

# REVITALIZING CHINATOWN BUSINESSES: CHALLENGES AND OPPORTUNITIES

CANAL ST



A REPORT FROM **THE ASIAN AMERICAN FEDERATION**



REVITALIZING CHINATOWN BUSINESSES:  
CHALLENGES & OPPORTUNITIES

A REPORT FROM THE ASIAN AMERICAN FEDERATION  
MAY 2008

## Foreword

In the six years since the September 11th attacks deeply affected New York City and the nation, much has been done to help those who suffered from the tragedy. Manhattan's Chinatown, near the World Trade Center, felt the devastation psychologically and economically. Thanks to public, community and philanthropic support, Chinatown's economy has begun improving.

However, the Chinatown business environment remains fragile and has not recovered to the extent of the New York City economy as a whole. The impact of September 11th is part of a larger, deep-seated picture. Since before the tragedy, Chinatown's business community has been undergoing significant changes that continue to unfold. Examples include declines in garment manufacturing and retail trade, growth of banking and other industries, shifts in Chinatown's customer base, an increase in luxury condominium development, and a steep rise in commercial rents.

In this changing economic scene, the Federation stepped forward to study reasons behind the vulnerability of Chinatown small businesses and ways to strengthen them. The Federation research team analyzed government and administrative data, surveyed a cross section of community businesses, and interviewed business leaders and economic development experts to produce this report.

Revitalizing Chinatown Businesses: Challenges and Opportunities examines key challenges facing Chinatown businesses and looks at emerging opportunities in the evolving environment of Chinatown and Lower Manhattan. The following pages capture valuable insights of a number of highly-respected Chinatown business leaders on how businesses should adapt to changes and help themselves, as well as on how Chinatown can enhance its business climate by capitalizing on the community's cultural and economic assets. The report also incorporates the view of several economic development experts that Chinatown needs to pursue transformational projects with potential for long-term economic improvement.

Chinatown historically has been a way station for working-class immigrants and immigrant entrepreneurs. A balanced economic development approach will stimulate growth while benefiting instead of displacing residents and local businesses. Such an approach also will shore up rather than destroy the gateway for future generations of immigrants. From this perspective, the Federation is proposing a set of recommendations for business development, adaptation to changes and maintenance of continuity in Chinatown.

This report is the culmination of dedicated work by our research staff and volunteers, along with our field-work team, Jack Ho and Andy Lun of Toto Group. The Federation also would like to thank our Advisory Committee and The Ralph and Goldy Lewis Center for Regional Policy Studies of UCLA for their indispensable input and encouragement. This study would not have been possible without the contributions of the lead funder, Carnegie Corporation of New York, and several others.

Chinatown bears the promise of a vibrant and inviting commercial hub and cultural destination. With appropriate support from government, local businesses can help themselves and become competitive. The community also will benefit from collaboration among its stakeholders toward realizing a shared vision of Chinatown's future.

Cao K. O  
Executive Director  
Asian American Federation

## Research Team

Carol Peng, Deputy Director of Research, Project Director (formerly)  
Howard Shih, Census Information Center Data Manager, Co-Project Director  
Andrew Mondschein, Consultant, The Ralph and Goldy Lewis Center for Regional Policy Studies  
Anna Lee, Research Assistant

### Field Survey Team

Jack Ho and Andy H. Lun, TOTO Group

Copyright 2008 by the Asian American Federation

## Suggested Citation

Asian American Federation (2008). *Revitalizing Chinatown Businesses: Challenges and Opportunities*. New York, NY.

## Advisory Committee

Laure Aubuchon, New York City Economic Development Corporation

May Chen, UNITE, Local 23-25

Wellington Chen, Chinatown Local Development Corporation

William P. Chiu, American Fujian Association of Commerce and Industry

Yoonie Cho, NYC Department of Small Business Services

Colleen Galvin, Department of Small Business Services

June Jee, Verizon Communications

Richard Kerekes, NYC & Co.

Charles Lai, Museum of Chinese in America

Sandy Lee Kawano, Harold L. Lee and Sons Inc.

