



Building Small Businesses in the Bronx

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The Women's Housing and Economic Development Corporation (WHEDco) is a community development organization founded on the radically simple idea that all people deserve healthy, vibrant communities. We build award-winning, sustainable, affordable homes – but our work is not over when our buildings are complete. WHEDco believes that to be successful, affordable housing must be anchored in strong communities that residents can be proud of. WHEDco's mission is to give the South Bronx access to all the resources that create thriving neighborhoods – from high-quality early education and after-school programs, to fresh, healthy food, cultural programming, and economic opportunity. whedco.org

Executive Summary

The Great Recession has left a lasting impact on the local economy of the South Bronx. Declining wages and a struggling labor market are not just national trends – they are economic forces that play out on our streets. While the causes may be complicated, the effects are clear: people have lost jobs or had hours cut. Rents have gone up, along with foreclosures.

Yet throughout the recent economic turmoil, Bronx residents continue to launch small businesses to make ends meet. Small business has long been a mainstay of livelihoods in poor and immigrant communities, often being the only option for people who are otherwise isolated by class or culture from the mainstream economy. In today's environment of economic growth without job growth, where fewer firms are hiring and more workers are leaving the workforce altogether, enterprise creation continues to be a reliable source of job creation.

For more than two decades, the Women's Housing and Economic Development Corporation (WHEDco) has helped hundreds of entrepreneurs get their businesses off the ground. We train over 500 childcare business owners each year; launched 168 food entrepreneurs; reduced the commercial vacancy rate on the South Bronx's Southern Boulevard commercial corridor and started a merchants association with 38 members; and trained over 250 prospective Green Cart produce vendors. These new small businesses provide jobs and incomes to their owners and employees, and deliver much needed goods and services to community residents.

Microenterprise creation in the Bronx has yielded many lessons: technical assistance is critical for first-time business owners, especially those from low-income backgrounds; a hyper-local approach energizes entrepreneurs' neighborhood knowledge and helps define niche markets to weave a strong retail sector; and economic security helps microentrepreneurs overcome multiple barriers, including language and education.

Many barriers persist. Differences in culture and communication stand between some entrepreneurs and critical assistance. Money management skills are lacking. Small business requires access to new financial resources, low-interest startup capital, and mainstream banking services, all of which are scarce in the Bronx. Below are some policy recommendations that will help microentrepreneurs, especially those from low-income backgrounds, start or grow their businesses:

Create New Ways to Access Capital

- Encourage mainstream banking institutions to offer more business services in low-income areas.
- Create new pools of funding available to microenterprise start-ups in low-income communities, including simple, affordable lines of credit; low-interest revolving loans or competitive grants; risk capital; microfinancing; and alternative forms of capital.

Make Technical Assistance Local and Specific

- Support community-based organizations that support low-income entrepreneurs.
- Bring services directly to small business owners.
- Provide sector-specific small business services.
- Promote self-employment as a viable form of employment.
- Promote entrepreneurship among native New Yorkers as well as immigrants.

The Current Economy

The fallout of the latest economic crisis is playing out in the usual arenas: jobs and housing.

“In some ways, the job market is tougher now than in any recession,” says Federal Reserve Chair Janet Yellen.¹ The number of long-term unemployed people is higher than it has ever been. While the unemployment rate continues to decline, it fails to recognize more than seven million people nationwide working part time but seeking full-time employment,² nor does it capture data on those who have ceased looking for work.

The job market is even tougher in the Bronx. Between 2009 and 2013, the unemployment rate in the Bronx hovered between 10.2 and 13.9 percent. As of September 2014, the unemployment rate is 8.5 percent, while New York City is down to 6.1 percent.³

The median household income in the Bronx is \$36,520, only 58 percent of the City’s area median income (AMI).⁴ In other words, more than half of Bronx households are considered low or very low-income by US Department of Housing and Urban Development (HUD) standards – so low, in fact, that they often do not meet the minimum income level for government-assisted housing in NYC. These impacts are felt more severely in the South Bronx. The 15th US Congressional District remains the poorest urban congressional district in the US, with a median household income of just \$23,314.⁵ Nearly 40 percent of families in the district live below the poverty level.⁶

There are two key causes of unemployment in the United States: a mismatch between skills of job seekers and skills employers need (structural unemployment); and too many skilled workers for available jobs (cyclical unemployment). The lack of available jobs for skilled workers is also called slack. Too much slack in the marketplace means there just aren’t enough jobs. In the Bronx, there is both structural and cyclical unemployment, compounded by language barriers, low educational attainment and a dearth of networks that connect and support job seekers.

