:

County/Parish Taxes Jan. 1, 2005 thru Feb. 3	\$27.55
Total Paid by Borrower	\$156,027.55

Cash at Settlement from Borrower:

Gross Amount due from Borrower	\$158,006.25
Less Amount Paid by/for Borrower	\$156,027.55
Cash from Borrower:	\$1,978.70

Incomes for the 51 percent of homeowners in Fairway Villas with incomes at 80 percent or below Charleston County's median family income range from approximately \$23,000 to \$45,500 while household sizes range from one to five persons.



Robert Soto patiently waited for FHA approval on his home's financing.



During the last several years, CAH has worked with a group of concerned citizens to bring affordable housing to the East Cooper community.



The homes in Gadsden Landing are either modular or stick-built.



Another first-time buyer in Fairway Villas, Ellen Grant works as an administrative assistant for the Charleston County Parks and Recreation. She found out about CAH through a co-worker and moved into her new home in February 2005. "I wouldn't have been able to purchase a home without the help of CAH. And the area is beautiful with the beach and the parks. Plus, I'm only minutes from work," said Grant.

Affordable Housing for the East Cooper Community

During the last several years, CAH has worked with a group of concerned citizens to bring affordable housing to the East Cooper community. In 2000, CAH bought land to build homes.

East Cooper residents did not want rental units, but preferred affordable housing that could be purchased by low-income residents. According to Kleiman, "The face of affordable housing is changing. Currently, 49.2 percent of Charlestonians cannot afford to buy a home." Confronted with this challenge, CAH developed Gadsden Landing which consists of 15 homes with prices ranging from \$129,000 to \$158,000.

East Cooper residents did not want rental units, but preferred affordable housing that could be purchased by low-income residents.





“To meet all FEMA requirements in the Carolina Lowcountry, we generally cannot build ‘slab on grade’ but must have raised homes with crawl spaces.”

Kleiman

In order to make the homes in Gadsden Landing more affordable, CAH attempted to implement modular construction. However, even after a tremendous amount of research, Kleiman found that modular homes were more expensive and risky. “We decided that it was not economical and there was a stigma attached because people think ‘mobile home,’” said Kleiman. She pointed to some of the cost prohibitions involved in modular homes such as transportation costs, taxes incurred when crossing state lines, costs associated with assembling the homes and bank financing difficulties. “The margin of error is also huge down here as we do not have a large seasoned workforce who knows the business of building these types of foundations, meeting all of the hurricane and building code regulations, setting and constructing modular homes,” said Kleiman. “Bringing in crews from out of town to build foundations, renting the cranes to situate the homes and then hiring local subcontractors to build the steps and porches adds more to the cost of the houses. To meet all of the FEMA requirements in the Carolina Lowcountry, we

(continued on page 52)



Facts about CHDOs?

What is a CHDO?

A private nonprofit organization with a 501(c) federal tax exemption, a Community Housing Development Organization's (CHDO) responsibilities must also include providing decent, affordable housing to low-income households as its purpose in its charter, articles of incorporation or by-laws. It must serve a specific, delineated geographic area — either a neighborhood, several neighborhoods or the entire community. Merely serving certain population groups (by ethnicity, race, age or gender) does not qualify. Note on the 501(c): participating jurisdictions cannot contract with nonprofits as CHDOs with pending 501(c) applications.

Are there requirements for community participation in CHDOs?

The CHDO must have a formal process for involving potential and actual low-income HOME program beneficiaries in the design, citing and development of CHDO programs and projects. The more complex standards involve low-income accountability: no less than one-third of the CHDO's governing board must be residents of low-income neighborhoods (defined as at least 51 percent of households with incomes below 80 percent or median), low-income residents of the CHDO's target area or elected representatives of low-income neighborhood organizations. Some nonprofits may have trouble with both standards: the required board structure may necessitate restructuring or the creation of eligible subsidiaries plus, for CHDO projects, the establishment of project-specific advisory committees.

What kind of experience does a CHDO have to possess?

A CHDO must demonstrate the capacity to carry out HOME development projects, by displaying a development track record, hiring experienced development staff or hiring experienced consultants with a plan to train the CHDO development staff. The CHDO must also have at least one year of serving its HOME target community prior to receiving HOME funds. Since some CHDOs are likely to be new organizations established specifically for HOME, they can inherit their required one year of community service from a parent organization, such as an existing community development corporation (CDC), a human service organization (such as the local United Way or a United Way affiliate), a community land trust, a mutual housing association (MHA), a church group, etc. Church organizations can create and sponsor CHDOs, but CHDOs must be secular, and CHDO projects must be available to any eligible low-income households regardless of religious affiliation.

