

Community Change in East Austin



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Community Change in East Austin

Project Directed by
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Table of Contents

List of Tables	vi
List of Figures	vii
Foreword.....	ix
Preface.....	x
<i>Part I: Dimensions of Community Change in East Austin</i>	
Chapter 1: Historical Context	2
Map and Guide to East Austin Terminology	8
Chapter 2: Demography	9
Chapter 3: Housing	29
Chapter 4: The Economy	48
Chapter 5: Community Change and its Consequences	64
<i>Part II: Businesses and Community Change in East Austin</i>	
Chapter 6: Patterns Across Industries	69
Chapter 7: Patterns Across Corridors	84
Appendix 1: Methodology	102
Appendix 2: Industry Studies.....	105
Appendix 3: Construction Industry Case Study.....	149
Appendix 4: History of Health Services and Social Assistance in Central East Austin..	152
Notes	154

List of Tables

Table 2.1 Population Growth in Central East Austin (1980-2000)	11
Table 2.2 Population Growth by CEA Neighborhood (1980-2000).....	12
Table 2.3 Family Households by CEA Neighborhood (1980-1990)	13
Table 2.4 Non-Family Households by CEA Neighborhood (1980-1990).....	14
Table 2.5 Household Size by CEA Neighborhood (1990-2000)	15
Table 2.6 Median Age by CEA Neighborhood (1990-2000)	17
Table 2.7 Median Household Income by CEA Neighborhood (2005)	21
Table 2.8 Occupation by CEA Neighborhood (1980-2006).....	26
Table 3.1 Residential Home Sales in Austin and U.S. (2005-2006).....	36
Table 3.2 Home Sales Price Appreciation in East Austin (1999-2005)	39
Table 3.3 Estimate of Housing Equity in Austin in 2006.....	41
Table 3.4 Tax Delinquency and Foreclosures in East Austin (2006)	42
Table 4.1 Economic Structure of East Austin (1998-2004).....	50
Table 7.1 East Austin Businesses by Corridor.....	90
Table 7.2 Industry Share by Corridor	91
Table 7.3 Appreciation of East Austin Properties (2000-2005)	97

List of Figures

Figure 2.1 Age Distribution in Central East Austin (1990-2000).....	16
Figure 2.2 Race/Ethnicity by CEA Neighborhood (1980-2000)	18
Figure 2.3 Racial/Ethnic Demographic Change (1990-2000)	19
Figure 2.4 Share of Foreign-Born Residents by Neighborhood (2000).....	20
Figure 2.5 Household Poverty Rates by Neighborhood (1980-2000)	22
Figure 2.6 Educational Attainment by CEA Neighborhood (1990-2000).....	25
Figure 3.1 Housing Unit Change in East Austin (1990-2006).....	31
Figure 3.2 Change in Homeownership in East Austin (1990–2000).....	32
Figure 3.3 Rental Burden in East Austin (1990-2000)	34
Figure 3.4 Increase in Median Home Values in East Austin (1990-2000).....	37
Figure 3.5 Increase of Property Sales in East Austin (1999–2005).....	40
Figure 3.6 Increase of Home Values in East Austin (1999–2005)	40
Figure 3.7 Number of Residential Building Permits (1996-2004)	43
Figure 3.8 Public Housing in Austin by ZIP Code (2006)	45
Figure 4.1 Industry Composition (78702)	51
Figure 4.2 Industry Composition (78721)	52
Figure 4.3 Industry Composition (78722)	54
Figure 4.4 Industry Composition (78723)	55
Figure 4.5 Industry Composition (78741)	57
Figure 4.6 Greater East Austin Industry Summary.....	60
Figure 6.1 Perception of Change in Central East Austin	72
Figure 6.2 Property Ownership by Industry	74
Figure 6.3 Businesses Employing East Austin Residents.....	77

Figure 6.4 Businesses Serving East Austin Residents by Industry.....80

Figure 7.1 Traffic Along Corridors.....86

Figure 7.2 Businesses Serving East Austin Customers by Corridor.....91

Figure 7.3 Appreciation of Commercial Properties by Corridor96

Foreword

The Lyndon B. Johnson School of Public Affairs has established interdisciplinary research on policy problems as the core of its educational program. A major part of this program is the nine-month policy research project, in the course of which one or more faculty members direct the research of ten to 20 graduate students of diverse backgrounds on a policy issue of concern to a government or nonprofit agency. This “client orientation” brings the students face to face with administrators, legislators, and other officials active in the policy process and demonstrates that research in a policy environment demands special talents. It also illuminates the occasional difficulties of relating research findings to the world of political realities.

This report presents the findings of a two-part project undertaken by the LBJ School for PeopleFund, a federally certified community development financial institution in East Austin. Research for Part I, which was conducted during Fall 2006, focused on demographic, economic, and housing changes in East Austin. Research for Part II, which was conducted during Spring 2007, focused on specific industries and business corridors.

The curriculum of the LBJ School is intended not only to develop effective public servants, but also to produce research that will enlighten and inform those already engaged in the policy process. The project that resulted in this report has helped to accomplish the first task; it is our hope that the report itself will contribute to the second.

Finally, it should be noted that neither the LBJ School nor The University of Texas at Austin necessarily endorses the views or findings of this report.

James B. Steinberg
Dean

Preface

Community Change in East Austin is a two-part report prepared for PeopleFund, a federally certified community development financial institution in East Austin, by the LBJ School of Public Affairs at the University of Texas at Austin.

Part I focuses on demographic, housing, and economic changes in East Austin. Because of different data sources used by the research team, the demographics chapter focuses on the years 1980 to 2000, the housing chapter focuses on the years 1990 to 2006, and the economics chapter focuses on the years 1998 to 2004. The intent of Part I was to assess how and why East Austin is changing.

Part II focuses on East Austin's current business environment. Researchers interviewed more than 90 business owners in East Austin and analyzed businesses by industry and corridor. The intent was to understand why these businesses locate where they locate, solicit business owners' perceptions of the East Austin business environment, and explore East Austin's prospects for future growth.

The combined project, conducted between September 2006 and May 2007, involved 15 students from the Master of Public Affairs Program at the LBJ School and one student from the Master of Science in Community and Regional Planning Program at the University of Texas School of Architecture. Three professors served as project directors.

The project team wishes to recognize Sean Moran, director of regional planning and information services at the Capital Area Council of Governments (CAPCOG), and Brian Kelsey, CAPCOG's economic development coordinator, for sharing data and expertise. The researchers also thank the many individuals who met with the project team during the course of its research, including Frank Fernandez, Claudia Conner, Jessica Flores, Dr. Elizabeth Mueller, Mark Pinsky, Doug Grecko, Deacon Robert Martinez, Sister Rose Moreno, Larry Warshaw, Jim Walker, Margaret Shaw, Kelly Weiss, Vanessa McMahan, Julian Huerta, Mark Rogers, Bo McCarver, Mitchell Gibbs, and Adrian and Harrietta Neely.

Part I: Dimensions of Community Change in East Austin

Chapter 1. Historical and Public Policy Context

The stretch of Comal Street between East 3rd and East 7th Streets reflects East Austin’s diverse land uses and the changing public policies that have encouraged them. On one corner, a distribution center operates as a remnant of the industrial zoning that directed manufacturing and warehousing activities to East Austin during much of the past century. Chalmers Courts, one of the nation’s first public housing projects, occupies several blocks nearby. Across the street, a well intentioned, if rarely used, civic plaza pays tribute to the area’s growing Hispanic population and hints at the transit-oriented development that will characterize the neighborhood’s future. In the middle of these three sites, Saltillo Lofts, a mixed-use development featuring bold architecture and affluent young residents, serves as a visible symbol of community change. Walking along Comal Street today, the loft development seems most out of place. A decade from now, that may not be the case.

East Austin is changing—slowly, rapidly, predictably, and counter to expectations. Owing, in part, to the city’s growth, the region’s changing racial/ethnic mix, and East Austin’s proximity to a booming downtown, new residents are moving to East Austin, property values are rising, and the types of businesses choosing to locate in East Austin are changing.

This report seeks to explain how and why East Austin is changing. By focusing on three broad areas—demographics, housing, and economics—and by relying on secondary data sources such as U.S. Census figures, the researchers have attempted to describe the process of community change in East Austin and identify the factors that are contributing to that change.

Each chapter includes background information, trend analysis, and conclusions. Because the research team analyzed data from different sources, methodology sections are included for Chapters 2, 3, and 4 (see Appendix 1) that explain the sources of data and how they were used. Chapter 5 offers an integrated conclusion. Throughout the report, graphs and tables have been inserted to illustrate key findings.

For purposes of data comparison, the researchers use different terms to refer to different spatial units. In general, *East Austin* is used as a collective term for the areas of Austin east of Interstate 35, *Central East Austin* specifies ZIP Code 78702 (the area immediately east of downtown), and *Greater East Austin* refers to East Austin excluding Central East Austin. (References to *Austin* or *Texas* include both Central East Austin and Greater East Austin.) The researchers have labeled neighborhoods according to census tracts, not necessarily as neighborhood residents would identify them. (For a map and more detailed information about these terms, see p. 17.)

What Defines Community Change?

Communities evolve constantly, yet they can change dramatically if the people who live in the community change or the way land is used alters significantly. They can also change in response to economic, social, or political forces.

The people who make up a community are determined largely by demographic characteristics—age, race/ethnicity, income, occupation, and education level. Family structure is significant as well: Are residents married or single? Do they have children? If so, do they have few children or many children? Are there multiple generations living under one roof?

Land use is influenced by such factors as value, density, and diversity. How much does it cost to buy or sell property? Are rents affordable? Are residents or businesses clustered together or spread out? Can a piece of property be used for residential, retail, or industrial activity? Are investors interested in the community?

Forces of change can be local, regional, national, or global. Is something happening in the economy that makes it less feasible to operate a manufacturing facility in the community? Are residents demanding change? Are city officials implementing new programs?

All of these dimensions are changing in East Austin. Demographically, East Austin's population is becoming younger and more highly educated, and household incomes are rising. These changes are benefiting some residents while negatively affecting others.

For businesses and residents, property values are rising. On the residential side, a homeowner may be able to realize gains on increased property values and buy a larger home. A homeowner not wanting to move may face higher property taxes. A renter whose income is not rising as quickly as his or her rent may have to look elsewhere for housing. On the business side, business owners may be able to cater to higher income clients or offer a wider range of services. On the other hand, their traditional customer base may be leaving the neighborhood. The influx of new residents and the departure of longtime residents present opportunities, but also increase the risk of altering East Austin's unique heritage, and the availability of lofts or boutiques may be of little benefit to the sizable population that struggles to make ends meet.

From an economic development standpoint, businesses that require highly skilled workers are increasing. Residents with high-demand skills may be able to choose among a number of employers. Those whose skills are less in demand may struggle to find work in the neighborhood.

As East Austin's history makes clear, change is nothing new to the community. Yet the scale of recent changes and the portent of continued changes point toward a new chapter in East Austin's history, one that will have long-lasting consequences.

East Austin: Historical Roots

In 1873, Augustus Koch, a German draftsman who made a career of rendering bird's-eye views of American cities, completed the first of two maps of Austin.¹ At the time of Koch's visit,

Austin was in the middle of a construction boom following the arrival of its first railroad.ⁱⁱ In the middle of the map, the precursor to the Texas Capitol holds pride of place. A pontoon bridge traverses the Colorado River. On the right side of the map, East Avenue—today’s Interstate 35—serves as the eastern border of the city. A few scattered buildings are visible in present-day East Austin, but, for the most part, East Austin consists of open agricultural land.

Koch drew his second map of Austin in 1887.ⁱⁱⁱ In the intervening 14 years, Austin’s population had doubled to more than 11,000 residents. In the center of the map, the Texas Capitol is being constructed a few blocks from the newly founded University of Texas. An iron bridge spans the Colorado River. East of East Avenue, the city grid continues, with dozens of buildings and large stacks of lumber indicating Austin’s prospects for continued growth.

Koch’s maps provide snapshots of Austin’s early development, but they also reflect the economic blueprint Austin would follow for its subsequent growth. Government and higher education, concentrated in Central Austin, would be the anchor employers, while East Austin would serve as the community’s breadbasket and loading dock.

In 1839, Austin was founded to serve as the capital of the newly formed Republic of Texas. After the United States annexed Texas in 1845, the functions of state government were consolidated in Austin, which led to the community’s first period of sustained growth. Residents constructed houses, offices, and hotels, founded newspapers, and established businesses that catered to local residents. In the town’s early years, East Austin consisted primarily of farmsteads and plantations. Between 1850 and 1860, Austin farmland increased from 70,000 to 1.3 million acres under cultivation.

From its inception, Austin was a racially mixed community. In 1850, the city’s 854 residents included 225 slaves. A decade later, both numbers had quadrupled. After the Civil War, emancipated slaves established residential colonies at Masontown (located in present-day East Austin), Wheatville, Pleasant Hill, and Clarksville.

In 1871, Austin was transformed into a regional trading center when the Houston and Texas Central Railway (H&TC) became the state’s westernmost terminus.^{iv} The railroad and the construction boom that followed attracted immigrants, especially Germans and Swedes, who settled in East Austin close to the railroad. A second railroad, the International and Great Northern Railroad (I&GN), arrived in 1876.

In 1881, the University of Texas was established, as was a black college, the Tillotson Collegiate and Normal Institute.^v With the establishment of these two institutions of higher education and continued growth in government employment, Travis County experienced rapid population growth. Toward the end of the century, East 11th and 12th Streets developed into vibrant commercial corridors, with most of the businesses owned by African Americans. On a regional level, agriculture continued to dominate the economy, with the majority of county residents living on farms or in small towns.

Before the early 1900s, the area east of Central Austin’s business district was mainly farmland owned and managed by families of Swedish descent. The rich, black loam was ideal for the cultivation of cotton, unlike the rocky soils of the Hill Country to the west.^{vi} The soil gave the

area a competitive advantage in cotton farming, and its black color led to its colloquial name, “the Blacklands,” which referred to the broad swath of farmland east of Austin. During the first half of the 20th century, Austin manufacturers sold “hardware, dry goods, groceries, and the produce of Austin’s agricultural hinterland.”^{vii} Small manufacturers produced mainly goods intended to be consumed locally, but a few industries, such as food processing and printing and publishing, exported their goods.

In 1928, following the practice of most cities and towns in the South, Austin’s first comprehensive master plan segregated the city by designating a “Negro District” in East Austin and clustering public facilities for its black residents. The plan functioned to segregate East Austin economically through industrial zoning and the location of transportation facilities. One of the provisions of the plan was to redevelop West Austin for high-end residential use and expand the central business district south to the Colorado River for commercial and retail use. To accomplish this, the city would re-route the I&GN railroad from West Austin to East Austin to share a line with the H&TC, a proposal that solidified East Austin’s future as an industrial area:

The route of the present H&TC railway is well adapted and suitable for an industrial area. The I&GN railway passes on the west side of the City through property which is not suited for industrial development. ... We recommend that a connection be built north of the city to permit I&GN trains to pass over to the H&TC tracks. ... It will permit the operation of through freight trains ... to the new proposed industrial district between East Avenue and Pedernales Street.^{viii}

During the Great Depression, New Deal programs employed Travis County residents to pave streets; build bridges, sewers, and parks; and construct the University of Texas Tower. In 1930, a quarter of Austin men worked in construction and retailing, but half the workforce and 80 percent of women were employed in domestic service.^{ix} Austin was the first municipality in the country to begin construction of federally subsidized public housing, in large part due to the legislative efforts of then-Congressman Lyndon Baines Johnson. Between 1938 and 1940, the Housing Authority of the City of Austin completed three developments, all located in Central East Austin. As Austin’s economy recovered from the Great Depression, the twin pillars of Austin’s economy—government and education—spurred economic growth. From the 1940s to the 1970s, the number of employees in these sectors quadrupled and the population grew by almost 40 percent per decade.^x

The effect of the city’s 1928 Master Plan was to relocate the city’s African-American community east of downtown. An unintended effect was the cultivation of music. The jazz and blues clubs that originated in East Austin beginning in the late 1920s helped develop the music scene for which Austin remains famous.^{xi} From the 1930s through the 1950s, the Rosewood neighborhood became an entertainment center for African-American and white citizens.^{xii} By the middle of the century, there were almost 150 black-owned small businesses, including establishments in the racially mixed commercial district around East 6th and San Jacinto Streets.^{xiii}

Beginning in the early 20th century, large numbers of Mexican immigrants settled in East Austin. Some were fleeing the civil unrest of the Mexican Revolution (1910-1920); others were attracted by jobs in agriculture. In the 1940s, labor shortages in the United States drew increasing numbers of Mexican laborers.

In the 1950s, the conversion of East Avenue into Interstate 35 created a physical barrier between East Austin and the rest of the city. By 1960, East Austin was an overwhelmingly minority community. Over the course of the next several decades, the explosive growth of the University of Texas razed residential neighborhoods on the western edge of East Austin and increasing numbers of students sought housing accommodations in East Austin.

In 1964, President Johnson signed the Civil Rights Act, which banned racial discrimination in public accommodations. In 1971, Austin elected its first African-American city council member since the 1880s. In 1975, the city elected its first Latino council member. Yet despite these advances, a legacy of past discrimination in housing, education, and employment persisted. Many “investments” in East Austin—from industrial tank farms to Mueller Airport to the Holly Power Plant—bred poverty, crime, and pollution.

In the 1980s and 1990s, the city started to redress earlier policies by investing in quality-of-life improvements for East Austin residents. Under community pressure, the city removed the tank farms, revitalized 11th Street, expanded the George Washington Carver Museum and Library, announced the phased decommissioning of the Holly Power Plant, and rezoned industrial districts to allow residential and mixed-use development. East Austin remains a diverse community, but one that is undergoing significant community change.

The Role of Public Policy in East Austin

As public affairs students, the researchers have tried to look dispassionately at the data and draw conclusions. Doubtless many came to the task with their own ideas about urban and economic policy; others may have had preconceived notions of how and why East Austin is changing, and whether or not those changes are beneficial.

This report seeks to avoid value judgments. Yet perhaps because the researchers are public affairs students, they have been struck by the extent to which policy decisions have influenced East Austin’s history. It was a policy decision, after all, to adopt the city’s 1928 Master Plan, which engendered decades of social and economic segregation. It was a further policy decision to give priority to public investments in affluent areas of town, leaving the city’s poorest residents with substandard services.

In response to community protests, the City of Austin made a series of policy decisions to invest in East Austin and eliminate its environmental hazards. The city encouraged East Austin residents to develop neighborhood plans based on what residents wanted to see and implemented those recommendations by rolling back industrial zoning and promoting high-density, mixed-use development. Those decisions are making the neighborhood safer and cleaner, but they are also making it more attractive to outsiders—characteristics that are encouraging the construction of developments like Saltillo Lofts.

This report’s purpose is descriptive rather than prescriptive. It is clear, however, that if public policies have contributed to East Austin’s history, then public policies will help determine its future. In many places, East Austin is becoming the community that city officials and East Austin residents articulated that they wanted to see a decade ago: residents from diverse

backgrounds, with varying income and education levels, living side by side. Whether East Austin looks like this a decade from now will be influenced by policy decisions made today.

Map and Guide to Terms

For purposes of data comparison, the researchers use different terms to refer to different spatial units. These are not necessarily the terms neighborhood residents would use. Rather, they reflect the various sources of data the researchers analyzed, some of which were based on U.S. Census tracts, others of which were based on ZIP codes.

East Austin is used as a collective term for the portions of Austin east of Interstate 35, south of U.S. Highway 290, west of U.S. Highway 183/Ed Bluestein Road, and north of Ben White Boulevard.

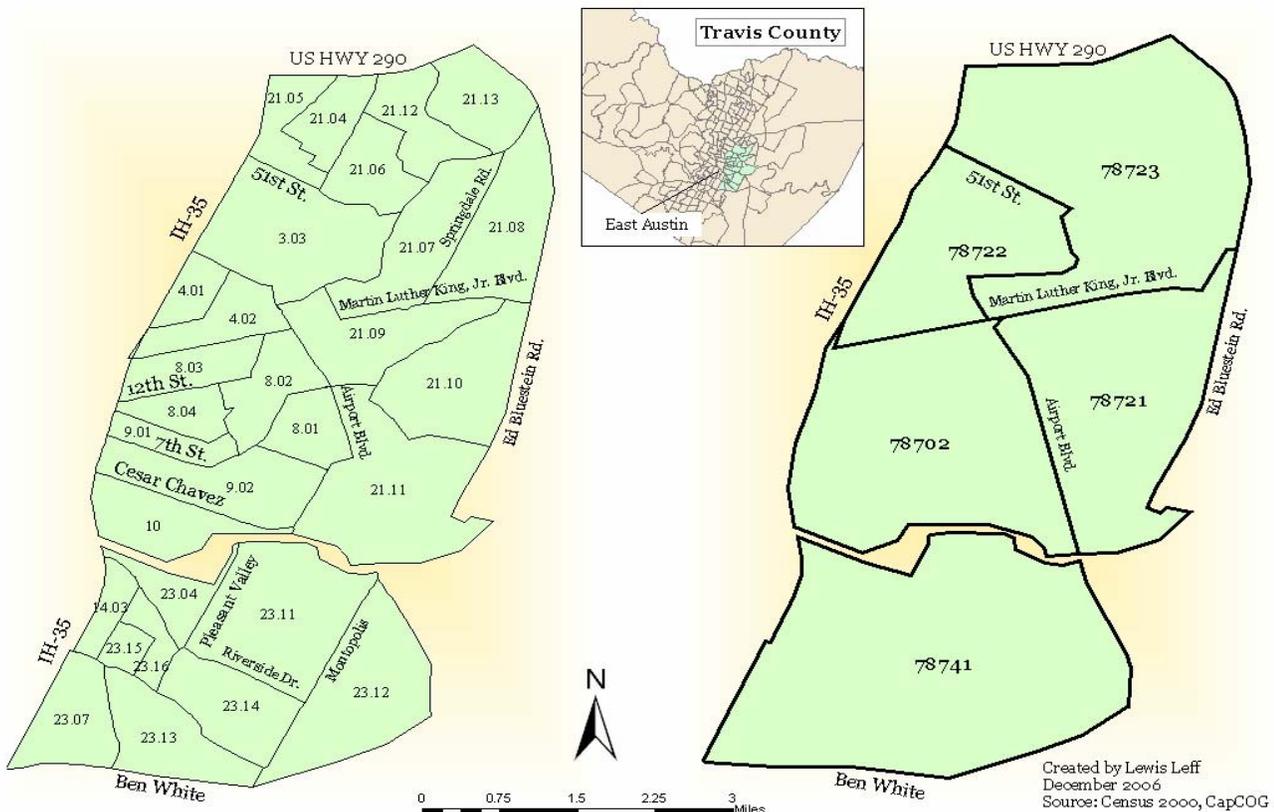
Central East Austin (CEA) refers specifically to ZIP Code 78702—the area immediately east of downtown. It is bordered by I-35 to the east, Airport Boulevard to the west, Town Lake to the south, and Manor Road to the north.

Greater East Austin (GEA) is East Austin excluding Central East Austin—ZIP Codes 78721, 78722, 78723, and 78741. This designation is used to compare rates of change in Central East Austin (78702) with rates of change in East Austin.

Austin is a collective term for the area and population within the Austin city limits. References to *Austin* and *Texas* include both CEA and GEA.

City of Austin refers to the political unit that governs Austin.

East Austin: Census Tracts and Zip Codes



Chapter 2. Demography

East Austin's geographic and political history has produced a demographic makeup that has traditionally differed from that of the rest of Austin. East Austin's distinct demography, however, is beginning to change in ways that suggest it is becoming more like the city of Austin as a whole. After experiencing an 18 percent decrease in its population in the late 1980s, East Austin has nearly recovered to previous population levels.^{xiv} During this repopulation period, significant demographic shifts have occurred in East Austin's racial/ethnic composition, income/poverty rates, and median/distribution of age.

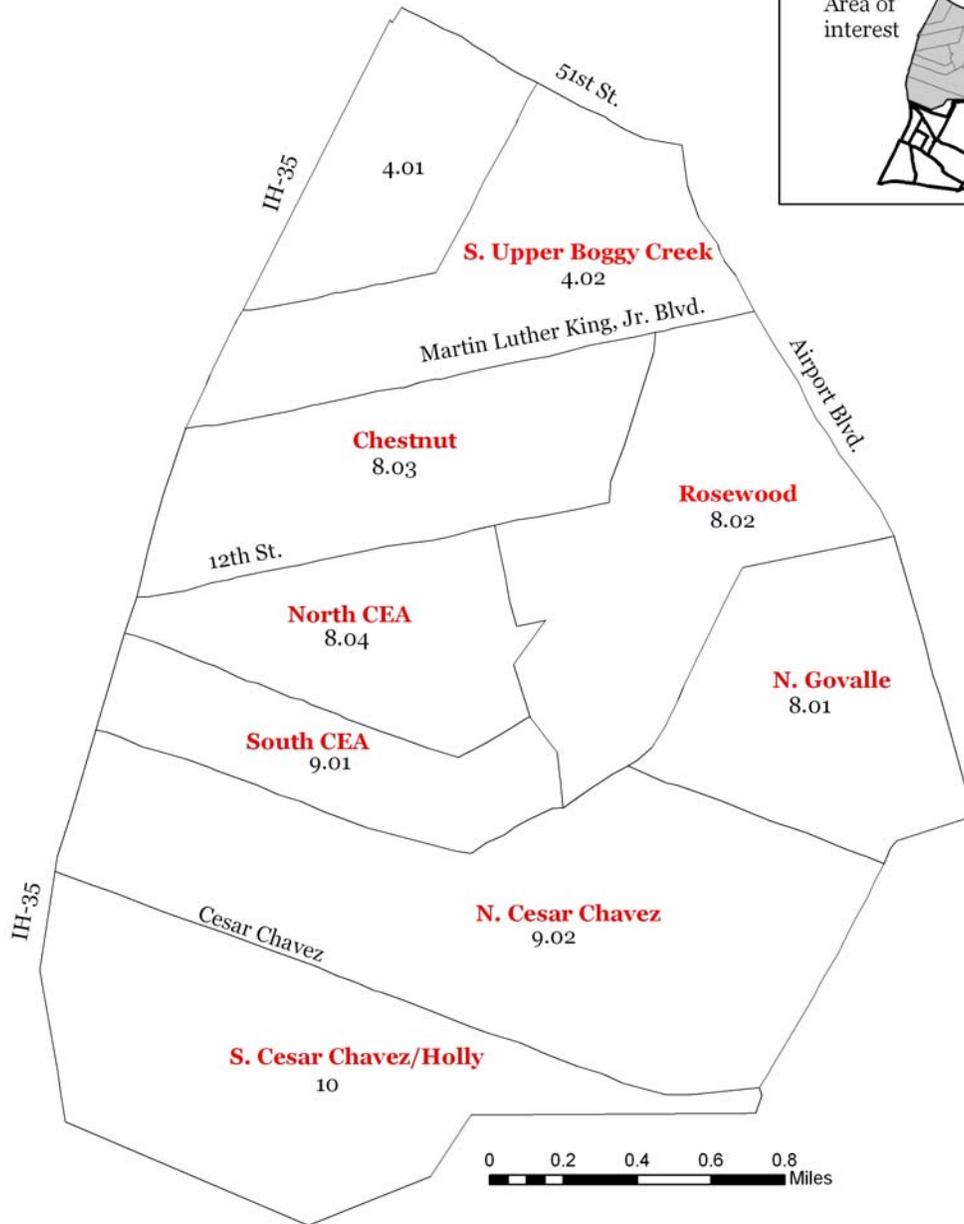
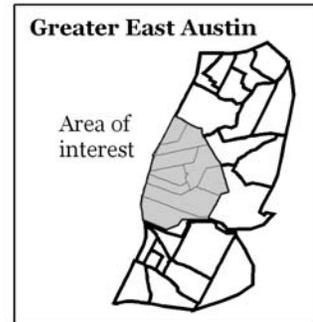
1. The African-American population has decreased while the white and especially the Hispanic populations have increased. For the most part, this phenomenon is taking place throughout the city, yet the transformation in East Austin neighborhoods is creating a racial/ethnic composition that looks increasingly like the racial/ethnic composition of the city as a whole.
2. Median income levels are increasing and poverty is decreasing in East Austin. Because property values are rising, some East Austin residents must choose between staying and moving. Residents who stay face higher costs of living.
3. The proportion of individuals who are 29 years of age or younger has increased while the proportion of those who are 55 years of age or older has decreased. East Austin's population is starting to resemble the comparatively young population of the city, which includes a large population of students and high-tech workers.

In the context of East Austin's historic separation from the city, these demographic changes are significant. The westernmost areas of East Austin—those closest to I-35—are experiencing the most dramatic changes, but these changes seem to be occurring in waves that move from west to east.^{xv}

Regardless of trends in East Austin as a whole, there is significant variation between neighborhoods within East Austin. The Chestnut and Rosewood neighborhoods, for example, have similar racial/ethnic compositions, but their income/poverty and median/distribution of age rates differ considerably. In general, Central East Austin seems to contain three types of neighborhoods: those that are integrating higher income residents, those in which poverty is increasing, and those that are relatively stable.

This chapter identifies major demographic changes in East Austin by examining specific population variables. By comparing overall demographic trends with those occurring in individual census tracts/neighborhoods, this section draws conclusions regarding the nature of demographic change in East Austin.

Neighborhoods and Census Tracts: Central East Austin



Map Created on Lewis Leff
January 29, 2007
Source: Census TIGER, CAPCOG

Population

Central East Austin (CEA) represents a relatively small proportion of Austin’s population (3.7 percent in 2000). Nonetheless, the demographic shifts in this area may point toward a developmental turning point. Keating and Smith describe the process by which higher income residents replace lower income residents as “reverse filtration.”^{xvi} This change has occurred in cities across the United States as a result of higher income individuals’ growing displeasure with suburban living and their desire to work and live in or near downtown. One of Central East Austin’s distinguishing characteristics is its proximity to downtown Austin.

While a visual inspection of East Austin neighborhoods such as South Upper Boggy Creek and North Central East Austin suggests that these neighborhoods are transitioning to accommodate higher income residents, it is challenging to confirm these observations with demographic data. Because the census is taken only every ten years, many of the changes that register between census years could already be obvious to residents and observers of the neighborhood. In addition, East Austin neighborhoods vary demographically, so it may be inaccurate to say that the entire neighborhood is transitioning. Despite these difficulties, demographic trends suggest that East Austin has reached a developmental turning point and is integrating into wider Austin after years of stigmatization and disinvestment.

Table 2.1 Population Growth in Central East Austin (1980-2000)

Total Population Growth					
Region	Population			Percent change	
	1980	1990	2000	1980-1990	1990-2000
Central East Austin	28,020	23,076	24,522	-17.6	6.3
Greater East Austin	—	63,508	88,090	—	38.7
Austin	345,890	472,020	656,562	36.5	39.1
Texas	14,229,191	16,986,510	20,851,820	46.5	22.8

Source: CAPCOG, Central East Austin—1990-2000 Comparison Profile

The population of Central East Austin declined significantly from 1980 to 1990 (see Table 2.1), while the population of the city of Austin grew. The economic slump in the late 1980s disproportionately affected working-class residents in East Austin, contributing to a significant exodus of the population. In late 1987, total employment in Austin had declined by 2.1 percent over the year and the unemployment level in the city had reached its highest level of the decade (6.5 percent).^{xvii} The population loss in East Austin is attributable, in part, to a decline in the African-American population that had started before 1987.^{xviii} Many houses in Central East Austin were vacated.^{xix}

In the 1990s, Central East Austin’s population grew. Yet the population remains at a lower level than it was during the 1980s, perhaps due to a general fear of the area that led Austin residents to devalue and stigmatize it. The total population growth in CEA from 1990 to 2000 suggests that population dynamics have changed and that the area is becoming more attractive to those looking for housing.

Table 2.2 Population Growth by CEA Neighborhood (1980-2000)

Total Population Growth					
<i>Neighborhood (Census tract)</i>	<i>Population</i>			<i>Percent change</i>	
	<i>1980</i>	<i>1990</i>	<i>2000</i>	<i>1980-1990</i>	<i>1990-2000</i>
S. Upper Boggy Creek (4.02)	3,099	2,443	2,941	-5.1	20.4
N. Govalle (8.01)	1,903	1,738	1,755	-7.8	1.0
Rosewood (8.02)	3,570	2,721	3,356	-6.0	23.3
Chestnut (8.03)	2,771	1,989	2,247	-18.9	13.0
N. Central E. Austin (8.04)	2,871	2,511	2,534	-11.7	0.9
S. Central E. Austin (9.01)	2,150	1,815	1,807	-16.0	-0.4
N. Cesar Chavez (9.02)	6,231	5,230	5,306	-14.8	1.5
S. Cesar Chavez/Holly (10.0)	5,425	4,629	4,576	-15.6	-1.1
<i>Central East Austin</i>	<i>28,020</i>	<i>23,076</i>	<i>24,522</i>	<i>-17.6</i>	<i>6.3</i>
<i>Greater East Austin</i>	—	<i>63,508</i>	<i>88,090</i>	—	<i>38.7</i>
<i>Austin</i>	<i>345,890</i>	<i>472,020</i>	<i>656,562</i>	<i>36.5</i>	<i>39.1</i>
<i>Texas</i>	<i>14,229,191</i>	<i>16,986,510</i>	<i>20,851,820</i>	<i>46.5</i>	<i>22.8</i>

Source: CAPCOG, 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

The largest relative population gains in Central East Austin during the 1990s occurred in Rosewood (see Table 2.2), perhaps due to a combination of natural population increase and the neighborhood’s relative affordability compared with other neighborhoods in East Austin. The 2000 data do not capture an emerging demographic shift: the construction of high-end units in neighborhoods such as North Cesar Chavez and Central East.

Household Type

In 2000, family households constituted a larger percentage of total households in Central East Austin than in the city of Austin. Despite the relatively high number of family households in CEA, family households decreased and non-family households increased from 1990 to 2000 (see Table 2.3). From 1990 to 2000, many neighborhoods in Central East Austin witnessed significant increases in the number of non-family households, including North Cesar Chavez and South Cesar Chavez, which saw little or no increase in the number of family households during the same time period. CEA as a whole saw an increase in non-family households from 1990 to 2000. Indeed, the demography in many parts of CEA may be shifting from family households to non-family households. Yet this seeming shift may be representative of a wider trend in Austin: the city experienced a higher proportionate increase in non-family households than family households between 1980 and 2000.

Table 2.3 Family Households by CEA Neighborhood (1980-1990)

Growth in Number of Family Households					
Neighborhood (Census tract)	Number of households			Percent change	
	1980	1990	2000	1980-1990	1990-2000
S. Upper Boggy Creek (4.02)	664	501	520	-21.7	3.8
N. Govalle (8.01)	381	390	380	-0.3	-2.6
Rosewood (8.02)	877	632	769	-12.3	21.7
Chestnut (8.03)	666	440	453	-32.0	3.0
N. Central E. Austin (8.04)	651	576	547	-16.0	-5.0
S. Central E. Austin (9.01)	458	332	346	-24.5	4.2
N. Cesar Chavez (9.02)	545	1,144	1,132	107.7	-1.0
S. Cesar Chavez/Holly (10.0)	334	990	943	182.3	4.7
<i>Central East Austin</i>	<i>4,576</i>	<i>5,005</i>	<i>5,090</i>	<i>11.2</i>	<i>1.7</i>
<i>Greater East Austin</i>	—	<i>13,377</i>	<i>16,648</i>	—	<i>24.5</i>
<i>Austin</i>	<i>80,061</i>	<i>105,416</i>	<i>141,589</i>	<i>76.9</i>	<i>34.3</i>
<i>Texas</i>	<i>3,696,656</i>	<i>4,384,921</i>	<i>5,247,794</i>	<i>42.0</i>	<i>19.7</i>

Source: CAPCOG, 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

Table 2.4 Non-Family Households by CEA Neighborhood (1980-1990)

Growth in Number of Non-Family Households					
<i>Neighborhood (Census tract)</i>	<i>Number of households</i>			<i>Percent change</i>	
	<i>1980</i>	<i>1990</i>	<i>2000</i>	<i>1980-1990</i>	<i>1990-2000</i>
S. Upper Boggy Creek (4.02)	551	427	530	-3.8	24.1
N. Govalle (8.01)	77	70	98	27.3	40.0
Rosewood (8.02)	345	437	358	3.8	-8.1
Chestnut (8.03)	453	336	352	-22.3	4.8
N. Central E. Austin (8.04)	410	362	313	-23.7	-13.5
S. Central E. Austin (9.01)	168	147	156	-7.1	6.1
N. Cesar Chavez (9.02)	404	376	460	13.9	22.3
S. Cesar Chavez/Holly (10.0)	447	530	603	34.9	13.8
<i>Central East Austin</i>	<i>2,855</i>	<i>2,685</i>	<i>2,870</i>	<i>0.5</i>	<i>6.9</i>
<i>Greater East Austin</i>	<i>—</i>	<i>12,881</i>	<i>17,245</i>	<i>—</i>	<i>33.9</i>
<i>Austin</i>	<i>54,193</i>	<i>86,720</i>	<i>124,060</i>	<i>128.9</i>	<i>43.1</i>
<i>Texas</i>	<i>1,277,294</i>	<i>1,694,420</i>	<i>2,145,560</i>	<i>89.9</i>	<i>26.6</i>

Source: CAPCOG, 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

Average household size increased in several CEA neighborhoods, most dramatically in those neighborhoods with higher percentages of low-income residents. This may be because the share of married couples with children increased more from 1990 to 2000 in poorer CEA neighborhoods such as Rosewood than other areas of CEA, which may represent another sign of shifting demographics. In addition, some of the neighborhoods to the west that contain comparatively more business and housing developments (South Upper Boggy Creek and North Central East Austin) have seen either a decline in household size or a more gradual increase in household size than other neighborhoods in Central East Austin (see Table 2.5). This is consistent with the hypothesis that displacement is occurring in Central East Austin from west to east.