Those who are lucky enough to have jobs are earning less. The private sector may be generating new jobs at a steady rate, but wages remain stagnant in large part because new jobs being generated are increasingly in low-wage sectors, and more workers are employed less than full-time. Between 2000 and 2012, the median real income of NYC households

Bronx Quick Facts

Unemployment Rate

8.5%

From high of 13.9%

Median Income

\$36,520

Down 23% since 1990

Rents

Up 48% since 1987

decreased 4.8 percent, marginally better than the national median income decline of 6 percent. In the Bronx, over the same period, real median income decreased 11.8 percent.⁷ *Since 1990, Bronx median household income has decreased an astounding 23 percent.*⁸ The Bronx has not only suffered more severely during times of economic crisis, but also never fully benefited from times of economic growth and stability.

Meanwhile, rents are on the rise. According to a report released in April 2014 by the New York City Comptroller's Office, between 2000 and 2012, median rents in New York City rose 75 percent, compared to 44 percent in the rest of the US. Since 1987, after the worst of the fires had been put out and the borough began to recover, average rents in the Bronx have risen 48 percent above inflation.⁹ Today, real estate transactions are multiplying, bringing hotels and other large developments to the borough. Long-time residents are facing rent increases, and the supply of new affordable housing units, though growing, fails to keep pace with demand. Rising rents without rising incomes risks pricing out residents and repeating the cycle of displacement that has plagued the Bronx since the 1960s.

There is some hope in an otherwise grim picture of today's economic reality. In New York City, local government policies have led to some new work opportunities – the Universal Pre-K program, for example, required hiring 2,000 new instructors, and providing free childcare helps more parents get to work – but more can be done. The sector that has proven its ability to add jobs, and has the greatest potential for growth, is small business.

Back to Work with Small Businesses

Small businesses are at the foundation of the American economy. According to Federal Reserve Chair Yellen, “small businesses deserve a considerable share of the credit for the investment and hiring” that is driving the recovery.¹⁰ And a considerable share of businesses in the United States – 92 percent – are microenterprises, or businesses with fewer than five employees.¹¹

In New York City, two-thirds of businesses are microenterprises. A recent report by the Center for an Urban Future, *Small Business Success: A Blueprint for Turning More of New York City’s Small Businesses into Medium-Sized and Large Businesses*, shows that these microbusinesses accounted for 82 percent of the growth in new businesses between 2000 and 2013; over the same period, businesses with more than 500 employees actually lost jobs. There is opportunity for even more growth: if one-third of the City’s 165,000 microbusinesses added just one employee, it would mean 55,000 additional jobs citywide.¹²

Microenterprises offer significant economic opportunity for immigrants and other demographic groups who suffer most when the economy is in decline. Nationwide, immigrants are twice as likely as native-born Americans to start new businesses.¹³ In New York City, immigrants comprise 36 percent of the total population and 44 percent of all workers, and make up almost half of small business owners.¹⁴

Making Microenterprise Happen

The data supports what we’ve long seen at WHEDco: microenterprise is a genuine opportunity for low-income people to earn enough to support their families. Through resident surveys nearly 20 years ago, we asked how families were making ends meet. Surveys revealed many low-income women cooking and selling food from their home kitchens, or caring for children at home, sometimes without proper safety precautions or oversight. These community surveys guided our efforts to create sector-specific microenterprise programs to help people build careers from their skills and interests and create sustainable small businesses. *Evidence abounds that tapping into existing community assets can strengthen local economies.*

Launching Careers in Childcare

**“Babysitting is a job.
Childcare is a career.”**

Through our HBCC work, WHEDco helps women understand the earning potential of their childcare skills. These women are not babysitters; they are childcare professionals and small business owners. Part of our training is instilling this mindset in our providers. Identifying oneself as a childcare professional and not a babysitter is a process: it can take providers over a year to complete their training, establish their business and begin to see themselves on a path to success. Ultimately, the commitment pays off. By completing just 10 hours of training, an unlicensed provider caring for two children can earn up to \$60 more each month. Fully licensed family childcare providers can earn over \$3,500 a month.

WHEDco’s Home-Based Childcare (HBCC) program addresses several intersecting chronic issues: poor economic mobility for low-income women, a lack of viable income-generating opportunities, as well as a dearth of high-quality and affordable childcare settings for young children. HBCC increases childcare providers’ incomes while teaching them to establish and sustain nurturing and stimulating childcare environments.