Can local governments create CHDOs?

The HOME program calls for authentic community-based nonprofits as CHDOs. Public bodies or instruments of public bodies (public housing authorities, redevelopment agencies, housing finance agencies, etc.) do not qualify. Local or state governments can

appoint no more than one-third of the membership of a CHDO board and public officials can constitute no more than one-third of a CHDO board.

Can for-profit organizations create CHDOs?

Yes, for-profits can sponsor CHDOs, but there are important limitations. The CHDO must be truly nonprofit and not controlled or directed by people wanting to profit from the CHDO's activities. Like the government prohibition, a for-profit may appoint no more than one-third of the board members of a CHDO and those members cannot appoint the remainder of the board. Despite its for-profit "parent," the CHDO has to be free to contract with whomever it wants for goods and services.

Note: A for-profit real estate builder, developer or manager CANNOT sponsor a CHDO program.

Can CHDOs do things that other HOME program participants cannot?

One unusual part of the HOME program concerns new construction. Many jurisdictions are prohibited from using HOME funds for new construction. There are two exceptions, one for special needs housing, the other for new construction in conjunction with neighborhood revitalization efforts. In officially designated neighborhood revitalization areas (not the entire municipality), a CHDO or a public agency can own, develop or sponsor HOME subsidized new construction projects with the following caveats:

- No less than 51 percent of all the public funds spent on the neighborhood revitalization program during the previous year were spent on rehabilitation of substandard housing.
- The participating jurisdiction must certify that rehab is not the most cost effective way of meeting the affordable housing needs of the neighborhood and that affordable housing needs cannot be met solely through rehab.
- The neighborhood must be low-income. The jurisdiction must certify that either the HOME-assisted new construction will not exceed 20 percent of the total number of HOME-assisted units in the neighborhood revitalization program, or one of the following: 1) the housing will be in a severely distressed neighborhood with large expanses of vacant land and abandoned buildings, 2) the neighborhood has an inadequate supply of housing that can be economically rehabilitated to meet needs or 3) the new construction is essential to accomplish the neighborhood revitalization program. All those requirements mean that a CHDO-linked neighborhood revitalization program might be the only vehicle for some jurisdictions to do needed new construction.

Source:

Texas Department of Housing and Community Affairs based on information from the U.S. Department of Housing and Urban Development

generally cannot build 'slab on grade' but must have raised homes with crawl spaces. Nonprofits simply cannot afford that risk," explained Kleiman.

Stretching Development Dollars

Each day Kleiman weighs the risks and tries to choose the most cost-efficient methods of developing housing. Whether it's working with architects to design a more energy-efficient home or finding ways to cut construction costs, she knows that development dollars are limited. To keep the organization running on a tight budget, she hired Rosie Wells to handle accounting. To eliminate middleman costs, she also opened a construction company, Development Works, and hired Bill Kendall to supervise operations. With both these positions in-house, Kleiman saves her organization thousands of dollars each year.

*Rosie Wells
CAH accountant*



Bill Kendall, Director of Construction, Development Works

Kleiman says that CAH's greatest asset has been its banks. "Without the confidence and unwavering support of those private lenders, we could have never accomplished anything. Our lenders have been major partners and we credit them with our development success."