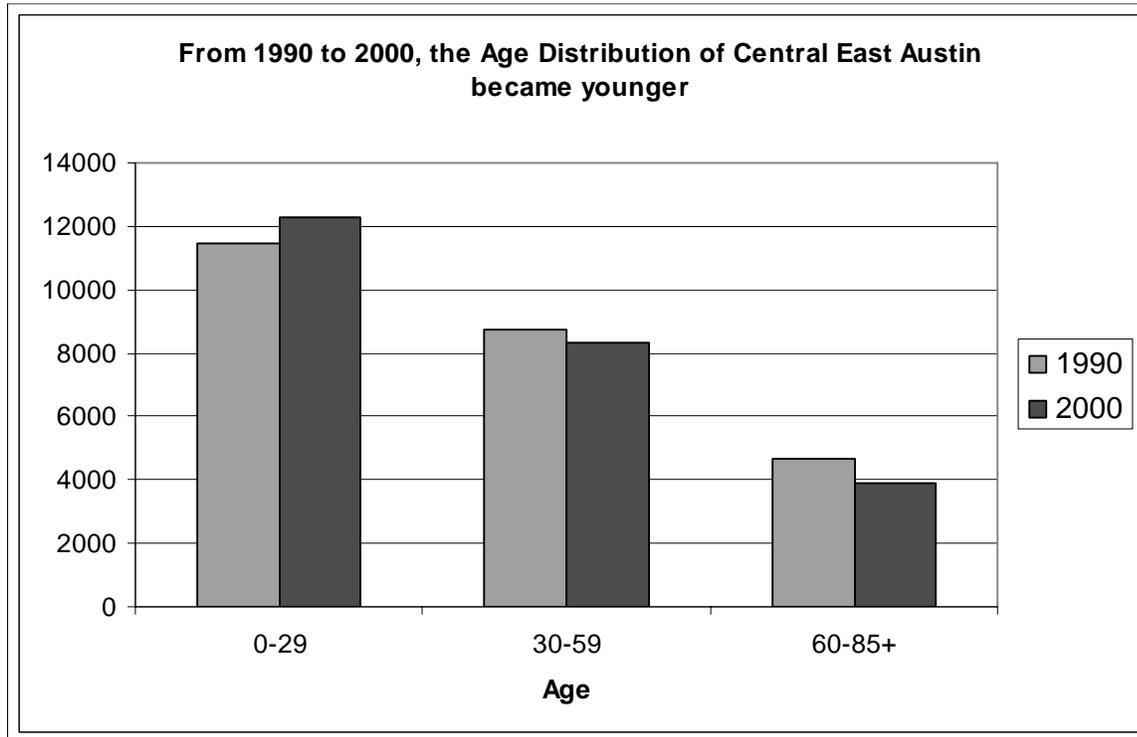
Table 2.5 Household Size by CEA Neighborhood (1990-2000)

Average Size of Household			
<i>Neighborhood (Census tract)</i>	<i>1990</i>	<i>2000</i>	<i>Percent change</i>
S. Upper Boggy Creek (4.02)	2.23	2.15	-3.6
N. Govalle (8.01)	3.48	3.52	1.1
Rosewood (8.02)	2.53	2.94	16.2
Chestnut (8.03)	2.46	2.74	11.4
N. Central E. Austin (8.04)	2.65	2.92	10.2
S. Central E. Austin (9.01)	3.10	3.22	3.9
N. Cesar Chavez (9.02)	3.39	3.26	-3.8
S. Cesar Chavez/Holly (10.0)	3.02	2.93	-3.0
<i>Central East Austin</i>	<i>2.84</i>	<i>2.94</i>	<i>3.5</i>
<i>Greater East Austin</i>	<i>2.46</i>	<i>2.61</i>	<i>6.1</i>
<i>Austin</i>	<i>2.33</i>	<i>2.40</i>	<i>3.0</i>
<i>Texas</i>	<i>2.73</i>	<i>2.79</i>	<i>2.2</i>

Source: CAPCOG, Central East Austin—1990-2000 Comparison Profile and Greater East Austin—1990-2000 Comparison Profile

In addition to household size and income, the changing age distribution in Central East Austin supports the hypothesis that East Austin is transitioning demographically. CEA’s population is younger than the populations of both Austin and Texas. The age distribution within CEA varies from census tract to census tract, but, overall, the 29 and younger age group has grown while the number of individuals aged 30 to 59 and 60 and older has decreased. This age shift can perhaps be attributed not only to a decrease in the number of older individuals, but also to the significant loss of African Americans and the increase in the number of younger Hispanics. This subtle population shift, coupled with an increase in non-family households, may signal an important demographic trend: single individuals without children moving into Central East Austin (see Table 2.6).

Figure 2.1 Age Distribution in Central East Austin (1990-2000)



Source: CAPCOG, Central East Austin—1990-2000 Comparison Profile

Median age should increase in transitioning neighborhoods at a higher rate than it does in high-poverty areas due to the larger concentration of children in poverty. This demographic pattern seems to be occurring in CEA (see Figure 2.1). North Central East Austin's median age is decreasing at a lower rate than Rosewood's. In addition, the median age in Chestnut (another traditionally poorer neighborhood) decreased significantly while the median age in South Upper Boggy Creek (a neighborhood facing substantial change) shifted much less. Another explanation for the decreasing median age in many neighborhoods is the overall reduction in the African-American population, which represented an aging segment of CEA. This reduction in the African-American population might partially explain why, in general, CEA contains fewer individuals over 55 than other age categories.

Table 2.6 Median Age by CEA Neighborhood (1990-2000)

Median Age			
<i>Neighborhood (Census tract)</i>	<i>1990</i>	<i>2000</i>	<i>Percent change</i>
S. Upper Boggy Creek (4.02)	32.9	31.4	-4.6
N. Govalle (8.01)	32.4	32.6	0.6
Rosewood (8.02)	31.2	25.2	-19.2
Chestnut (8.03)	34.6	31.2	-9.8
N. Central E. Austin (8.04)	29.3	28.0	-4.4
S. Central E. Austin (9.01)	24.8	26.7	7.7
N. Cesar Chavez (9.02)	27.3	28.9	5.9
S. Cesar Chavez/Holly (10.0)	30.9	33.6	8.7
<i>Central East Austin</i>	<i>31.1</i>	<i>30.1</i>	<i>-3.2</i>
<i>Greater East Austin</i>	<i>26.7</i>	<i>26.8</i>	<i>0.4</i>
<i>Austin</i>	<i>28.9</i>	<i>29.6</i>	<i>2.4</i>
<i>Texas</i>	<i>30.8</i>	<i>33.2</i>	<i>7.8</i>

Source: CAPCOG, Central East Austin—1990-2000 Comparison Profile and Greater East Austin—1990-2000 Comparison Profile

The median age in North Govalle was relatively unchanged between 1990 and 2000, which might reflect the stability of the area, manifested in several demographic categories, such as total population, number of family households, and household size. The City of Austin describes Govalle as a demographically stable, Hispanic neighborhood with mostly families and long-term residents.^{xx}

From 1990 to 2000, CEA’s population increased modestly and became younger relative to trends in Austin. CEA had a different median age distribution in 2000 than it did the previous decade. In 2000, individuals over 55 represented a much smaller proportion of the population than they did in 1990. Moreover, individuals 29 or younger grew faster from 1990 to 2000 than the 30 to 59 and 60 to 85+ age groups. There was a notable increase in non-family households from 1990 to 2000 in several neighborhoods, but, overall, the rate of increase in the number of family households exceeded that of non-family households.

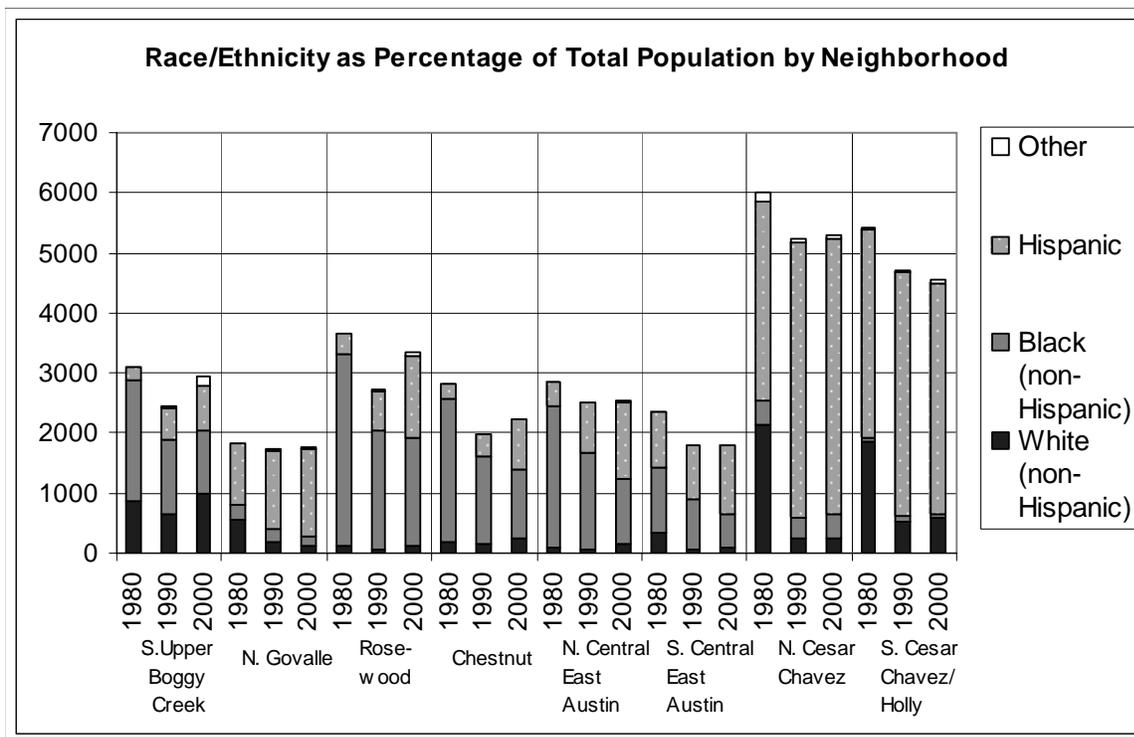
In summary, the overall population of CEA has increased since 1990 after deep decreases in the late 1980s. In addition, characteristics of age and family structure have changed fairly rapidly in

some neighborhoods, while other neighborhoods have remained stable. Population factors vary significantly across neighborhoods in the area.

Racial/Ethnic Composition

The racial and ethnic composition of Central East Austin has changed dramatically over the past two decades. Historically a region shaped by mandated segregation, its southern neighborhoods, like North Cesar Chavez and South Cesar Chavez/Holly, have traditionally been home to Hispanic populations. On the other hand, the northern neighborhoods, like Chestnut and Rosewood, have been mostly African American. The majority of neighborhoods in CEA have never had large Asian/Pacific Islander or Native American populations, and the white population remains small, although its share is increasing in CEA.

Figure 2.2 Race/Ethnicity by CEA Neighborhood (1980-2000)



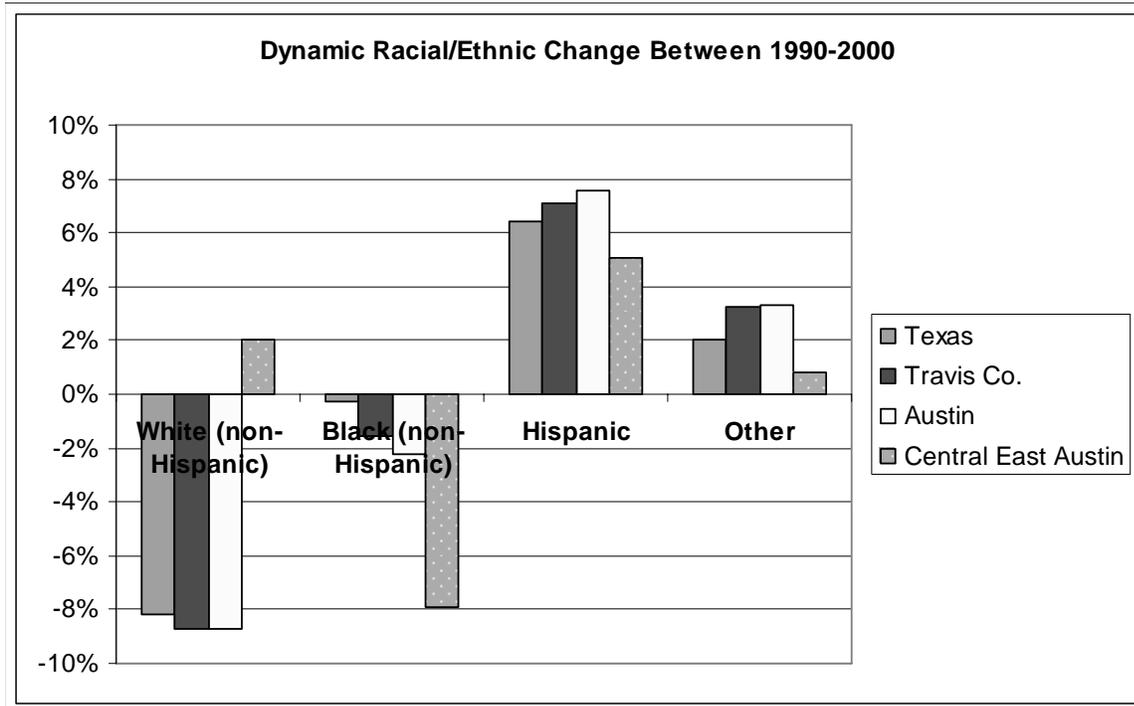
Source: CAPCOG 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

Nearly every CEA neighborhood witnessed a decrease in its African-American population from 1980 to 1990 and 1990 to 2000 (see Figure 2.2). Even in Rosewood, the neighborhood with the highest percentage of African Americans, their number declined 16 percent between 1980 and 1990, and another 18 percent between 1990 and 2000. Forecasts suggest a continuation of this trend.^{xxi} Compared with Greater East Austin, Austin, Travis County, and Texas, the African-American community in Central East Austin has declined at a higher rate (see Figure 2.3).

The Hispanic population has steadily increased in East Austin neighborhoods. In some neighborhoods, such as South Central East Austin, the two minority groups have inverted majority status over the past 25 years, a trend reflected throughout the region (city, county, and state). While this shift is significant to the makeup of Central East Austin, the increase in the percentage of Hispanics in CEA is lower than in Austin as a whole.

In 1980, several neighborhoods had modest white populations in CEA. In 2000, only two neighborhoods (South Upper Boggy Creek and South Cesar Chavez/Holly) had more than 10 percent white residents. South Upper Boggy Creek is the only neighborhood that experienced growth of more than 4 percent in its white population between 1990 and 2000. Projections indicate the white population will continue to grow.^{xxii} Notably, the modest increase in the white population in CEA is greater than the rate of white growth in the city of Austin, the county, and the state.

Figure 2.3 Racial/Ethnic Demographic Change (1990-2000)

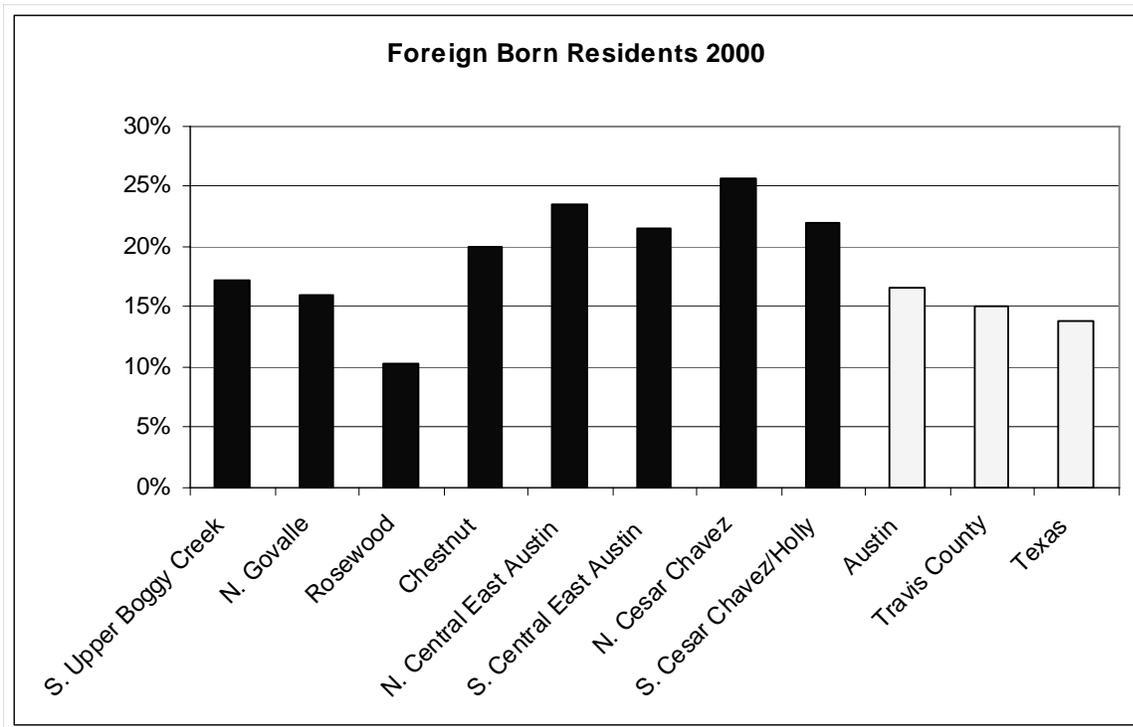


Source: CAPCOG 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile. Note that the percentages reflect the change in share.

Immigration

As a border state, Texas has a high immigration rate. In 2000, the state's percentage of foreign-born residents was 14 percent (see Figure 2.4), placing Texas seventh in the nation (Texas ranked third in total number of foreign-born residents).^{xxiii} Many of these immigrants have made their homes in Central Texas. Travis County's rate was slightly higher (15 percent), as was Austin's (17 percent).^{xxiv} Nearly every CEA neighborhood exhibited a rate at or higher than Austin's, varying between 16 to 26 percent of residents who are foreign born.

Figure 2.4 Share of Foreign-Born Residents by Neighborhood (2000)



Source: CAPCOG 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

Income and Poverty

The income and poverty characteristics of East Austin residents have changed markedly over the past few decades. As seen in other demographic categories, the income and poverty characteristics of East Austin residents are becoming more like those of other Austin residents.

Median household income in East Austin is increasing, even after adjusting for inflation (see Table 2.7). In 2000, the median household income for CEA was \$24,660, compared with Greater East Austin's \$30,777. Austin's median household income was \$42,689, which is higher than the

median income for Texas (\$39,927). Comparing real income figures, the rates in Central East Austin are rising faster than the rates for Austin as a whole.

Table 2.7 Median Household Income by CEA Neighborhood (2005)

Median Household Income Adjusted for Inflation					
Neighborhood (Census tract)	Median household income (2005 dollars)			Percent change	
	1980	1990	2000	1980-1990	1990-2000
S. Upper Boggy Creek (4.02)	\$22,708	\$21,666	\$29,133	-4.6	34.5
N. Govalle (8.01)	28,620	34,475	39,415	20.5	14.3
Rosewood (8.02)	18,435	13,276	14,867	-28.0	12.0
Chestnut (8.03)	15,977	17,530	28,686	9.7	63.6
N. Central E. Austin (8.04)	14,394	13,013	19,411	-9.6	49.2
S. Central E. Austin (9.01)	16,214	19,123	34,521	17.9	80.5
N. Cesar Chavez (9.02)	19,272	20,850	26,683	8.2	28.0
S. Cesar Chavez/Holly (10.0)	22,457	21,166	26,378	-5.8	24.6
<i>Austin</i>	<i>34,862</i>	<i>42,350</i>	<i>47,408</i>	<i>21.5</i>	<i>11.9</i>

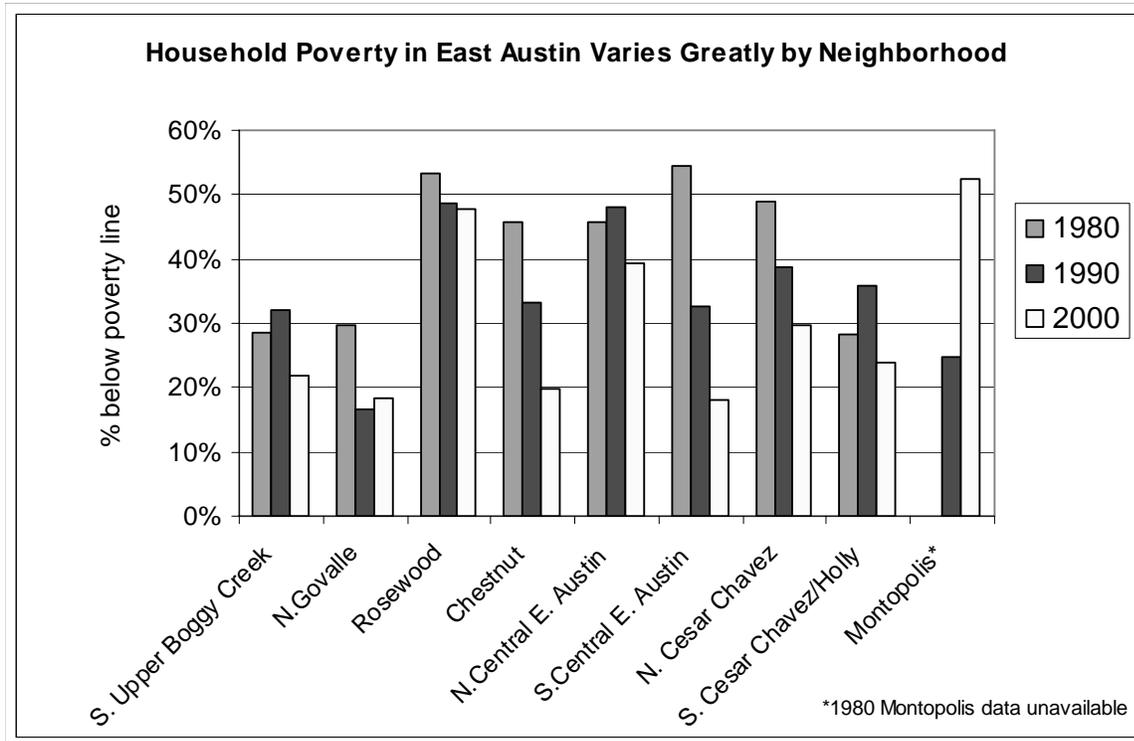
Source: Central East Austin—1990-2000 Comparison Profile and Greater East Austin—1990-2000 Comparison Profile (conversions completed using U.S. Department of Labor Bureau of Labor Statistics Inflation Calculator)

Median household incomes vary significantly by neighborhood. North Govalle had the highest median income in both 1990 and 2000. Rosewood, Chestnut, North Central East Austin, and South Central East Austin had median incomes below the poverty level in 1990. By 2000, only two neighborhoods—Rosewood and North Central East Austin—had median income levels below the poverty level, although the rate of change from 1990 to 2000 for North Central East Austin was much greater than that for Rosewood, which declined in real income from 1980 to 2000.

Poverty is generally decreasing in Central East Austin (see Figure 2.5). Three neighborhoods—South Upper Boggy Creek, North Central East Austin, and South Cesar Chavez/Holly—had slightly higher rates of poverty from 1980 to 1990, but lower rates in 2000. One tract, North Govalle, had a small increase of 81 to 94 households in poverty from 1990 to 2000. Between 1980 and 2000, the proportion of impoverished households decreased in every tract. Moreover, almost every tract saw a reduction in the actual number of poor households (South Upper Boggy Creek had a marginal increase from 268 to 276 households). Though the number of poor households in East Austin continues to decrease, many households, while not living below the

poverty line, have very low incomes and are unable to afford quality housing and services. These issues are discussed further in Chapter 3.

Figure 2.5 Household Poverty Rates by Neighborhood (1980-2000)



Source: CAPCOG 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

The eight East Austin neighborhoods experienced different poverty outcomes over the 20-year period (see Figure 2.5). Some neighborhoods had drastic reductions in rates of household poverty. Household poverty rates in Chestnut and South Central East Austin fell significantly from 1980 to 1990. Others with low initial levels, such as South Upper Boggy Creek and North Govalle, witnessed smaller reductions.

Although poverty rates in CEA are decreasing (the poverty rate has not increased in any individual tract), there are tracts in which poverty levels are high or not decreasing. The absolute numbers of households in poverty in two tracts—North Cesar Chavez and South Cesar Chavez/Holly—appear quite high, but those tracts are relatively larger and the poverty rate is declining in both neighborhoods. In other words, the number of residents in poverty is increasing, but the poverty rate is decreasing.

In North Central East Austin and Rosewood, both absolute and relative rates of poverty have remained high. It is possible that the high concentration of public housing developments in these

neighborhoods is masking reduced rates of poverty among families not living in subsidized housing units. If it were possible to set aside these pockets of concentrated poverty, rates of overall poverty (and median household income) in Rosewood and North Central East Austin might appear closer to rates in Chestnut and South Central East Austin.

Rates of poverty in Greater East Austin are slightly lower than in Central East Austin, with the exception of Montopolis. In Census Tract 23.11, the household poverty rate was 25 percent (290 households) in 1990. In 2000, that figure had increased to 53 percent (1,416 households). Not only is this the highest rate of poverty in Central East Austin or Greater East Austin, it is the only tract to show a substantive increase in the rate of poverty from 1990 and 2000. The current poverty levels in Montopolis exceed all neighborhoods in CEA and indicate that the neighborhood might be becoming a new area of concentrated poverty.

Finally, it is important to note that the percentage of East Austin households in poverty remains much higher than the poverty rate for the city of Austin as a whole. However, East Austin has experienced swift income growth and rapidly decreasing poverty over the past 20 years, even more so if one excludes the pockets of concentrated poverty. A developmental turning point may be occurring in which the income and poverty status of East Austin residents grows even closer to Austin levels.

Free and Reduced School Lunch

The Federal School Lunch Program offers a free meal to children from families with incomes at or below 130 percent of the poverty level and a reduced-price meal to those with incomes between 130 and 185 percent of the poverty level, for which students can be charged no more than \$0.40.^{xxv} Rates of free and reduced school lunch eligibility can be used to determine the number of East Austin households whose income was higher than the poverty threshold but are still considered low income.

More than 90 percent of students attending East Austin public schools qualify for free or reduced school lunch (80 percent of those students receive reduced school lunch, meaning that the vast majority of East Austin students come from families with incomes between 130 and 185 percent of the poverty line).^{xxvi} These numbers suggest that a high percentage of East Austin families with children probably have incomes no higher than 180 percent of the poverty level.^{xxvii}

The school lunch data imply that families with children are a poorer subset of the East Austin population than families without children. This observation is consistent with 2000 poverty figures that show that households with children have the highest incidence of poverty in Central East Austin.^{xxviii} The overall poverty statistics may obscure a disparity between families with children and families without children or non-family households in East Austin. Childless couples and singles likely have lower rates of poverty than initially indicated, while families with children (especially single-parent families) have higher levels of poverty.

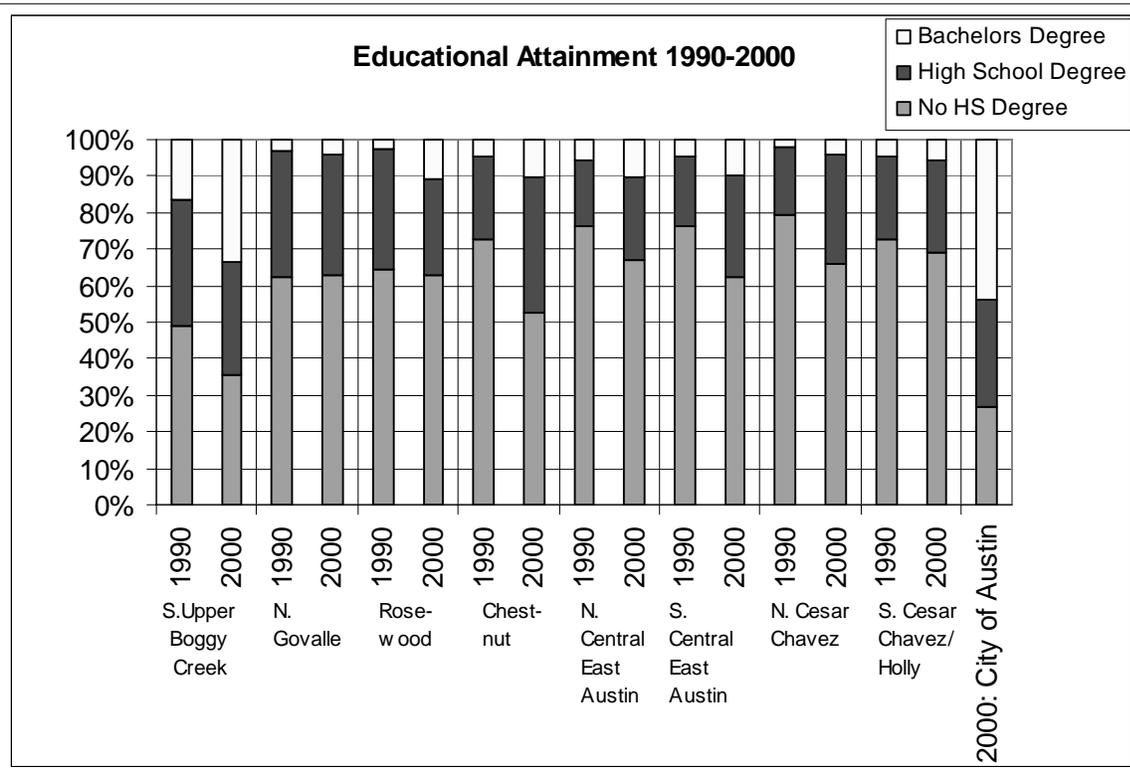
Educational Attainment and Occupational Type

Educational attainment and occupational type comprise important elements of a socioeconomic profile that are critical to understanding an area's growth. Employment status (or, more

specifically, the unemployment rate) is often one of the first variables considered when measuring economic conditions in low-income areas. Poorly educated, low-skilled workers in inner cities are a root cause for weak inner-city business growth. An area with high unemployment reflects negatively on the characteristics of the available labor force.^{xxix} Because the U.S. Census Bureau includes all persons 16 years or older in the workforce, the rates of unemployment appear too exaggerated for comparative analysis. As a result, unemployment figures were omitted from this profile.

Educational attainment and investment in human capital have been widely accepted as catalysts for improving general employment levels. In terms of attainment levels, CEA neighborhoods show little variability (see Figure 2.6). Percentages for persons completing high school and college have increased in every neighborhood. In 1990, most neighborhoods hovered between 3 and 4 percent of their residents with a bachelor's degree. By 2000, these numbers had improved to 8 and 9 percent in several areas. More significant, the percentage of persons who had not completed high school decreased 10 percent on average between 1990 and 2000.

Figure 2.6 Educational Attainment by CEA Neighborhood (1990-2000)



Source: CAPCOG Central East Austin—1990-2000 Comparison Profile

This improvement in attainment levels has occurred in conjunction with an improvement in the perception of education in Central East Austin. A 2006 study conducted by the Central Texas Sustainability Indicators Project^{xxx} revealed that 70 percent of CEA respondents believe that college is too expensive and financial aid too limited. Moreover, 80 percent believe that attending college is not necessarily appropriate for everyone. Yet 60 percent of respondents disagreed with the notion that Texas would remain strong even if college enrollment decreased. The respondents’ association of prosperity with education underscores the importance of schooling, especially in a market like Austin where the University of Texas and area colleges consistently supply the workforce with competitive graduates. The increased value that CEA residents are placing on education could spur further educational improvement.

Another economic factor involves the occupations held by CEA residents. For the city of Austin as a whole, professional, sales, and services jobs have consistently ranked highest on the employment list. Construction usually garners fourth place (although some years it exhibits popularity comparable to that of service industry jobs). Residents of CEA have contributed steadily to Austin’s service and construction labor force since 1980 (see Table 2.8).

Table 2.8 Occupation by CEA Neighborhood (1980-2006)

S. Upper Boggy Creek (4.02)			
Rank	1980	1990	2006
1	Service (29.14)	Service (17.97)	Professional (25.1)
2	Admin Support (13.95)	Admin Support (14.26)	Service (24.8)
3	Transportation (9.65)	Professional (10.4)	Management (11.7)
N. Govalle (8.01)			
Rank	1980	1990	2006
1	Service (21.44)	Admin Support (20.66)	Service (25.1)
2	Craft/Repair (19.55)	Service (15.34)	Construction (24.8)
3	Admin Support (12.11)	Craft/Repair (12.04)	Admin Support (17.4)
Rosewood (8.02)			
Rank	1980	1990	2006
1	Service (28.21)	Service (34.07)	Service (23.4)
2	Admin Support (9.02)	Admin Support (8.67)	Construction (16.8)
3	Craft/Repair (7.25)	Sales (6.32)	Professional (14.1)
Chestnut (8.03)			
Rank	1980	1990	2006
1	Service (30.51)	Service (29.51)	Service (32.0)
2	Admin Support (12.17)	Handlers (9.01)	Admin Support (18.1)
3	Craft/Repair (9.57)	Craft/Repair (5.90)	Professional (14.1)
North Central East Austin (8.04)			
Rank	1980	1990	2006
1	Service (37.67)	Service (29.51)	Service (32.6)
2	Handlers (8.46)	Handlers (9.01)	Construction (21.3)
3	Private Homes (8.10)	Craft/Repair (5.90)	Prof & Sales (10.5)
South Central East Austin (9.01)			
Rank	1980	1990	2006
1	Service (25.49)	Service (22.81)	Service (24.7)
2	Craft/Repair (8.84)	Admin Support (10.78)	Construction (14.7)
3	Handlers (7.91)	Handlers (8.77)	Sales (16.5)
North Cesar Chavez (9.02)			
Rank	1980	1990	2006
1	Service (21.13)	Service (21.27)	Service (24.7)
2	Craft/Repair (14.57)	Craft/Repair (11.06)	Construction (21.1)
3	Admin Support (12.80)	Admin Support (10.31)	Sales (11.2)
South Cesar Chavez/ Holly (10.00)			
Rank	1980	1990	2006
1	Service (20.47)	Service (21.65)	Service (22.0)
2	Craft/Repair (20.22)	Admin Support (14.20)	Construction (14.7)
3	Admin Support (12.30)	Craft/Repair (12.79)	Production (13.9)

Source: CAPCOG, 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile, Central Texas Sustainability Indicators Project—2006

The occupations held by CEA residents have not changed greatly over the past 30 years. Throughout the area, administrative support and craft/repair jobs, in addition to service and construction, have accounted for the majority of employment. Predictions for 2006 indicated a steady increase in service industry occupations, thus anticipating an increase of services available in East Austin. If the number of these service businesses continues to increase, so too will the number of job opportunities in CEA.

Construction ranks in the top two occupations for almost all neighborhoods in CEA. Angelos Angelou, a prominent economic development consultant, stated in January 2007 that the Austin real estate market is one of the hottest in the country.^{xxxii} However, relying on construction for economic growth comes with risks. If the market falters, so too will construction jobs in East Austin. The economy's downward turn in the 1980s caused East Austin residents, many of them employed in construction and manufacturing, to relocate in search of work. A similar outcome could befall a labor force that does not diversify its employment. While Angleou extols Austin's housing boom, he admits that many of the jobs created will pay less than \$20,000 per year.^{xxxiii}

The occupation forecast implies that the work force will not see a dramatic change in its skill levels and marketability. Although educational attainment is improving, the overall labor force is not predicted to change radically. Where will these better-educated CEA residents turn for employment? According to the 2006 forecast, administrative support occupations became more popular in CEA, most notably in the North Govalle and Chestnut neighborhoods. This anticipated increase in support positions was certainly reasonable. Because of East Austin's proximity to downtown government offices, better-educated residents can take advantage of the nearby administrative support opportunities. In addition, city and state offices have opened along East Austin corridors, such as 7th and 12th Streets, offering even more convenience.

Conclusions

East Austin's population is changing in ways that may affect the future of the community. In terms of race, there has been a noticeable conversion over the past century, with East Austin transforming from being predominantly African American to predominantly Hispanic. In the decades since integration, the African-American community has been dispersing into suburban areas of Austin. With respect to Hispanic growth, Central East Austin is witnessing less of an influx than the city of Austin as a whole. Immigration, on the other hand, which accounts for a portion of this Hispanic growth, has historically been higher in Central East Austin neighborhoods than throughout the city.