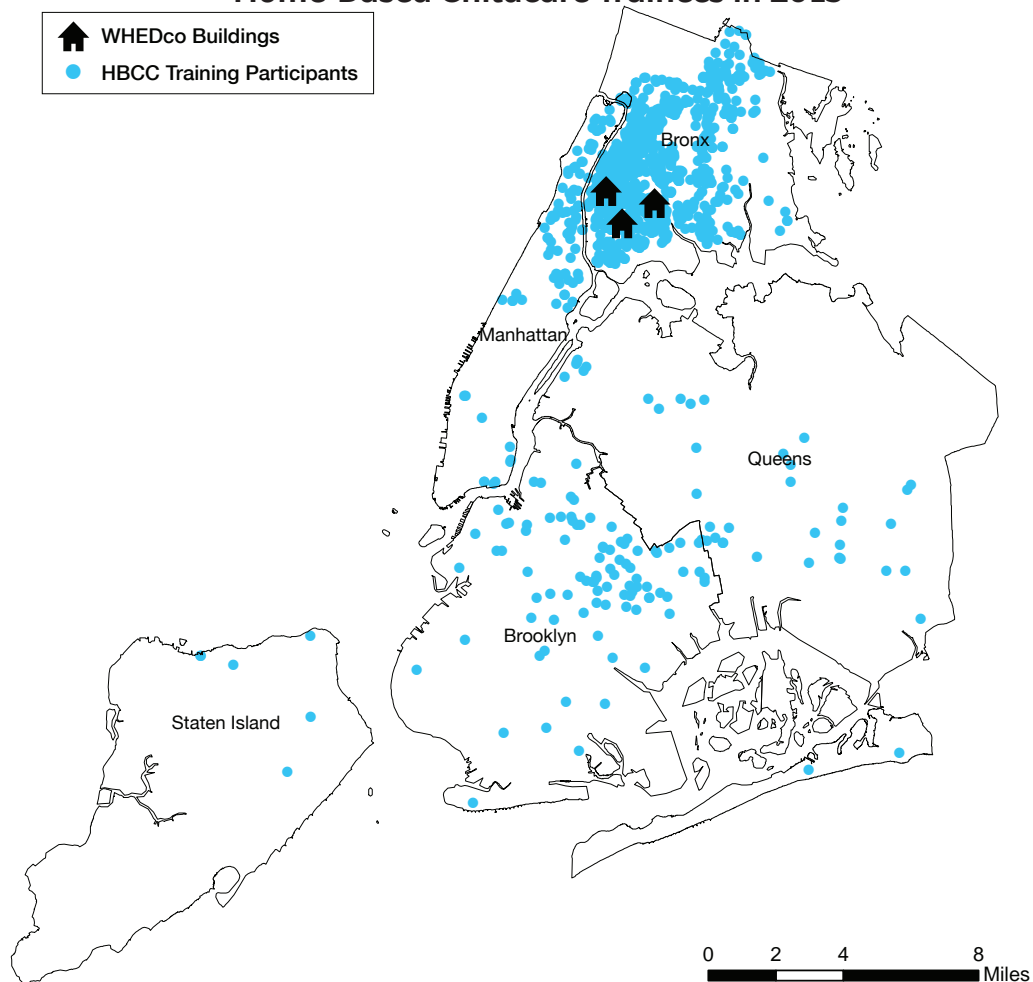
WHEDco trains an average of 500 people each year employing a combination of classroom settings, which allow trainees to network with and support each other, and one-on-one technical assistance that addresses each provider’s individual needs in the context of their particular skill set. This approach “meets people where they are,” providing a high quality training program without placing additional burdens on committed participants. Even those with limited formal education and language skills benefit from training.

In recognition of the depth and breadth of the organization’s expertise in home-based childcare, the New York State Office of Children and Family Services (OCFS) awarded WHEDco a contract to screen unlicensed childcare providers for health and safety requirements. Unlicensed providers are paid by the City to care for children whose families receive public assistance or are eligible for city-subsidized childcare. These providers are often friends or family members. WHEDco’s goal is to transition care-



WHEDco uses classroom instruction and one-on-one technical assistance to serve each provider’s needs. Source: WHEDco