John Leo, formerly with Lower Manhattan Development Corporation

Paul Ong, PhD, UCLA Lewis Center for Regional Policy Studies

James Parrott, PhD, Fiscal Policy Institute

Rae Rosen, Federal Reserve Bank of New York

Shao-Chee Sim, PhD, Charles B. Wang Community Health Center

Susanna Stein, Empire State Development Corporation

Pin Tai, Cathay Bank

Robert Weber, formerly with Asian Americans for Equality

Bonnie Wong, Asian Women in Business

Kathryn Wylde, Partnership for New York City

The views expressed in this report are those of the Asian American Federation and do not necessarily reflect the views or positions of the sponsors of this report, the advisory committee, or the interviewees of our study.

## Executive Summary

### Overview

As the Asian American Federation documented in two earlier research reports, the September 11, 2001 attacks dealt a devastating blow to Chinatown's economy, exacerbating downward trends already under way. Since then, government, community and philanthropic assistance has brought improvements.

However, it was clear several years later that the Chinatown economy had not regained its vibrancy or benefited fully from the economic revival and resurgence of tourism in New York City. There was widespread concern that the small businesses that dominate Chinatown's economy were continuing to struggle.

This study was conceived to investigate what has contributed to Chinatown's economic vulnerability and what needs to be done to promote business growth and sustainability.

*Revitalizing Chinatown Businesses: Challenges and Opportunities* examines Chinatown's business environment, changes it is undergoing, challenges to economic development, and opportunities for renewal. It explores multiple factors – some longstanding and others of newer origin – that are hindering Chinatown's economic progress.

In addition, the report recommends steps for Chinatown business owners, community leaders, and policy-makers to take to stimulate long-term improvement and stability. While the report touches on related economic development issues, involving infrastructure, zoning and real estate, the focus is on business development issues.

The report reflects analysis of government data; results of a survey of more than 300 businesses; and interviews with community, business and economic development leaders.

### Key Findings

#### Current Conditions

**The Chinatown economy has not returned to pre-September 11th levels or shared fully in the city's economic recovery.**

- **Overall in Chinatown, from the second quarter of 2001 to the second quarter of 2004:**

- The total number of businesses increased 4 percent, from 6,505 to 6,737.
- The total number of jobs decreased 5 percent, from 136,179 to 129,338. Employment declined steadily and sharply from 2001 to 2003 and then increased slightly from 2003 to 2004.
- The average wage rose 10 percent, just exceeding the 9 percent rise in the consumer price index for the New York metropolitan area. Wages per employee dipped from 2001 to 2002 but then climbed continually and rapidly.

**Not reflected in these overall numbers and perhaps more significant for Chinatown's economy, the size and strength of various industry segments have changed.**

- **Traditional pillars of the Chinatown economy that have been primary sources of immigrant jobs, are shrinking or struggling.**

- The manufacturing segment lost 33 percent, or 205, of its establishments, as well as 42 percent, or 4,965, of its jobs from second quarter 2001 to second quarter 2004. Apparel, food manufacturing, and printing are the largest categories in this sector. The number of garment factories in Chinatown decreased 57 percent, from 246 to 105, from before September 11, 2001 to June 2005, according to a survey by the Garment Industry Development Corporation.
- For the retail trade sector, which remains Chinatown's largest industry in terms of establishments and jobs, the number of businesses decreased 2 percent and employment dropped 6 percent from 2001 to 2004. Clothing and jewelry stores are most prevalent in this segment.
- The accommodations and food services segment, consisting mainly of restaurants, experienced slower sales despite modest 2001-2004 growth in establish-

ments, jobs and average wages. In a Federation business survey, 43 percent of restaurants reported revenue losses and only 10 percent reported steady or rising revenue from 2001 to 2005.

- **At the same time, other Chinatown industries are growing.** From second quarter 2001 to second quarter 2004:
  - The health care and social assistance segment and other services sector, which includes barber shops, beauty salons and laundry services among others, both showed a 13 percent increase in establishments. Average wages in the health care and social assistance industry, concentrated in physicians' offices, advanced 21 percent. Within the other services sector, personal-care businesses, such as nail and beauty salons, generally are faring well, although signs of oversaturation are emerging.
  - The number of arts, entertainment and recreation establishments rose 12 percent.
  - The professional, scientific and technical services sector experienced a 4 percent increase in establishments and a 35 percent jump in average wages.
  - The finance and insurance industry, including insurance agencies and banks, saw gains of 8 percent in the number of establishments and 12 percent in employment.

## **Changes, Challenges and Opportunities**

Chinatown businesses face a complex set of circumstances, involving a changing customer base, multiple challenges and emerging opportunities. Economic recovery will require adapting to change, overcoming obstacles and leveraging new possibilities.