Although there are changes in all demographic categories, the migration of the white population into CEA is a significant indicator. Only in CEA is the white population increasing its share of the total population. This suggests that while whites may be moving into Austin, Travis County, and Texas at lower rates than other racial/ethnic groups, they are moving into CEA at a higher rate.

The overall increase in median family income and decrease in poverty levels indicate that residents of CEA are becoming more affluent. As property and land values rose in the 1990s, residents had to keep up with the income requirements or move to surrounding areas (a pattern of decreasing high-poverty neighborhoods found throughout Austin and the nation).^{xxxiii} This has

particularly affected certain neighborhoods of Central East Austin, resulting in greater income variation among the region as a whole. This pressure may lead to greater demand for higher income housing or a movement toward mixed-income neighborhoods, as is the case in other parts of Austin.

CEA's population is becoming younger and better educated. These patterns, as well as the decreasing proportion of family households, indicate that young, well-educated, single residents may be replacing families and older residents. This new populace looks much different from traditional East Austin residents and may create a culture of younger, more affluent families rather than older, deeply rooted community members.

The demographic shifts in East Austin suggest that the area is going through a period of significant change led by a drive in the external market of Austin.^{xxxiv} Until recently, East Austin, with its history of racial/ethnic and class division, remained one of the last geographic areas bordering the thriving and growing urban core of Austin that had not been redeveloped. These shifts are altering the demographics of East Austin and the neighborhoods that have shaped the cultures that personify this important area.

Chapter 3. Housing

The City of Austin has developed and invested in various identities over time: as the capital of state government, the home of the flagship University of Texas, a live music mecca, and home for progressive thinkers, technology gurus, and salamander lovers. Its identity as a city is contingent not simply on physical and geographical factors, such as the Balcones Fault and the Colorado River, but also on the psychological connotations of favorite landmarks, such as Antone's or Barton Springs. In a city in which natural and social space is prized, the emergence of unique neighborhood and community identities is not surprising.

The places and spaces in East Austin neighborhoods are undergoing a period of substantial change that may alter their community identity. The confluence of public and private investment has meant a recent and rapid increase in the value of residential properties. The implications of increased property assets can be a blessing for homeowners, whether longtime residents with well-paying jobs and stable financial situations or new residents drawn by development and investment in the area. Rising property assets can also present a challenge for residents with fixed incomes or limited financial resources. As regional growth trends spur population inflows and record levels of new housing development, the proximity of East Austin neighborhoods to downtown suggests that its land and property will continue to increase in value.

The housing situation in East Austin has deep roots in the development of the city and its housing policies. Choices concerning public and private investment have had a notable effect on the current status of housing in East Austin.

In the early 1970s, the City of Austin implemented new policies that affected housing development in East Austin. In 1974, the city's Historic Landmark Commission established the Historic Landmark Program to designate "landmarks to preserve the exterior of structure and carry property tax exemption for the owner to ensure proper maintenance and preservation."^{xxxv} Public and private investments affected housing in East Austin as well.^{xxxvi} Banks restricted funds for new home construction or renovations of older housing in the area and the lakefront area was polluted with water amusement operations.^{xxxvii} Construction of the Holly Power Plant was finalized in 1974, effectively lowering nearby property values and increasing pollution.^{xxxviii} In 1985, the Capital Metropolitan Transportation Authority (Cap Metro) was created. Its hub was built in East Austin, causing the area's housing values to decrease. Furthermore, a surge in commercial activity caused warehouses and businesses to open next to schools and residences.

The latter part of the 20th century represented a new and different period in city housing policy. In 1979, the Austin Housing Finance Corporation was created to increase the production of "reasonably priced" housing for low- and moderate-income residents, as well as to administer several federal affordable housing programs. In 2000, the city created the Safe Mixed-Income Accessible Reasonably Priced and Transit-Oriented (SMART) Housing Program. The purpose of SMART Housing is to "stimulate the construction of reasonably priced housing in mixed income neighborhoods" by offering fee-waiver incentives to private developers who agree to designate at least 10 percent of their new housing units for families living at or below 80 percent of the area's

median family income (MFI).^{xxix} SMART Housing was adopted as one effort to increase the supply of affordable housing to low- to moderate-income East Austin residents.

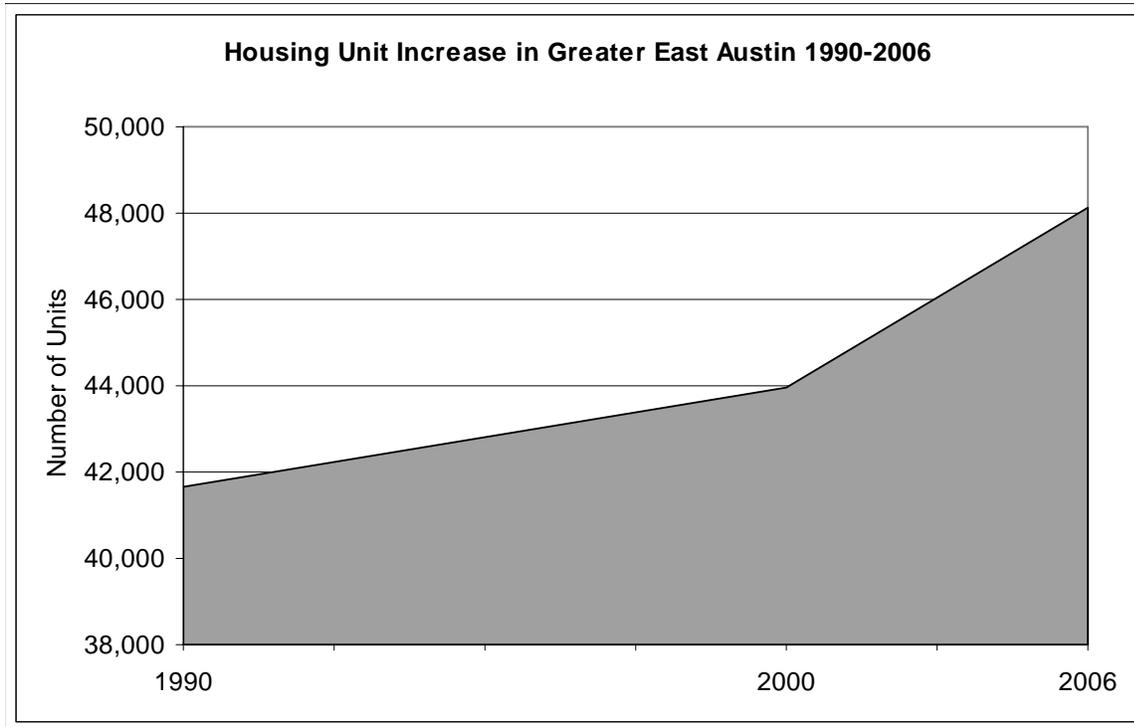
Analysis of the changing housing market in East Austin points to several issues of concern to community members and policy makers: how the speed of rising property values is affecting affordability; the implications of rising taxes and rents for residents with fixed and low incomes; and the involuntary displacement of vulnerable residents. To explore these issues more fully, this chapter begins with an examination of the overall characteristics of the housing stock and homeownership. Additional sections look more closely at the pace of rising property values and implications for property tax delinquency and tax foreclosure rates. This chapter also examines the rental and mortgage burden of East Austin residents, public and private sector programs to increase affordable housing options, and other indicators of the housing sector, such as building permit activity.

Housing Units and Occupancy Rates

Total Housing Units in East Austin

The 1990s were a period of change in East Austin housing. Many older homes were demolished and replaced by new accommodations. This trend is evident in the census tracts that lost housing units between 1990 and 2000. In 1990, the number of total housing units in Austin was 217,054, with East Austin units representing just under 20 percent of the total. The number of units in East Austin increased slightly between 1990 and 2000, from 41,645 to 43,972 (see Figure 3.1). Several census tracts experienced substantial increases, especially tracts 23.11 and 23.14, located between Oltorf Street and Town Lake, west of Pleasant Valley, where total units doubled or nearly doubled. The considerable increase in housing units reflects the construction of new apartment units, particularly for an increasing population of students and minority families. With the exception of the above-mentioned tracts, no other census tracts in Greater East Austin saw similar increases in housing units during this time, and housing stock remained rather stagnant. However, there are several tracts that experienced significant housing unit loss between 1990 and 2000. For example, housing stock in tract 23.13 declined by 20 percent and tract 8.02 experienced a 22 percent decrease. Between 1990 and 2000, Austin experienced a 27.5 percent increase in housing stock, with a total in 2000 of 276,842. East Austin units, which represented nearly 20 percent of Austin's housing stock in 1990, comprised a 16 percent share of Austin's total in 2000. In 2006, Austin was estimated to have 317,487 units, a 14.7 percent increase since 2000, with 48,109 of those units, or 15 percent, located in East Austin. It is possible that the number of housing units has remained stable over the last 17 years because, while some homes are deteriorating and being torn down, others are being constructed.

Figure 3.1 Housing Unit Change in East Austin (1990-2006)



Source: Capital Area Council of Governments, “Census 1990—2000 Comparison Tables” database. Online. Available: http://www.capco.state.tx.us/Information_Clearinghouse/Tabular_main.asp#census. Accessed: September 9, 2006.

Housing Occupancy Trends in East Austin

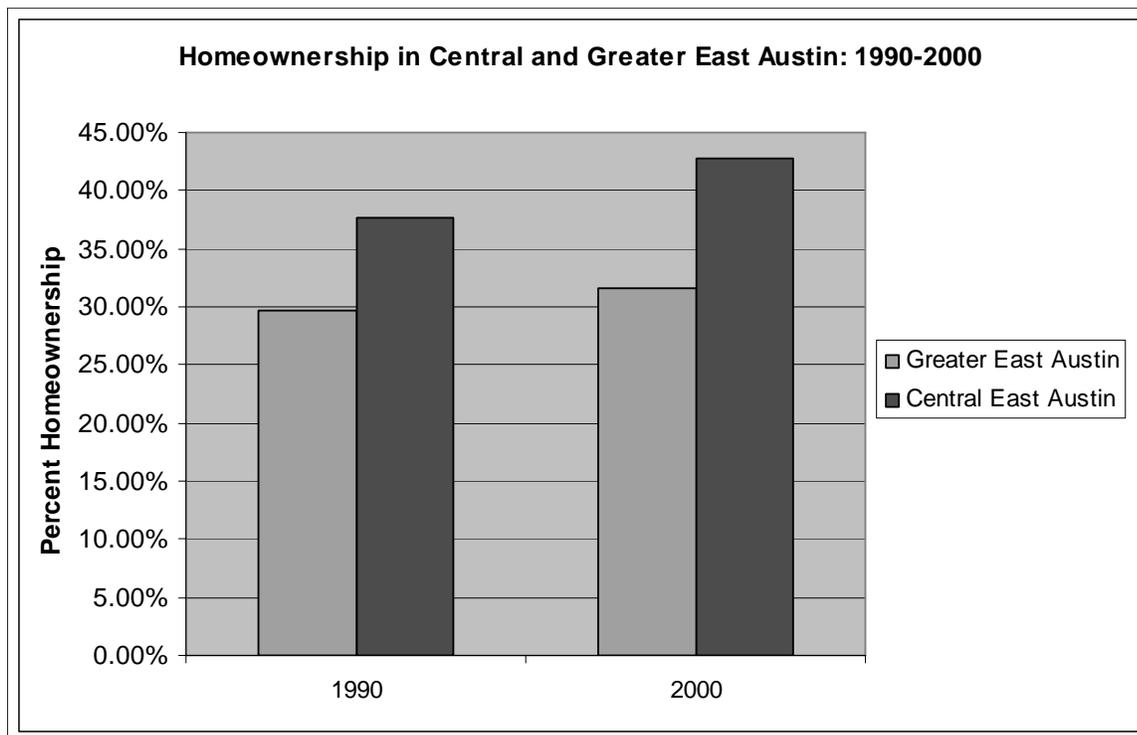
One of the most staggering nationwide housing trends has been the dramatic decrease in vacancy rates between 1990 and 2000; Austin’s hot market was no exception. In 1990, according to the U.S. Bureau of the Census, the national vacancy rate was 10 percent, compared with 12 percent in Austin and 17 percent in East Austin. As the national housing picture improved in the late 1990s and Austin experienced a technology boom, the city’s housing market outpaced the national averages. In 2000, the U.S. vacancy rate was 9 percent, compared with a 4 percent rate locally. At the same time, East Austin’s vacancy rate fell to 5 percent. By 2005, vacancy rates were steadily increasing both nationally and locally. In Austin, the vacancy rate rose to 9 percent, whereas East Austin housing units remained heavily occupied, maintaining only a 5 percent vacancy rate. One possibility for this discrepancy is that new homes may be constructed in Austin more quickly than they are filled. On the other hand, there are fewer new housing projects in East Austin, with most ongoing construction being renovations. Furthermore, the economy in East Austin is beginning to expand (see Chapter 4), which, in turn, influences demand for housing, thus maintaining a high rate of occupancy.

Homeownership

Ownership Trends in Central East Austin and Greater East Austin

At first glance, ownership rates in East Austin seem to be relatively low. Estimates for 2006 suggest that only 36 percent of occupied housing units in East Austin are owner occupied, compared with 64 percent that are renter occupied. However, this margin narrows when one looks only at Central East Austin, which has a 43 percent homeownership rate (see Figure 3.2). Between 1980 and 2000, homeownership in Greater East Austin decreased from 46 percent to 33 percent, whereas homeownership in Central East Austin remained stable, at around 45 percent. In fact, Central East Austin matches homeownership rates throughout Austin, as the 2005 homeownership rate for Austin was 48 percent.

Figure 3.2 Change in Homeownership in East Austin (1990–2000)



Source: Capital Area Council of Governments, “Census 1990—2000 Comparison Tables” database. Online.

Available: http://www.capco.state.tx.us/Information_Clearinghouse/Tabular_main.asp#census. Accessed:

September 9, 2006.

Furthermore, because ownership rates are derived by dividing the number of owner-occupied units by the number of total housing units—a formula that does not take into account that many of the total housing units are apartments, duplexes, or other multifamily units—this measure can be misleading. A more accurate picture of ownership trends is provided by isolating single-family units from total housing units. In Greater East Austin, 69 percent of single-family homes are owner-occupied. In Central East Austin, the single-family homeownership rate is slightly

lower, at 60 percent. Thus, homeownership rates in single-family homes in East Austin are relatively high, almost 70 percent. It is likely that many families who own their homes are long-term residents of East Austin and have passed their homes from one generation to the next.

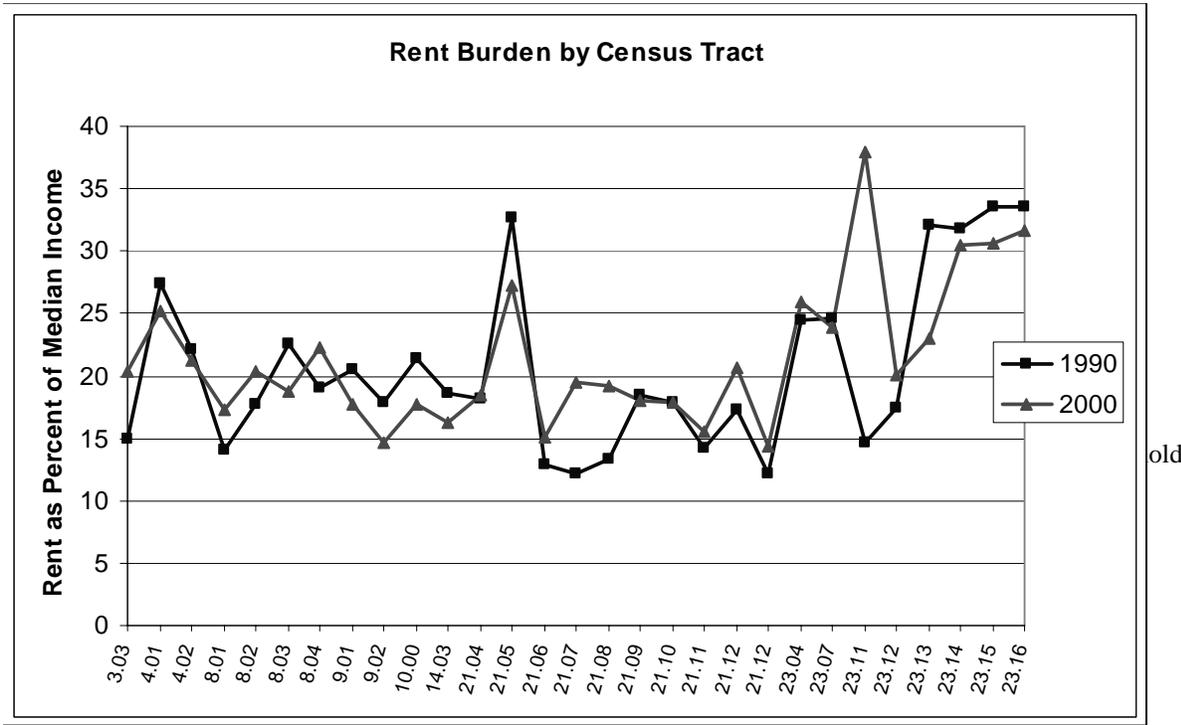
Census tracts with the lowest aggregate ownership rates include 23.04, 23.14, 23.15, and 23.16, each with an ownership rate of 5 percent or less. Each of these tracts is south of Town Lake and is comprised predominantly of apartment complexes, including those occupied by students, immigrants, and other low-income residents. Single-family homes in these census tracts, however, have high rates of homeownership. For example, tract 23.04 has a 53.9 percent ownership rate among residents of single-family homes. The highest aggregate home ownership rates occur in tracts 8.01, 21.04, 21.06, 21.09, 21.10, and 21.13. All of these tracts have ownership rates near or greater than 60 percent, even when including apartments. Census tract 8.01 is the only tract in Central East Austin, and includes the North Govalle neighborhood. Tract 21.09 is just east of the Rosewood neighborhood. The remainder of the tracts are located near 51st Street, just northeast of the Mueller Airport redevelopment. These neighborhoods represent a portion of East Austin homeowners whose home values will be positively influenced by development occurring in the area.

Rental and Mortgage Burden

The U.S. Department of Housing and Urban Development (HUD) considers families that spend more than 30 percent of their income on housing to be “cost burdened.” According to HUD, “An estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing, and a family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States.”^{x1} Therefore, housing cost is quite possibly the most important measure of affordability. Renter burden is calculated by dividing median rent for a census tract by median income for the same tract to get rent as a percentage of income. If that figure is 30 percent or greater, then the average household is considered renter burdened.

The average median rent as a percentage of income in Greater East Austin was about 20 percent in 2000, meaning that the average renter is not rent burdened. Four census tracts, however, show high rent burdens (see Figure 3.3). In 2000, the average rental household in tract 23.11 spent 38 percent of its income on rent, making it the most rent-burdened tract in Greater East Austin. This tract, in the Montopolis area, is predominantly an immigrant and low-income Hispanic community, with many of its wage earners working in low-paying jobs. The three tracts directly south and west of this tract (23.14, 23.15, and 23.16) also spend more than 30 percent of median household income on rent, and have done so for more than a decade. As Austin property values skyrocket, affordable rents will continue to be a pressing issue.

Figure 3.3 Rental Burden in East Austin (1990-2000)



Source: Capital Area Council of Governments, “Census 1990—2000 Comparison Tables” database. Online. Available: http://www.capco.state.tx.us/Information_Clearinghouse/Tabular_main.asp#census. Accessed: September 9, 2006. Note: Rental burden is calculated by a comparison of median income to median rent against the 30 percent threshold recommended for total housing costs.

Another dimension of housing affordability is homeowner costs. Owner costs include mortgage payments, title insurance, and repair and maintenance costs associated with owning a home. Since homeownership costs do not cease once a mortgage has been paid off, a homeowner may be cost burdened, regardless of whether he or she has a monthly mortgage payment. In 2000, households with mortgages in Greater East Austin consistently paid between 20 and 25 percent of their incomes in owner costs. Homeowners without mortgage payments, on the other hand, paid roughly 10 to 15 percent of their incomes.^{xli} For the purposes of this analysis, “mortgage burden” refers to the housing burden for households with a monthly mortgage payment. Between 1990 and 2000, mortgage burden in Greater East Austin changed very little. Overall, East Austin saw a 0.75 percent increase in mortgage burden, with some census tracts paying a lesser percentage of income in owner costs, and others paying a higher percentage. Tract 14.03, in the Riverside area, is the only census tract that experienced a significant increase in mortgage burden from 1990 to 2000, rising 16 percent.

When compared with statistics for Austin, the housing burden in East Austin was relatively low in 2000, when Austin homeowners spent 27 percent of their incomes on rent. Homeowners in Austin spent 21 percent of their incomes on mortgage payments during the same time. Median

rent and mortgage payments at the census tract level are not available for 2006, but it can be assumed that as property values have increased, both rental burden and mortgage burden have increased. The available 2005 Austin data indicate that citywide mortgage burden was 29 percent and East Austin seems to be following the same trend. When assessing the housing burden data, it is apparent that a lack of affordable housing is affecting renters to a greater degree than homeowners. As property values increase, the problem for renters will only become worse.

Residential Property Values

In recent years, the U.S. economy has benefited from strong growth. One consequence of this increased national wealth has been record levels of home buying and real estate investment. In Fall 2005, the National Association of Realtors reported that the average home price nationwide had reached “a record \$220,000, the biggest jump since 1979, while sales of existing homes remained at near-record levels.”^{xlii} Unlike the national real estate market, which is experiencing a cooling of investment, home building and home buying continue to be strong in Austin. Sales of existing homes rose by 9.8 percent between 2005 and 2006 while residential sales nationwide decreased by 2.1 percent (see Table 3.1). The housing market in Austin did experience an oversupply of housing units and flat prices during a period of stress in the national and local technology sector from early 2001 into 2004. Factors that contributed to higher prices in Austin since mid-2004 include below-average mortgage debt servicing costs, strong job growth, and positive net migration. One factor that may slow the rate of home price appreciation in Austin is the substantial increase in new home construction, which grew 51 percent from 2005 to 2006, as opposed to a national decrease of almost 1 percent.

Table 3.1 Residential Home Sales in Austin and U.S. (2005-2006)

	<i>Austin</i>	<i>U.S.</i>	<i>Comment</i>
Price Activity			
Latest Appreciation (2006 Q1 vs. 2005 Q1)	8.5%	10.3%	Strong
Last Year Appreciation	5.8%	12.0%	Neutral
3-year Appreciation	4.5%	31.0%	Weak
Historical Average Annual Appreciation*	4.4%	5.0%	Neutral
Affordability			
Mortgage Debt Servicing Cost to Income Ratio (2006 Q1)**	14.5%	22.0%	Favorable
Historical Mortgage Debt Servicing Cost*	20.9%	22.0%	Favorable
Home Sales			
Existing Home Sales (2006 Q1 vs. 2005 Q1)	9.8%	-2.1%	Favorable
Single-family Housing Permits (2006 Q1 vs. 2005 Q1)	51.0%	22%	Unfavorable

* Average ratio from 1980 to 2005.

** This ratio compares the monthly mortgage payment for a median-priced home financed at the prevailing mortgage rate to the median household income.

Source: National Association of Realtors, Home Price Analysis for Austin Region (July 2006), p. 2. Online.

Available: [www.realtor.org/Research.nsf/files/06TXAustin.pdf/\\$FILE/06TXAustin.pdf](http://www.realtor.org/Research.nsf/files/06TXAustin.pdf/$FILE/06TXAustin.pdf). Accessed: November 13, 2006.

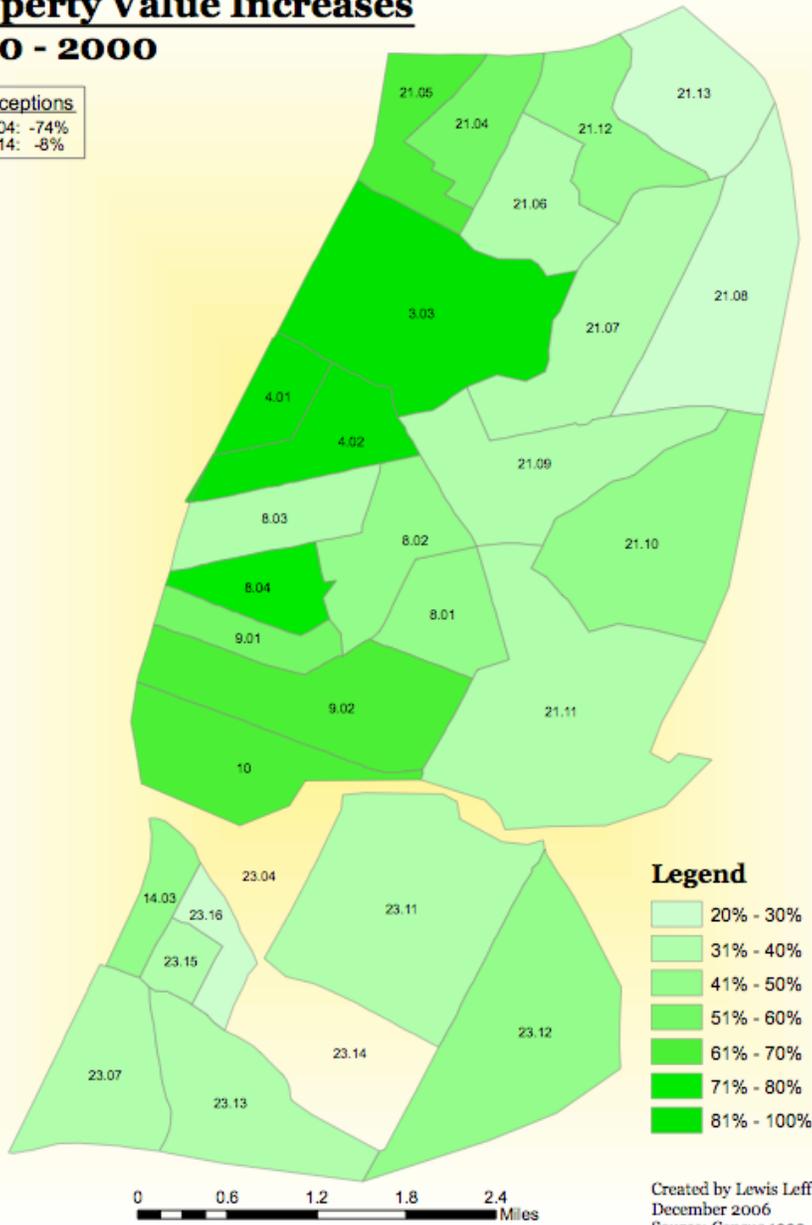
Owners Report Housing Price Increases From 1990 to 2000

Owner-occupied households in East Austin reported a 70 percent increase in median home value, from \$48,071 in 1990 to \$81,589 in 2000.^{xliii} During this same time period, median home values for Austin rose 73 percent, from \$72,100 to \$124,700. In most East Austin tracts, property values increased by 40 percent or more from their 1990 levels. Figure 3.4 illustrates the specific increases in owner-occupied property values by census tract.

Figure 3.4 Increase in Median Home Values in East Austin (1990-2000)

**Greater East Austin
Property Value Increases
1990 - 2000**

Two exceptions
CT 23.04: -74%
CT 23.14: -8%



Source: Capital Area Council of Governments, "Census 1990 – 2000 Comparison Tables" database. Online.
Available: http://www.capco.state.tx.us/Information_Clearinghouse/Tabular_main.asp#census. Accessed:
September 9, 2006.

Market Reveals Substantial Home Value Increase From 1999 to 2005

Market data of residential property transactions, which indicate that property values in East Austin, rose more rapidly from 1999 to 2005 than for the city as a whole (see Table 3.2). Growth rates for three indicators in Greater East Austin outpace the city as a whole: (1) number of home sales, (2) price of home, and (3) dollar per square foot value of the residence. The median sales price of homes in East Austin rose from \$79,000 in 1999 to \$126,423 in 2005. Although still below the median price of a home in Austin, the East Austin median represents a 60 percent increase over the six-year period, double the rate for other residential properties in the city.

Home sales in particular ZIP codes reveal more dramatic changes. For instance, the median sales price of homes in 78702 (Central East Austin) and 78741 increased by more than 100 percent in value, or more than double the citywide 30 percent median price increase. Higher levels of home sales could be due to situations that are likely to prompt property sales, such as deaths among the elderly population or inadequate financial resources. Even though unit sales rose less quickly in 78722, this ZIP code was where 43 percent of total East Austin sales occurred in 1999, indicating that it continues to have a significant volume of property sales.

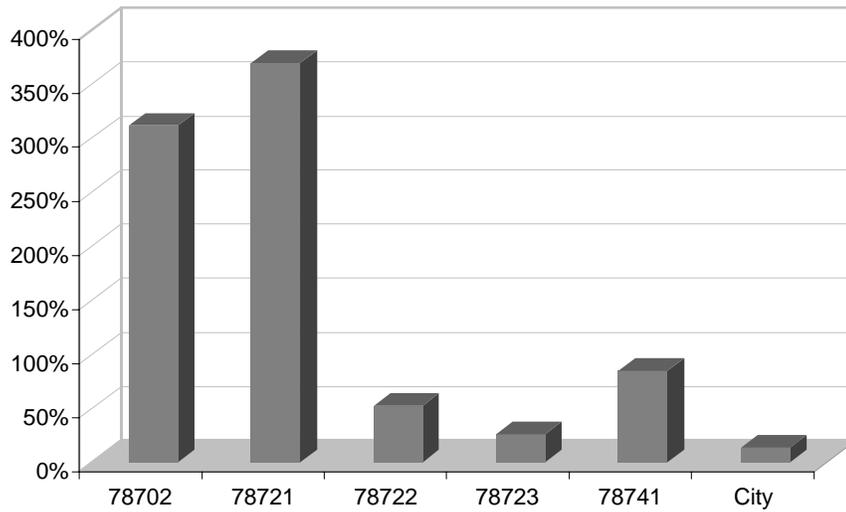
The rapidly rising property values suggest there is growing demand for a limited supply of housing in East Austin. ZIP codes 78702 and 78741 experienced the highest price increases, which more than doubled from median values near \$58,000 to more than \$119,000. Higher demand for houses in Central East Austin also meant that houses were sold after being on the market for two weeks less in 2005 than in 1999. In the 78722 ZIP code, which includes French Place and is close to the University of Texas, the median sales price for a house in 2005 was \$210,000, or \$20,000 above the citywide median home price.

Table 3.2 Home Sales Price Appreciation in East Austin (1999–2005)

<i>Zip Code</i>		<i>1999</i>	<i>2005</i>	<i>Absolute Change</i>	<i>Percent Change</i>
78702	No. Sales	52	212	160	308
	Median Price	\$58,150	\$125,450	\$67,300	116
	\$/SqFt	\$53.50	\$116.31	\$63	117
78721	No. Sales	26	122	96	369
	Median Price	\$53,500	\$90,000	\$36,500	68
	\$/SqFt	\$46.00	\$76.91	\$31	67
78722	No. Sales	78	119	41	53
	Median Price	\$130,500	\$218,500	\$88,000	67
	\$/SqFt	\$107.00	\$161.66	\$55	51
78723	No. Sales	229	288	59	26
	Median Price	\$82,000	\$129,950	\$47,950	58
	\$/SqFt	\$59.00	\$89.26	\$30	51
78741	No. Sales	149	276	127	85
	Median Price	\$58,500	\$119,950	\$61,450	105
	\$/SqFt	\$61.00	\$102.51	\$42	68
<i>East Austin Totals</i>	<i>No. Sales</i>	<i>534</i>	<i>1,017</i>	<i>483</i>	<i>90</i>
	<i>Median Price</i>	<i>\$79,000</i>	<i>\$126,423</i>	<i>\$47,423</i>	<i>60</i>
	<i>\$/SqFt</i>	<i>\$61</i>	<i>\$105</i>	<i>\$44</i>	<i>72</i>
<i>City of Austin Totals</i>	<i>No. Sales</i>	<i>22,577</i>	<i>25,593</i>	<i>3,016</i>	<i>13</i>
	<i>Median Price</i>	<i>\$145,000</i>	<i>\$188,000</i>	<i>\$43,000</i>	<i>30</i>
	<i>\$/SqFt</i>	<i>\$84</i>	<i>\$109</i>	<i>\$25</i>	<i>30</i>

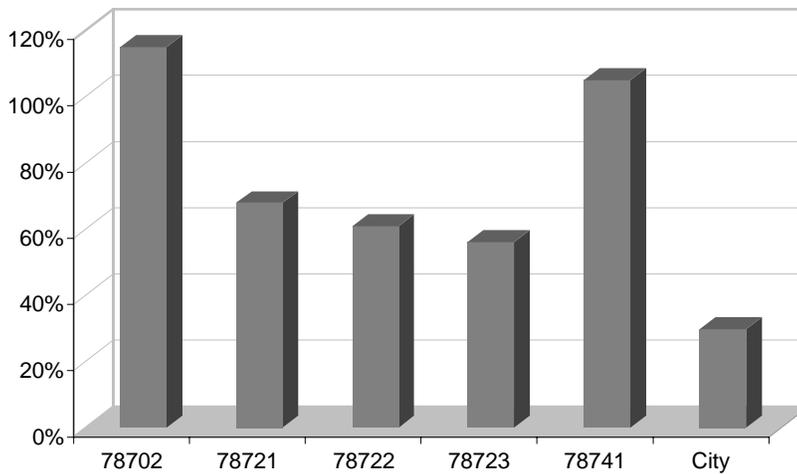
Source: Vanessa McMahan, Realtor, Actrislistings Marketlinks database of home listings and sales. Online. No longer available. Accessed: November 3, 2006. City of Austin Totals from class presentation by Margaret Shaw, Deputy Director, City of Austin Neighborhood Housing and Community Development at the Lyndon B. Johnson School of Public Affairs, October 27, 2006.

Figure 3.5 Increase of Property Sales in East Austin (1999–2005)



Source: Vanessa McMahan, Realtor, Actrislistings Marketlinks database of home listings and sales. Online. No longer available. Accessed: November 3, 2006.

Figure 3.6 Increase of Home Values in East Austin (1999–2005)



Source: Vanessa McMahan, Realtor, Actrislistings Marketlinks database of home listings and sales. Online. No longer available. Accessed: November 3, 2006.

The Significance of Rising Property Values

Given the above-average rates of homeownership in East Austin, rising property values represent an increase in wealth. For property owners in stable financial situations, a dramatic increase in property value can translate into valuable gains and significant financial returns if the property is sold. A family that purchased a property in Austin in 2000 would build average equity of \$17,600 above the purchase price (see Table 3.3).

Table 3.3 Estimate of Housing Equity in Austin in 2006

<i>Year of Purchase</i>	<i>Housing Equity (after 5% price decline)*</i>
1980	\$131,100
1985	91,900
1990	99,900
1995	69,200
2000	17,600
2001	12,400
2002	6,900
2003	6,000
2004	5,000

* Home price appreciation plus principal payments on mortgage.

Source: National Association of Realtors, Home Price Analysis for Austin Region (July 2006), p. 2. Online.

Available: [www.realtor.org/Research.nsf/files/06TXAustin.pdf/\\$FILE/06TXAustin.pdf](http://www.realtor.org/Research.nsf/files/06TXAustin.pdf/$FILE/06TXAustin.pdf). Accessed: November 13, 2006.

Rising property values have other repercussions, however, even for homeowners who have built a significant amount of equity. As the market value of the property increases, so does the appraised value and property taxes collected by the Travis County Appraisal District. Homeowners with low or fixed incomes and limited access to additional financial resources are at risk of losing their home equity (and place to live) if property taxes are rising faster than their sources of income. Although mortgage burden in East Austin appears manageable due to increasing median incomes, there are also a disproportionate number of residents who are at risk for property tax delinquency and tax foreclosures. If trends in property value continue at current levels, the costs of property ownership may outweigh the rewards and become more problematic for too many residents. Overall, these increases in property value indicate more demand for the space in East Austin, and a changing perception regarding the desirability of its neighborhoods.

Tax-Delinquent Properties and Foreclosures

According to a recent study by the City of Austin Department of Neighborhood Housing and Community Development, there were 3,005 tax-delinquent properties in all of the city's neighborhood planning areas during Fiscal Year 2006.^{xliiv} Nearly half of these properties were

located in East Austin (see Table 3.4). In addition, East Austin neighborhoods owed 42 percent of the total tax delinquent dollar value for the city’s neighborhood planning areas during the same year. This indicates hardship for homeowners unable to keep pace with rapidly rising property values and property taxes.

East Austin also contains a disproportionate number of the city’s total tax foreclosures, according to public records from the Travis County Tax Assessor’s Office. Excluding properties that were retrieved by their original owner before the scheduled sale date, there were 58 tax-foreclosed properties within the city limits between December 2005 and November 2006. Seventy-two percent of these were in East Austin, an area that contains 15 percent of the city’s total housing stock (see Table 3.4). East Austin ZIP codes 78702 (Central East Austin) and 78721 accounted for 78 percent of all East Austin tax foreclosures and 56 percent of tax foreclosures citywide. It is important to note, however, that these tax foreclosures did not result in the displacement of East Austin residents. According to the County Attorney’s Office, all properties were vacant or had been deemed uninhabitable by the City of Austin.^{xlv}

Table 3.4 Tax Delinquency and Foreclosures in East Austin (2006)

	<i>East Austin as a percentage of Austin</i>
Total housing units	15
Tax delinquent properties	47
Tax foreclosures	72

Source: Tax Delinquent Property data: City of Austin, Neighborhood Housing & Community Development. 2006 Single Family Residential Tax Delinquent Parcels by Geographic Concentration and Neighborhood Planning Area. Foreclosure data: Travis County Tax Assessor’s Office. Online. Available: http://www.co.travis.tx.us/tax_assessor/foreclosure/tax_sales.asp. Accessed: October 2006.