Home-Based Childcare Trainees in 2013



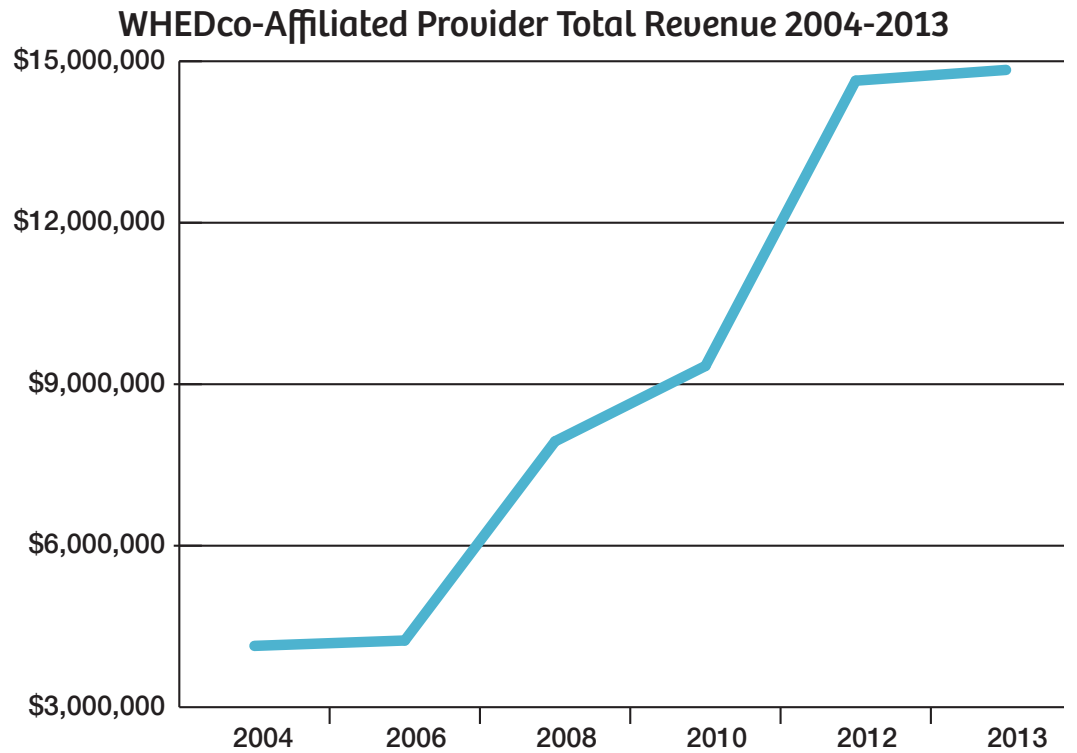
In 2013 alone, WHEDco trained 1,233 home-based childcare providers across the five boroughs. Source: WHEDco

givers from unlicensed to licensed childcare provision. WHEDco's staff is now located in 24 New York City Human Resources Administration Job Centers in all five boroughs to facilitate the screening process and connect providers to our training program.

Training includes topics in child development, health and nutrition, business management, and personal and business finance. We also connect providers to resources that decrease their business expenses, like the Child and Adult Care Food Program (CACFP), which reimburses providers for the healthy meals they provide to children in their care. In their first year of operation, licensed providers' average incomes more than double.

Teresa's Story

Teresa¹⁵ is an immigrant woman who successfully started a childcare business with help from WHEDco. She has a law degree from her native Dominican Republic, but as a monolingual Spanish speaker, she was unable to find work when she first moved to the Bronx. Teresa started WHEDco's home-based childcare training program, in Spanish, in April 2010. She received one-on-one technical assistance and registered for subsidies to provide healthy food to the children in her care. By November 2010, Teresa received her group family daycare license, which allows her to care for up to 16 children. She is optimistic about the future and has dreams of opening a childcare center one day. "WHEDco has helped me get where I am now," she says. "I couldn't have done it alone."



Source: WHEDco

Data on almost 400 WHEDco-affiliated home-based childcare providers shows that the vast majority – almost 95 percent – are women, ranging in age from 19 to 75 years old. Almost three-quarters of these providers are Hispanic/Latino and about one-quarter is African-American. More than half of these providers speak Spanish as their primary language. Educational attainment is generally low, with about half of these providers having a high school diploma or less. The majority resides in the Bronx (87 percent). In 2013, affiliated providers cared for 6,569 children and generated a total of over \$14 million of revenue, earning on average about \$40,000 (though some providers earn more than \$100,000 per year).

Cooking Up New Food Businesses

WHEDco's Urban Horizons Kitchen opened in 2000 after community surveys revealed that many community members supported their families by selling food products that they made at home. Typically not a lifestyle choice or a dedication to producing artisanal foods, we saw people making and selling food in unlicensed kitchens because they had no other employment option.

