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The immigrant dollar: a driving force at Gulfgate

KEVIN FUJII PHOTOS : CHRONICLE

FOLLOWING THE MONEY: Elisa Mendoza buys lunch at the Gulfgate-area Quiznos last week from manager Brian Ausmus. The presence of so many banks was all the market research Ausmus needed to decide Gulfgate was a good location.

By JENALIA MORENO
Staff

AFTER plunking down $70 in cash for groceries, Mexican immigrant José Escobedo waited outside the H-E-B store while his son shopped at other retailers in the Gulfgate Center.

Gulfgate has come a long way since Escobedo arrived in Houston five years ago. Back then, he had to travel several miles from his home to shop for groceries, and his visits to the 1950s-era Gulfgate Mall were few.

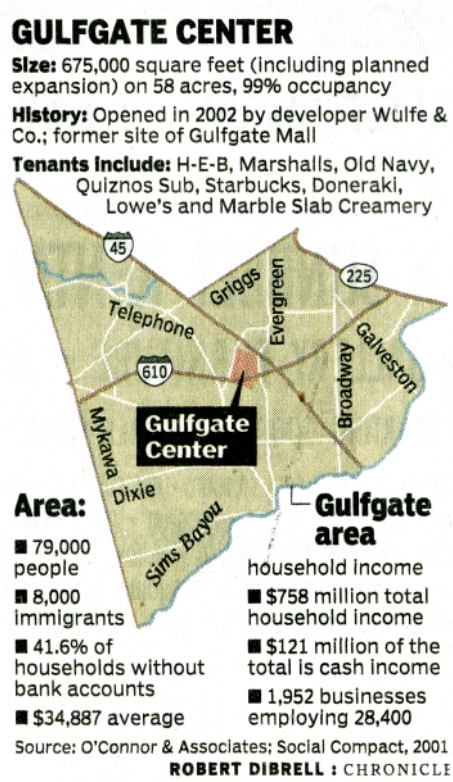
Now that the mall has been demolished and replaced with the modern Gulfgate Center, Escobedo comes more often. He has more reason to, he said, ticking off a list of the open-air shopping center's stores that he frequents: H-E-B, Lowe's, Home Depot, Old Navy, T-Mobile.

"It's better here," he said, scanning the bustling shopping center, which opened in 2002.

Shoppers such as Escobedo and his family are what led to the rebirth of Gulfgate Center. And it's shoppers like them whom developers are counting on to keep the center going strong as they complete the 675,000-square-foot complex that is now two-thirds built.

So far, developers' expectations are being met.

The center is now 99 percent occupied, according to market research firm O'Connor & Associates. On weekends, stores are jammed with customers, and most merchants report strong sales.



The Gulfgate branch of Washington Mutual, for example, is the Seattle-based company's busiest in Texas. It does about half its business with people carrying "matricula "cards, IDs issued by Latin American governments out of their consulates in the U.S. And the 85,000-square-foot

H-E-B is one of the grocer's busiest locations in Houston.

More than just a story about the rebirth of what was once a blighted area wedged between the 610 Loop and Interstate 45, Gulfgate Center is a concrete example of the contribution the immigrant dollar has made in Houston.

Seeing the possibilities

A decade ago, Gulfgate Mall offered few choices for shoppers and was abandoned by retailers. But developer Ed Wulfe, convinced the site was ripe for redevelopment, didn't buy the idea that it wasn't a viable location for a shopping center.

He took a gamble and bought the property in 1998, razed the mall and showed off plans for the new center to national retailers. From the marketing and census data available at the time, they rejected the spot because of the area's income statistics.

The 2000 census data and marketing information on credit card sales, he said, fed the incorrect assumption that the residents around Gulfgate could not support the stores.

Undaunted, Wulfe commissioned Washington, D.C.-based nonprofit organization Social Compact to prove his hunch.

Social Compact researchers drilled down into the economy of the Gulfgate-area households, including those headed by immigrants like Escobedo.

Researchers examined utility payments, automobile registrations and immigration data, finding 16 percent more people than the census did.

They also found that the area generated $758 million in annual household income, $121 million of that in cash that typically doesn't turn up in traditional surveys.

"What we did find was basically it was a hidden economy," said Wulfe, president of Wulfe & Co. "The more we studied it, the more we realized the area was under-retailed."

Nestor Rodriguez, co-director of the University of Houston's Center for Immigration Research, who frequently shops at Gulfgate, said the shopping center's success helps to counter the perception some may have of the Hispanic immigrant.

Immigrant stereotype

"Sometimes we have almost this stereotype of an immigrant, especially Hispanic immigrants, that they are shopping at flea markets and sending money home," he said.

They are not only spending their money locally, Rodriguez said, but increasingly depositing it in bank accounts.

Rodriguez, for example, knows he must deposit his check at a Bank of America branch in River Oaks on paydays because the one at Gulfgate is simply too busy.

But not everyone is convinced of the contribution Hispanic immigrants make to their communities.

"Consumer spending by immigrants isn't creating specific benefits for Americans who are here," said Mark Krikorian, executive director of the Washington-based think tank Center for Immigration Studies. "It's actually a big loser because the benefit from that spending isn't that great, and the cost it exacts from taxpayers is actually enormous."