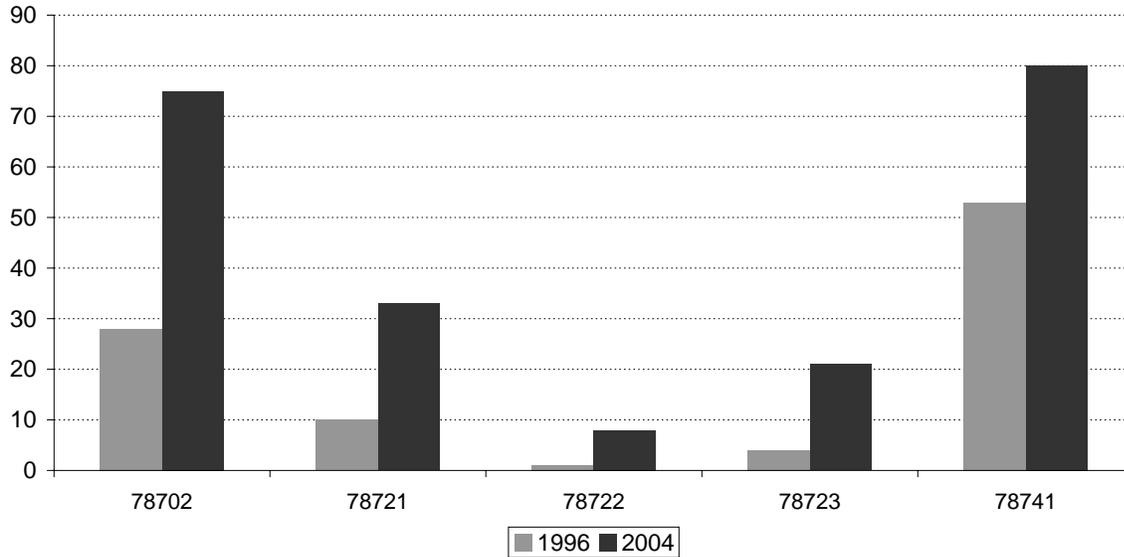
In general, foreclosures tend to be precipitated by rising property taxes, high gas and utility rates, expensive homeowners’ insurance, boosts in adjustable rate mortgages, or predatory lending practices.^{xlvi} However, in the case of East Austin, many tax foreclosures in FY 2006 were due to cloudy family title issues.^{xlvii} Further research could help illuminate the historical roots and current implications of this phenomenon.

Residential Building Permit Activity

A surge in new residential construction over the past decade, including several upscale loft developments, has contributed to rising property values in East Austin. From 1996 to 2004, building permit activity increased 126 percent, compared with just 35 percent for the entire city. Permit categories for the purposes of this analysis included residential additions that increased the number of units in multi-family buildings, as well as new multi-family buildings, new single-family houses, and conversions from non-residential to residential properties.^{xlviii}

In all five East Austin ZIP codes, new residential permit activity increased significantly between 1996 and 2004 (see Figure 3.7). Nevertheless, East Austin represents a small proportion of citywide residential building permit activity, only 3 percent in 1996 and 6 percent in 2004.

Figure 3.7 Number of Residential Building Permits (1996-2004)



Source: Capital Area Council of Governments. Online. Available:

http://www.capcog.org/Information_Clearinghouse/tabular_main.asp. Accessed: October 2006.

Of the 217 East Austin building permits issued for new residential construction in 2004, 42 percent were awarded to private developers participating in the city’s SMART Housing Program. This local policy incentive ensured that at least nine new housing units (10 percent of SMART projects) were reserved for families living at or below 80 percent of the area’s median family income. Only 4 percent of new housing units constructed in East Austin in 2004 were required to be “reasonably priced,” according to city guidelines, at 30 percent of household income for low- to moderate-income residents. All others could be priced at market rates.

Affordable Housing

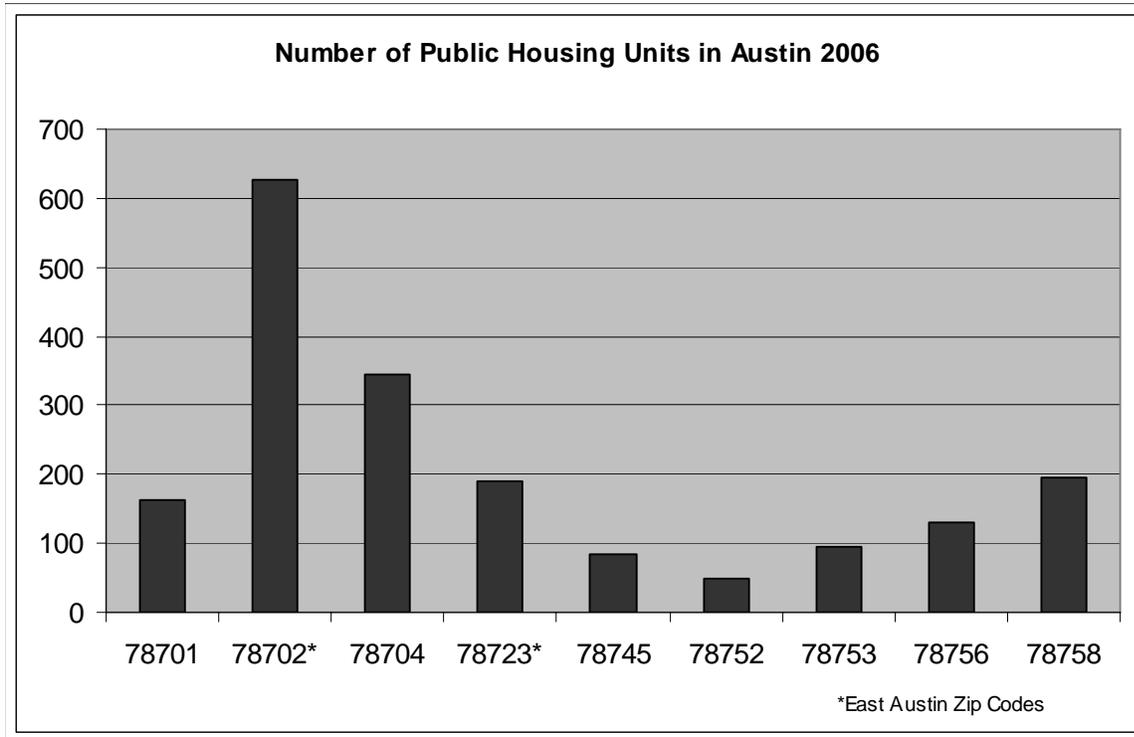
An average market-rate, two-bedroom apartment in Austin in 2006 cost \$804 per month. To afford that unit, families must earn \$17.54 per hour. However, many low-wage jobs pay as little as half that amount: janitor (\$10.60), retail sales (\$10.00), construction (\$15.50), and food preparation (\$8.32).^{xlix} When the private market fails to produce housing that is affordable for low- to moderate-income residents, communities like Austin have relied on publicly financed affordable housing to help meet the need. This affordable housing stock includes government owned and operated public housing properties, as well as innovative public-private partnerships in which federal, state, and local programs provide subsidies or tax credits to developers, landlords, and nonprofit organizations to preserve and produce affordable housing units in the private market. Public investment in affordable housing, however, has declined significantly since the 1980s.¹

In East Austin, the private housing market is beginning to mirror city and national trends. As property and land values rise and higher-income residents locate there, low- to moderate-income residents are increasingly at risk of housing instability. At the same time, the safety net of government-funded affordable housing is fraying, leaving poor people, especially low-wage workers, seniors, and disabled adults, in a vulnerable position.

HACA Public Housing

In the wake of the Great Depression, as millions of Americans struggled to escape poverty and homelessness, President Franklin Roosevelt enacted the U.S. Housing Act of 1937. Lyndon Baines Johnson, then a young congressman from Austin, was instrumental in developing this legislation. That same year, Austin Mayor Tom Miller and the Austin City Council created the Housing Authority of the City of Austin (HACA). HACA was the first housing authority in the country to begin construction of public housing with financial assistance from the federal government. Its first three developments were located in Central East Austin, an extension of the city's 1928 Master Plan which concentrated poor and minority residents, as well as municipal services, in East Austin. Between 1938 and 1940, HACA completed the construction of the racially segregated Santa Rita Courts, Rosewood Courts, and Chalmers Courts in ZIP code 78702.^{li} Today HACA owns and operates 19 developments citywide.^{liii} Nearly half of those properties (44 percent) are located in East Austin, 33 percent in ZIP code 78702 alone.

Figure 3.8 Public Housing in Austin by ZIP Code (2006)



Source: Housing Authority of the City of Austin. Online. Available: http://www.hacanet.org/haca_communities/. Accessed: October 2006.

Austin’s public housing stock is disproportionately located in East Austin. In order to “reduce the isolation of income groups within areas by de-concentrating housing opportunities,”^{liii} one of the city’s stated goals is to more equitably distribute the production of affordable housing in the future.

Public-Private Partnerships in Affordable Housing

There are a number of housing programs at the federal, state, and city levels that provide government subsidies and tax credits to private developers and landlords to create and maintain affordability in the private housing market, including HUD’s Section 8, Community Development Block Grant (CDBG), and HOME programs; the Texas Department of Housing and Community Affairs’ low-income tax credit program; and the city’s SMART Housing Program. Thirty-four percent of these housing units in Austin are located in East Austin, 68 percent of which are located in ZIP code 78741.^{liv} Most of the city’s public-private affordable housing stock is reserved for households with incomes between 50 and 80 percent of MFI. For a family of four, that translates into an annual income range of \$35,550 to \$56,900.^{lv}

In addition to these subsidized units developed through partnerships in the private sector, there are four main nonprofit housing developers in Austin—Foundation Communities, Blackland

Community Development Corporation, Guadalupe Neighborhood Development Corporation, and Habitat for Humanity.^{lvi} Thirty-six percent of their rental and owner-occupied housing units are located in East Austin. Each of these nonprofit organizations relies on limited federal, state, and city subsidies and tax credits, as well as mainstream financial institutions, foundations, corporations, and individual donors, to preserve existing and develop new affordable housing. Compounding a paucity of public funding is the rapidly increasing cost of construction and price of land in places like East Austin. Mitchell Gibbs, Habitat for Humanity's communications director, says land values have increased 400 percent in the past five years, forcing the organization to look for building opportunities in Manor and Blanco County.

Conclusions

Whereas low- to moderate-income residents have previously been able to find reasonably priced market-rate housing in East Austin, the dynamics are changing. East Austin is now prone to the same powerful market forces that the rest of the city has experienced over the last several decades. In fact, increasing rates in property values in East Austin substantially exceed those citywide.

Historically, East Austin has been home to the city's poor and minority populations. This is not by chance. Public policies such as Austin's 1928 Master Plan and the construction of public housing in the late 1930s deliberately concentrated poor and minority populations to the east of Interstate 35. Until recently, East Austin rental prices and property values remained lower than other parts of the city and the area attracted little new residential development. These housing trends, combined with stigmatizing public perceptions, served to keep East Austin's housing market isolated for generations from the wider forces occurring in Austin.

Over the past decade, however, the city has once again turned its attention eastward. Austin's population is growing significantly and higher density residential development is in demand. East Austin's proximity to downtown has attracted investment in new housing construction. As a result of increased activity and broader appeal, vacancy rates in East Austin have drastically declined since 1990 while property values and home sales have soared in some, but not all, neighborhoods. This trend is undoubtedly beneficial to many homeowners. It is, however, detrimental to others, as indicated by the disproportionate number of tax-delinquent properties and tax foreclosures in East Austin compared with the city as a whole. In addition, increasing property values have also left renters, who comprise 65 percent of East Austin's population, in a vulnerable position.

In 30 years Austin "has gone from the city with the best housing affordability index in the country to the most expensive housing market in Texas, and one of the most expensive of any large non-coastal US city."^{lvii} East Austin, once isolated from the powerful market forces affecting the rest of the city, is now also subject to them. Private developers have seized on the opportunity and are building upscale lofts in the area. Prices range from \$125,000 to \$275,000 at the recently constructed Pedernales Lofts, Saltillo Lofts, and TwentyOne24 Lofts. Lucrative market rates for housing units, along with the high price of land and increasing construction costs, have severely reduced incentives for the private sector, as well as the ability of the nonprofit sector, to develop affordable housing.

Just as public policies of the past helped shape East Austin's demographics, economy, and housing market, public policies of the future can be crafted to reflect the city's evolving community values. Is there a way to preserve long-term affordability for low- to moderate-income residents while encouraging economic development and growth, as well as higher density mixed-use housing? At the local level, public policy tools that have the potential to facilitate these goals include deeper incentives for private developers to incorporate affordable units into their new high-end housing projects and the creation of community land trusts, as championed by the Austin Housing Finance Corporation and State Representative Eddie Rodriguez. Ultimately, however, state and federal resources must be brought to bear on the citywide affordable housing crisis.

Austin is at a crossroads. If city officials and community members value economic and racial diversity, vibrancy, and stability, they will garner the public and political will necessary to shape an East Austin that reflects these values.

Chapter 4. Economy

East Austin's economy continues to evolve from its agricultural beginnings to a more diverse mix of industries and establishments. Recent increases in the share of professional, scientific, and technical services, for example, are driving the current diversification. At the same time, some traditional East Austin industries are declining—namely, transportation and warehousing, and wholesale trade.

As the economy has diversified, commercial property values have increased. While it is difficult to isolate specific causes, it is likely that strong demand and expectations for future growth are driving the increase. Commercial development has become denser, driven in part by changes to zoning rules and efforts of the Austin Revitalization Authority. Because increases in density and commercial property values are indicators of a robust economy, East Austin seems poised for future growth.

This chapter explores these principal findings in greater detail. The profile begins with a brief economic history of the area, including major development since the mid-1960s. The chapter then presents a detailed economic profile from 1998 to 2004. To better capture geographic differences within East Austin, the profile is disaggregated into five ZIP codes. Each profile consists of the mix and concentration of various industries measured by establishment and employment share.

Development of Austin's Modern Economy

In 1948, the Austin Area Economic Development Foundation undertook a study to determine the industries that provided the best opportunities for growth. The effort to broaden Austin's economic scope focused on leveraging the presence of the University of Texas to establish research and development labs and high-tech manufacturing. Many successful scientists and engineers emerged from the present-day J.J. Pickle Research Center, some of whom started R&D firms, most notably Tracor.^{lviii}

The Austin Chamber of Commerce became involved in developing the high-tech sector by focusing on attracting clean, science- and electronic-based industries to create jobs for its residents and expand its tax base. In 1967, IBM built a plant.^{lix} Texas Instruments, Motorola, Advanced Micro Devices, Dell, and small suppliers followed. These companies soon became the county's largest employers.^{lx} Austin's place as a high-tech center was firmly established when the Microelectronics and Computer Technology Corporation (MCC), a consortium of computer and semiconductor companies, chose Austin over 50 other cities.^{lxi} In 1982, MCC and another major research consortium of high-technology companies collaborated to develop Sematech, which later became an incubator for software and high-technology spin-offs.^{lxii}

After an explosive growth period, Travis County faced a serious economic downturn in the mid-1980s; newly built office space remained vacant, and unemployment increased. With the decline in manufacturing that accompanied the downturn, East Austin was severely affected. As Chapter 2 describes, significant numbers of the population left East Austin in search of employment.

While Austin's population doubled from 1980 to 2000, East Austin's population continued to decline until 1995. By 2000, East Austin's population still had not reached its 1980 level. These changes display the influence an area's sectoral composition can have on its population growth or decline.

Growth in Sematech and Dell, and Samsung Electronic's decision to build a plant in the mid-1990s, helped Austin return to the forefront of the high-tech industry. By locating in East Austin, Tracor, Samsung, and AMD have opened many possibilities for the east side. These firms represent one element of the changing East Austin economy, from one characterized largely by industrial businesses to one with an increasing share of firms specializing in professional and scientific services. This change also demonstrates how Austin's economic development planning has influenced East Austin's current economy.

As the industrial composition of East Austin changes, some businesses and residents will benefit while others will struggle. New industries will bring new job opportunities and, possibly, higher wages. These industries will require workers with new skills. Conversely, some industries will continue losing employment share, signaling the loss of local jobs and the possible closure or relocation of firms. It remains to be seen if East Austin's current residents and businesses realize more benefit or harm from future regional growth in high-skill, high-wage industries such as scientific services.

The Geography of the Greater East Austin Economy

To develop an economic profile of East Austin, the researchers studied 16 sectors of the economy for the years 1998 to 2004. The following analysis is based on the U.S. Census Bureau County Business Patterns (CBP) and ZIP Code Business Patterns (ZCBP) reports from 1998 to 2004.^{lxiii} The data are classified by the NAICS system. The data represent the number of firms that are located in each area, and their estimated levels of employment. Further explanation of employment estimates are provided in the methodology section in Appendix 1.

Economic data are grouped according to their geographic location. These data are spatially disaggregated and reported at the ZIP code level. Greater East Austin (GEA) is defined as the 78721, 78722, 78723, and 78741 ZIP codes. The data used when analyzing GEA aggregate sector data are for these four ZIP codes. The data from ZIP code 78702 are represented as Central East Austin (CEA). Because CEA is presented as a distinct basis of comparison, 78702 is not included in the GEA calculations. (See map, p. 7.)

Through the course of their analysis, the researchers found numerous industries where significant substantial concentration existed in some ZIP codes, but was significantly lower in others. As a result, a summary that aggregated the economic structure of all five East Austin ZIP codes would not convey the meaningful geographic detail that the researchers desired. Instead, the researchers decided to present the data as a summary of industry structure for each ZIP code. This approach delivers a more detailed analysis and also allowed the researchers to make comparisons across ZIP codes.

Table 4.1 Economic Structure of East Austin (1998-2004)

(Reported as a percentage of total employment for each region)

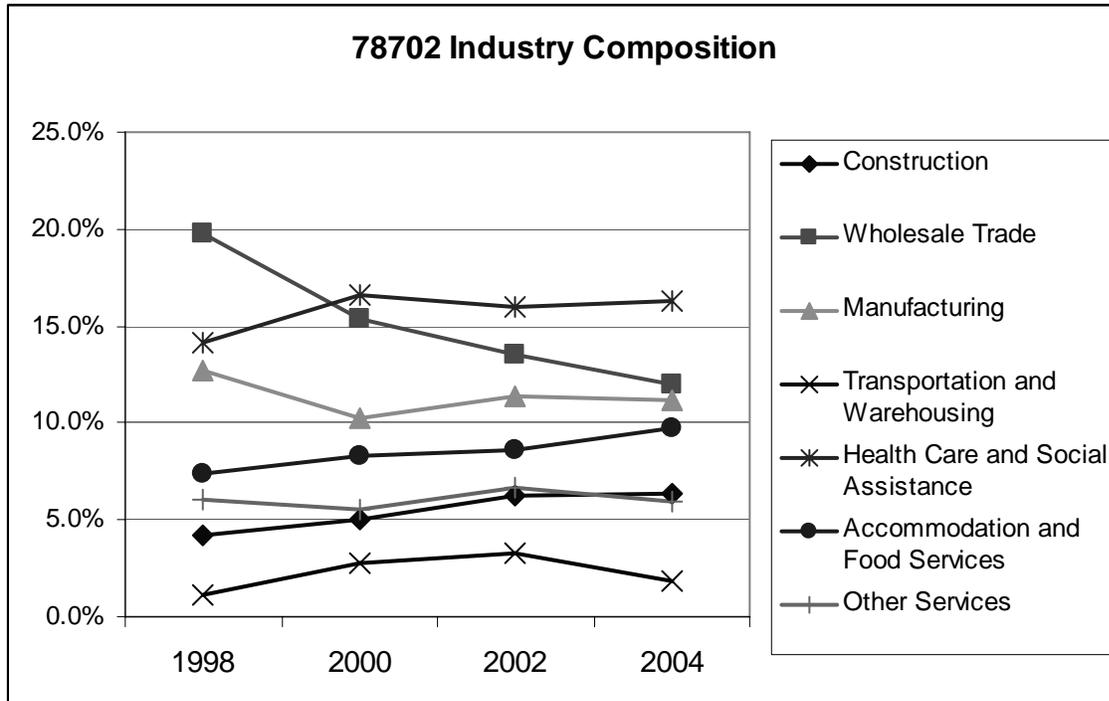
	<i>Central East Austin</i>		<i>Greater East Austin</i>		<i>Travis County</i>	
	<i>1998</i>	<i>2004</i>	<i>1998</i>	<i>2004</i>	<i>1998</i>	<i>2004</i>
Construction	4.2	6.3	2.2	3.0	5.9	5.4
Manufacturing	12.7	11.1	7.1	10.2	12.5	9.8
Wholesale trade	19.7	12.0	9.0	4.4	5.1	4.7
Retail trade	9.8	9.0	15.2	13.6	12.3	11.8
Transportation & warehousing	1.1	1.9	5.9	5.6	1.4	1.7
Information	1.7	2.6	1.1	1.0	5.0	5.1
Finance & insurance	1.8	1.8	3.5	5.4	5.4	5.6
Real estate & rental & leasing	0.8	0.7	3.5	2.9	1.9	2.4
Professional, scientific & technical services	3.0	4.9	5.9	8.8	9.3	11.4
Management of companies & enterprises	0.1	0.5	0.3	2.4	2.1	1.4
Administrative, support, waste management, and remediation services	10.9	13.4	14.1	9.2	10.9	10.2
Educational services	5.9	3.1	1.2	2.1	1.5	1.9
Health care and social assistance	14.1	16.3	7.8	9.4	10.5	10.4
Arts, entertainment & recreation	0.5	0.7	0.7	1.3	1.4	1.7
Accommodation & food services	7.4	9.7	15.2	12.4	9.4	11.0
Other services (except public administration)	6.1	6.0	7.7	8.3	5.2	5.2

Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006.

<http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

Central East Austin — Zip Code 78702

Figure 4.1 Industry Composition (78702)



Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006.
<http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

Estimated at more than 8,800 employees, Central East Austin (the 78702 ZIP code) is the largest employment center in East Austin. Employment in this area grew very quickly between 1998 and 2004, increasing its number of employees by 11 percent and the number of establishments by 9.5 percent.

A number of industries exhibited substantial changes during the seven years of study: construction, wholesale trade, administrative support, health care and social assistance, and accommodation and food services. The construction industry had rapid growth, rising from the ninth to the seventh largest sector in the area. Administrative support grew quickly as well, becoming the second-largest sector in Central East Austin. Health care and social assistance increased employment nearly 30 percent and is now the single largest industry in the area. The accommodation and food services industry also grew very rapidly during this period.

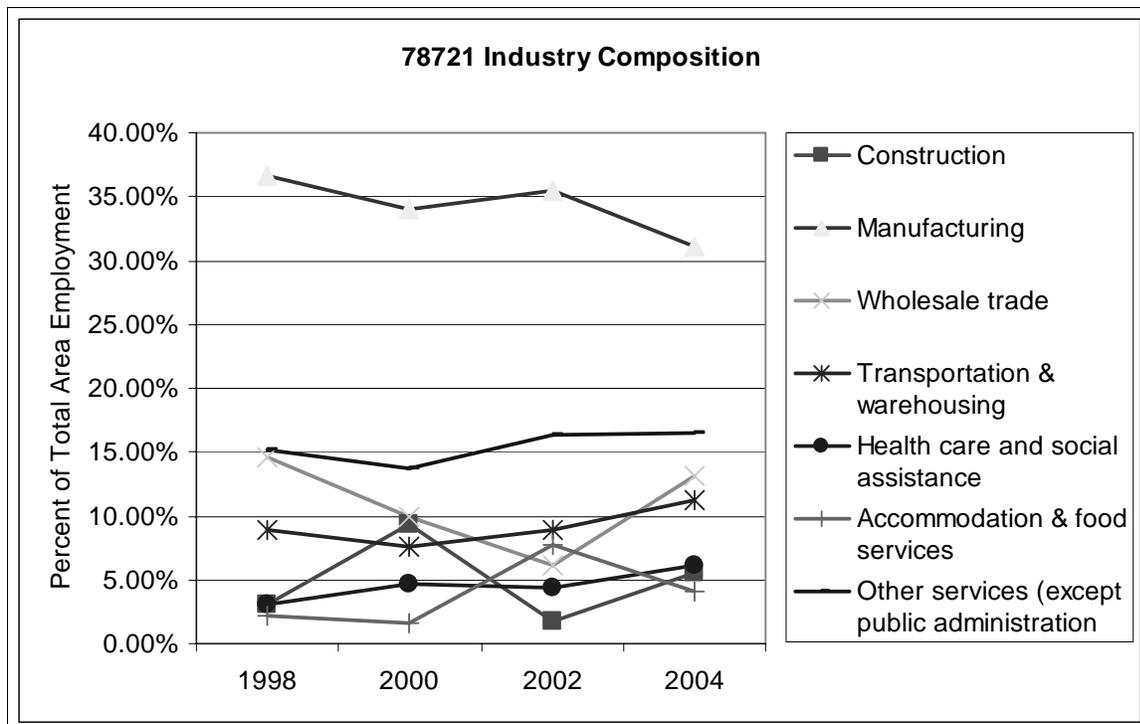
The most notable exceptions to the trend of high growth in Central East Austin are wholesale trade and manufacturing. These industries were the area's first and third largest in 1998,

comprising roughly 20 and 12 percent of total employment, respectively. By 2004, however, the wholesale share of employment had declined by 7 percent and manufacturing’s share declined by approximately 1.5 percent. Yet, despite these declines, these sectors still represent a significant portion of the area economy with a combined 23 percent of employment in the ZIP code.

The high growth of the construction industry is likely due to the high-growth housing market in the Austin area. This hypothesis warrants further investigation, however, as these might also be firms involved in nonresidential projects, such as redevelopment of Mueller Airport. Given the recent rise of Central Texas as a center for the health care industry in the state, there are strong growth prospects for this sector. The growth of administrative support enterprises could bode well for the area to the extent that these services are necessary for supporting a number of professional service industries—sectors that are poised to play a large role in the future of the Austin economy. It is important to note a significant negative trend in the local economy: There has been a consistent and steep decline of wholesale trade activity and employment.

Far East Austin — Zip Code 78721

Figure 4.2 Industry Composition (78721)



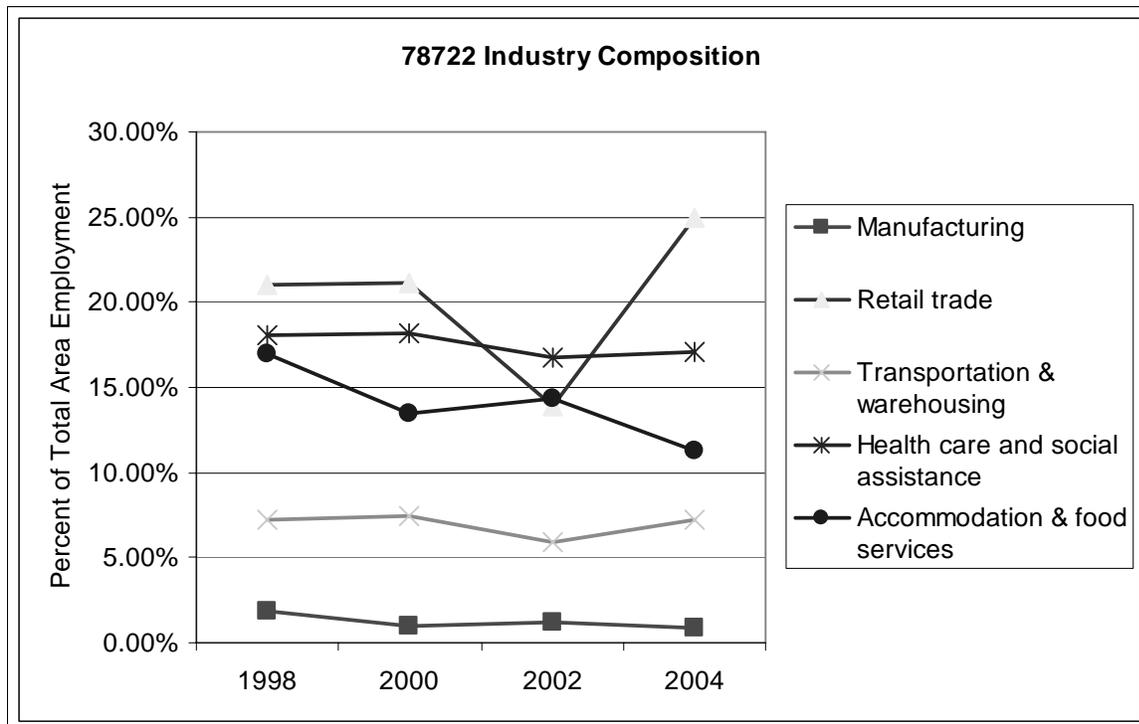
Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006. <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

Employment in Zip Code 78721 comprises about 12 percent of total employment for East Austin. Further, employment declined almost 8 percent in the seven-year period, ending at an estimated 2,738 employees. The number of firms declined by almost 3 percent.

The largest four industry sectors in this area are manufacturing, wholesale trade, transportation and warehousing, and other services. These industries are traditionally land intensive and historically have located outside of the main populated areas. Manufacturing is by far the largest sector, comprising more than 30 percent of total employment, but out of these four sectors, only transportation and warehousing grew during this time. Construction, health care and social assistance, and accommodation and food services grew more than 60 percent.

Population growth seems to be contributing to employment gains in some industries. The sectors with the most growth (construction, health care and social assistance, and accommodation and food services) have benefited from the demand for services from a growing population. Manufacturing remains the largest industry here, and the observed decline may be due to an employment-class change from 1998 to 2004 caused by one semiconductor firm. As the population continues to grow in this area, there should be increased demand for population-based services. Continued diversification of this area's economy to more closely match regional industry change could alleviate some of the recent employment decline.

Figure 4.3 Industry Composition (78722)



Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006.
<http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

Located just north of Central East Austin, this area constitutes a relatively small share (11 percent) of GEA’s total employment with approximately 2,500 jobs; moreover, employment remained stable over the seven years.^{lxiv} The number of establishments in the ZIP code, on the other hand, grew just over 4 percent.

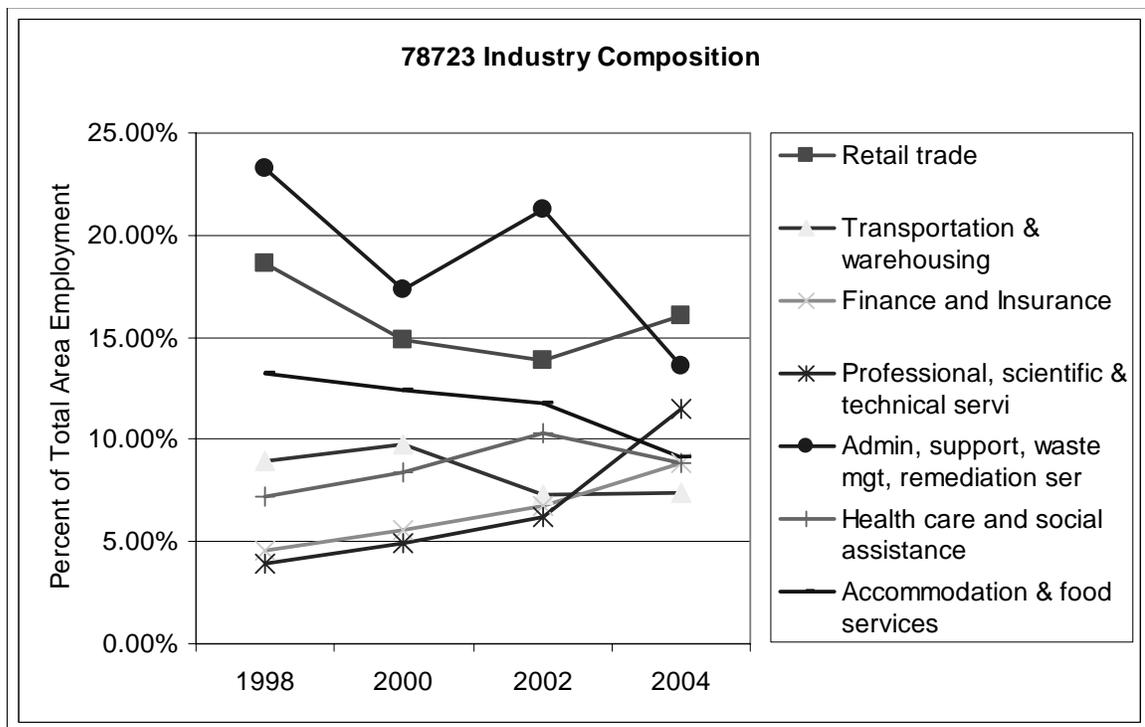
With a share of less than 1 percent of total employment, there is virtually no manufacturing activity. Instead, employment is anchored by a strong, growing retail trade sector, and a large and stable health care sector. In 2004, retail trade accounted for almost 25 percent of total jobs, up 17.1 percent in absolute employment since 1998. Health care constitutes the second largest industry but experienced a slight decline in employment from 1998 to 2004. The only major industries showing decline are transportation and warehousing and accommodation and food services. The slight decline in transportation and warehousing follows the trend seen in most of GEA.

The closure of Mueller Airport has had some role in this change, and subsequent plans for its redevelopment will also influence the area. Before its closure, the Mueller Airport had a significant economic impact, directly employing approximately 1,000 individuals at its peak.^{lxv}

While sectors that specialized in services associated with airport operations have suffered, the future Mueller redevelopment offers new opportunities for growth. The current plans include many new residential and mixed-use developments, as well as dining, shopping and nightlife in a designated Town Center.^{lxvi} The businesses that can expect the greatest benefit are in construction and accommodation and food services. One major development in Mueller is the new Dell Medical Center of Central Texas. Further investigation should also focus on the impact of the medical center on the existing health care sector. Although much of the decline in accommodation and food services can be attributed to the airport closure, the new Mueller development will present opportunities for future growth.

East of Mueller — Zip Code 78723

Figure 4.4 Industry Composition (78723)



Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006.
<http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

Businesses operating in 78723 accounted for more than 8,600 jobs in 2004, slightly below CEA. Similar to most of GEA, business activity in 78723 did not increase along with the growth in the region’s economy between 1998 and 2004; rather the area lost 5 percent of its employees. The number of establishments declined by approximately 1.5 percent.

Manufacturing does not have a significant presence in 78723, accounting for just 2 percent of employment. Considered along with 78722’s low manufacturing employment share of less than

1 percent, it is clear that little manufacturing activity is occurring inside the northern region of East Austin (north of Martin Luther King Jr. Boulevard). Instead, employment is spread across a diverse set of industries, with no single industry accounting for more than 16 percent of area employment.

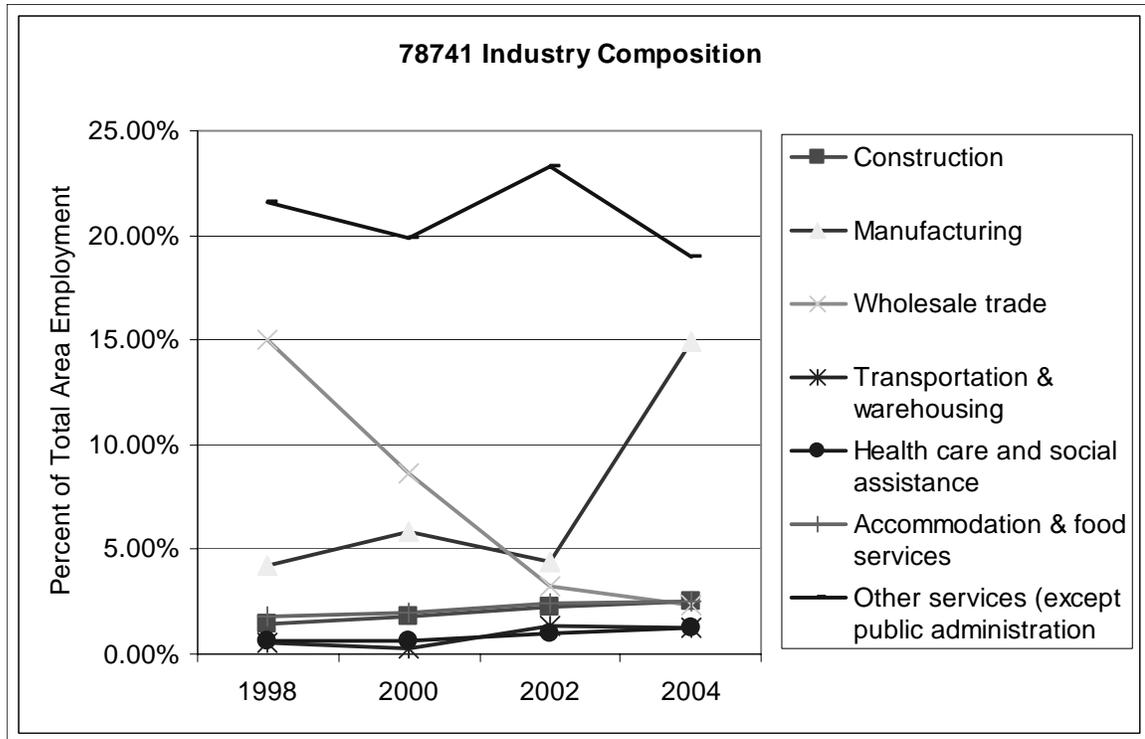
The four largest sectors in 1998 all lost employment over the period ending in 2004. The largest absolute losses occurred in administrative and support and accommodation and food services, with decreases of 44 and 34 percent, respectively. Other major industries that suffered employment losses were transportation and warehousing (22 percent) and retail trade (18 percent). Declines in these four industries resulted in the estimated loss of almost 2,000 local jobs.