The Urban Horizons Kitchen provides affordable and licensed commercial kitchen space along with a variety of business support services that enable entrepreneurs to legalize their operations and sell to retail outlets. Food businesses face tremendous startup costs; by providing affordable incubator space, we give entrepreneurs a place to test products and ideas. WHEDco helps food entrepreneurs develop and grow cost-effectively, creating more stability and income for the business owner, while adding jobs to the area as successful and supported businesses expand.

The Urban Horizons Kitchen is a 4,000 square-foot, fully equipped commercial kitchen. It is divided into four workspaces, or bays, that can be rented alone or in combination. Renting individual bays is ideal for many startups; multiple tenants can utilize the kitchen at one time, and certain bays are better suited to different products. The kitchen is equipped to handle a wide range of food makers: current tenants include gluten-free bakers and producers of vegetarian empanadas, roasted chickpeas, and a variety of ethnic specialties.



Urban Horizons Kitchen tenant Erica Fair quit her day job to work full-time on her business, Sans Bakery, in 2012. Today she has five employees and provides gluten-free pastries to clients like Organic Avenue and Think Coffee. Source: WHEDco

The Bioterrorism Act in the Kitchen?

Part of the technical assistance that WHEDco provides at the Urban Horizons Kitchen is helping new food entrepreneurs (and even industry veterans) make sense of the myriad regulations that govern food production and distribution. This often leads to “who knew?” moments. The Bioterrorism Act (formally known as the Public Health Security and Bioterrorism Preparedness and Response Act of 2002), requires that any company making food that is shipped across state lines be registered with the FDA. Our close relationships with the New York City Department of Health and the New York State Department of Agriculture ensure that we stay up to date on regulatory requirements and that our food entrepreneurs stay in compliance.

Individual technical assistance covers incorporation, licensing, insurance, cost analysis, recipes, packaging and labeling. Before renting space in the kitchen, each new tenant meets with the kitchen manager to review his or her business plan. This allows the manager to tailor services for the tenant and establish individual goals to benchmark short- and long-term success (e.g. obtaining proper insurance and certification, or expanding distribution). Much of the technical assistance revolves around food business regulations. Our challenge is not just helping entrepreneurs find information, but training them to ask the right questions and make informed decisions about the types of licenses and permits they need.

Most kitchen tenants are minority-owned (62 percent) or women-owned businesses (57 percent). Kitchen tenants tend to be wealthier and more educated than entrepreneurs in WHEDco’s other small business development programs.

To date, 168 entrepreneurs have started or expanded their business at the Urban Horizons Kitchen. Of the 89 tenants for whom we have complete records, more than half left the kitchen after less than six months. Some of these businesses failed to turn a profit, while others grew quickly and expanded to a larger location. Almost one quarter of businesses stayed in the kitchen for more than 24 months, taking advantage of low-cost space as long as possible while their business developed and expanded. These numbers suggest that the Urban Horizons Kitchen provides fertile ground for food businesses to test ideas and grow successful enterprises.

Urban Horizons Kitchen Tenant Rental Length

Rental Length	Number of Tenants	% of Tenants
0-6 Months	49	55%
6-12 Months	11	12%
12-24 Months	11	12%
> 24 Months	18	21%
Total	89	100%

Source: WHEDco



Rasol Foods, which makes mini empanadas, is our oldest current tenant. Owner Ramon Acevedo brought the company to WHEDco in 2008. Source: WHEDco.

Kettlebell Kitchen, which produces healthy ready-to-eat meals for athletes, started cooking at the Urban Horizons Kitchen in March 2013. At the time, owner Joe Lopez had just one partner and no customers. In less than a year, Kettlebell Kitchen outgrew the space. Lopez credits the Urban Horizons Kitchen as instrumental to his success. “It had the storage, a large workspace, it was well run, clean, friendly,” says Lopez. “It was great.” WHEDco staff helped Lopez understand the licensing process and connected him with an insurance provider that he uses to this day. Kettlebell Kitchen recently moved into the former Pfizer Building, a new artisanal food incubator in Brooklyn. Today, Kettlebell has 25 full- and part-time employees and sells meals in 80 gyms around New York and New Jersey.

Using Housing Development to Spur Retail Development

Crosstown Furniture

Eddie Maldonado has lived near Southern Boulevard his entire life. His family owns a retail space on Southern Boulevard, where Eddie planned to open a liquor store. He started working with WHEDco, which shared with him our retail and community surveys. From these surveys, Eddie soon realized that the neighborhood was already saturated with bars and liquor stores – but he also saw that local residents needed a place to buy furniture. Eddie opened Crosstown Furniture in 2013, and has recently expanded his business to include delivery and installation services.