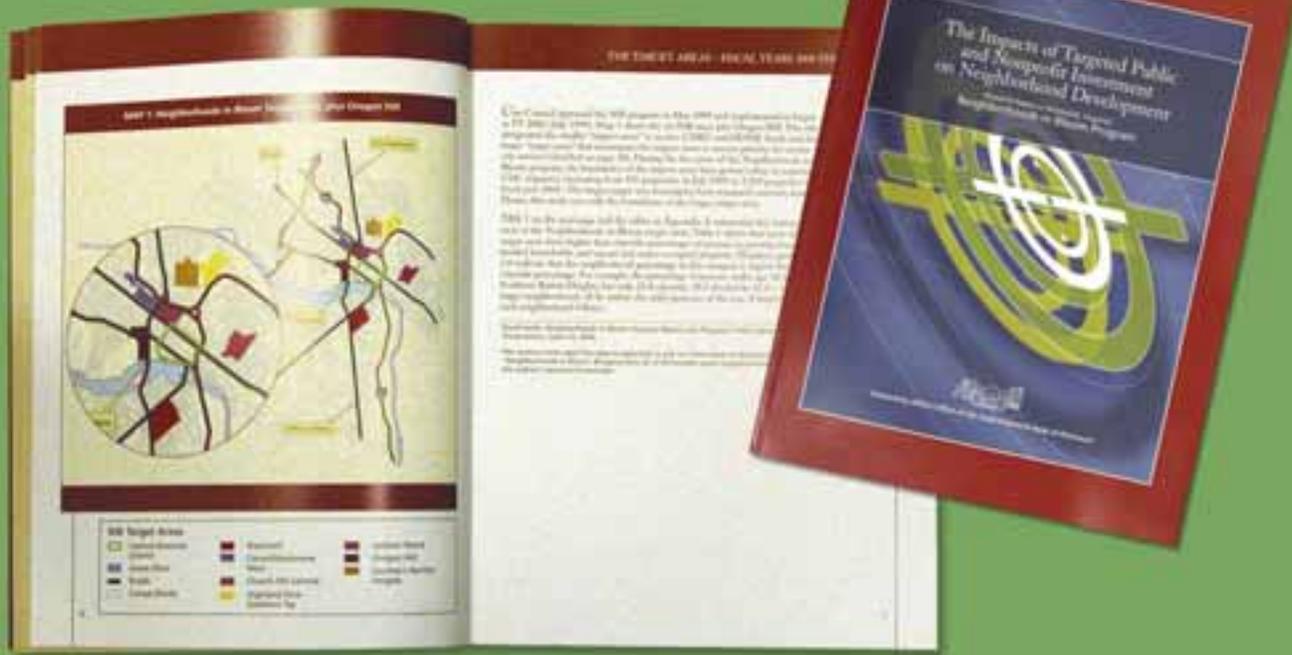
Even with the support of local lenders, CAH must constantly find new income streams. "They don't make it easy to provide reasonably priced housing. Good hearts don't build affordable housing; money does. You have to work for every nickel," said Kleiman. With this in mind, she has dug her heels deep into the sand and made a commitment to provide affordable housing to the residents of Charleston, South Carolina.

"Without the confidence and unwavering support of those private lenders, we could have never accomplished anything."

Kleiman

Targeting Funding to Improve Communities

Visit www.richmondfed.org/community_affairs/ to view the Community Affairs Office of the Federal Reserve Bank of Richmond's most recent research, **The Impacts of Targeted Public and Nonprofit Investment on Neighborhood Development**. To obtain a hard copy call 804-697-8457.



Contributors



Carl



Cindy



Ailsa Long
Graphics



Aileen Watson
Research



Frances



Geep

COMMUNITY AFFAIRS RICHMOND OFFICE

Daniel D. Tatar
Assistant Vice President
and Community Affairs Officer

Michele A.M. Bell
Manager II

Frances D. Stanley
Senior Community Affairs Analyst

Lisa A. Hearl
Community Affairs Analyst II

Jennie W. Blizzard
Community Affairs Editor

Cindy R. Elmore
Publications Specialist

Mary C. Bland
Staff Assistant

Deborah C. Jackson
Staff Assistant

BALTIMORE OFFICE

Franklin N. McNeil Jr.
Community Affairs Representative

CHARLOTTE OFFICE

Carl N. Neely Jr.
Community Affairs Representative

To Inquire About Other CAO publications contact:

Federal Reserve Bank of Richmond • Community Affairs Office • P.O. Box 27622 • Richmond, VA 23261 • www.richmondfed.org/community_affairs/
Phone: (804) 697-8457 • Fax: (804) 697-8473

MARKETWISE welcomes story ideas and suggestions from lenders, community organizations and economic development professionals.

Comments to the editor are welcomed. E-mail: Jennie.Blizzard@rich.frb.org



Help Us Help You!

The Community Affairs Office is conducting a survey to capture comments from our constituents about the topics presented on our website. Access the survey at www.richmondfed.org/community_affairs.

MARKETWISE
Federal Reserve Bank of Richmond
P.O. Box 27622
Richmond, VA 23261-7622

CHANGE SERVICE REQUESTED

Presorted
Standard
U.S. POSTAGE
PAID
Permit No. 2
Richmond, VA