These losses were partially offset by growth in other service industries. Professional, scientific, and technical services grew 179 percent during this period to become the third largest industry in terms of employment share. Additional employment was created in the health care and finance and insurance sectors. Employment in health care grew by 17 percent and employment in finance and insurance grew 86 percent to push these sectors into the fifth and sixth positions in terms of employment share, respectively.

Generally, the industries that have experienced the most growth require a certain degree of specialized knowledge and skills. At the same time, the industries suffering the largest employment declines seem to rely more on manual labor than specialized knowledge.

South of Town Lake — Zip Code 78741

Figure 4.5 Industry Composition (78741)



Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006. <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

With more than 8,100 employees, the area south of Town Lake is GEA’s second largest employment center. It is the only area in GEA that grew in employment from 1998 to 2004. The number of establishments exhibited only modest growth—just over 3 percent.

However, the entrance of one large manufacturing firm in the “Other Household Textile Product Mills” sector had a significant impact on the overall employment data for this area. With the entrance of this firm, manufacturing became the second largest sector in the area, comprising 15 percent of employment. This entrance marked a dramatic shift in economic structure since manufacturing was previously insignificant in the area. Further, from 1998 to 2002, overall employment in this area actually declined by 13 percent. Yet, with the manufacturing firm’s entrance in 2004, total employment increased 5 percent compared with 1998.

Accommodation and food services is the area’s largest sector and only experienced a slight decline in employment from 1998 to 2004.^{lxvii} With a steady and significant number of firms, professional, scientific, and technical services have remained a stable and significant source of employment for the area with 10 percent of employment. Perhaps the most drastic movement in employment was in the wholesale trade sector. In 1998, it was the second largest sector before it lost 84 percent of its employment over the seven-year period. With the exit of two large firms, it

quickly became a relatively insignificant sector in 78741's employment. Thus, the movement of a few large firms flipped this area's sectoral composition from wholesale trade to manufacturing.

Because these large sectoral shifts occurred in relation to a few firms, future areas of study should investigate the location decisions of these firms. Given that much of this employment data is based on the decisions of a few firms, it is difficult to predict future trends. However, this area has consistently maintained a relative specialization in accommodation and food services and is poised to build on the sector's impressive growth in the Austin area. In addition, as the regional economy shifts, one could expect growth in the professional, scientific, and technical services sector. Thus, there are some bright spots for the area as it maintains significant employment in growing regional sectors.

East Austin

Employment Change by Zip Code
1998 - 2004

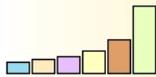
ZIP	1998	2004
78702	7998	8890
78721	2990	2738
78722	2551	2514
78723	9125	8667
78741	7765	8143

Legend

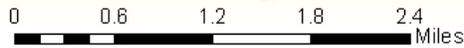
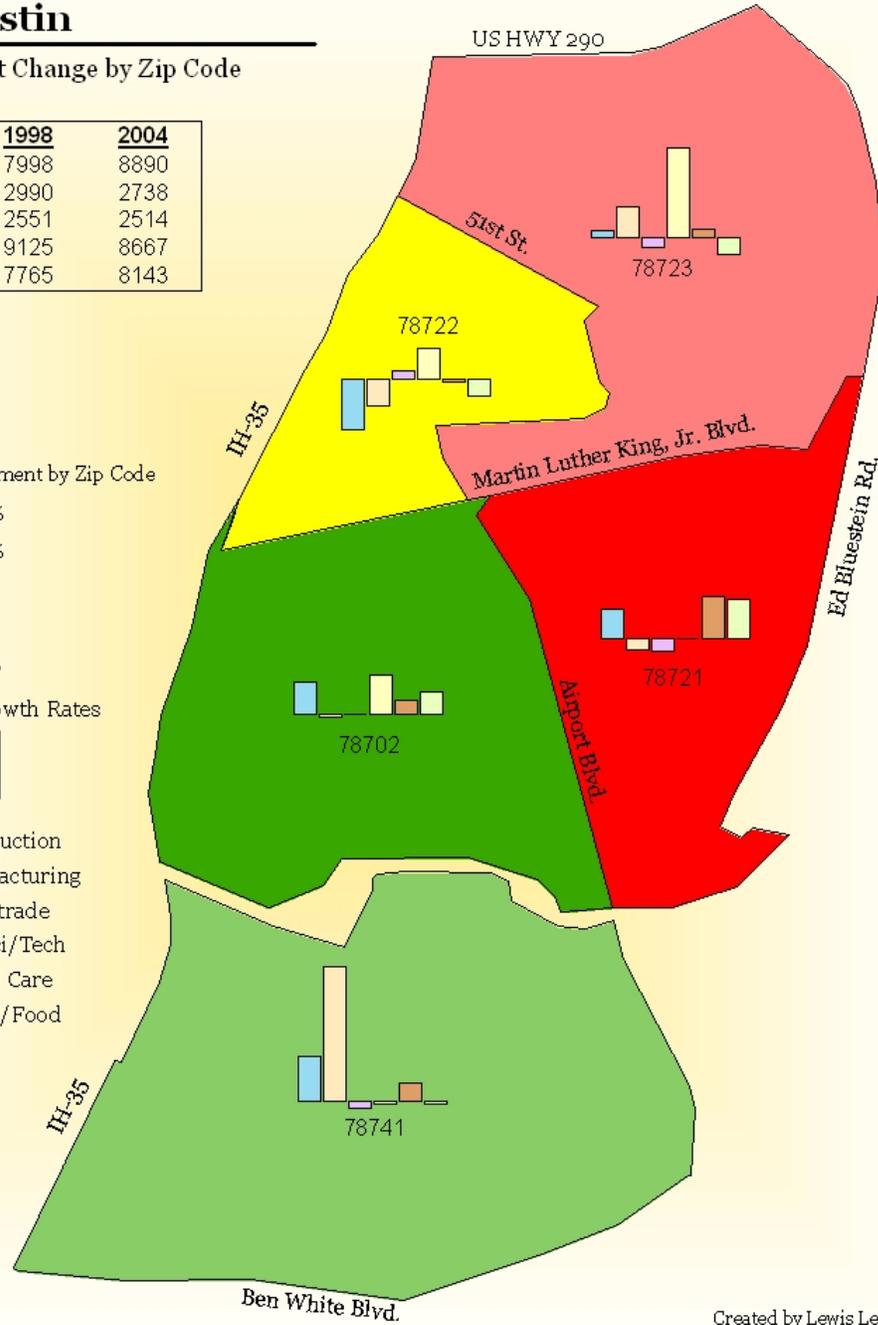
Total Employment by Zip Code

- -8.43%
- -5.02%
- -1.45%
- 4.87%
- 11.39%

Industry Growth Rates

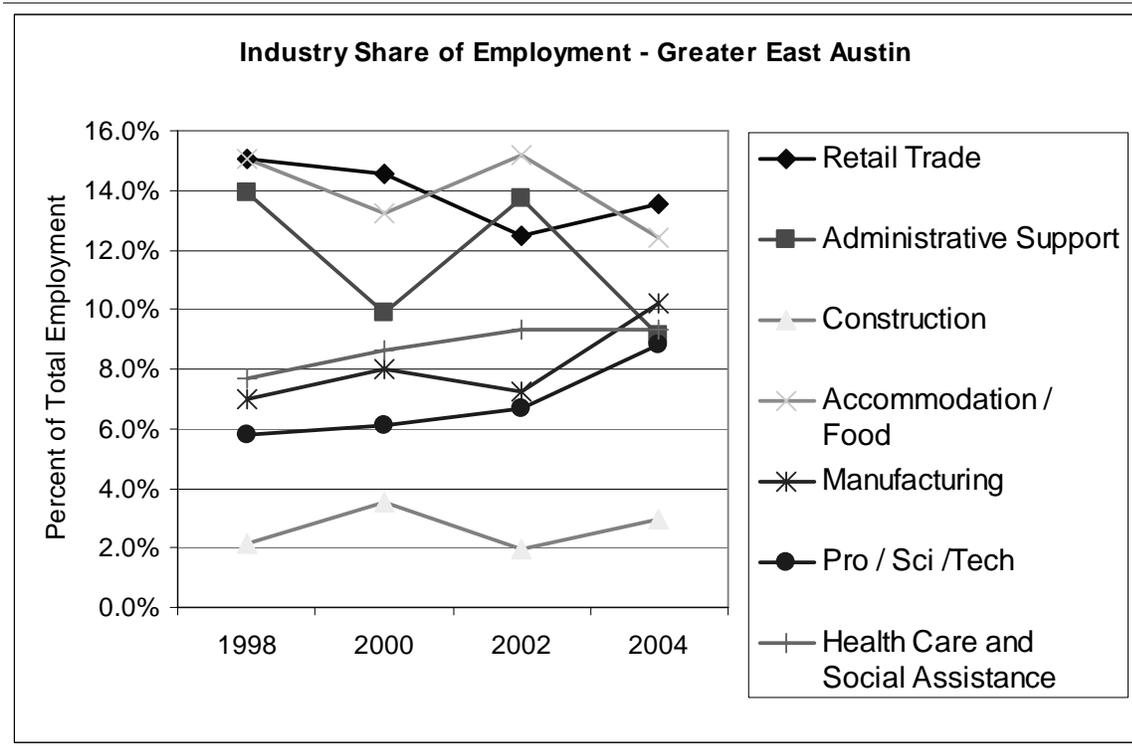


- Construction
- Manufacturing
- Retail trade
- Pro/Sci/Tech
- Health Care
- Accom/Food



Created by Lewis Leff
December 2006
Source: Census ZCBP

Figure 4.6 Greater East Austin Industry Summary



Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006. <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

While Travis County grew by 8 percent from 1998 to 2004, Greater East Austin (GEA) lost 1 percent of its employment, ending the study period with an estimated 22,061 employees. The number of firms in the area, however, grew by just under 1.5 percent.

Most of the employment decline was in the area's four largest sectors: wholesale trade, retail trade; administrative and support and waste management and remediation; and accommodation and food services. Wholesale trade employment declined by more than 105 percent for all of Greater East Austin. The bulk of this decline occurred in the 78741 ZIP code. Retail trade had only modest increases in the 78722 ZIP code. Accommodation and food services grew in 78721, but declined more than 30 percent in northern East Austin. The decline in employment in these three sectors had a profoundly negative impact on the local economy.

In addition, one of the most historically significant sectors in building GEA's economy, manufacturing, does not seem poised for future growth. Manufacturing activity is heavily concentrated in the two ZIP codes south of MLK, and it is only growing in the 78741 ZIP code south of the river.

As the largest sector in GEA's economy over the seven-year period, retail trade has been an important factor in overall employment change. There also appears to be dispersed location of its employment among the ZIP codes. While retail trade is the largest sector in 78722, it is only a

small share of employment south of MLK. The 78721 ZIP code has also seen declining gross sales in the retail trade sector, falling by 53 percent from 1998 to 2004.

This analysis does yield a few positive sectors for future focus. As property values continue to rise due to GEA's access to downtown and new public investment, one could expect construction employment to continue to grow. Recently, GEA has seen employment increases in construction in every ZIP code except 78722. Mirroring the region's strong growth in the professional, scientific, and technical services sector, it has been a fast-growing sector in northern and eastern GEA, and has maintained steady levels south of the river. GEA is in a good position to benefit from regional growth in the future.

The largest sector with stable growth prospects for GEA is health care and social assistance. In the 78722 ZIP code, health care and social services is the second largest employment sector and will likely explode when the new hospital opens in this area. Meanwhile, the sector also experienced strong growth south of MLK, but remained small in terms of total employment, with the health sector accounting for only 9 percent of 78741's employment and 6 percent of 78721's employment. While exhibiting consistent growth across East Austin, this sector also requires further investigation. If the elderly population continues to decline as a percentage of the population in the area, future demand for elderly health care could decline. However, with the development of a specialized service in and around the new hospital, there is ample room for future growth.

Forces of Change

The historical legacy of public policies lingers in the economy of East Austin. As East Austin maintains regional concentrations of employment in manufacturing, wholesale trade, and transportation and warehousing, the legacy of the 1928 Master Plan still affects the East Austin economy. Unfortunately, these are not sectors poised for future growth. Given the impact of segregation on establishing East Austin as a center for entertainment and nightlife, it is possible that many historic restaurants, bars, and food service companies will grow with East Austin's future and maintain a specialization in the concentrated accommodation and food services sector. Thus, this is one sector where East Austin's history may complement the future growth of Austin, but it is important to note that this sector consists mainly of low-wage jobs.

Despite the significance of its history, advances in technology, professional services, and health care will change the future of East Austin. With the advance of technology, professional, scientific, and technical services compose an increasingly large share of employment across the nation. In the city of Austin and across East Austin, the professional, scientific, and technical services sector has exhibited strong and consistent growth over time. For various reasons, market forces have stimulated a booming housing market across the nation. As a result, the construction industry has seen significant growth nationally and in East Austin (see Chapter 3 for a detailed look at changes in the East Austin housing market). As property values continue to rise, and large-scale residential developments continue to migrate toward East Austin, it is reasonable to expect continued growth in the construction industry for the next few years. Finally, with the aging baby-boomer population and advances in medical technology, the health care and social services sector is a modern force in the national economy. As more people move into East Austin

and the medical center opens, this sector should be a positive and enduring force in the local economy. With a specialization in this sector, GEA could indeed market health care services to demand originating outside the area and increase employment in related industries that serve this sector.

Conclusion

Austin has a remarkably resilient and growing economy. As new, large residential developments have appeared, CEA is now growing even faster than Austin. Unfortunately, GEA has not benefited from the economic growth experienced by the metropolitan region. The sectors in which it specializes are generally declining in the greater Austin area, as well as across the nation, although the construction of Highway 130 may attract new businesses.

Diversity

The advancement of the technology, health care and professional services sectors has diversified East Austin's economy. The researchers expect these new industries to grow as a percentage of East Austin's employment. With a more diverse economy, East Austin should expect stable growth in population and reduced risk of another steep population drop as seen in the late 1980s. Public policies and transportation investment should continue to spur property development and economic growth, resulting in population growth. This should lead to increased residential and commercial density. Increasing density should lead to increased property values, particularly in CEA. Rising commercial property values are one indicator of a robust economy, signaling a positive outlook for CEA's economic future.

Given the sectoral diversity and pockets of concentrated economic activity across East Austin, it is difficult to define the region as a whole. Rather, East Austin could be considered as the sum of many distinct parts. Although East Austin has specializations in some industries compared with Austin, those concentrations cluster in small and distinct areas of East Austin. No sectors predominate the entire expanse of East Austin. Rather than an overall sectoral shift, industries appear to be reorganizing, or relocating into certain areas. In the future, these distinct areas will play a larger role in affecting the growth of the overall economy, and different areas will play a role in affecting the sectoral composition of the economy. Further research should investigate whether an area's concentration of economic activity can provide economies of scale for the sector. If an area has a concentration of firms or employment within one sector, it is possible that additional firms will then locate into the area to leverage economies of scale and lower production costs.

Value

The question remains whether today's modernizing forces will continue to shape an economy that is significantly different from the one created by East Austin's traditional businesses. Austin has experienced a shift from agriculture to industry, and, more recently, a diversification from industrial uses to a more service-based economy. Will increasing property values and changes in demand for various services force a continued shift away from traditional sectors that have been so prominent in East Austin?

It is possible that property values have played a critical role in the steep decline of wholesale trade activity across the expanse of East Austin. Yet, with increases in manufacturing, and concentrated transportation and warehousing activity, it is evident that land-intensive industries still exist in certain areas of East Austin. Increasing property values also explain the growth in construction across East Austin. At this critical moment, new macroeconomic forces have already created shifts in employment toward professional services and health care.

The researchers witness a relationship between an increase in land values and diversity of economic sectors. These increasing values probably explain a reorganization of industries across East Austin. As land values and the diversity of sectors increase, the researchers expect increases in commercial density, particularly in Central East Austin. As land-intensive industries relocate and prices rise, density will increase, which should stimulate further sector changes toward population-based industries like retail, health care, and possibly accommodation and food services. Given 78702's proximity to downtown, the researchers expect continued growth in the professional, scientific, and technical services sector. With dense residential development planned within downtown, 78702 should continue to increase in both commercial and residential land value.

Chapter 5. Community Change and its Consequences

It is difficult to generalize about East Austin as a whole. There is great diversity between neighborhoods, with some seeing great degrees of change while others remain largely unchanged by recent events. However, it is likely that the changes that are occurring in some sections will, in time, become more widespread if basic market forces are left unchecked.

Qualifying the challenge of representing East Austin as an aggregate unit, it is clear that there is dramatic change occurring in some neighborhoods, and on the horizon for others. Through the lens of community definition introduced earlier, it is clear East Austin has changed and is continuing to change and assume characteristics similar to Austin as a whole. How are these observed changes in demographics, housing, and economics affecting East Austin?

The People Who Live in East Austin

The resident population of East Austin is certainly changing. While the age distribution within Central East Austin varies from one neighborhood to the next, overall the 29 and under age group has increased while the oldest demographic category has decreased. In addition, the number of non-family households has also decreased. The number of younger, single individuals without children is increasing more rapidly than older residents and families overall; however, some neighborhoods are experiencing exactly the opposite. The least-expensive neighborhoods are seeing an increase in family households. This could indicate families are seeking affordability as it becomes scarcer; the poor are not being displaced so much as concentrated.

The median income is rising, suggesting that the numbers of lower-income and less-educated residents are increasing at a slower rate than the number of more affluent individuals. Educational attainment is increasing, while the number of high school dropouts is declining. This shift coincides with a decreasing African-American population, a rapidly growing Hispanic population, and a modestly increasing white population. After segregation policies ended, the concentration of African Americans has dwindled as some who could afford to move have dispersed across the region for better schools and more opportunities. These changes in East Austin are significant considering the area's historical separation from the prosperity that has developed across the city. A lower-income population with historically less opportunity is transforming into a more affluent population with higher income levels.

Shifts in the economy accompany shifts in the workforce; jobs requiring more education are increasing and demand for unskilled labor, for the most part, is declining. Many of the sectors identified as most promising—health care and social assistance, administrative and support services, and professional, scientific, and technical services—require more education than declining sectors such as manufacturing. Residents with the wherewithal to take advantage of this shift are prospering, while other demographic groups are finding the economic changes to be a growing burden.

Overall, many of the changes in the residential composition of East Austin are creating a population that seems to reflect the rest of the city; the starkly contrasting lines delineating the

east side are blurring to accommodate and integrate the historically depressed area into the city as a whole. The caveat to this is the declining numbers of African Americans in both absolute numbers and as a percentage of the population in East Austin. African Americans appear to be dispersing throughout the city.

Land Uses in East Austin

Land values in certain sections of East Austin are increasing rapidly. The traditionally low-priced property values east of I-35 are aligning with property values across the rest of the city. There is significant building activity in the area. New housing developments are selling at high market rate prices. Property taxes are increasing and East Austin homeowners are struggling to keep pace. These trends are affecting the nature of residents able to afford to live in East Austin.

In addition, commercial land values are changing the makeup of businesses in East Austin. Businesses that require larger tracts of land are finding it less economically feasible to remain, and are either moving to lower-priced properties or simply closing up shop. This change in value is affecting land use in East Austin; much of the original industrial zoning has been repealed, and once the currently grandfathered businesses leave, the new landowner may be more restricted in the types of businesses allowed. The business climate is bound to change as land values continue to rise.

Greater density is one effect of rising land values, and mixed-use development is sprouting throughout the most immediate locales to downtown. If population continues to increase, and non-family households decrease, then more densely constructed development must be occurring. Infill development, new single-family residential construction, and rehabilitation of previously unoccupied homes are creating more density every day.

In addition, greater density is occurring with greater concentration of poverty. As fewer properties become affordable, lower-income residents may be forced to move to less expensive neighborhoods or share space with more people, splitting the rising costs with more income earners. The Montopolis area south of Town Lake is evidence of this, as it is the only outlier in the otherwise improving poverty outlook of East Austin, and population is increasing as well. This type of density will be found more frequently as prices continue to rise.

With mixed-use developments and less land-intensive industries moving in, and a more educated workforce at hand, diversity of land use is increasing as well. Not only are diverse zoning changes occurring with the vertical mixed-use and work-live projects, but businesses selling similar wares are diversifying to meet varying demands. With changing demographics, there will surely be retailers and other consumer services catering to different populations but selling similar products.

Forces Affecting Change

There are both external and internal forces contributing to these changes. Many of these changes can be traced back to external, market-driven forces from the surrounding region, as well as internal efforts from East Austin residents themselves, making some of them subject to the adverse consequences of their own success.

In a two-year visioning process incorporating extensive input from the five-county region, Envision Central Texas concluded that Central Texas is a burgeoning, affluent city population that is tired of sprawl, expensive and time-intensive traffic congestion, and the environmental effects of this type of development.^{lxviii} Residents are looking for cost-effective alternatives to the suburbs, creating a market for infill development. Because of the lack of affordability across the rest of the central city, housing in East Austin has become increasingly attractive.

Internally, concerned East Austin residents who have been battling for decades the stigma attached to East Austin have finally begun to change perceptions, which, in turn, have made the area more attractive to the very people now bidding their neighbors out of their homes. Many proponents of equity in East Austin have convinced the City of Austin to make changes that have consequently increased land values and desirability east of I-35. Examples include the extraction of the tank farms and the planned decommissioning of the Holly Power Plant, as well as improved infrastructure along corridors, which is increasing the attractiveness of neighborhoods. The tireless advocates for East Austin are now experiencing many unintended consequences of their own efforts.

In addition, public policy efforts to make downtown Austin more livable and attractive, as well as infrastructural improvements, have led to an influx of affluent residents to Central Austin. Just as public policies of the past helped shape East Austin's demographics, economy, and housing market, they are continuing to cause changes. Developers are unwilling to invest in underdeveloped neighborhoods, so the city's new attention to the east side has encouraged the high-end growth becoming more common.

While changes are evident through the observations made in this report, there remains the real concern for us yet to address. What are the long-term implications of these changes?

Positive Effects

Positive effects of these changes include: home and land owners in East Austin reaping benefits from rising land values; a population that better reflects the city as a whole and is easier to assimilate into the regional community and economy; alternative residential opportunities for those wanting to live downtown but unable to afford high downtown housing costs; and denser development and more effective land use enabling the city to increase tax revenues and, in return, deliver more services.

Negative Effects

Negative effects of these changes include: renters and fixed-income homeowners are finding an increasing housing burden, possibly leading to displacement; constituencies that once claimed East Austin as their own are having trouble maintaining the former sense of community, while the unique nature of many neighborhoods is being washed out; and land-intensive business ventures that benefited from the lower land values are finding success harder to attain as land prices increase.

Why Should We Care?

As a true cultural asset, East Austin presents a unique, valuable opportunity to the region that may be missed if not specifically addressed. The American neighborhood not comprised of homogeneous residents that all look, act, and think in similar ways is a rare and precious discovery. Sections of East Austin, as they change from homogeneous communities of one kind to something else, afford us the distinct opportunity to create the mixed-income, racially diverse community from which tolerance and understanding is bred, and hopefully the chance to benefit the entire region as a whole. If we do not act soon, this opportunity will escape us, and we will simply have more of the same.

Part II: Businesses and Community Change in East Austin

Chapter 6. Patterns Across Industries

“Smith Enterprise” has operated a landscaping business in Central East Austin for almost 30 years. The owner bought the land long before increases in commercial property value made it difficult for neighboring businesses to purchase land. The owner does not worry about increased property taxes so much as the lack of improvement in city services. Despite increased tax payments, there has been little change in the quality of roads, lighting, or police patrol. Certainly, East Austin has changed, but the changes have not greatly affected Smith Enterprise. The landscape services firm primarily serves clients outside of East Austin.

“La Mariposa” recently opened on one of the major corridors in East Austin, a site chosen for its proximity to downtown and high traffic. About to celebrate its second anniversary, La Mariposa is doing well. The busiest time of day is around noon, when the restaurant caters to the downtown lunch crowd. Fewer patrons come for dinner, but the owner is excited about the changes she sees around her. The city has undertaken a major street renovation project, and although the construction makes it difficult for customers to reach her, she hopes the aesthetic improvements will make La Mariposa more appealing. She has also benefited from a diversifying clientele—more young professionals with more disposable income. The challenge for La Mariposa is to retain its character and clientele while attracting new customers.

“Eastside Credit Union” has been a fixture in East Austin for years, providing banking services to primarily low-income East Austin residents. Only three establishments offer traditional banking in the neighborhood, making the credit union an important community asset. Over the years, Eastside has benefited from its proximity to its customers—people seem to prefer to bank close to home. The manager observes East Austin changing and some of the credit union’s longtime, low-income customers threatened by displacement. To survive this change, Eastside has adjusted its marketing. Remaining true to its mission to serve low-income residents, Eastside has nevertheless benefited from local redevelopment efforts and changes in population demographics.

Smith Enterprise, La Mariposa, and Eastside Credit Union are composites of real firms. Their stories, which emerged from dozens of interviews with East Austin businesses, demonstrate common themes that will shape the future of business in East Austin: tenancy, changes in local employee and customer bases, location, and owner attitudes. With the exception of a few industries, firms that embrace change are likely to remain viable, while those that resist change face increasingly unfavorable odds.

To understand a local economy, one must evaluate change at both the aggregate and individual business level. A macro-level picture emerges from examining changes in employment size and industry share, as well as changes in the number of establishments in each industry. To understand individual business characteristics, one can examine quantitative data (number of employees, wages, total sales) or qualitative data (attitudes toward growth, plans for the future, obstacles to overcome).

This study complements Part I by examining quantitative and qualitative data at the level of individual businesses to assess how Central East Austin businesses are adapting to change. This chapter briefly recaps the findings of Part I and examines recent structural changes to the local economy. Following a section on research methodology, the major themes and observations that emerged from interviews with East Austin businesses are discussed. These themes are divided into (1) tenancy, (2) workforce characteristics, (3) location, and (4) client base. Chapter 7 analyzes business corridors in East Austin and Appendix 3 includes reports on specific industries (e.g., manufacturing, retail, accommodation and food service).

Community Change

East Austin is changing. Part I showed increases in residential and commercial property values and a diversifying economy. Change is not occurring uniformly across East Austin. While many neighborhoods are becoming more diverse with respect to age, race, educational attainment, and income, a few neighborhoods are becoming increasingly homogeneous. As a result of these changes, the East Austin population is becoming whiter, younger, wealthier, and more highly educated. Economically, the overall industrial structure of East Austin is diversifying, but that change is occurring in pockets.

The changes in East Austin are resulting in opportunities and threats for local businesses. Across the business landscape, business owners and service providers can benefit from a growing population with higher incomes. Commercial property values are rising because East Austin is becoming a more desirable place to conduct business. Yet despite this demand, Central East Austin property is relatively inexpensive compared with the downtown business district. Due to Central East Austin's proximity to both downtown and I-35, businesses enjoy the benefits of a downtown location without paying downtown rates. Higher property values indicate rising demand for East Austin property. This demand, while a sign of a robust economy, signals an increasingly competitive business environment. If local businesses cannot capitalize on the opportunities change brings, another business may move in that can.

Economic Change

As discussed in Part I, the economic structure of East Austin is becoming increasingly diverse (see Chapter 4). Simply put, some industries are expanding, while others, in a comparative sense, are declining. Traditional, land-intensive East Austin businesses appear to be on a downward trend. The wholesale trade sector, for example, experienced a substantial decline between 1998 and 2004, while the transportation and warehousing sector remained relatively stable (see Table 4.1). Manufacturing would have lost employment had it not been for the entry of a large manufacturing firm in 2004. Rising property values may have contributed to the declining economic activity of traditional, land-intensive industries.

As land-intensive industries relocate and land values rise, business development will likely become denser. Public investment, such as the transportation-oriented developments planned for East Austin, should further spur property development and economic growth, resulting in increased population density. Increased population density will stimulate further sector changes toward population-based industries such as retail, health care, and food service. Businesses in the professional, scientific, and technical services industry will look to East Austin as an attractive

and affordable alternative to downtown. Given the continued growth of the Central Texas construction industry, local construction firms should continue to grow. Overall, rising commercial property values are an indicator of a robust economy, suggesting a positive outlook for the future of businesses in East Austin.

Aggregate economic data provide a valuable, albeit limited, understanding of the East Austin economy. The data reflect changes that have occurred recently in the economic structure of East Austin. By analyzing trends, a story emerges about the types of industries that are growing and declining, and the relative size of those changes. However, the data reveal little about what is happening at the individual business level. To understand this story, the researchers interviewed business owners.

Research Methodology

Part II of this study assesses business owners' attitudes toward change in East Austin in the context of the macro-level findings presented in Part I. The research team debated the best way to study East Austin businesses. The team could focus on business corridors—where retail and service-oriented firms tend to cluster—to study the effects of population increase. This approach would offer insights into the effect of higher traffic on business growth, but it would not adequately capture businesses that do not cluster along corridors (artist studios, construction companies). Studying corridors would paint an illuminating picture, but not a complete one. On the other hand, the team could group businesses based on their North American Industry Classification System (NAICS) coding. This system, used in Chapter 4, would allow the research team to study businesses as grouped by their industry classification. A study of industries would highlight changes within a particular economic sector (health care firms, financial institutions), but would not account for the influence of location on economic growth.

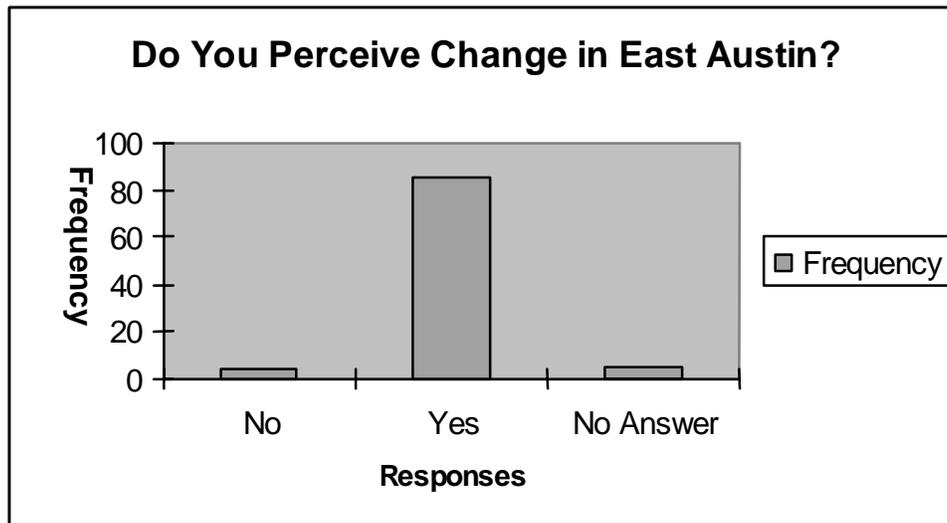
Given these two options, the researchers selected both. By employing a mixed-methods approach, the team could interview firms on and off the corridors, allowing it to evaluate the changes in East Austin as they applied to economic growth within industries and the importance of location. Ten industries were selected for their importance to the Central East Austin economy. The team created a two-page survey instrument designed to elicit both quantitative and qualitative responses. On the first page, business owners were asked questions about their business operations that could be converted into numerical data. On the second page, respondents were asked to answer open-ended questions about their perceptions and opinions. To collect uniform data that could be aggregated for analysis, the same questions were asked of all respondents.

The information and opinions used to compile the findings in Part II are based on a series of 92 interviews conducted with Central East Austin business owners in February and March of 2007. Each member of the research team used the same sampling method to randomly generate a list of target firms. The team began with a comprehensive master file of more than 700 businesses in the 78702 ZIP code compiled by the Capital Area Council of Governments (CAPCOG). The researchers disaggregated the file into separate categories based on industry and corridor. Once lists were generated for each category, individual researchers selected firms that corresponded to randomly generated numbers.^{lxix} Each researcher generated a list of targeted firms.

Unfortunately, the researchers discovered that some of their targeted businesses had closed or relocated after the CAPCOG master list was compiled in 2005. Between outdated information and business owners unwilling or unable to meet with team members, several researchers were unable to reach their initial goal of six to eight completed interviews. In those cases, researchers conducted unannounced “walk-ins” to find businesses willing to complete the survey. When a researcher completed an interview, he or she shared the results with other students. A student interviewing a restaurant, for example, might share that data with a student from the corridor group (because the restaurant was located on a major throughway) and another student focusing on manufacturing (because the restaurant doubles as a bakery).

Respondents overwhelmingly reported they perceive that change is taking place in Central East Austin (see Figure 6.1). But in contrast to the mostly uniform belief that change had occurred, the interviews reflected a wide range of opinions on the nature of that change. Some merchants lamented that runaway economic growth was too far advanced and therefore anticipated negative consequences for their business. Others did not believe that Central East Austin had really changed that much. Still others expressed opinions somewhere in the middle.

Figure 6.1: Perception of Change in Central East Austin



These findings reinforced the researchers' choice of a mixed-methods approach because the interviews provided a richer context for understanding the aggregate data. But the researchers then faced the difficult task of defining change based on the disparate perceptions. Comparing the expressed opinions of interviewees with the quantitative data yielded some interesting and sometimes incongruent results. To give one example, 64 percent of respondents stated that their business has been increasing recently. Only 11 percent said that business had been declining. Basing the results solely on that quantitative data, one would assume the majority of owners were quite satisfied with market changes affecting Central East Austin. Yet many business owners voiced opinions that were far from enthusiastic.

Ultimately, the research team's task became one of investigation, organization, and objective analysis. The results of both the qualitative and quantitative data are important, and both have been reflected in the study. For the sake of simplicity, the studies will focus on key themes and current issues affecting the corresponding industries and corridors.

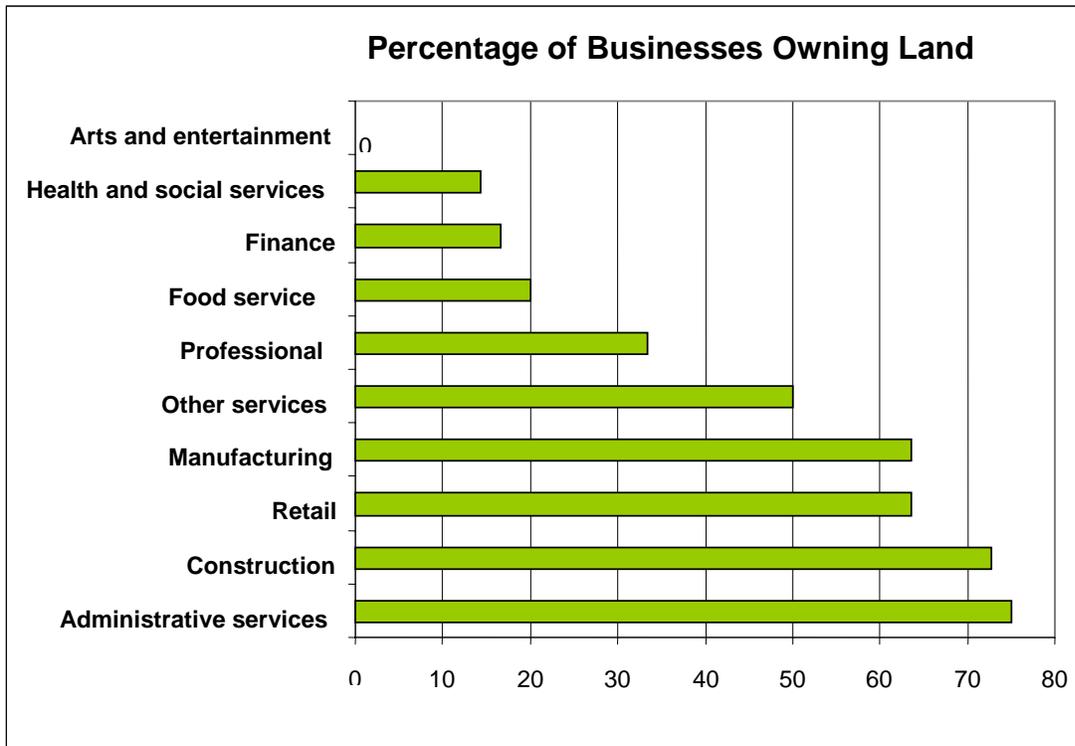
Themes from Industry Interviews

East Austin business owners overwhelmingly perceive neighborhood change. From a public policy perspective, the City of Austin has attempted to manage and direct area growth through its SMART Growth initiative. A prime example of New Urbanism, SMART Growth aims to restore community and vitality by advocating patterns for newly developing areas and promoting mixed-use developments.^{lxx} The city feared that, left to market forces alone, economic growth in East Austin could jeopardize the area's unique character. The opinions of the business owners surveyed often respond to both of these forces: market growth and city policies meant to control it.^{lxxi} The survey results, grouped into four themes, speak to the effect of these opposing forces.