WHEDco uses its housing developments as anchors for community development. In 2007, WHEDco opened our Intervale Green apartment building in Crotona Park East, a neighborhood once at the epicenter of destruction in the South Bronx. Analyzing the local retail market revealed that *local residents were spending \$146 million outside their own neighborhood each year* because their neighborhood was not meeting their retail needs. We began working with small business owners on Southern Boulevard, the local retail corridor, and in 2009 formed the Southern Boulevard Merchant Association (SBMA) to create a safe, attractive shopping area and keep money in the neighborhood.

The SBMA provides a multitude of services to help merchants grow their businesses and attract new shops to the area, including marketing and networking services, and community events and advocacy. WHEDco uses the SBMA as a conduit to share market research and data, like the retail analysis mentioned above, that business owners need but might not otherwise be able to access.

As a result, Southern Boulevard is slowly transforming into a safer, more vibrant commercial corridor. As of 2014, the SBMA has 38 members, out of the 100 businesses in the corridor. Through targeted technical assistance, WHEDco has helped small businesses remain on the Boulevard and attracted new businesses. The SBMA successfully organized against the opening of two new liquor stores in the area, which would have attracted crime and failed to meet other, more pressing shopping needs.



WHEDco works with property owners to market vacant retail space, and offers tours to potential retailers. Source: WHEDco

Providing Fresh Food and Fresh Business Opportunities

Green Carts are mobile food vending carts that sell only fresh fruits and vegetables in neighborhoods with low access to fresh food and high rates of poverty. Anyone, regardless of citizenship status or criminal background, can operate a Green Cart. In 2008, the NYC Department of Health and Mental Hygiene (DOHMH) made 1,000 Green Cart permits available, 350 of them in the Bronx.

WHEDco saw the Green Cart program as an opportunity to increase access to healthy food and simultaneously promote new business opportunities. We developed a training program to bring the Green Cart program to Southern Boulevard. We assisted potential vendors in completing their permit applications, connected vendors to micro-lenders to obtain startup capital, and constructed storage space for four carts in the parking garage under one of our buildings.

A report by the Columbia University School of International Policy Administration found that, citywide, the Green Cart program increased the availability of fresh produce in food deserts while providing profitable economic opportunities for immigrants. Most Green Cart vendors are foreign-born (88 percent), more than half of them from Bangladesh. The vast majority of vendors said they worked full-time at their cart (96 percent), showing that this is the primary source of income for most vendors. Eighty percent of vendors described their Green Cart as profitable.



Guillermina Torres runs a Green Cart on Southern Boulevard and rents storage space from WHEDco. Source: WHEDco

Despite the reported success of the citywide program, we found many challenges on the ground. Of the 250 people who attended WHEDco's Green Cart workshops and/or received direct assistance from WHEDco staff, only 10 obtained their Green Cart permit and began operating their carts, with two working in our target area. The high drop-off rate is partly due to the onerous permitting process, which requires applicants to make multiple trips to Manhattan. Vendors also complained of unexpected and debilitating fines issued by the City for minor offenses. Startup costs for a Green Cart business are relatively low, and the City created a Green Cart microloan program. However, the program was terminated because vendors could not afford the high interest rates on the loans.

As of 2014, WHEDco no longer offers regular training workshops for Green Cart vendors due to a lack of funding. The City's intent in starting the program was to give vendors an initial push before letting the market take its course. We believe that the market cannot be relied upon to resolve the challenges faced by the City's poorest residents, especially when they are attempting to start a new business. To make the Green Cart program more successful, we recommend simplifying the permitting process by allowing local District Public Health offices to issue permits; reducing fines for new vendors; and providing EBT machines to all Green Cart vendors, which can significantly improve business in low-income neighborhoods.

Lessons Learned

WHEDco has learned the following critical lessons from our experience building small businesses in the Bronx.

Individual support and ongoing technical assistance is critical. One-on-one sessions offer the flexibility to apply programs to small business owners from a variety of backgrounds, even those with limited education or language ability. We supplement classroom training with individual assistance to help assess an entrepreneur's skills, experiences and barriers, and help her apply what she has learned to her business. Support services must be comprehensive – addressing all aspects of personal, financial, business and programmatic development.