- **Chinatown's customer base has shifted in several key ways.**
  - Immigrants from China's Fujian province, Chinese American professionals, new non-Chinese residents are diversifying Chinatown's residential population, and some affluent and older Chinese immigrants returning from suburbs, which traditionally has been Cantonese and Toishanese working-class. Many long-established Chinatown businesses not targeting these newer segments have experienced sluggish sales. However, some newer businesses, including Fujianese-owned establishments along East Broadway, are catering to new customers' preferences and succeeding.
  - The drop in Chinatown manufacturing employment

has reduced the number of working-class Chinese who patronize Chinatown restaurants and retail shops during the day. Many former factory employees now work outside of Chinatown.

- The diversified commercial development in faster-growing Chinese immigrant enclaves in the New York metropolitan area, such as Flushing, Queens and Sunset Park, Brooklyn, has significantly reduced the need of those residents to go to Manhattan's Chinatown for products and services.
- **Three major categories of barriers are hampering Chinatown's business growth.**
  - A negative image of Chinatown makes it difficult for businesses to attract customers. Causes of unfavorable perceptions include an unattractive, inconvenient physical environment, with dirty, crowded streets and traffic and parking problems, as well as unfriendly business treatment of customers, marked by gruffness, limited English ability and cash-only sales.
  - Deficiencies in Chinatown's building stock, plus related zoning, land-use and real estate issues, constrain business expansion. Specific deterrents include a scarcity of high-quality, appropriate commercial space; zoning restrictions; fragmented property ownership; and rising rents and building values. Condominium development and conversions have worsened the situation.
  - Growth-constraining business practices impede competitiveness in light of the changing business environment. For example, similar businesses competing only on price leads to businesses cutting quality and wages to survive. At the extreme, fierce unprofitable competition results in unsustainable businesses while raising serious consumer safety concerns. The dearth of business and marketing plans results in oversaturation of markets. Too many businesses open without consideration of whether there is sufficient market demand for their services. Noncompliance with tax and labor laws creates legal and economic vulnerability, poor working conditions, and unfavorable impressions of Chinatown.
- **Yet Chinatown also has growing opportunities to recharge its economy. Businesses can capitalize on the community's location, cultural heritage, and economic assets, along with population and economic trends.**
  - Chinatown's location in Lower Manhattan offers entrée to that area's rapidly-growing, prosperous and

increasingly-Asian residential population. According to a special study of U.S. Census Bureau information for Lower Manhattan by the New York City Department of City Planning, from 2000 to 2005, the area's household population grew almost 26 percent; median household income rose 20 percent, to \$98,100; and Asian population increased by one-third.

- Daytime populations in neighborhoods surrounding Chinatown, such as the SoHo, Tribeca, City Hall and Financial District areas, are an important potential source of customers. Lower Manhattan has eight times as many workers as residents, and large numbers of these employees work in stable or well-paying sectors.
- Chinatown's central location and industry mix position the community to re-establish itself as a commercial hub. Chinatown already has become a major banking center with more than \$6 billion in deposits. The success of bank branches in Chinatown indicates demand for culturally tailored services among Chinese customers living elsewhere. Improved cleanliness, customer sensitivity and service can help Chinatown businesses build on traditional strengths in restaurants and in wholesale and retail food to draw more customers.
- Major Lower Manhattan development projects will bring more people to the area. If Chinatown becomes a compelling destination, associated increased traffic will provide a new source of prospective customers. Projects planned or under way include the World Trade Center redevelopment, the September 11th memorial, the Fulton Street transportation hub, waterfront restoration, and hotel construction. Four new hotels in Chinatown and six others in Lower Manhattan will give Chinatown businesses an opportunity to feed and entertain these hotels' guests.
- A growing presence of employees and clients of China-based businesses in Manhattan, as some of these firms establish U.S. offices, is creating another potential market for Chinatown businesses. Chinatown can provide hotels, restaurants and entertainment catering to expatriates, business travelers and tourists from China.
- Chinatown's rich cultural heritage is an advantage businesses could tap to differentiate their offerings. Businesses could develop goods and services to showcase such distinguishing points as authentic cuisine and ethnic celebrations.