He argued that immigrants don't spend as much as they could in a local

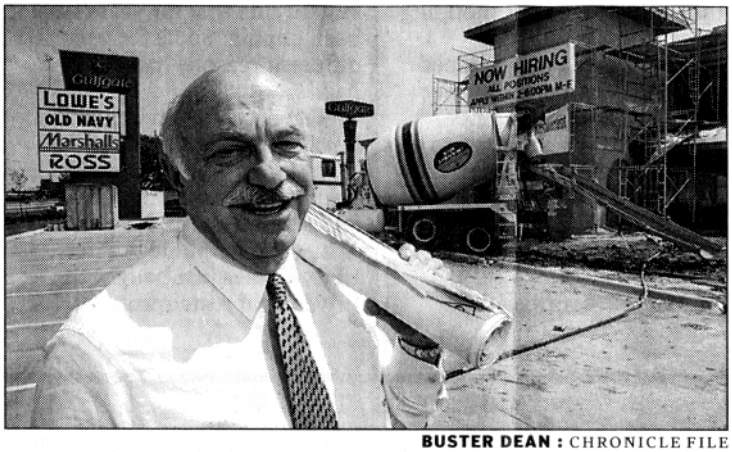
GOING STRONG: The 675,000-square-foot Gulfgate Center complex is two-thirds built. The resurrected open-air shopping center opened in 2002.

economy because they wire money to relatives back in their home countries.

Rodriguez agreed that many immigrants send money home.

"This is the complexity of an immigrant community," he said. "On the one hand, it's tied to the community of origin, sending money back home. But at the same time, it's got one foot here, supporting the local economy."

But he finds that immigrant contributions are obvious - from spending their money at businesses catering to them such as tortilla factories and used-car lots, but even mainstream retailers.



BUSTER DEAN : CHRONICLE FILE

WAY BACK WHEN: Developer Ed Wulfe, shown in 2003, was confident about Gulfgate Center's future because of the "hidden economy" of immigrant dollars in an area he believed was lacking in retail.

Banking boom

Bank of America is one of the latest banks to enter the Gulfgate area, trying to entice immigrants with its SafeSend product, which offers its checking-account customers free money transfers to Mexico.

Few banks operated in the area a decade ago. But now financial institutions line the center's main thoroughfare of Woodridge Drive as bankers try to tap into the market of Hispanic immigrants, who often have never used checks, credit cards or mortgage services.

Instead, many of the 8,000 immigrants Social Compact researchers found living in the Gulfgate area were paid in cash for their informal sector jobs as waitresses, baby sitters and day laborers, so they didn't need to cash checks.

Other immigrants didn't trust banks.

"For people who come from countries where the banking industry is not as strong, people are a lot more likely to do things in cash," said Karin Ottesen, chief executive of Social Compact, which promotes investment in lower-income areas.

"They use alternatives to cash like check cashers and end up paying a lot more for those services. When you're earning less money, it's more immediate. It's more hand to mouth."

Getting financial help

But with financial institutions popping up in Gulfgate that increasingly reach out to immigrants, more customers are entering banks, some for the first time in their lives, and it's common to see Spanish-speaking bankers in the area helping clients fill out their deposit slips or teaching them how to write checks or use their debit cards.

A Chase bank branch has long operated in the Gulfgate area, but the redevelopment of the shopping center increased its business, especially since apartment buildings and homes were constructed nearby and boosted the population.

The presence of so many banks was all the market research Quiznos Sub manager Brian Ausmus needed to prove Gulfgate was a good location.

"The residents around here - I'm sure they have plenty of money," Ausmus said. "You see a lot of nice cars at these apartments and houses. I know they have good jobs. They have plenty of disposable income."

During the weekday lunch rush, his restaurant is the busiest, catering to a diverse customer base of blue-collar and white-collar workers from the area. At night and on weekends, the area's mostly Hispanic residents frequent the restaurant.

The eatery has not always been busy and could easily have been shuttered.

But new management took over more than two years ago. Ausmus reached out to the community, letting residents know about the restaurant by sponsoring a Little League team. In the last two years, the Gulfgate location has set Quiznos records for improved sales.

The Marble Slab Creamery is not selling as many waffle cones, ice cream cups and other treats as owners expected because many drivers don't see the ice cream store that's tucked in the shopping center's corner, near the 610 Loop.

Not familiar with shop

"We were optimistic going in," said Chris Dull, vice president of franchise development for the Houston-based company. He said the area doesn't have enough buying power yet.

"We hope as the customers in that area become more familiar with that shopping area that they will include us in a routine visit."

At Doneraki restaurant, sales are equal to the company's Westheimer Road location, which sells about $3 million worth of fajitas, margaritas, enchiladas and other dishes and beverages a year.

Like Quiznos, the Mexican restaurant is busiest during lunch with executives and on weekends with Hispanic customers, many of whom are Mexican immigrants who prefer to dine out on Sundays, owner Cesar Rodriguez said.

"I think the Hispanic buying power is very strong and will continue to increase," said Rodriguez, although he would like to see a movie theater, gym and electronics store added to Gulfgate's mix.

"There needs to be a little bit more of a push for it to be very successful."