In microenterprise, “micro” drives scale and focus. A hyper-local approach, akin to community organizing, takes advantage of entrepreneurs' neighborhood knowledge and local niche markets. Our most successful Green Cart vendors are those who provide produce that is culturally appropriate to their communities, who speak the local language and build relationships with their customers. Home-based childcare providers are employed by families who speak the same language and eat the same food as their clients. While many of our food businesses distribute their products around the City (and beyond), we encourage them to find a local niche, as well.

Economic security helps entrepreneurs overcome multiple barriers. Most home-based childcare providers and Green Cart operators come to WHEDco with limited educational attainment, many without a high school degree. Local training programs with no educational prerequisites make it possible for a wide range of individuals to participate. Starting a business helps some entrepreneurs return to school to complete their education. WHEDco trains in multiple languages, ensuring that people from a variety of backgrounds benefit. Speaking a language other than English often works to an entrepreneur's benefit – Green Cart vendors and childcare providers who speak Spanish can serve the growing and often monolingual Hispanic/Latino population in the Bronx and throughout the City.

Persistent Challenges Remain

Systematically addressing these challenges would help the City lower barriers to economic advancement for its most vulnerable residents.

Access to and awareness of services. Approximately 55 percent of small business owners with whom WHEDco works are foreign-born. Many of these immigrant business owners come from countries where they do not trust or expect to receive help from the government or nonprofit organizations. They are not connected to social or small business services. WHEDco takes the first step in connecting these entrepreneurs to service networks, but significant work remains to ensure that they get the services they need. *Clients would benefit from additional resources that are translated into languages other than English and Spanish, and outreach in the neighborhoods where they live and work.*

Access to financial education and risk capital. Many entrepreneurs lack basic money management skills, have no credit history or poor credit, and have struggled with debt, but still need capital to start and expand their businesses. Some will use their own money or borrow from friends and family to get their enterprise off the ground. Some will seek bank loans, only to find that the application requirements and interest rates are too much to handle. *But if they had access to “patient” risk capital – investments at low interest rates and longer repayment terms – microentrepreneurs could get the financing they need without the burdens of typical business loans.*

Access to local bank branches. The Bronx has half the number of bank branches per household as New York City as a whole.¹⁷ The dearth of financial institutions hurts small business owners, making it difficult for them to meet their banking needs. We have worked with small businesses where the sole proprietor has to close the store to make it to the bank during banking hours, and shopkeepers who must travel out of their own neighborhood to find a bank. *Low-income neighborhoods need banks with more flexible hours, or mobile banking services (not online services, but mobile units that can meet business owners at their place of work), to help keep businesses running.*

Recommendations

Small business development requires an expanded toolkit to help more business open and create more jobs. The Center for an Urban Future report, *Small Business Success*, outlines many smart recommendations to make it easier for small businesses to grow and thrive in New York City. We echo their call to create a Small Business Services (SBS) unit where counselors visit small business owners at their places of business; establish new tools to help small businesses adapt and grow as neighborhoods gentrify; expand open-air markets, food festivals and other supports for food entrepreneurs; and support retail needs studies by BID and merchants associations. To that list, we add the following recommendations.

Create New Ways to Access Capital

Encourage mainstream banking institutions to offer more business services in low-income areas. As of 2009, 28.7 percent of Bronx residents did not have a bank account, more than twice the citywide average.¹⁸ The Bronx has only 2.8 banks per ten thousand households, compared to 4.6 banks per ten thousand households citywide. The Bronx also has fewer credit unions and more non-traditional financial institutions (like payday lenders and check cashers) than the rest of the City.¹⁹ This lack of basic financial services prevents Bronx residents from accessing the resources they need to start businesses. The Responsible Banking Act, which was passed by the New York City Council in 2012 but has yet to be implemented, is a first step towards encouraging banks to provide more services in underserved neighborhoods. The law requires banks that do business with the City to publicize information about the services they provide in low-income communities. If the law, once fulfilled, has the intended effect, it will encourage the City to work with banks that provide the best services to low-income neighborhoods.

Create new sources of funding for local small businesses.

Simple, affordable lines of credit. Many low-income New Yorkers have poor credit or no credit histories. The City has successfully created simple checking and savings accounts, like the Opportunity NYC Account and \$aveNYC Account, to provide unbanked residents with safe, affordable banking services. The City should explore the creation of a credit account modeled on the same principles. The City should also encourage relaxed lending criteria and the implementation of alternate measures of credit-worthiness, like bill payment history.