## Recommendations

**This report proposes six major recommendations to spark Chinatown's economic renewal. These immediate and long-range strategies would:**

- Help Chinatown become an inviting commercial hub, building on its economic and cultural assets.
- Increase Chinatown's economic potential while retaining the community's unique character and raising its quality of life.

**The Federation recommends these steps for Chinatown:**

- **Change Chinatown business strategies** to serve a diverse customer base better.
  - Chinatown businesses need to break from price-only competition and stress quality and uniqueness in their products and services.
  - New businesses in particular should take into account market demand for their products and services.
  - Business and trade associations could play a productive role in facilitating healthy business competition and cooperation.
- **Improve business practices** to make Chinatown more appealing to prospective customers and benefit businesses in other ways.
  - Chinatown businesses should focus on being consumer-friendly. For example, greater use of English and being polite and helpful make a business more inviting.
  - Businesses should follow legal and regulatory requirements, including tax and labor laws. Operating legally can offer access to government assistance, tax credits and mainstream capital markets. Better working conditions also can elevate employee morale and productivity. Furthermore, greater attention to consumer protection and safety would upgrade the image of Chinatown.
- **Provide targeted assistance** to help businesses enhance their strategies and practices. Programs should be available to provide the enabling support necessary to transform Chinatown businesses. These programs could incorporate the following elements:
  - Offering access to capital for investment in business improvements.
  - Advising and assisting business owners on business strategy, market research and marketing, better busi-

## Revitalizing Chinatown Business

- ness practices, employee wages and benefits, and compliance issues.
- Educating business owners and employees on cleanliness, customer service orientation, compliance issues and civic responsibilities.
- Increasing the use of English in businesses.
- Strengthening and professionalizing business and trade associations.
- **Sustain environmental and business improvement efforts** to raise the community's image and stimulate business growth.
  - Sustaining the Chinatown Partnership Local Development Corporation (CPLDC) beyond its initial funding is vital. Besides continuing its street cleaning and marketing efforts, CPLDC can implement further neighborhood enhancements, such as lighting and directional signage (way-finding), as well as coordinate new economic development initiatives.
  - Feasibility of a Business Improvement District (BID) should be explored. BIDs have worked in many neighborhoods in New York City, including Flushing. The feasibility assessment should take into consideration any serious negative impact on the already struggling businesses that a BID may cause as well as identify possible interim remedies that would ease the immediate burden of these businesses and create the necessary economic conditions for a BID in Chinatown.
  - Other forms of community support as alternatives to a BID for sustaining the CPLDC should also be investigated.
  - Property owners should share responsibility for upgrading Chinatown's appearance, for example, by repairing and cleaning sidewalks.
- **Resolve parking and transportation issues** to make it easier for customers to patronize Chinatown businesses.
  - Establishing another municipal parking garage in or near Chinatown would help offset the post-September 11th closure of the Police Plaza garage to the public.
  - The New York City Department of Transportation should consider implementing other proposals for street improvements, as well as issues related to commuter vans and intercity buses and enhanced access between Chinatown and the rest of Lower Manhattan.
- **Pursue transformational development projects** that could strengthen Chinatown's cultural and economic assets, spur an economic resurgence, and receive broad community support.
  - City planning and economic development officials, Chinatown leaders, community development organizations, and private developers should explore the viability of such projects in and around Chinatown.
  - Several potential projects include a Pacific Rim office center, a cultural and performing arts center, an ethnic and/or gourmet food destination, comparable to San Francisco's Ferry Terminal, Boston' Faneuil Hall or Seattle's Pike Place Market, and one or more major high-quality restaurants with the capacity to support business functions.

## **About the Asian American Federation**

The Asian American Federation is a pan-Asian organization working to advance the status and well-being of Asian Americans. We raise funds and make grants to meet community needs. We seek to inform public policies relevant to Asian American concerns and strengthen community service organizations.

Established in 1990, the Federation is a nonprofit membership organization. We fund, serve and advocate on behalf of 42 member agencies.

### **Related Publications**

Asian American Federation (April 2002). Chinatown After September 11th: An Economic Impact Study, Interim Report. New York, NY.

Asian American Federation (November 2002). Chinatown One Year After September 11th: An Economic Impact Study. New York, NY.



## **Asian American Federation**

120 Wall Street, 3rd Floor, New York, NY 10005  
Tel: 212-344-5878 Email: [info@aafederation.org](mailto:info@aafederation.org) Web: [www.aafederation.org](http://www.aafederation.org)