The Great Tenancy Divide

In each of the industries studied, except arts and entertainment, there was a mix of interviewees who own their property and those who rent or lease it.

Figure 6.2: Property Ownership by Industry



Of all interviews conducted, 47 percent of businesses owned their property, meaning a majority rent or lease. Tenancy is a particularly important concern for East Austin business owners because even small increases in property taxes or rent mean significant adjustments in overhead costs. Those adjustments can have serious effects on profit margin. For owners, especially those who have been in business for several years, drastic increases in the real estate market have had less impact on them than on firms that lease.

In the retail industry, the majority of interviewed businesses own their property. Consequently, they were not terribly concerned about rising property costs. In many retail firms, the owners are siblings or husband-and-wife teams who have inherited the business and own multiple locations across town. Owning the business provides merchants flexibility to react to market needs. In the health services sector, for example, only one respondent—a childcare center—owned its property. Property ownership allowed the business to adapt to market demand. Recognizing the growing need for childcare services, the owner started a nonprofit organization west of I-35.

In contrast to owners, merchants who rent or lease often fear market displacement and are concerned about changes occurring in East Austin. A primary example is evident in the arts and entertainment industry. All of the artists interviewed rent their space. While many have good relationships with their landlords and have garnered fair rental contracts, most believe that property values have increased too drastically to consider buying East Austin studio space. Despite this concern, the local artists declared that they will continue to rent in East Austin because it is still less expensive than in other parts of the city. Studio space is currently affordable, but if land values continue to rise, the artists may need to relocate. East Austin is known for its strong arts community and many of the artists are embedded in the local community. Displacement of this group would deprive East Austin of one of its most unique and recognizable cultural assets.

Firms in the professional, scientific, and technical services industry have low rates of ownership but do not consider owning or leasing to affect their longevity in East Austin. Of the businesses interviewed, most own or lease their property, and two had received donated office space from the City of Austin. Those interviewed also seemed unfazed about their ability to remain in East Austin despite rising property taxes.

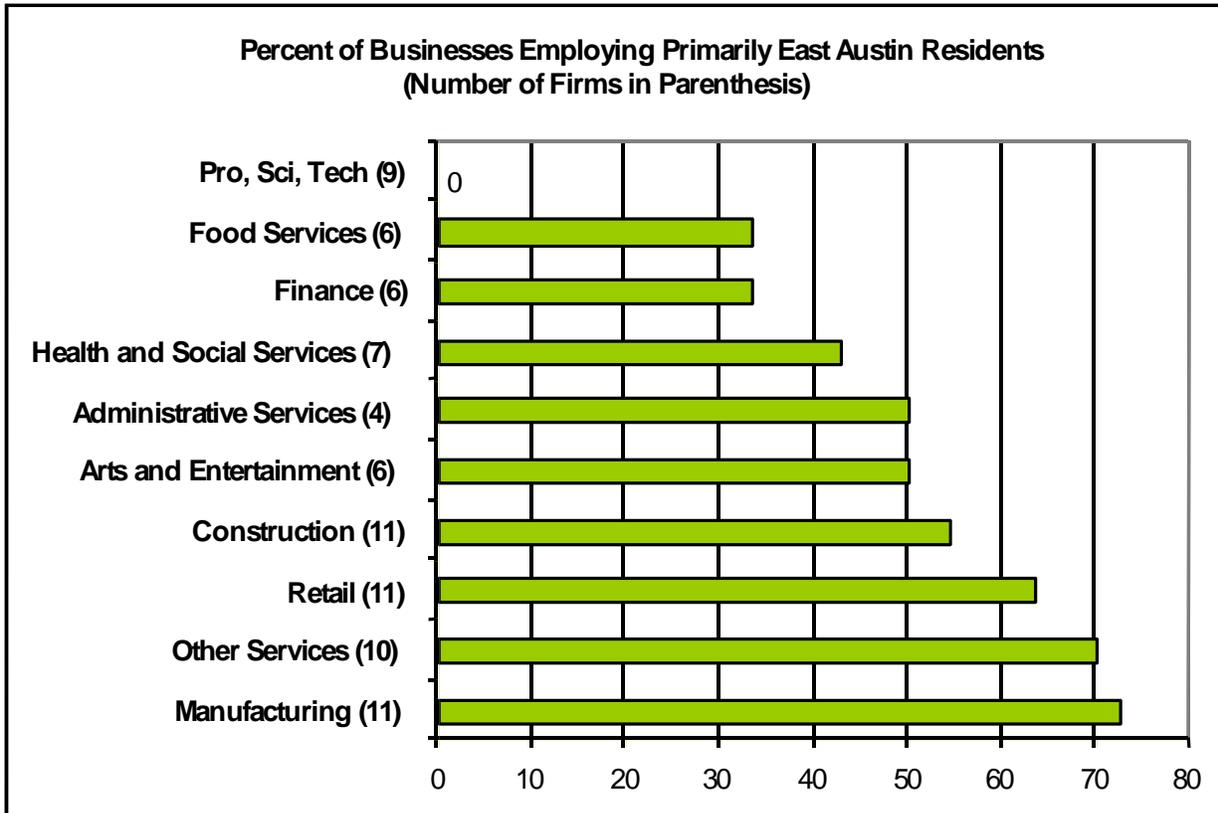
Workforce Characteristics

One measure of a firm's importance to the surrounding community is the number of local people it employs. Businesses able to employ local residents serve as a community good and can adapt to the skill set offered by its neighboring residents. In the case of East Austin, several industries have capitalized on the workforce available in adjoining neighborhoods. Typically hiring low-skill workers, industries such as manufacturing and retail have relied heavily on the available East Austin labor force. However, as more young professionals move into the area, and the economic structure continues shifting toward industries that demand a more educated workforce, many longtime residents may be forced to either seek employment far from home or develop new skills.

Most East Austin businesses are small. Approximately 70 percent of interviewees reported employing a workforce of fewer than ten people. Only 10 percent employed more than 20

people. Given the small size of most East Austin businesses, it is helpful to analyze employment numbers at the industry level. Like manufacturing and retail firms, businesses in administrative and support services and construction tend to employ East Austin residents. In fact, slightly more than half of all businesses interviewed (53 percent) stated that most of their employees lived in the surrounding area (See Figure 6.3).

Figure 6.3: Businesses Employing East Austin Residents



While the majority of workers live nearby, many respondents speculated that higher rents will displace employees who live in the neighborhood. The health services study describes the severity of the situation (see Appendix 3). Several health care employers reported that their employees are primarily East Austin residents. However, employees are finding it more difficult to live close to work. Most of the nonprofit organizations reported that some of their employees had resorted to commuting long distances. The interviewees fear that these commutes, in combination with low salaries associated with nonprofit work, would make it harder to attract and retain employees.

The professional, scientific, and technical services industry again provides a distinctly different experience. The level of interaction between these businesses and local residents is minimal and few of the employees live on the east side. Some perceive this disconnect as a major issue facing East Austin residents: they must gain the skills needed to be competitive for jobs in these firms.

In 2004, the Greater Austin Chamber of Commerce announced a five-year plan to diversify the Austin economy.^{lxxii} The city adopted the plan to insulate itself from an economic slump. While the chamber sought to lure companies from all across the country, nearly all of the targeted firms were professional or high-tech, which means the demand for educated, skilled labor is unlikely to diminish. Businesses in the finance sector, another industry demanding a relatively skilled labor force, do not generally employ high percentages of East Austin residents. Only two out of six businesses, both insurance companies, reported having a primarily East Austin workforce.

Half of the construction companies interviewed indicated that they hire primarily East Austin residents. This category includes a broad range of firm types: three longtime businesses, two community development corporations, and one more recently established business. Of those construction firms that do not hire mostly East Austin residents, two are recently established firms and two are specialty trade firms. The specialty trade firm respondents explained that they cannot find the skilled workforce they need from the community because most skilled trade workers either cannot afford or do not choose to live in East Austin. Indeed, many live in smaller communities outside of Austin. To bolster the available workforce, the trade union administers an apprenticeship program serving local youth.

The diversification of the East Austin population is altering the composition of the local workforce. This shift will have a significant impact on firms that have historically employed primarily East Austin residents. At the same time, as the population becomes younger and more highly educated, industries requiring relatively higher skilled labor may begin employing more East Austin residents.

The Importance of Location

Many businesses interviewed have long histories in Central East Austin. Almost 62 percent have been in business at their current location for at least 10 years. Doubtless their choice of location has contributed to their success. Several industries interviewed—including retail, food service, professional services, and finance—attributed their longevity in East Austin to their specific site. In particular, they celebrated their attachment to high-traffic corridors. These businesses are closely tied to population growth: more residents means more exposure. The 11th Street corridor, for example, is an ideal business zone for such firms, spanning roughly four blocks. Directly

across I-35 from professional and government offices, the corridor entices hungry office workers and interested clients alike. Despite increasing rental prices, businesses continue to open on 11th Street because they associate financial growth with their location on the corridor. Higher rent is offset by the boost location contributes to each firm's overall worth.

But location on a corridor is not a pertinent concern for all industries. Studio artists, located farther from I-35, prefer their site because its distance from downtown allows them to rent larger spaces for lower prices. Performing arts groups tend to locate wherever they can afford space. Paying more for a 7th Street studio would surely garner an artist better exposure, but the financial gain from such a location would not necessarily outweigh the higher rent. Those artists who have their own studios tend to come upon them by a stroke of luck. This disinterest in particular locations stems from the fact that none of the Arts and Entertainment businesses interviewed is dependant on local demand. Most have cultivated a citywide customer base, with some even commissioned by patrons in other cities.

Other businesses do not necessarily target corridors but enjoy the competitive advantages that result from being close to the Central Business District. For construction firms, the decision was typically based on property costs and the ease of accessibility to downtown or the airport. Health care firms also benefit from a central location. Most of the nonprofit organizations surveyed chose the convenience of Central East Austin to simultaneously serve the local at-risk population and individuals throughout Central Texas. A number of physicians located in Central East Austin choose to treat minority patients of their own ethnicity.

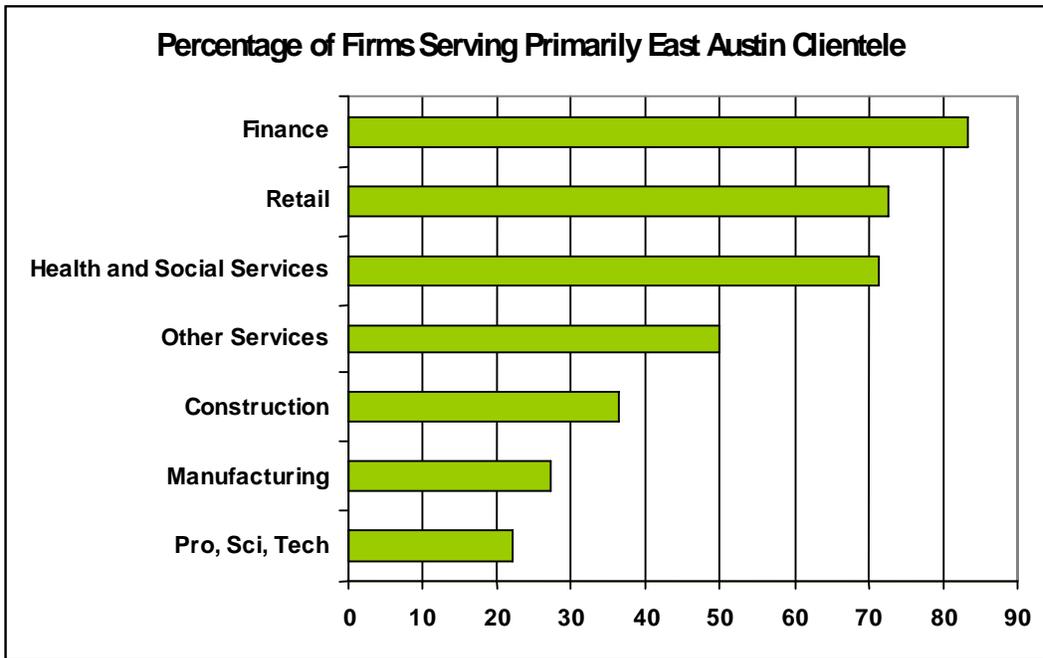
For a few firms, such as the beauty shops and automotive firms categorized as "other services," location is not a pertinent business choice.^{lxxiii} The same was found for administrative and support services firms. In general, their client base is not dependent on a major corridor location. The firms offer mostly on-site services, such as landscaping and janitorial services, so they can avoid the financial burden of owning or renting property along busy thoroughways. Instead, the businesses rely on existing clients, referrals, and government contracts.

Welcoming a Diverse Client Base

While serving local employment needs is one way to evaluate a business' benefit to its community, evaluating the firm's client base allows one to assess its appeal to the community and future prospects. A growing client base suggests future growth, whereas a declining client base is cause for concern. For firms located on corridors, the increased exposure that results from being on a busy thoroughway inevitably translates into a diverse client base. Indeed, corridor respondents cited an increasingly diverse customer base from all parts of Austin. Even Martin Luther King Jr. Boulevard, which is primarily a residential corridor, is experiencing economic growth and a diversifying clientele.

Local artists also appreciate the increased exposure to their works, which is highlighted every year by the East Austin Studio Tour. The tour allows art patrons and interested neighbors an opportunity to visit more than 100 local studios. As East Austin continues to grow, organizers anticipate more participation in local art. Increased participation should translate to additional support from more affluent parts of the city.

Figure 6.4: Businesses Serving East Austin Residents by Industry



Despite this exposure, many firms still identify local residents as the foundation of their client base. On the East 7th Street corridor, the loyal customer base in older businesses has helped them withstand higher rents and increased property taxes without having to drastically increase their prices. Retail clothing stores seek to lure new residents with high disposable income. In the finance sector, all six businesses interviewed cater to East Austin residents, although their definitions of local vary. Some aim to serve established, low-income residents with few financial options. Others have recently located to Central East Austin to satisfy the needs of young, professional newcomers. As the finance industry study explains (see Appendix 3), financial institutions such as credit unions are in a unique position to bridge old and new East Austin by appealing to both constituencies. In fact, patronage extends beyond the business to neighborhood economic relationships. More than 55 percent of firms surveyed purchased services or supplies from other East Austin businesses.

Construction and manufacturing/wholesale trade firms provide unique perspectives in this arena. The newer construction firms primarily serve clients outside the East Austin area, and occasionally outside the Austin area. Many of the older businesses focus their attention on regional construction projects. In fact, only three businesses indicated that their primary clients are East Austin residents, and two of these are nonprofit neighborhood community development corporations. Manufacturers rarely have typical “storefronts,” instead shipping their products to customers across a region. An East Austin exception is Hispanic-focused manufacturing businesses that target local Hispanic customers by maintaining small retail areas that offer products to neighborhood residents.

The Economics of Urban Space

The discipline of geography offers several theories that attempt to explain the use of urban space. Among these theories, competition primarily explains why firms in a city cluster together, in most cases creating entire districts devoted solely to a particular product or industry. As a result, the urban population tends to disperse itself around these business centers based on the firms’ relative utility. Firms that attract daily use, such as retail stores, coffee shops, and restaurants, tend to lure the population into the surrounding neighborhoods. Firms with more intermittent use, such as advertising agencies, have less influence on population dispersion.

Businesses cluster for several reasons. First, they can monitor their competition simply by walking across the street. In East Austin, for example, East Cesar Chavez is home to numerous Mexican restaurants. The business owners can easily monitor customer levels and price changes, thereby gauging their own business practices by their neighbor’s success. Second, the district provides a single locale where customers can easily observe competitors. The busy intersection at East 7th Street and Pleasant Valley provides a vivid example of such a shopping area. Many of the shops have been in business for decades and offer customers a wide range of products, from flowers and tobacco to dry cleaning and jewelry. Third, businesses along a corridor realize benefits from locating near each other. Businesses may have lower supplier costs or benefit from a concentrated customer base, thereby making their products less expensive for everyone. (Economists refer to this effect as economies of agglomeration.) If a new business opens in a busy business district, the owner can maximize his or her access to goods and services and, if the area is heavily populated, draw on a larger pool of labor resources. This level of competition can

generate higher rental and property rates, but for the business owner, locating in an area with high demand could generate enough income to offset the higher rates.

Regional scientist William Alonso developed a model suggesting that a city had two major districts: a central business district occupied by businesses of various types, and surrounding, mostly residential areas.^{lxxiv} Circling the residential areas would be other rings, containing businesses that require more land and where rents are lower. Such land uses include junkyards and cemeteries. Longer East Austin corridors, such as MLK and Manor Road, support Alonso's theory. As these corridors stretch through Central East Austin toward Airport Boulevard, land-intensive firms abound, including warehouses and construction companies.

As economic growth continues in Central East Austin, areas unaffected by significant development may see increased attention from public and private investment. Compared with the level of private investment occurring in East Austin, the 12th Street and MLK corridors remain largely unaffected by recent changes. However, given the increasing business activity in East Austin, it is unlikely that these corridors will remain sheltered for long. But because the corridors are in the early stages of their inevitable development, current business owners and neighborhood citizens can take an active role in shaping how their neighborhood will evolve. Many of the business owners on East Cesar Chavez and East 7th Street regret that their influence in local decision-making seemingly decreases with each new loft development. Because redevelopment efforts along 12th Street and MLK are at such an early stage, business owners have an opportunity to participate in neighborhood change through civic participation. Market growth in East Austin means the possibility of inner city housing becoming a seedbed of wealth for Americans who have never had it. If change on 12th Street and MLK is indeed inevitable, the ability and effectiveness of businesses to engage in the process will help determine the character of future development.

Industry Projections

Industries Poised for Growth

Business owners in the construction, food, retail, manufacturing, and professional services industries report a generally positive outlook for the future. Many of the respondents anticipate moderate to rapid growth for their businesses. For the food and retail industries, that growth comes as businesses report serving a larger client base with higher disposable incomes than in the past. Construction and manufacturing firms should also benefit from local East Austin and regional population growth. East Austin has already witnessed the arrival of more private health care providers (especially in Central East Austin and the Mueller redevelopment area), marking what should be the continued growth of the health services sector. In addition, some social assistance agencies report moving east to better serve their target populations, retain employees, and take advantage of lower rent. Finally, professional, scientific, and technical services firms will likely continue to grow as both regional and national firms look to East Austin as a place that offers proximity to downtown without the burden of downtown rents. To realize the employment opportunities afforded by growth in these industries, East Austin residents must acquire and demonstrate the necessary skills.

Threatened Industries

Even for corridor businesses that have benefited from growth, the future is uncertain. Most interviewees expect to experience moderate to rapid growth. At the same time, many expect to see more businesses catering to a higher income clientele and a decline in firms such as automotive services and beauty shops.

If realized, this sector shift would mean increasingly diverse businesses. Set against this background, business owners along East Cesar Chavez and East 7th Street voiced a strong desire to maintain the Hispanic heritage of the area while adapting to a changing customer base. The 11th Street corridor seems poised to continue large-scale commercial and retail development. Significant change along 12th Street and MLK is also likely in the near future. To have a voice in the change process, neighborhood organizations, municipal interests and private developers should already be organizing around their issues.

Moving from the corridors to individual industries, businesses in arts and entertainment feel particularly embedded in the East Austin culture and believe they must grow or be displaced. Administrative and support services owners expressed some concern about increased competition. These industries do not typically employ large numbers of high-skilled workers and therefore may face an increasingly difficult time recruiting employees from a wealthier, more highly educated East Austin. Businesses involved in financial services, including banking and insurance companies, check-cashing establishments, and pawn shops, will likely have different futures. Two sub-sectors positioned to thrive as a result of changing demographics (banking and insurance companies) are mainstream financial institutions that should capitalize on the business opportunities afforded by new residents. Pawn shops and payday lenders are well represented along East Austin's corridors, but if the population shifts significantly from low-income to high-income residents, these "fringe economy" businesses may no longer have a solid customer base in the area.

In the end, industry projections rest on how well businesses adapt to change. For firms closely tied to local customers, adapting means integrating new, comparatively affluent residents into their client base. For firms that service the greater area, adapting means countering higher property values. Each business must decide if its current location is integral to economic growth. If higher property taxes and rents are offset by the higher value of conducting business in East Austin, these firms will remain and prosper. If not, they may need to relocate to pursue less expensive property or an adequately skilled labor force. The ethnic and racial diversity that has long been a hallmark of East Austin is being transformed by diversity along socioeconomic lines. Wealthier Austinites are crossing the I-35 barrier. Nimble businesses able to adapt will benefit from this transformation.

Chapter 7. Patterns across Corridors

Corridors are built on the perimeters of East Austin neighborhoods, serving as the primary arterial roadways connecting the eastern regions of the city to downtown Austin and the Interstate. At present, 51 percent of all Central East Austin businesses are located along the five principal corridors. These major streets also create boundaries around neighborhoods and types of land use, both physically and symbolically enabling and restricting human interaction and mobility within and across the places they define. For the purposes of this chapter, corridors will be considered as agents of transport. The term transport comes from the land economies literature, referring to one of three factors that determine the value of a location: distance, density, and diversity.^{lxxv} Typically, an owner gains value when the distance is short, density is high within limits, and transport cost is low.

Thus, as an empirical concept, the corridors can be differentiated in terms of distance, density, and diversity and by their primary transitory function. For example, corridors like 7th Street and MLK are throughways, connecting Austin's central business district to the periphery and the airport. These streets receive higher volumes of traffic relative to the other corridors, particularly in terms of traffic from Greater Austin. In contrast, corridors such as East Cesar Chavez and 11th Streets serve as circulators, connecting local residents to local businesses.

Historically, the East Cesar Chavez and East 7th Street corridors have been important thoroughfares for streetcars, buses, pedestrians, and automobiles. Until the early 1960s, 11th and 12th streets were home to a vibrant mix of business establishments and entertainment venues. Streets and sidewalks were crowded throughout the day with both foot and car traffic. Martin Luther King, Jr. Boulevard (MLK) stands as a traditional East Austin throughway that continues to maintain mixed commercial and residential use.

In each of the corridors, the legacy of the original residents is evident. While the demographic composition of 78702 is changing (see Part I), a visitor traveling down 11th street would likely observe the remnants of the highly visible and active African-American communities that historically occupied those spaces. Similarly, East 7th and East Cesar Chavez Streets maintain elements of their Hispanic heritage.

The following chapter explores current business attitudes along East Austin's busy throughways. In the context of urban change, corridors maintain a unique community voice when confronting and shaping city growth. Each corridor story includes examples of neighborhood organizations, municipal planning committees, and private development corporations that have to some extent influenced the direction and scope of their evolving areas. MLK presents an interesting opportunity as the future of the roadway's density and land use could be greatly altered by the creation of SH-130 east of the city. Because MLK would provide commuters with an ideal link between SH-130 and I-35, the corridor could grow rapidly in the coming years.

Historical Development of East Austin

Land use and zoning codes influence where and how communities develop. Zoning codes for most of Austin required that land used for industrial, manufacturing, and retail activity be located on separate land parcels. Historically, this zoning principle was not followed in East Austin. It has always been the location of different, or mixed, land uses, many in residential neighborhoods. Undesirable land uses have meant that, in the past, many East Austin residents have had to live in the presence of industrial activity or near hazards such as the Holly Power Plant. East Austin community groups called for improvements in their neighborhood and restrictions on undesirable land uses. The late 1990s brought renewed economic growth to Austin and, with it, repopulation east of the I-35 (see Part I).

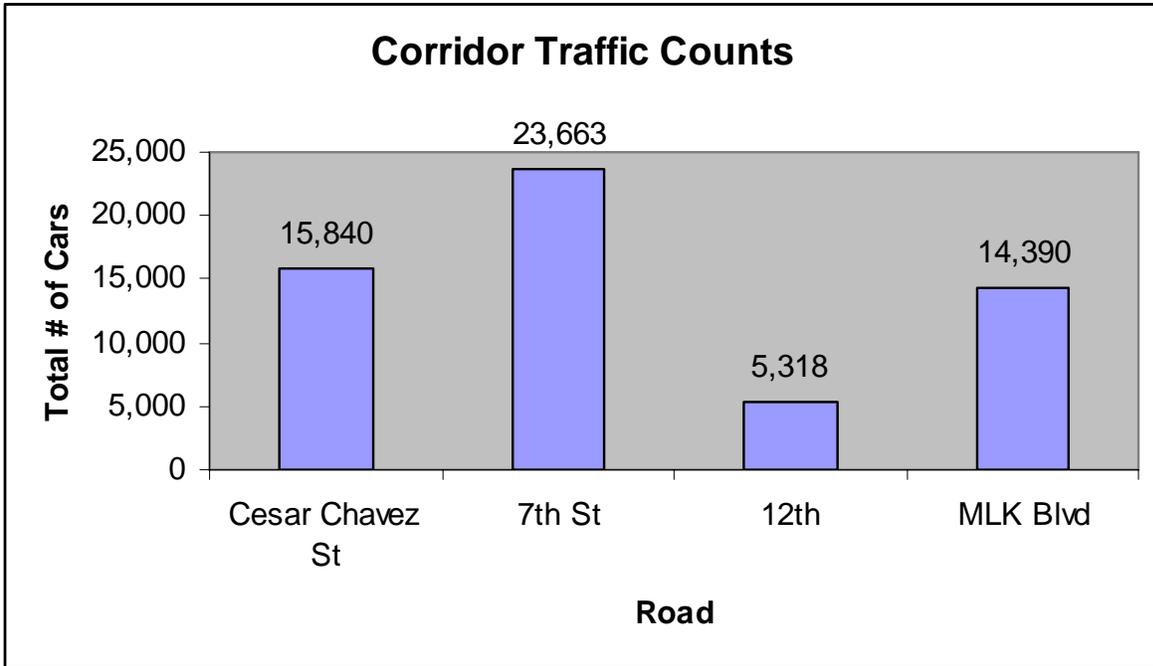
In response, the City of Austin introduced SMART Growth as an initiative to “modernize Austin's long-range plan for growth, managing and directing growth that minimized damage to the environment and helped build a more livable city.”^{lxxvi} The plan sought to dissuade further development westward, instead directing that growth east. The population was multiplying rapidly and the city needed to find space to absorb the boom. Because East Austin already had utility infrastructure and the area did not represent a geographical boundary to growth (unlike the environmentally sensitive area to the west), SMART Growth targeted the land east of I-35. Specifically, the program advocated patterns for newly developing areas that promoted a mix of land uses and a transportation system that accommodated pedestrians, bicycles, public transit, and automobiles.

Ironically, the fact that East Austin had been zoned for mixed use is now an advantage, as urban density and commercial activity in close proximity to residential areas have gained currency in urban planning. New Urbanism captures many elements that have existed in East Austin for decades.

New Urbanism

The notion of the urban corridor as a key element in municipal planning was introduced in the theories of New Urbanism. According to New Urbanism, corridors are civic creations that are meant to connect or separate neighborhoods and districts. A transportation corridor, for example, is generally modeled according to the amount and direction of traffic through a particular portion of the city. Ideally, highways with heavy traffic are built tangential to cities and industrial districts, whereas bus corridors with lighter traffic are built on the perimeters of neighborhoods. As more automobiles began to crowd the streets during the post-World War II era, city planners created collector roads meant to carry higher traffic loads. This city planning regulation intended to minimize traffic on residential streets so as not to adversely affect the neighborhood's tranquility.^{lxxvii} Traffic from residential streets fed into the collector roads, and those eventually led to major thoroughways intended for heavy traffic. These main roads then became the town's transportation arteries. The corridors and parallel, residential streets have distinct characteristics.

Figure 7.1: Traffic Along Corridors



The corridors carry much more traffic than neighboring residential streets. For example, the traffic count conducted at the intersection of East Cesar Chavez Street and Navasota indicated that 15,840 cars passed through the intersection within 24 hours. In contrast, a traffic count of 3rd Street (only two blocks north) showed that only 827 cars per day passed through the residential street.

The traffic counts indicate that 7th Street is the busiest corridor in terms of automobile traffic, receiving over four times the number of cars as 12th Street (See Figure 7.1). The heavy flows of traffic along 7th Street are likely due to transit between central Austin and the airport.

East Cesar Chavez St. and MLK receive comparable traffic flows and serve as secondary connectors to eastern regions of the city and central Austin. These two corridors receive less traffic because they are primarily used by local residents as opposed to travelers from Greater Austin.

Transportation, in all its forms, drives the creation of corridors. New Urbanist communities focus their transportation planning by encouraging citizens to walk, bike, or use public transportation to save energy, improve air quality, and reduce traffic congestion. These communities advocate both rectangular and irregular street networks that can disseminate traffic, create many intersections, and therefore reduce congestion.

Within New Urbanism, the responsibility for transitioning from planning to implementation often falls to municipalities themselves. Codes and ordinances are responsible for the architectural quality of roads. Buildings within the same vicinity should be compatible and governed by the same code—compatible mass, height, and architecture while still maintaining creativity and individuality. New Urbanists believe city ordinances should be used to create mixed-use developments along corridors. Community involvement through venues such as neighborhood organizations and municipal planning committees could be important in shaping such change.

East Austin Business Corridors

East Cesar Chavez Street

Cesar Chavez Street serves as an east-west circulator, connecting local residents to local businesses. The corridor and surrounding neighborhood is a stable, mixed-use area characterized by its culturally diverse history. In 1997, the East Cesar Chavez neighborhood took part in the City of Austin’s neighborhood planning process. The plan stated that the residents wanted their neighborhood to remain a place where “people sit on their front porches and wave to their neighbors or lend a helping hand, and where working people, the elderly and young families can afford to live.”^{lxviii} The goal of the neighborhood plan was to guide future development, protect the existing neighborhood residents and businesses, and provide opportunities to improve the quality of life for everyone in the neighborhood.

East 7th Street

Development in Austin's central business district spurred revitalization on East 7th Street. As part of its SMART Growth initiative, the city created a Corridor Planning Program. In 2002, East 7th Street was selected as a pilot corridor, involving many business owners, residents, and other interested stakeholders in the planning process. The East 7th Street corridor was chosen primarily because it serves both the local and regional communities with restaurants, offices, housing, education, personal services, and other businesses. Improvements such as continuous sidewalks, trees, organized signage and medians were proposed "to increase safety and comfort for all users" (Corridor Concept Plan 2002).

The ultimate goal of the 7th Street study, based on feedback from various community workshops, was to improve its appearance and safety, making it more economically viable. Ironically, the city also sought to develop the corridor as more pedestrian friendly. Although the city acknowledged the importance of the corridor as a throughway, the Corridor Planning team felt that beautification was the first step toward revitalization.

While focusing on appearance and safety, the team identified the two most important barriers: traffic and crime.^{lxxix} The Corridor Planning Team suggested landscaped medians, more trees throughout the corridor, better lighting, more pedestrian-friendly sidewalks and curbs, and more comprehensive overall maintenance. Better lighting and increased pedestrian activity were thought to be the most effective means to decrease area crime.

East 11th and 12th Streets

Both 11th and 12th Streets function as local circulators for businesses and residences within the immediate area, as well as indirect throughways connecting different areas of Greater East Austin with the rest of the city. For 11th and 12th Streets, a strong African-American presence has contributed to the singular character of the area. Beginning in the 1960s, the once bustling thoroughfares began to experience a steady decline. Compounded by the negative consequences of urban renewal, the 11th and 12th Street corridors had vastly deteriorated by the 1970s. Today, that unique African-American character is once again prevalent. The adjoining neighborhoods are becoming more diverse in terms of both people living and working there and the types of businesses in operation. While Central East Austin is changing, the African-American presence on its main business corridors has remained strong. From the 11th Street restaurants serving Cajun and New Orleans style cooking to the 12th Street African-American beauty salons and barbershops, African-American influences on the business environment are obvious.

The creation of the Austin Redevelopment Authority (ARA) in 1996 signaled a new era for these corridors. By 1999, this organization, comprised largely of East Austin stakeholders, developed plans for each corridor. The 11th Street corridor was envisioned as a commercial and entertainment district while 12th Street was planned as a mixed-used, small-scale development, aimed at serving the local population. These two plans proposed very different visions for the two streets, and the development that followed has been equally varied. A comparison of the 11th Street of today and 1999 reveals large-scale and dramatic alterations. Among the most prominent changes is the addition of approximately 95,000 square feet of office/retail space; restoration of office space at 1101 East 11th Street; and a mixed-use project consisting of three

buildings and two parking garages. In contrast to the large, multi-story, and recently built structures dominating 11th Street, the businesses along 12th Street have remained relatively small. Visible signs of development exist (largely individual building renovation), but on a much less dramatic scale.

Historical legacies in business clustering along the two corridors may help explain these very different development paths. Almost all of 11th Street business is situated along a roughly three to four block stretch east from I-35 to Navasota. This clustering has created a walkable business district supporting a variety of businesses. Development along 12th Street has followed a much different path; while there is cluster of business at the intersection of 12th Street and Chicon, business activity occurs regularly along the roughly 1.5 miles from I-35 east to Airport Boulevard. This has created a less pedestrian friendly business environment and may be less suitable to the type of dense, mixed use development that ARA promotes on 11th Street.

Key Themes

Information gathered from interviews with business owners and managers in Central East Austin proffered crucial insights into the relative density, distance and diversity of the five principal corridors.^{lxxx} East Cesar Chavez and 7th Streets are the two longest corridors (both 2.5 miles) with the greatest number of firms. However, the two roadways are distinct in that 7th Street primarily serves as a throughway, connecting Central Austin to the airport and the periphery. This transport/connector function of the corridor is evident on 7th Street as approximately 40 percent of all businesses are retail/trade firms (see Table 7.2). In contrast, East Cesar Chavez Street has the greatest array of types of businesses and largely serves the local community (See Tables 7.3 and 7.4).

Another interesting contrast is the economic activity occurring along 11th Street in comparison to the other corridors. Businesses on this street are clustered along the 0.9-mile stretch from I-35 to Navasota St. Thus, businesses along this corridor enjoy close proximity to other businesses, thereby attracting a greater source of potential clients. While 11th Street businesses represent only 4 percent of all firms in 78702, they serve the greatest number of clients from greater Austin (See Table 7.2).

Finally, MLK presents a unique case in that there is low density and diversity of businesses, though the corridor spans nearly two miles. The corridor contains open land, vacant properties and very few businesses. However, MLK will soon become a key connector road, serving as the link between SH-130 and Austin's central business district. MLK is straight-through roadway and will soon connect a highway bypass (SH-130) to Austin's central business district. Thus, like 7th Street, MLK will likely see greater traffic, particularly in terms of clients coming from outside of East Austin.

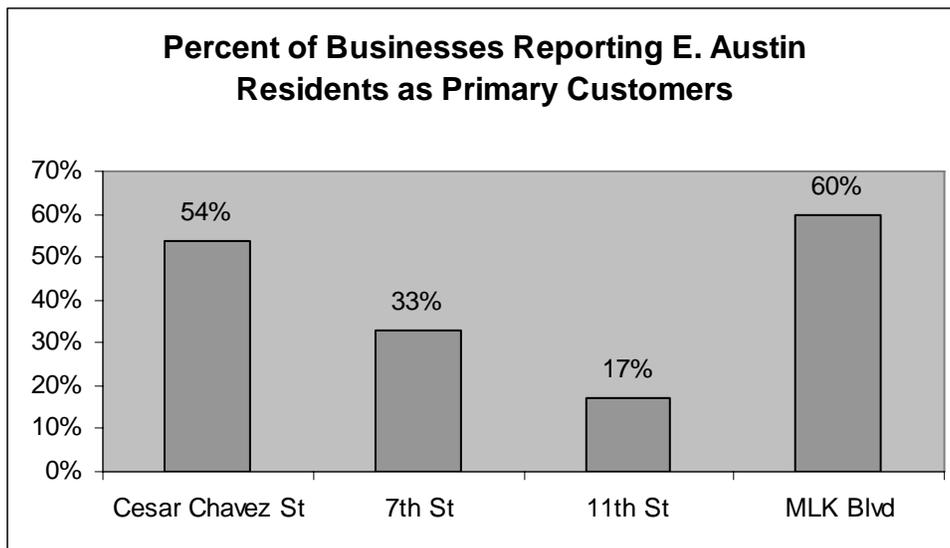
Table 7.1: East Austin Businesses by Corridor

Total Number of Businesses					
<i>Industry</i>	<i>Cesar Chavez Street</i>	<i>7th Street</i>	<i>11th Street</i>	<i>12th Street</i>	<i>MLK Blvd.</i>
Retail Trade	37	38	2	4	7
Pro/Sci/Tech	22	2	4	2	5
Food Services	16	12	4	4	1
Manufacturing	16	12	1	1	2
Other	27	18	8	24	6
Admin/Support	0	0	2	2	0
Construction	5	0	0	2	1
Financial	11	12	0	1	0
Health care	3	2	0	0	8
Arts	0	1	1	0	2
Percentage of firms in 78702	22%	12%	4%	6%	5%

Table 7.2: Industry Share by Corridor

Percentage of Businesses Along Corridor					
Industry	Cesar Chavez St.	7th Street	11th Street	12th Street	MLK Blvd
Retail Trade	27%	39%	9%	10%	22%
Pro/Sci/Tech	16%	2%	18%	5%	16%
Food Services	12%	12%	18%	10%	3%
Manufacturing	12%	12%	5%	2%	6%
Other	20%	19%	36%	59%	19%
Admin/Support	0%	0%	9%	5%	0%
Construction	4%	0%	0%	5%	3%
Financial	8%	12%	0%	5%	0%
Health care	2%	2%	0%	0%	25%
Arts	0%	1%	5%	0%	6%

Figure 7.2: Businesses Serving East Austin Customers by Corridor



Importance of Mixed-Use Development for East Cesar Chavez

The East Cesar Chavez corridor has a broader range, or diversity, of industries than the other corridors. Nearly a quarter of all businesses are retail trade firms and 11 percent of all businesses are in the automotive industry. Three of the five business owners interviewed reported that their primary customers are East Austin residents.