Competitive grants or low-interest revolving loans. Competition THRIVE, offered by EDC, provides winning nonprofit organizations funds for pilot projects that create scalable growth opportunities for immigrant entrepreneurs. Expanding this program, or offering a similar program open to native-born entrepreneurs, would expand opportunities for small businesses in low-income areas to grow. The San Francisco Office of Small Business' Revolving Loan Fund (RLF) is a good example of a city-run revolving loan fund tailored to microenterprises. Loans do not exceed \$50,000, with interest rates under 6 percent. This type of loan fund could be replicated in New York City.

Risk Capital. In the mainstream economy, tech startups (themselves small businesses) benefit from access to risk capital and an understanding that failure is a possible, and sometimes even an acceptable outcome. These same resources (and mindset) could give Bronx microentrepreneurs the ability to test new ideas and grow quickly, just like any other startup. Risk capital for microenterprises requires extended loan terms and tolerance for lower returns on investment. These risk capital investments are akin to social impact investments, or investments that generate a positive social impact alongside a modest financial return.

Microfinancing. The microfinance field is limited in the United States, and microlenders often charge higher interest rates than traditional small business lenders. Yet the original microlending model, with its focus on local need, personal relationships, and mutual support and accountability, would still meet the needs of low-income business owners in the Bronx. The original Grameen microlending model set up small groups of business owners, who each received a loan and opened a savings account. The group would meet weekly so that members could make a loan and a savings payment, while receiving training and building a peer network. Borrowers did not receive an additional loan until all members of the group paid back their loan in full. This is a powerful collective model with potential to transform a struggling commercial strip, like Southern Boulevard.

Alternative forms of capital. In the sharing economy, alternatives to traditional capital are often legitimate forms of economic

exchange. WHEDco supports the idea of providing goods and services directly to small business owners, eliminating barriers that prevent low-income entrepreneurs from securing loans or accepting other cash assistance. Instead of applying for financial credit to purchase supplies, entrepreneurs would apply to receive the supplies directly. For example, WHEDco already brokers the delivery of in-kind donations from Baby Buggy, which supplies equipment to our home-based childcare providers. We also encourage the use of trading or bartering among small businesses, so that entrepreneurs can exchange resources without taxing their finances.

Make Technical Assistance Local and Specific

Support community-based organizations that support low-income entrepreneurs. Many immigrant entrepreneurs come from cultures or countries where they do not borrow money from institutions or expect to get assistance – let alone free assistance – from government or nonprofit organizations. These individuals often are not connected to traditional social service networks. Connecting these business owners to resources requires building trust, which community-based organizations have already worked hard to establish. The City could better serve these small business owners by supporting the work of community agencies and community developers that are adept at building trust among residents.

Bring services directly to small business owners. Currently, the City's Small Business Solutions centers are only open on weekdays from 9am-5pm, with extended hours one day per week. Microentrepreneurs, especially sole proprietors, are often running their own businesses during these hours, and cannot afford to close up shop and potentially lose revenue to seek services. SBS should create a mobile unit that can visit shopkeepers at their place of business. A similar mobile model could be used to bring banking services to underserved areas. Bank officers could provide financial counseling, assist in completing loan applications, and guide new business owners through online banking services during on-site visits.

Provide sector-specific small business services. Generic small business support is often ineffective in helping low-income entrepreneurs get off the ground. Our most successful microentrepreneurs start with a clear vision for their product. Our staff help them assess the market for that product, provide tailored advice, and help entrepreneurs navigate the

legal and regulatory challenges relevant to that product's industry. This is a model that could be replicated citywide.

Promote self-employment as a viable form of employment. Traditional workforce development programs, like those run by SBS, fail to promote entrepreneurship as a viable option for job seekers. But starting a business can provide a source of income and the development of marketable skills. Workforce development and job placement centers should promote entrepreneurship as a pathway to economic security.

Promote entrepreneurship among native New Yorkers as well as immigrants. Historically, immigrants have participated heavily in small business creation and operation. Self-employment remains a critical option for immigrants who lack the language skills or education necessary for traditional employment, but who have ample motivation and capacity to succeed. Meanwhile, low-income native-born residents rarely have the kind of support systems found in tight-knit immigrant communities.²⁰ Small business service providers should promote entrepreneurship for all low-income individuals, no matter their ethnic or cultural background, and create the support networks necessary to ensure their success.

Conclusion

Microenterprises will continue to play a major role in the local and national economy. WHEDco has developed multiple strategies to help microentrepreneurs, especially those from low-income backgrounds, grow their businesses, increase their incomes and support their families. With improved policies and increased support for diverse microentrepreneurs, we envision a brighter economic future for the Bronx.

Endnotes

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