However, Cesar Chavez Street also has a large proportion of professional, scientific, and technical services firms, mostly law firms. As the demographic composition of the area changes, and more residents with higher levels of education increase, it is likely that the proportion of professional firms will increase, while traditional businesses such as automotive shops will decrease.

Interviews conducted with business owners on East Cesar Chavez Street indicated that the Hispanic character of the corridor was the primary motivation when choosing a location. Similarly, many business owners also emphasized that they preferred East Cesar Chavez Street to other East Austin corridors because the commercial corridor has a more residential, neighborly quality. Frequently, respondents would use the 7th Street corridor as a method of comparison, illustrating what they did not find desirable in a potential business location. They explained that 7th Street was overly commercial and had less of a unique character.

An East Cesar Chavez Street business owner recalls spending afternoons, weekends, and summers working alongside his father and older brother at their family automotive and body shop. While his brother shadowed their father and began developing the skills of the trade, one respondent remembers being more interested in his school studies. Not incidentally, he also recently became the first member of his family to graduate from college, and has now begun his work as the business administrator for their five-man operation.

The interviewee explained that his primarily Spanish-speaking father opened their initial shop on East Cesar Chavez Street with his former business partner over 25 years ago, but that they moved to the current East Cesar Chavez location approximately two years ago. The previous location was behind another automotive shop at the intersection of East Cesar Chavez Street and Highway 183. They felt that they were not sufficiently visible to passing traffic and were concerned that potential customers coming from I-35 would pass too many competitors before arriving at their location. Thus, they felt it was necessary to find a location closer to I-35 and downtown.

However, it was very important for the family business to remain on this vital corridor as their business has established a solid reputation within the community and they view their location as an essential defining characteristic of their business. The high value placed on location—not just within Central East Austin, but along East Cesar Chavez Street—is not unique to this business.

Another professional business owner explained that she was initially drawn to the corridor because of its rich Hispanic heritage and the strong sense of community within the neighborhood and the corridor itself. Seeking Spanish-speaking clientele, this business owner has benefited from the nearby Hispanic residents, as well as the relatively high levels of traffic along the corridor. She estimates that approximately 50 percent of her current clients are East Austin

residents and that many of those clients actually come from the East Cesar Chavez neighborhood. In addition to her location, she also attributes her success to her involvement in the Hispanic Chamber of Commerce and a local church that she regularly attends.

An owner of an engineering firm, who also owns his place of business, commented that he believes that residents were more likely to be concerned with the aesthetic appeal of their homes, and thus prefers a greater proportion of residences to businesses. He was pleased with recent changes in the business climate as more “well-to-do” businesses are moving into the area and replacing traditional businesses such as tire shops, which he viewed as an eyesore.

The views expressed by business owners along East Cesar Chavez Street indicate that most firms have a strong identity with the particular characteristics of the corridor. However, there is a dynamic mixture of older businesses that are pleased by incoming changes and businesses that feel threatened because they fear the changes will lead to displacement.

Construction as a Mixed Blessing for 7th Street

Nearly 40 percent of all 7th Street businesses are retail trade firms. Thus, 7th Street is the least diversified of all the corridors in terms of the array of services provided. Businesses falling under the “other” category—primarily automotive services; funeral homes and crematories; and barber and beauty shops—have the second largest proportion along the roadway. Approximately 60 percent of all businesses along 7th Street are storefronts that depend on heavy flows of traffic for their customer base. Similarly, these businesses are not necessarily targeting the more recent residents with higher disposable incomes.

A busy corridor, by nature, attracts a diverse customer base. In the case of 7th Street, the ease of travel between downtown and all points east of the city means that a wide array of businesses can take advantage of the heavy traffic and exposure. As expected, businesses along 7th Street continue to benefit from its proximity to the Central Business District. Austin’s Central Business District is experiencing a development boom, so once again developers and prospective business owners have turned their attention east of I-35 as a means of controlling and directing that growth. Local owners identified these new businesses developing along 7th as overall beneficial to the corridor, helping to create a more competitive business climate.

In addition, despite the rising property values along the corridor, no merchant reported a decline in profits. Most reported business as relatively steady, and some actually experienced an increase in sales. Few of the merchants advertise, but rather rely on word of mouth to bring in new customers. New customers come from throughout the city, often making up a majority of the client base. Interviews conducted with 7th Street business owners indicated that only 33 percent of the businesses interviewed serve primarily East Austin residents (see Table 7.3). Conversely, the businesses tend to serve local employment needs. According to most respondents, their firms employ a majority of East Austin residents. For restaurants, that labor force was entirely local.

Of particular interest was the sentiment that crime, or even the perception of crime, had not affected their business in recent years. Many felt that crime was no longer a major issue on the corridor. When asked if city programs had helped to reduce the amount of crime in the area, most answered that crime had never been as high as those outside of East Austin perceived it to

be. Rather, one merchant who had resided in East Austin for 47 years stated that she felt safer when traveling on the east side than any other part of the city.^{lxxxix}

Rising property values may not have affected the long-established businesses with loyal, core customers, but the low rent that once attracted businesses to East Austin has become a thing of the past. New businesses moving onto the corridor tend to be large chains. For older businesses, increased property values might not have affected their business to date, but they acknowledge that they have raised prices in order to mitigate financial loss. One owner complained that her customers have started to ask why prices are increasing. Despite explaining that the increase is a result of higher costs, customers have begun to suspect the business is augmenting its prices in order to benefit from the higher income residents moving into the neighborhood.

Longtime merchants complain that the new owners have shown less interest in becoming active in the local business community. These new businesses that are able to build tend to be pawn shops, check-cashing stores, and tire shops, which hurt the overall aesthetic of the corridor. In terms of city initiatives, the emphasis on beautification means that construction along the corridor will stifle business growth in the short term, especially those businesses near 7th Street and Pleasant Valley. At that busy intersection, where the city hopes to install landscaped medians, traffic and parking were already considerable problems.^{lxxxii} One merchant lamented it will only worsen in the future.

Boom and Stagnation for 11th and 12th Streets

Another compelling finding is that 14 percent of businesses along 11th Street are professional, scientific, and technical services firms, representing the greatest percent share of businesses from this industry along any of the corridors. Firms in this industry located on 11th Street include advertising agencies, lobbyists, management consultants, etc. These “professional” firms benefited the most from development initiatives close to I-35. The large mixed-use developments created by the Austin Redevelopment Authority in the 1990s attracted such firms with the lower rents along 11th Street relative to other parts of the city.

Even with the fast pace of change, 11th Street has retained its small business character. This is not to suggest that large, national chains have not attempted to gain entry. In fact, the ARA declined to lease space to at least one prominent chain. Instead, the ARA has developed buildings with both small and large retail and commercial spaces. The approximately 20 percent of small retail/office space offers opportunities to local businesses. In addition, the ARA has worked with small businesses to develop special financing arrangements that should enable long-term stays.

The food service industry along 11th Street is relatively small, but has experienced recent growth. The corridor contains some of East Austin’s more recognizable restaurant names, most notably Gene’s New Orleans Style and Ben’s Long Branch Barbeque. Ben’s has been in operation for decades while Gene’s has operated on 11th Street since 2000. While the food these restaurants are serving is similar to the food they were offering seven years ago, their clientele has slowly changed. The customer base now is decidedly more diverse than it was in the past.

Two new food service establishments, Ms. B's and the Dandelion Cafe, began operating in 2005. The physical space and design of these establishments clearly differ from the older restaurants on the corridor. Much of this can be explained by the newness of the building space. Beyond the newness, the establishments have a more "trendy" or "modern" feel. Despite the cosmetic differences; these restaurants' experiences have been similar. While many restaurants thrive on the dinner crowd, interviews with restaurant owners reveal that 11th Street business is much stronger for lunch.

In contrast to the strong presence of professional, scientific, and technical services located on 11th Street, the same industry makes up less than 5 percent of total establishments located along the 12th Street corridor. Twenty-two percent of businesses along 12th Street are barber and beauty shops that have likely served their traditional customer base. While these establishments certainly meet a community need, it is hard to imagine a healthy and well-balanced economy where nearly a quarter of establishments are dedicated to beauty shops.

Funeral homes have a strong presence along the 12th Street corridor. Funeral homes were prototypical ethnic businesses, and are a legacy of historical segregation in Austin. These businesses were traditionally family owned, and employees and clients were members of the same racial/ethnic group as the owner of the business. Today, many funeral homes are high-volume, franchise operations of large corporations. These operations have largely displaced family-owned businesses, even when the franchised business continues to carry the family name. In East Austin, there are three cemeteries on or near 12th Street (Evergreen, Texas State, and Oakwood). They occupy prime tracts of land which cannot be converted to different land uses.

There is concern that this may not be a sustainable local industry. As the East Austin population becomes younger and existing cemeteries reach capacity, there may be reduced demand for funeral-related services.

The remaining businesses located along 12th Street represent a mix of industries, with no single industry holding a strong position. In fact, outside of beauty and barbershops, and funeral-related services, the only industry with more than three establishments is the food service industry. Construction, food manufacturing, administrative and support services, and various other industries have no more than two establishments.

Commercial Dearth on MLK

While MLK spans nearly two miles, the corridor has 32 businesses, representing only 5 percent of 78702 businesses. Thus, this roadway remains largely underdeveloped and a promising prospect for future growth. This corridor services as a connector into and out of central Austin, connecting one low-value, rural area to another, as MLK is perceived as a racial/ethnic area. Interestingly, 25 percent of all businesses along MLK are health care related services. The future of these services will be determined by their ability to compete with the incoming health care services provided at the nearby Mueller developments. Also significant is the fact that as development increases, the current housing stock along the corridor will likely disappear.

Current Issues

Owning versus Renting

Increased economic development and changes in the demographic characteristics of both residents and business owners have resulted in significant increases in property values. While many business owners who own their space view rising property values as increased assets, some older business owners with fixed incomes are concerned by the resulting increases in property taxes. Furthermore, those business owners who currently rent fear that rising rents will price them out of their current location.

Figure 7.3: Appreciation of Commercial Properties by Corridor

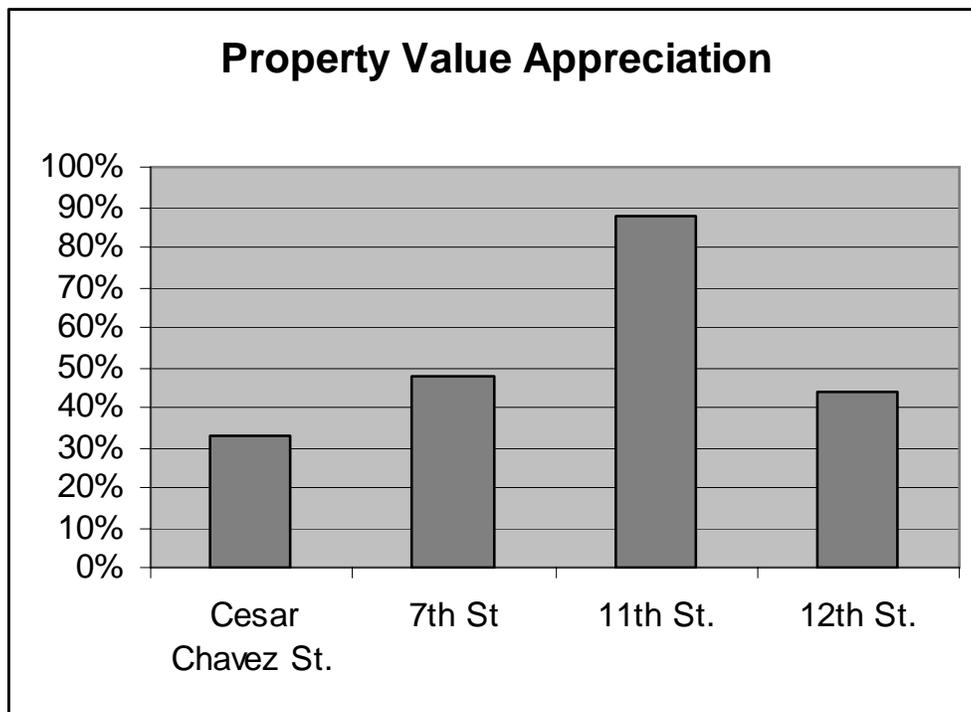


Table 7.3: Appreciation of East Austin Properties (2000-2005)

Corridor	# of businesses	Average Value 2000	Average Value 2005	Appreciation
Cesar Chavez	39	122,073	162,003	33%
7th Street	33	128,583	190,485	48%
11th Street	7	58,701	110,090	88%
12th Street	25	71,518	103,056	44%

The average values assessed for each corridor are the means of a large sample of properties and the addresses are held constant over the five years.^{lxxxiii} The data indicate that property values on Cesar Chavez Street appreciated the least from 2000 to 2005, while 11th Street properties had the greatest rate of appreciation. The data, unfortunately, are not accounting for appreciation prior to 2000. Perhaps a larger percentage of appreciation on the 7th Street and Cesar Chavez Street corridors occurred prior to 2000, while 11th and 12th Street properties appreciated between 2000 and 2004 because of ARA developments that began in 1999.

The interviews yielded perspectives about the wide array of opinions and attitudes toward the changing business climate and rising property values. The businesses that owned their spaces were more likely to speak positively and optimistically about the recent changes in the business and residential climate in East Austin. They were pleased with the dramatic increases in property values and optimistic that the corridor could maintain its historic characteristics while attracting more businesses that would be committed to improving the aesthetic appeal of the corridor. One business owner was enthusiastic about the increasing presence of “upper-echelon” businesses such as professional services and bistros. Interest was also expressed in office supply stores, banks, drug stores, and general suppliers.

However, another owner expressed frustration, explaining that her property taxes have increased dramatically, but have not been matched by increases in public services and repairs. “Pot holes aren’t fixed, lighting isn’t put in, police aren’t patrolling,” she said. “Nothing has changed.”

In contrast, the business owners who currently lease or rent, and are in many cases hoping to purchase their space, were extremely concerned about recent changes in the business environment as they are experiencing increases in rent and property taxes. While all respondents believed that their business would experience either modest or rapid growth in the future, they also believed that they would likely be priced out of their current location.

Some business owners believed that they would have to change location within the next few years if the high rate of growth in the area continues at current levels. And others expressed pessimism about the possibility of buying their property or another along the same corridor because the properties are increasingly unaffordable to individuals on a fixed income without other financial resources.

Access to Capital

The most pressing problem for many business owners continues to be a lack of access to business financing, an issue voiced by 7th Street merchants to the corridor concept team.^{lxxxiv} According to business owners, conditions have not adequately improved over time. Despite greater interest in development, small businesses have significant trouble securing financing. One merchant explained that, despite the fact that he was buying an existing restaurant at which he had worked for several years, he had to borrow start-up funds from a friend. He has attempted to take out a loan at three different banks, but was denied each time.

In addition, two of the current renting business owners explained that they had been able to operate in the past without external financial resources such as loans or lines of credit. One merchant proudly explained that his family business had been debt free for the past 11 years.

However, both owners recognized the likelihood of the need for loans in the near future if they want to purchase their current business properties.

The merchant also expressed interest in taking out a loan to expand the family business; he explained that his father was especially debt averse and had never attempted to formally market his business. Building upon the knowledge and experience he gained in college, he hopes to pursue resources available to small businesses and begin networking and participating in business organizations. He views his role within the family business as that of the new generation, offering a fresh outlook that will enable the business to remain competitive in the market and react to fast-paced economic growth in East Austin.

However, the business owners who owned their land did not express interest in financial assistance, training or loans, as they believed they had achieved sufficient levels of success. Thus, the interviews indicate that a business owner's ability to purchase land both affects the attitude toward change in East Austin, and serves as a measure of success. The only business owners interviewed who needed greater access to capital were those who did not own their own property.

Future Development

The business environment on 11th Street has undergone significant change due to the combination of ARA-backed development and large-scale private development. The ARA acquired much of the land along the 11th Street corridor and therefore wields considerable power in dictating the course of development. Its development plan has at least in part been driven by input from neighborhood residents and businesses. The ARA has worked with neighborhood associations to identify desired new businesses and also to address concerns relating to the development process.

In addition to their involvement with the ARA, 11th Street businesses have become increasingly active in the community. Coordinated through efforts of the Austin Independent Business Alliance and the local nonprofit, DiverseArts, 11th Street businesses began Fourth Friday in 2006. The purpose of the monthly event is to bring together local businesses and crafts people to network with one another and attract future customers. A similar event, First Thursday, has firmly established itself as a popular monthly event in Austin's trendy South Congress district. Participating "Fourth Friday" businesses describe the night as an effective way to draw additional customers into the community.

The rapid and large-scale redevelopment of 11th Street has brought dramatic change to the corridor. New restaurants, galleries, and professional services have opened with prices that reflect a more affluent, and in some cases more educated, clientele. Interviews with business owners, especially in the retail and restaurant industries, support the view that the customer base today is much more diverse compared with the recent past.

The diversification of customer demographics will most likely continue, thus attracting more affluent, single individuals to business establishments. New businesses will need to meet the needs of these customers to be successful. Current businesses will also need to adapt to the changing demographic characteristics of customers. Some of the older businesses have already

adapted: Ben's Long Branch recently renovated its restaurant and Gene's New Orleans Style has begun remodeling its space.

New customers with higher disposable incomes are not the only change that will affect 11th Street businesses. As both business and residential development become denser, retail and office space along the corridor will become a more valuable commodity. This will lead to higher rents, forcing business owners to attract more business or raise prices. In either scenario, changing demographic characteristics will bring additional changes to the area. As a result of the rapid growth of high-density loft and apartment developments, foot traffic in the area is likely to increase. The creation of a pedestrian friendly, live/work corridor will draw increased interest by businesses expanding in the Austin area. Already, the ARA has received numerous inquiries for commercial space, largely from out-of-town firms engaged in the professional, scientific, and technical services industry.

Compared with recent business development along 11th Street, 12th Street businesses seem more connected to their surrounding community. The ARA's 1999 plan envisioned a corridor that would balance development with community needs. Therefore, future development along the corridor is likely to move in tandem with demographic changes in the surrounding area. If individuals with higher incomes continue to move into the area, it is likely that more retail, restaurant, and office space will open to capture the increase in disposable income.

Contrast the active development along 11th Street with the current situation on MLK. Businesses located along MLK reported either stagnant or steady economic growth. A lack of a dramatic increase in sales may be attributable to slower population growth in the communities along the MLK corridor. Many of the residential units along MLK house families and few single or high occupancy residential units are being built in the area. Therefore, there is little opportunity for growth in these businesses' customer bases, which results in limited or stagnant growth.

The businesses that are experiencing steady growth might attribute this growth to an increasing Greater Austin customer base. People from Greater Austin may be purchasing more services from East Austin businesses because the perception of crime in East Austin is decreasing, and the appearance of the MLK is improving. Many of the houses within the MLK communities have recently been renovated or demolished to create new housing. The owners of these renovated or recently built houses have a higher income than previous owners and can purchase more services MLK businesses provide. Sales might be increasing for some businesses along MLK, but successful growth along the corridor awaits a major market change that will attract municipal and private investment.

Corridor Projections

The future of businesses operating in their current locations along East Cesar Chavez Street is contingent upon their ability to gain access to capital (for those businesses that lease) and respond to changes in the business climate and property values. It will be necessary to attract businesses that respond to neighborhood needs for the corridor to ensure continued or increased prosperity. The corridor and the surrounding neighborhood would benefit from a greater array of businesses, as well as improvements in the aesthetic appeal of the business facades.

Like East Cesar Chavez Street, the 7th Street corridor is experiencing economic development and change. Many merchants along 7th Street indicated in their interviews that new zoning intended to attract commercial loft developments means that the city is focused on these new businesses. Where has help been all this time for existing businesses? These longtime business owners believed that the city is providing new incentives to developers that were not offered to the businesses in the past. If Austin continues to direct tax incentives to businesses based solely on their economic promise, then the special character of 7th Street so long touted by city planners may not survive future growth.

The different 11th and 12th Street development paths are interesting due to their very different natures. However, the important differences go beyond industry composition or customer demographics. The redevelopment of 11th Street is already in full force: the landscape of today is vastly different from 1999. Many of the businesses are new, and with the continued construction of high-density lofts, the demographic makeup of the neighborhood will be altered. The situation on 12th Street is different. While redevelopment has begun, the neighborhood remains largely unchanged. Storefronts and residences are being renovated and the demography is slowly changing, but the change is still in its initial stages. The continued development of 12th Street represents an opportunity for current business owners and citizens to take an active role in shaping how their neighborhood changes.

All of the MLK businesses observed changes in the East Austin business climate and believe that they can benefit from these changes. As the East Austin community grows and becomes wealthier, businesses have an opportunity to increase their sales revenues. However, increased revenues will require businesses to understand the new markets that are emerging and how they might adapt to capitalize on the growing economic opportunities presented by SH-130.

Some business owners reported that they were worried that the construction of SH-130 will drastically increase traffic in East Austin, especially on MLK, which is not designed for heavy traffic. It is a four-lane boulevard bordered by communities of houses, churches, health care centers, and small businesses. According to Karen Akins, director of Trans-Texas Alliance, the city will have to widen MLK and demolish existing businesses and neighborhoods along the corridor to prepare for the influx of traffic if the city builds SH-130. While some business owners may benefit from compensation provided for their land, they might not be adequately compensated, as they will be unable to participate in the economic growth spurring from SH-130. However, the decision to widen MLK is not an imminent concern, as SH-130 is still under construction.

Appendix 1: Methodology

Chapter 2. Demography

Demographic statistics for the socioeconomic profile were gathered from U.S. Census Bureau data. Decennial census information for 1980, 1990, and 2000 was compiled at the tract level, defining Central East Austin as Tracts 4.02, 8.01, 8.02, 8.03, 8.04, 9.01, 9.02, and 10.0. Figures from these tracts compose all aggregate and mean values calculated in the study. In addition to the figures calculated by the researchers, the study includes data prepared by Sean Moran and Brian Kelsey from the Capital Area Council of Governments (CAPCOG). Their work, “1990-2000 Comparison Profile,” also relies heavily on decennial census data. For nondecennial years, researchers used data from the American Community Survey and processed them in a similar manner.

To facilitate comparisons between periods, researchers combined some census categories. For “Racial/Ethnic Composition,” several Asian and Islander categories were combined to create Asian/Pacific Islander (API). Alaskan natives, Eskimos, and Native Americans were also joined to create the Native American category found in the chapter. In the “Income and Poverty” section, single-family data were generated by combining male and female head-of-household categories for 1990 and 2000. In 1980, poverty status was compiled into only two categories: families in poverty and female head-of-household. The decennial data set includes no clear information on single father households or non-family households. As a result, graphs for 1980 use single female head-of-household figures to represent single-family households in general.

Greater East Austin statistics represent Census Tracts 3.03, 4.01, 14.03, 21.04, 21.05, 21.06, 21.07, 21.08, 21.09, 21.10, 21.11, 21.12, 21.13, 23.04, 23.07, 23.11, 23.12, 23.13, 23.14, 23.15, and 23.16.

Chapter 3. Housing

Housing Units and Occupancy Rates, Homeownership, Rental and Mortgage Burden

Data for this section of the housing chapter was gathered from the U.S. Census Bureau (1990), the American Factfinder section of the U.S Census Bureau website, and data sets provided by CAPCOG (1980). Data included homeownership, average rent, and number of housing units from each available census year. East Austin mortgage data was also compared across these years and across geographic levels (Austin, Texas, U.S.) to get an accurate picture of changes in housing stock, ownership, and housing cost burden.

Residential Property Values

Property value data was evaluated based on two sources of data: the reported values of owner-occupied units by owners in the U.S. Census Bureau from 1990-2000 and the actual home sales prices in the real estate database Actrislistings Marketlinks that occurred in 1999 and 2005. Census data was analyzed at the tract level and real estate data analyzed at the ZIP code level. Methodology in this section included analysis of change in property value over time, with particular focus on rates of change in the owner-reported or market value of residential properties. The Actrislistings Marketlinks data was included as a supplement to the census data because it was more recent data and could accurately capture not just the value of East Austin properties, but also the change in number of transactions as a proxy for the level of interest in residential property purchase and property development.

Tax Delinquent Properties and Foreclosures, Building Permits, Affordable Housing

Tax delinquent property information came from the City of Austin Neighborhood Housing and Community Development department. Delinquent properties in areas outside neighborhood planning areas were excluded from this study. Tax foreclosure data came from the Travis County Tax Assessor's "tax foreclosure sale" monthly auction lists (December 2005 to November 2006) and only included city properties. Properties that were "pulled" (retrieved by the original owner before the sale date) and properties that were "struck off" (did not sell on original date) were not included. Data on residential building permit activity came from CAPCOG. Only years 1996 and 2004 were analyzed. Permit categories pulled for this report included residential additions that increased the number of units in multi-family buildings, as well as new multi-family buildings, new single family houses, and conversion from non-residential to residential properties. All other categories were omitted. Affordable housing data on number of units, income guidelines, and funding sources came from (1) HACA, (2) primary sources at local community housing development organizations,^{lxxxv} and (3) the Austin Tenants Council's "Guide to Affordable Housing in the Greater Austin Area."

Chapter 4. The Economy

Analysis is based on the U.S. Census Bureau, County Business Patterns (CBP), and ZIP Code Business Patterns (ZCBP) reports from 1998-2004.^{lxxxvi} The data is classified by the NAICS system. Gross sales figures are reported by the Texas Comptroller of Public Accounts and are classified according to the Standard Industrial System (SIC).

These data are spatially disaggregated and reported at the ZIP code level. Data for Travis County were aggregated and reported at the county level in the CBP. Greater East Austin (GEA) is defined as the 78721, 78722, 78723, & 78741 ZIP codes. The data for GEA are presented as the sum of each sector in each ZIP code in each year from 1998-2004. The data from the 78702 ZIP code are represented as Central East Austin (CEA). Because CEA is presented as a distinct basis of comparison, 78702 is not included in the GEA calculations.

The ZCBP only report the number of firms and the relative employment size of those firms within any given area. The employment sizes of firms are reported in nine class ranges of employment. The first class is defined as the range of 1 to 4 employees. The categories are classified sequentially where each class is double the previous class. The final employment class represents 1,000 or more employees. To estimate employment within any given sector, the researchers calculated the average between the two ends of each range and multiplied it by the number of firms reported in each class. For example, if one firm is reported within the range of 250 to 499 employees, that firm's employment would be estimated at 374.5 employees. As each category gets larger, each estimate becomes less statistically accurate.

Because each CBP report gives an accurate total employment figure for each ZIP code, the researchers were able to gauge the accuracy of their estimates. For the purposes of this report, this technique yielded an acceptable range of reliability. In 1998, Central East Austin fell within 5 percent of reported total employment, while total employment for certain ZIP codes in GEA were not available for comparison. In 2004, Central East Austin's estimate fell within 10 percent of reported employment, and GEA fell within 5 percent of reported employment.

Appendix 2: Industry Reports

As part of their research for Part II of this report, project members conducted interviews with 92 businesses in Central East Austin. Included here are profiles of the following industries based on those interviews and supplemental data:

Administrative and Support Services

Construction and Development

Professional, Scientific, and Technical Services

Manufacturing and Wholesale Trade

Financial Services

Other Services

Retail Trade

Health Care and Social Services

Arts and Entertainment

Food Services

Administrative and Support Services

Administrative and support services is a growing sector of the Central East Austin economy. In 1998, these services comprised 11 percent of businesses in both Travis County and Central East Austin. By 2004, the percentage of administrative businesses in Travis County had decreased slightly to 10 percent while the percentage for Central East Austin had increased to 13 percent.

In general, administrative businesses in East Austin are not located along major corridors because visibility to clients is not essential. Most of these businesses, such as landscaping or janitorial services, provide services on a client's site. To generate new business, they rely primarily on existing clients, referrals, and government contracts. The following analysis is based on interviews with four of the approximately 24 firms in Central East Austin.

Key Themes

Embeddedness

Most of the administrative businesses in Central East Austin are longtime businesses that have been in operation for decades. The owners are firmly embedded in the business community and are generally satisfied with East Austin and its business climate.

A landscaping contractor, when asked what additional resources or services would be helpful, replied that while relatively new businesses need loans and additional resources, longtime businesses are in a better position to take advantage of economic changes in the area. This contractor has been working in Central East Austin for nearly 50 years. The business generates most of its revenue through government contracts and its work takes place outside of East Austin. The contractor buys services from other East Austin businesses and cares about their success. Years ago, the owner started an association to help other businesses procure additional work contracts from the city. The owner does not market to East Austin residents, but does employ them. This landscaping contractor is typical of a subset within the East Austin business community: longtime business owners who do not necessarily provide services to clients in East Austin but are deeply embedded in the East Austin community and identify closely with their fellow business owners.

The owners of a janitorial services company echo the contractor's emphasis on community. "We moved to East Austin for philosophical, logistical, and emotional reasons," one of the co-owners said. "It's closer to the community and many of our employees come from East Austin. The history of East Austin means a lot to us."

Sense of Business Community

Not all East Austin business owners have strong ties to the East Austin business community. Another landscaping company chose to locate in East Austin because of its proximity to major highways and the availability of land to store equipment. A family-owned metal-and-iron operation, which sells scrap metal to a growing list of global clients, bought land nearly a century ago. Still, a sense of community seems to be a defining characteristic of the businesses that comprise administrative and support services in Central East Austin.

Satisfaction with Community Amenities

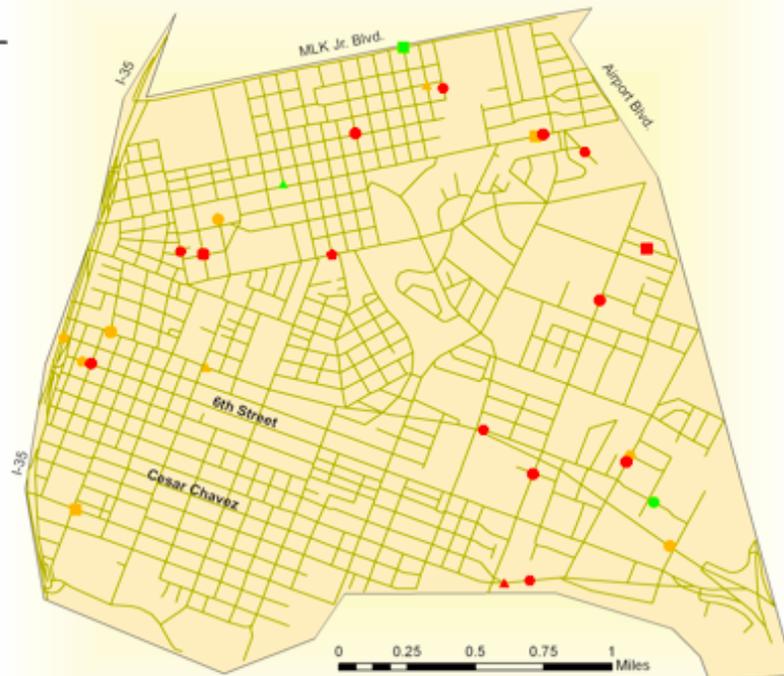
The four interviewed business owners seem pleased with the community and do not believe it needs much in terms of parks, libraries or other amenities. The landscape contractor who had been in business for nearly 50 years expressed modest desires when asked what East Austin is lacking, saying, “I’d like to see a nice grocery store. Once you cross I-35, there are very few available.” The owner of another landscaping company did not think East Austin needed anything.

Administrative Services in 78702

30 Total Establishments

Legend

- BUSINESS SERVICES NEC
- CARPET & RUG CLEANERS
- ▲ CONVENTION & MEETING
- EMPLOYMENT SERVICE-GO
- JANITOR SERVICE
- LANDSCAPE CONTRACTORS
- LEAD PAINT DETECTION
- MODELING AGENCIES
- PEST CONTROL
- ▲ SECURITY GUARD & PATR
- TALENT AGENCIES & CAS
- TICKET SERVICE
- TOURS-OPERATORS & PRO
- TRAVEL AGENCIES & BUR
- TREE SERVICE
- TRUCKING-DUMP
- ▲ WORD PROCESSING SERVI



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

Current Issues

Procuring Financial Resources and Advice

Access to capital is a serious issue for businesses located in Central East Austin, especially new ones, but so is access to financial services and advice. “I was one of the lucky ones,” the landscape contractor said. “One of my best friends was a banker. There are no bankers anymore. There are banks, but you can’t go in and talk to them. The folks in New York they send you to don’t know you as a person. You used to be able to walk in off the street and talk to a banker about the decisions you needed to make for your business. That’s gone.”

Deciding Whether to Buy Property or Invest in the Business

Decisions on whether to buy or rent property seem to differ by circumstances and the nature of the business. Several of the landscaping companies own their property, but the owners of a janitorial service rent because they prefer to invest in new equipment. “Equipment grows the business, not land,” one of the owners said, “and cash is easier to come by than credit.” The businesses that own their property are relatively safe from fluctuations in the real estate market, but rising rents could force renters out.

Marketing

None of the businesses market specifically to East Austin residents. In fact, none of the businesses significantly advertise, choosing instead to rely primarily on word of mouth and referrals. Because many of the businesses have been operating for decades, they can rely on their reputations for generating new business. Newer businesses, however, face increasing competition from new entrants to the market. Most of the businesses in East Austin serve a client base that is predominantly outside of East Austin, which means that they compete with administrative firms throughout the city and region.

Industry Projections

As a growing sector of the Central East Austin economy, administrative and support service firms, as a whole, are positioned to succeed. Individual businesses, however, face increasing competition and a potential loss of their employee base.

Because of increased competition in the janitorial services business, the owners of one firm chose to expand into different activities such as construction, recycling, and green building. In interviews, each of the landscaping companies likewise mentioned increased levels of competition. The fact that there are new businesses entering the market may indicate that there is more business to go around, in which case longstanding firms may need to differentiate themselves from their incoming competitors.

All of the administrative and support services firms in Central East Austin face a potential shortage of workers. Most rely on local residents to staff the less skilled and lower-paying jobs. If living near their Central East Austin employers becomes too expensive, these employees may be displaced and seek work closer to home. Firms would then have to choose between paying workers more to retain them, attracting workers from elsewhere in the city, or moving to a location with a ready labor supply.

These businesses, firmly embedded in the community, are taking East Austin’s changes in stride, but face both increased competition from businesses throughout the region and a potential scarcity of labor, making relocation of the firm a possibility.

Construction and Development

The construction and development sector includes businesses engaged in the construction of buildings or engineering projects, the preparation of sites for new construction, and the subdividing of land for sale as building sites. Owners usually manage these companies at a fixed place of business, but perform construction activities at multiple project sites.^{lxxxvii} Construction activities fall into two broad classes—residential construction and commercial/industrial construction—and current notation divides them into three subsectors based upon the required inputs and type of work performed: construction of buildings, heavy and civil engineering construction, and specialty trade contractors.^{lxxxviii,lxxxix}

In Central East Austin, 11 firms are engaged in the construction of buildings, seven are heavy and civil engineering companies, and 30 are specialty trade contractors.^{xc} Researchers conducted 13 interviews for this industry study, including two materials suppliers, a commercial/public utility contractor, a permitting company, a homebuilder, a custom furniture maker, a commercial cabinet company, and a labor union. Because real estate development has an extraordinary impact on this industry and on East Austin in general, the researchers also interviewed five developers—three private enterprises and two nonprofit community development corporations (CDCs).

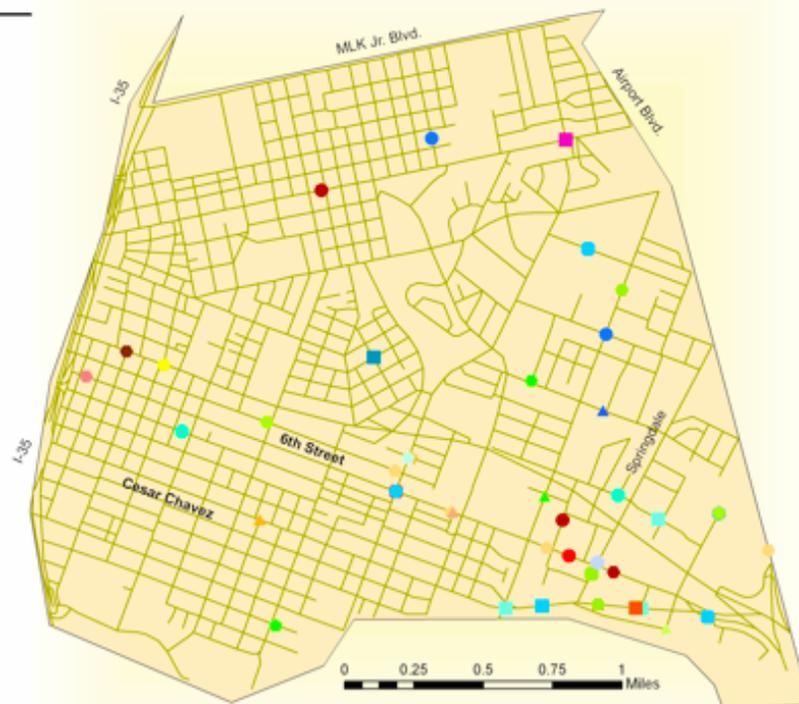
These companies cluster in the triangle between Cesar Chavez Street, Tillery Street, and Airport Boulevard, as well as forming a construction corridor along 5th Street (see map). The few remaining companies are scattered throughout the rest of Central East Austin, with a median distance of less than a mile between firms.

Construction in 78702

45 Total Establishments

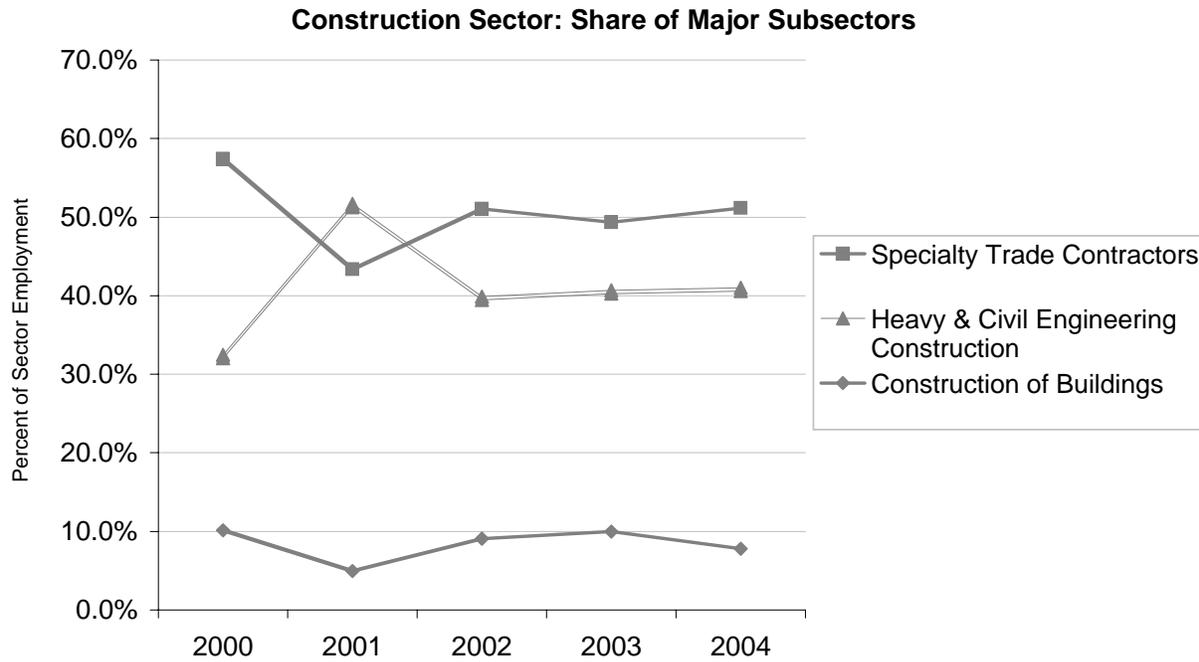
Legend

- AIR CONDITIONING CONT
- AWNINGS & CANOPIES-MA
- ▲ BUILDING CONTRACTORS
- ▲ BUILDING RESTORATION
- CABINET MAKERS
- CARPET LAYERS
- CONCRETE CONTRACTORS
- DRAINAGE CONTRACTORS
- ELECTRIC CONTRACTORS
- ▲ EROSION CONTROL
- GENERAL CONTRACTORS
- GOLF COURSE CONSTRUCT
- HOME BUILDERS
- HOUSE CLEANING
- ▲ MACHINERY MOVERS & ER
- MASONRY CONTRACTORS
- PAINTERS
- PAVING CONTRACTORS
- PLASTERING CONTRACTOR
- PLUMBING CONTRACTORS
- REMODELING & REPAIRIN
- RESTROOM SANITATION
- ▲ ROOFING CONTRACTORS
- SANDBLASTING
- SEPTIC TANKS
- SHEET METAL WORK CONT
- STONE SETTING CONTRAC
- TELEPHONE & TELEVISIO
- TILE-CERAMIC-CONTRACT
- ▲ UTILITY CONTRACTORS
- WINDOW CLEANING
- WOODWORKERS



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

Average firm size in Central East Austin grew from approximately 30 employees in 2000 to about 35 in 2004.^{xci} As indicated in the graph below, specialty trade contractors far outnumber the other two major subsectors in the industry for all but one year. There is one year, 2001, when heavy and civil engineering projects increased above the other two subsectors, probably due to the recession. This is likely due to the contractual nature of projects in the heavy and civil engineering category—they are more likely to be public infrastructure investments or long-term projects with several years of planned outlays.



Source: U.S. Census Bureau ZIP Code Business Patterns. Online. <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>. Accessed: January 29, 2007.)

Key Themes

Long-Established Enterprises versus New East Austin Enterprises

The construction industry in Central East Austin displays varied patterns with regard to tenure. Some businesses have been established within the last five years. Others have operated from the same address for as many as three generations. Although the businesses in this industry operate throughout Austin and the surrounding region, in terms of the changes that are occurring in Central East Austin, it is the activity of the construction industry that is perhaps most visible. As old structures disappear, developers are replacing vacant lots and warehouses with new homes and stores. Although it is difficult to determine from a limited number of interviews, it appears that local East Austin businesses are performing a relatively small amount of the construction work in Central East Austin.

Long-established businesses (more than 10 years in East Austin) accounted for two-thirds of the interviews. The median age of all firms interviewed is 26 years. Nine of the businesses have operated in East Austin for 10 years or more, with a median age of 29 years. The oldest of these

businesses is approaching its 80th year in the same location. Previous generations decided the location of many of these businesses as many were started by the current owner's father or grandfather. Their east-central location is convenient as they are close to downtown, and can generally get anywhere else in the city and even in the region quickly. All of these companies owned the property on which their business operates, except one of the nonprofit CDCs, which has a long-term lease with the City of Austin.

For the most part, long-term business owners have positive relationships with their neighbors and the East Austin community. Several firms make substantial efforts to contribute to the local community through activities such as serving on public sector boards, donating to local charities, and mentoring young girls to encourage careers in the construction business. The trade union operates an apprenticeship program that targets students at local high schools who may not be college bound but are good candidates for a skilled trade career. A majority of these firms attempt to hire mostly local residents, though at least two suggested that either their workers could not afford to live in East Austin or that residents of East Austin do not possess the skills necessary to do the work. Interestingly, only half of the longtime owners interviewed live in East Austin.

Relationships with residential neighbors are sometimes contentious, even for the most community-oriented of these businesses. One business wishes to tear down and rebuild its outdated building, but expects a fight with residents because of the property's light industrial zoning. The neighborhood association was heavily involved in the closing of a tank farm in the 1980s and is perceived as being resistant to any expansion of industrial sectors in the neighborhood.

In addition, many construction firms reported continuing problems with crime. Stealing construction materials for resale can be lucrative, and several firms reported problems with either employees or neighbors in this regard. One owner reported theft of materials by a local gang, although the owner was eventually able to negotiate with the gang by offering to donate construction materials to them in exchange for not stealing from his property.

Two of these companies rent their properties, one from a former client. Both chose their location based on the close proximity to downtown and low rents. Two other businesses own their properties. One, located in a new mixed-use development, is the property management business affiliated with the developer of the property. The other property owner chose to buy because of an affinity for the neighborhood and its proximity to the owner's residence in one of the new East Austin loft developments.

In general, newer businesses seem to have fewer connections to the residential neighborhoods in which they are located or the larger business community in East Austin. The exception is the commercial developer who lives in East Austin and has many strong, if not always positive, relationships with East Austin residents and businesses.

Customer Orientation

The customer base of the businesses interviewed is geographically dispersed. Only five firms reported that their current business activity is primarily in East Austin, including the two

nonprofit CDCs. One firm has a contract to build a portion of the homes in the Mueller redevelopment, and the commercial and public utility contractor has poured concrete for many city projects in East Austin, such as Boggy Creek waterways and local parks. This may reflect the fact that much of the construction occurring in East Austin is residential or public sector, and thus not sought by these Central East Austin firms.

The remaining eight firms do very little of their work in Central East Austin. They primarily do commercial construction work, both private and public, focused on growing regional construction demands in Texas. These firms indicate that Central East Austin does not represent a significant market for their services. Notably, one of the firms does plan to open a high-end retail hardware store catering to the needs of the new clientele in the neighborhood as a complement to its existing construction business activities. When marketing to the public, the majority of businesses do not advertise through print or media outlets, employing a more informal approach. Whether a longtime or newer enterprise, the businesses interviewed rely largely on word-of-mouth and their reputations to attract new business.

Innovators versus Conventional Businesses

Based on the business owner's outlook on the changes occurring in East Austin, and the firm's ability to plan for and react to those changes, researchers classified Construction and Development firms as either "innovative" or "conventional."

The innovators, in general, have a much smaller physical footprint than the conventional firms. One significant difference between innovative and conventional firms is the innovator's greater reliance on Internet-based marketing and sales. These small companies—ranging from one to 14 employees—serve a market base largely outside of East Austin, attracting business from other parts of the city, the state, and even the country. In addition, many of the innovative firms are focused on mixed-use development and green building materials and techniques. The three commercial developers, as well as the residential homebuilder in this category, are heavily influenced by the New Urbanist movement, which promotes dense, walkable, and socially inclusive residential communities.

By contrast, the three conventional businesses maintain the more traditional, land-intensive approach of the old construction industry in East Austin. They generally conduct commercial construction services for clients located outside of East Austin. The materials retailer planning to open a high-end consumer hardware store might be considered a hybrid firm because of its ability to straddle both the old and new economies of East Austin.

By nature, the innovative businesses are more inclined to support changes in the business climate in East Austin, although all businesses interviewed seem to feel that there is a certain inevitability to the merging of Central East Austin with the rest of the downtown. Many business owners welcome both the expansion of downtown eastward and the diversification of traditionally ethnic neighborhoods. Even those owners who expect to be affected by the change due to rising rents or property values expressed positive outlooks toward the changes. Two business owners indicated that they planned to move when the time was right (when rents rise too much or it is most profitable to sell the property). One business owner plans to return to a

location in a smaller community somewhat removed from the city, and the other indicated that he would likely move his business to a location further east.

Significantly, not all of the companies that have been in business longer than ten years are conventional businesses. These long-term businesses have survived because they have, at least to some extent, embraced the changes in Central East Austin and have planned for the future.

Current Issues

National Markets

Housing markets nationwide have been cooling since mid-summer 2006, and this trend appears to be continuing due to large inventories of new homes. Although the prognosis for the construction sector does not look promising nationally, the Austin market has not experienced the same slowdown in demand for housing. In fact, one should reasonably expect the region's housing market to continue to have higher levels of demand for some time to come.^{xcii} Nevertheless, for East Austin construction firms to grow and thrive in the long term, the construction industry nationwide must continue to grow and thrive as well.

Tenancy

Property owners may confront problems in changing or expanding their businesses. For instance, there is the potential for conflict with neighbors as owners wish to upgrade their facilities without losing favorable zoning for their property. Renters face different issues, such as not being able to afford space in East Austin in the longer-term with rising property values and taxes.

Local Demand

Rising property values, increasing demand for land in the Austin area, more major public infrastructure investments and the influx of East Austin residents with higher incomes are all opportunities for construction companies. To the extent that these businesses value remaining in their current locations, they must continue to recognize the local trends affecting their businesses and their neighborhoods and capitalize on opportunities in East Austin.

Industry Projections

Looking to the future, there are several drivers of growth for this industry. The population of the city has doubled every 20 years since the 19th century.^{xciii} If this trend continues, both residential and commercial builders, as well as public sector contractors, should continue to see steady growth. Austin real estate markets—both residential and commercial—are strong and have spurred a flurry of building activity. Although the Central East Austin firms are involved in some of the current East Austin projects, most of these businesses rely on a larger market.

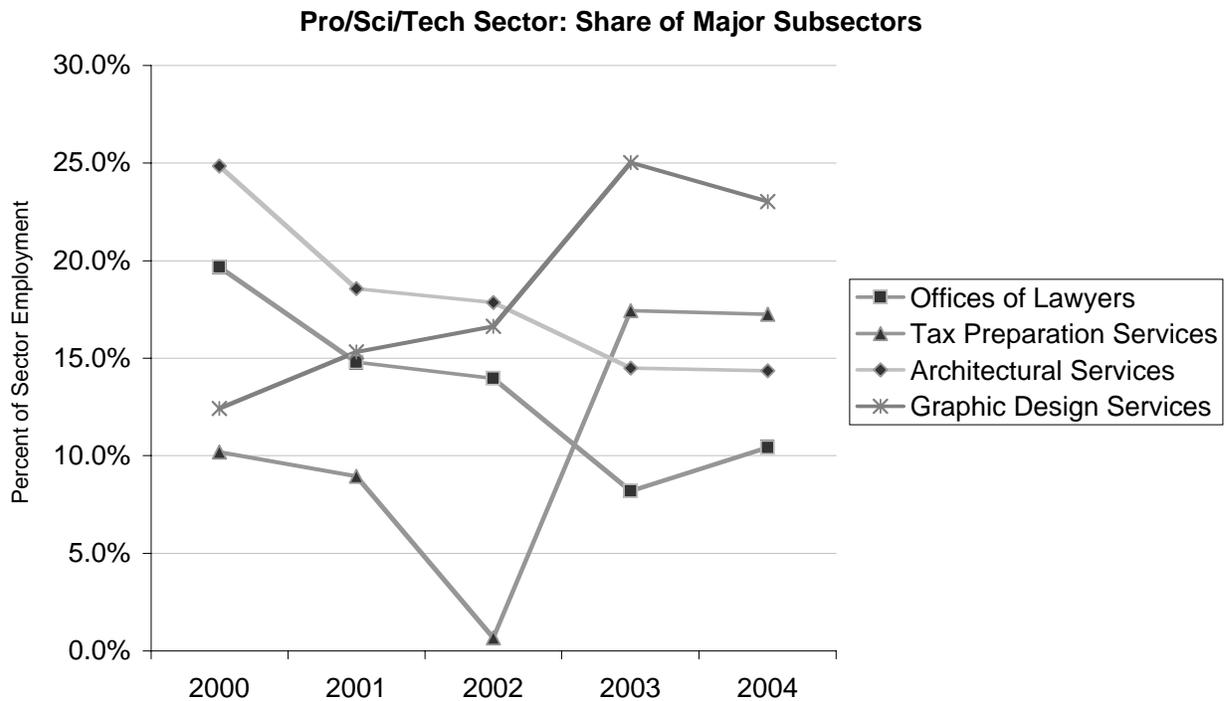
Those businesses that do serve East Austin residents will likely see a surge in activity, followed by an eventual leveling. Although the same is likely true for enterprises serving commercial clients as well, their fate seems much more tied to the success of the companies they build for and the entire central Texas region, rather than the fate of East Austin alone.

In a best-case scenario for the construction industry in East Austin, the economy of Central Texas would continue to grow, and people would continue to move into the area in large numbers. On the other hand, if the economy of Central Texas, especially the real estate market, declines, these companies will experience decline. In a slow-return or normal scenario, many East Austin residents currently employed in construction business activity would likely lose their jobs, though the exit of a number of workers who have come to Austin specifically to take advantage of the construction boom might cushion this decline for longtime firms.

Professional, Scientific, and Technical Services

The professional, scientific, and technical services industry serves clients in a wide variety of areas; most of the businesses in East Austin are lawyers, architectural, graphic design, and computer system design services (see map).^{xciv} The majority of the services performed in this sector are highly skilled and the workforce, typically, is highly educated. Their services are normally directed toward other businesses and individuals who can afford the relatively higher costs associated with the services.

Nationally, this industry has had steady and large growth in employment and establishments since 2003.^{xcv} Although not a prevalent industry in East Austin historically, it is growing in both the number of firms and employees as well as importance to the economic structure of East Austin. In 2004, there were more than 160 professional, scientific, and technical services businesses in East Austin. The number of establishments in Central East Austin has grown from 34 to 62 since 1998, with offices of lawyers consistently maintaining the largest number of establishments. Overall, professional, scientific, and technical services firms account for 5 percent of total employment in Central East Austin.



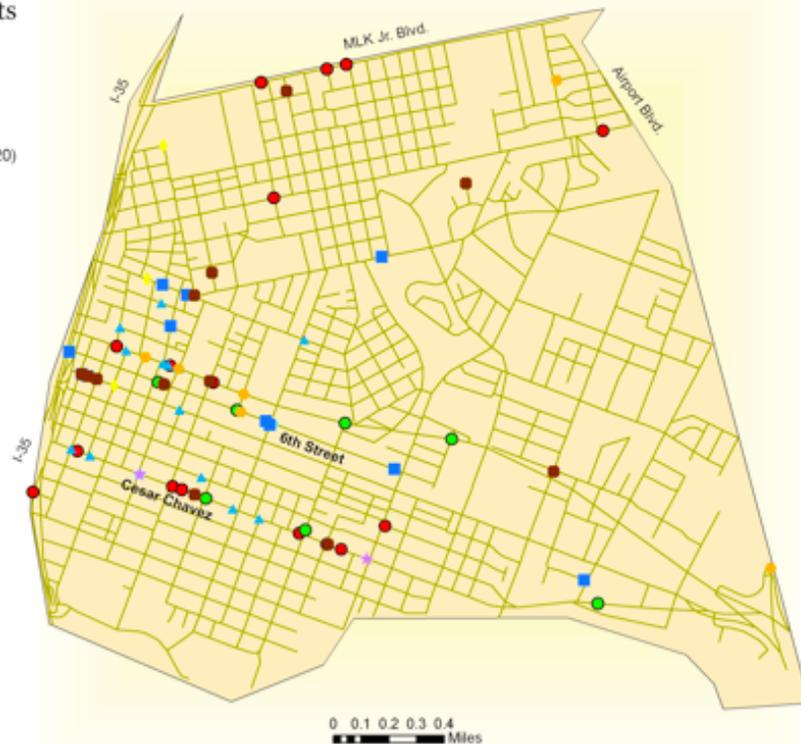
Source: U.S. Census Bureau, ZCBP, <http://censtats.census.gov/cgi-bin/zbpnaic/zbpdetl.pl>

ProSciTech in 78702

105 Total Establishments

Legend

- Accounting (8)
- Advertising (13)
- ▲ Architecture and Engineering (20)
- Computer systems (2)
- Mgmt and Sci Consulting (9)
- Offices of lawyers (20)
- Other ProSciTech (17)
- Other legal services (4)
- ★ Scientific R and D (3)
- ◆ Specialized design (9)



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

Access to the central business district is very important, as is access to the interstate, both of which a Central East Austin location provides. Many of the businesses in this industry are located on the 6th Street, 7th Street, and Cesar Chavez corridors. Businesses are typically located in office complexes and other shared space locations on the major thoroughfares. The number of professional, scientific, and technical services firms and employees continues to grow throughout East Austin, but the sector has not become a major employer in the area.

However, growth in the number of firms does not directly correlate with growth in employment in Central East Austin. While the number of firms is increasing, most firms still employ a relatively small number of workers and the majority of firms within this industry, approximately 78 percent, have fewer than ten employees.

Key Themes

While all nine businesses interviewed acknowledged demographic and economic changes in the area, the owners' perceptions of the current and future effects differed slightly. Almost every business interviewed identified the financial benefits of lower rent and property values associated with their decision to locate in East Austin. Additionally, none of the businesses interviewed primarily served East Austin clients, and the connection to the community was weak at best. Furthermore, they all said the negative connotation sometimes associated with the term "East Austin" is disappearing due to positive economic and aesthetic changes.

Effects of Change

The employers in this industry agree that East Austin is changing, but there is no consensus regarding effects on individual businesses. A director of a nonprofit organization dealing with educational services claimed to be a proponent for change, but believes the majority of businesses locating to East Austin are not employing local workers, contributing to the displacement of long-term residents. The owner of an architectural firm said the changes have enhanced the East Austin business climate, but this firm has not been affected. An energy broker observed that the “gentrification” of East Austin began 20 years ago, but the current physical upgrading of the area will perpetuate more gentrification and that there will be a challenge for businesses to adapt to the demographic change. Generally, the businesspeople in this industry recognize the change and acknowledge that there are positive and negative aspects to it for the residents of East Austin, but they do not believe that it will have a significant long-term impact on their businesses.

One company, a media firm that specializes in political campaigns, moved to East Austin from a location closer to the Capitol because it was less expensive. An energy firm also relocated to East Austin due to financial considerations, but the owner thinks the prime opportunity for business relocation has passed since prices have risen to a point that no longer compensates for the poorer infrastructure.

Labeling East Austin

The terms used by professional, scientific and technical services firms to describe East Austin are evolving along with East Austin’s demographic change and industries. The media firm owner argues that it is misleading to call the area “East Austin” because it has effectively become an extension of downtown. The energy business owner reiterated the idea that East Austin is an outdated name, and that it should now be called “Central Austin, east of downtown.” The architectural firm owner said that East Austin is now a “satellite” of downtown, because as more multifamily housing is constructed and as crime drops, the area is starting to resemble the other surrounding areas of downtown. Many comparisons were made to South Congress and North Lamar; the future perception of the east side will be determined by the changing businesses and people locating there, so the term associated with the area may change as well.

Limited Community Interaction

The level of interaction between East Austin professional, scientific, and technical businesses and East Austin residents is limited. Only a few employees in the businesses interviewed live on the east side, and the majority of clients their businesses serve are outside of East Austin. A majority of the interviewees said that the only interaction they have with the East Austin business community is for smaller office supply purchases, groceries, or dining.

Current Issues

Rising Property Values

Rising property values may not affect businesses in this industry as much as other industries. Of the businesses interviewed, most own or lease their property rather than rent, so property value increases are not a concern. Of those businesses who do rent, two have agreements with the City of Austin for affordable rates on their office space. None of the businesses interviewed mentioned rising property taxes as a factor that would affect their continued growth and success.

Business Climate

The businesses interviewed believe the industry is growing and demand for services is increasing every year. One owner said he felt like he is “caught in the flurry of good times,” and the other owners reflected the same sentiment. The most common request for a new local business was an office supply store. Others mentioned a possible need for more banks, but that was less for access to the capital and more for convenience of location. It appears that this industry has capitalized on the economic savings of locating to East Austin when the time was right, and the need for capital is not prevalent in these businesses. The professional, scientific, and technical services industry appears primed to continue growing in the near future.

Industry Projections

According to the Bureau of Labor statistics, national employment in this industry will increase almost 28 percent between 2004 and 2014, reflecting the third-highest rate of growth of all sectors. One driver for continued local growth will be the overall economy of Austin; if it continues its current growth trends, then new professional, scientific, and technical services firms will continue to emerge in East Austin because of its prime access to downtown and I-35. As median income levels rise in East Austin, businesses in this sector may interact more with local residents and small businesses in the area that have the disposable income to purchase the typically highly priced industry services. In addition, as a new socioeconomic class moves into East Austin’s live/work buildings, the industry may begin to work more closely with the new breed of residents and businesses.

One interviewee stated the time to buy the low-valued land has passed, but that the rising land values still hold some opportunities for those who want to buy land before prices reach a ceiling. Many businesses believe that real estate in the area remains a great investment because of its downtown access and proximity to principal clients. With demographic change in East Austin reflecting the population of the city at large, the target clientele of these businesses will begin to locate in East Austin. Connections between the East Austin community and the professional, scientific, and technical services industry will be important to eastside residents as these types of businesses relocate to East Austin and employment opportunities increase in the future.

Manufacturing and Wholesale Trade

Manufacturing and wholesale trade are closely related industries. While wholesale trade firms sell all types of goods, the manufacturing firms make or produce these goods. The functions of these two sectors are complementary. Manufacturing firms are thus critical producers and wholesale trade firms are the necessary link between manufacturers and the final consumer.

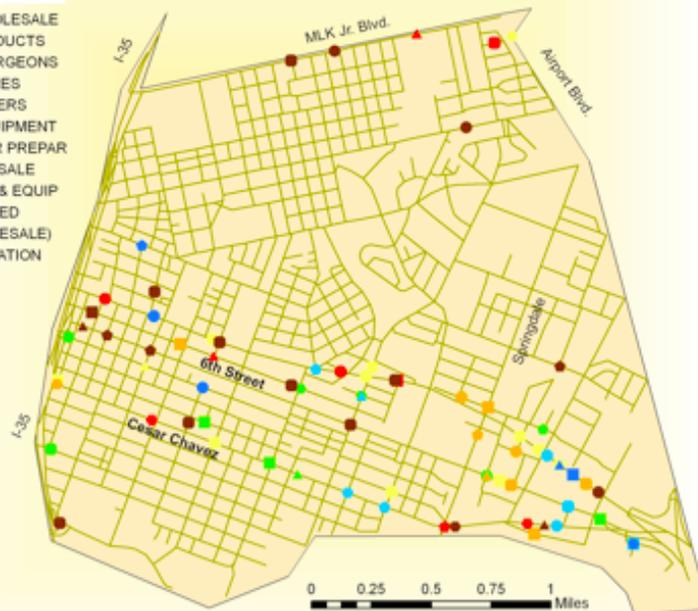
The 41 manufacturing companies in Central East Austin represent 8 percent of total business firms. Manufacturing firms have increased their share of employment from 7 percent in 1998 to 10 percent in 2004, approximately 800 employees.^{xcvi} Although the 33 wholesale trade firms comprise a similar 6 percent of the total businesses, their share of employment has dropped in half between 1998 and 2004 to 4 percent, or approximately 350 employees.^{xcvii} While many firms in East Austin conducted a mixture of manufacturing and wholesale trade, businesses that focused only on wholesale trade were concerned about future growth.

Manufacturing and Wholesale Trade in 78702

78 Total Establishments

Legend

- AMUSEMENT PARK RIDES
- APPAREL & ACCESSORIES
- ▲ AUTOMOBILE BODY SHOP
- AUTOMOBILE MOTORS
- AUTOMOBILE-BUYERS
- BAKERS-RETAIL
- BEADS (WHOLESALE)
- BOTTLEERS
- BREAD/OTHER BAKERY
- ▲ BREWERS
- ▲ BUILDING MATERIALS
- CHILDRENS & INFANTS
- CHOCOLATE & COCOA-MAN
- DIESEL FUEL (WHOLESALE)
- ENGINES-DIESEL
- FLUID MILK MANUFACTURE
- ▲ FOOD BROKERS
- FOOD PREPARATIONS
- FROZEN FRUIT/ JUICE
- FRUITS & VEGETABLES
- GAS-INDSTRIL/MED-CYLIN
- HEALTH FOOD PRODUCTS
- HOSPITAL EQUIPMENT & IMPORTERS
- INFORMATION RETRIEVAL
- JANITORS EQUIPMENT
- LOCKSMITH EQUIPMENT &
- MANUFACTURERS-AGENTS
- MEAT PRODUCTS
- MEXICAN FOOD PRODUCTS
- ▲ MOTION PICTURE EQUIP
- OFFICE FURNITURE
- PARTITIONS - WHOLESALE
- PETROLEUM PRODUCTS
- PHYSICIANS & SURGEONS
- PLUMBING FIXTURES
- RECYCLING CENTERS
- ▲ RESTAURANT EQUIPMENT
- SAUSAGES/OTHER PREPAR
- SEAFOOD-WHOLESALE
- SOUND SYSTEMS & EQUIP
- TIRE-DEALERS-USED
- TORTILLAS (WHOLESALE)
- TRUCK REFRIGERATION
- ▲ TRUCK-DEALERS
- WASTE-PAPER
- WATERPROOFING
- WHOLESALERS



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

The majority of manufacturing and wholesale trade companies are located near the main corridors of East Austin: Cesar Chavez, 6th Street, and 7th Street. The choice of location suggests that these businesses benefit from proximity to major roads, both in terms of attracting customers and accessibility to highways that transport their goods.

Looking specifically at Central East Austin, the manufacturing and wholesale trade industries are experiencing different trends. While the manufacturing industry experienced modest growth in the total number of firms over recent years, there has been a significant decrease in the number and employment share of wholesale trade firms. Historically, manufacturing and wholesale trade were among the most prosperous industries in Central East Austin, particularly when the local economy was dependent upon the railroad in East Austin for long distance receiving and shipping of goods. As the demographic and economic changes in East Austin have accelerated, firms in both manufacturing and wholesale trade firms have had to evaluate the implications of change on their businesses. Interviews with 10 manufacturing and wholesale trade business owners and managers help illuminate their experience.

The firms interviewed were diverse in size, ranging from firms with 100 employees to proprietary businesses operated solely by the owner. Out of the 10 firms interviewed, a total of six comparatively larger firms with greater than 14 employees focused on a combination of manufacturing and wholesale trade. However, the remaining four smaller firms focused mostly on wholesale trade. Furthermore, most of the large firms focus on serving a wide range of customers in various areas, while smaller firms rely on visibility to passing traffic.

Key Themes

Importance of Location

Several of the small-scale manufacturing and wholesale trade businesses interviewed have had a long history of operating in East Austin because the current owners inherited their businesses. These firms choose to stay in the same location because they have often become local landmarks and this visibility allows customers to easily locate the firms. On the other hand, large operations often choose to locate in East Austin due to its accessibility to major highways, such as I-35 and its proximity to downtown.

For manufacturers and wholesale traders of all sizes, location appears to be one of the most important factors of their business. For large firms, whose manufacturing facilities consume a lot of space, it would be very difficult to move the plant elsewhere. Smaller firms have benefited from locating in East Austin as they could pay a lower rent than locating elsewhere would allow.

Another important aspect of location is proximity to employees. Large manufacturing and wholesale trade firms originally located in East Austin to be near their employee base and firms have continued to hire local employees, thus solidifying the importance of their existing locations.

Targeting Consumers

The large manufacturing and wholesale trade businesses have customer bases that extend far beyond the consumers in Central East Austin. These firms target customers throughout Austin and in some cases, throughout Texas. Because trucking is the primary mode of transportation for these firms, locating near highways such as I-35 reduces the time and costs of shipping.

Similar to large firms, smaller companies do not confine themselves to serving solely the East Austin community and anticipate more business as downtown consumers pass through East Austin.

Current Issues

Perception of Change

Given that so many of the firms have a long history of providing services from their Central East Austin location, it is not surprising that all interviewees perceived economic and demographic changes in recent years. Although some owners and managers had difficulty elaborating on its effects, each confirmed that change was occurring. Some interviewees identified such effects of change as increases in property taxes, redevelopment occurring throughout the area, and a changing consumer base.

Staying in the Area

The longevity of the businesses interviewed also affected the extent to which the identity of the business was associated with a longstanding commitment to its location in Central East Austin. For instance, in the case of small wholesale trade firms, even with changes in business owners over time, the new owners have kept the same business name. The company name provides the customers with trust and maintaining the same location even after a change in ownership offers consumers a greater familiarity in the firm. The firms have a longstanding presence in the area, so the customer naturally goes to the company when in need.

Effects of City Policy

The majority of large manufacturing and wholesale trade companies own their property, while small businesses tend to rent or lease space. The five firms that commented on the issue were concerned with recent increases in property taxes. Business owners or managers expressed concern that rising property tax bill were limiting business expansion opportunities and might affect their ability to remain in their current location. One business owner, however, indicated a reason other than property taxes for a recent relocation of his factory. Although in operation since 1970, the firm experienced increases in its activities and wanted to increase the size of its warehouse. However, the combination of zoning restrictions on the land and a homeowners association that lobbied the city to rezone the location residential led the owner to lease its factory building in Central East Austin and relocate to northwest Austin.

Industry Projections

The majority of manufacturing and wholesale trade business owners and managers agree that there will be stable or modest growth in the future. The majority of businesses have seen their operations continue to increase in recent years and expect that this trend will continue in coming years. Most large manufacturing and wholesale trade companies see their business growing as they increasingly target customers outside of Austin. On the other hand, small businesses focusing on local consumers express their concern about increasing competition and property taxes.

Financial Services

The financial services industry is comprised of mainstream banks that provide loans, credit, and other financial services and products, as well as insurance companies. In addition to banks and insurance companies, however, there are also several types of businesses in the finance sector that operate at the fringe of the mainstream economy. They include payday lenders, check cashers, pawn shops, and sub-prime home mortgage lenders that offer low-income people without good credit access to financial resources, albeit at extremely high interest rates.^{xcviii} The fringe economy is a highly profitable industry. Payday lenders, check cashers, and pawn shops generate revenues in excess of \$125 billion per year. If one considers sub-prime home mortgage lenders, this figure more than doubles.^{xcix} For the most part, these are not small, “mom and pop” operations; multinational corporations own these businesses and they are financed by mainstream banks.

The finance sector in Central East Austin includes 37 businesses primarily located along three corridors: Cesar Chavez, East 7th Street, and Airport Boulevard.

Payday lenders, check cashers, and pawn shops outnumber mainstream financial institutions in Central East Austin, an area that has historically been home to a disproportionate number of the city’s low-income residents. According to the list of businesses sampled for this report, the ratio of payday lenders and check cashers to banks in Central East Austin is three to two. However, the observed ratio differs. On just one block of East 7th Street, for example, there are four payday lenders and check cashers that were not included in the list of businesses from CAPCOG.

For the “un-banked” population, one viable alternative to payday lenders and check cashers is credit union membership. Credit unions utilize cooperative ownership and exist as nonprofit organizations that typically charge lower fees and interest rates than banks while offering similar financial services and products. The following analysis begins with a closer look at one of the two credit unions located in Central East Austin, and then turns to interview data obtained from two insurance companies, one bank, one pawn shop, and one payday lender/check casher.

Key Themes

Bridging Old and New East Austin

If any financial institution in East Austin is poised to attract the business of new, higher income residents moving into the area while continuing to serve longtime low-income residents, it is the credit union.

In the late 1990s, a well-established statewide credit union opened a branch in East Austin. According to the current branch manager, the organization made this decision because it wanted to provide financial services to an underserved community. The benefits to being in East Austin are many, according to the branch manager. First, there is the opportunity to reach out to un-banked residents—those who have never even had basic checking accounts—and offer them financial independence from check cashers and payday lenders. The credit union offers ongoing financial workshops and seminars specifically designed for this population. It also offers low-cost wire transfer service to Central and South American countries for workers who send money

to families back home on a regular basis. In addition to these opportunities for serving pressing community needs, the branch manager pointed out the benefit of developing relationships and business partnerships with like-minded organizations such as nonprofits, churches, and other associations that reflect the credit union's philosophy. The credit union has reached out to the community in other ways as well. For example, it sponsors events for a community college in East Austin, and provides a \$1,000 athletic scholarship to one of its students every year.

While committed to longtime East Austin residents, the branch manager is aware of the demographic, housing, and economic changes occurring in the area. She is poised to take advantage of the business opportunities that new, higher-income residents may provide without abandoning the credit union's philosophy of reaching underserved populations. She believes the credit union can increase its longtime resident membership and attract new residents at the same time.

The branch manager views economic growth as positive. However, she is concerned that it may lead to the displacement of people who have lived in East Austin for years. She thinks city government ought to "step in and offer provisions" such as affordable housing and workforce development for longtime residents who are no longer able to afford the area and pointed to the need for longtime community residents to organize themselves and voice their concerns.

In addition to these recommendations, the credit union branch manager identified a need for more coffee shops in East Austin, wireless meeting spaces, grocery stores, parks, a gym, more restaurant options, and shops. She expects that these amenities will begin to appear as higher income residents move into new condominium developments and believes this will be good for East Austin, provided longtime low-income residents will be able to stay and enjoy these amenities, too.

Current Issues

The effect of demographic, housing, and economic shifts east of I-35 on the finance sector varies depending on the population each business was designed to serve.

Struggling Against Change: Firms that Serve Residents Moving Out of East Austin

Financial businesses designed to serve a specific population, such as low-income Hispanic families, rather than the wider East Austin community, are struggling. For example, the small insurance company interviewed has been losing its customer base recently. In fact, branch revenues decreased by 60 percent from 2006 to 2007. The business manager blames the new condominium developments for "pushing our clientele out" to Montopolis, Bastrop, or Del Valle. The manager views change in East Austin warily, noting that larger insurance companies are initiating operations in the area. In addition, the firm's monthly rent increased by \$600 in February 2006, when the previous lease ended and the property owner proposed a new agreement. The business manager attributes the increase to "all the changes going on around here." This insurance company is not a member of any formal or informal business, trade, or networking association.

Unaffected by Change: Firms that Serve Un-Banked East Austin Residents

The two businesses operating on the fringe of the mainstream economy, both owned by large corporations, seem unaffected by the wider forces of change occurring in the area. They continue to serve low-income and un-banked residents of East Austin. The pawn shop has been in business for more than 30 years, while the payday lender/check casher opened a branch in Central East Austin in March 2007. Clearly, there is a niche for their services. If the population demographics change significantly over time, however, they may lose their customer base. Until then, their businesses remain viable. The pawn shop's primary customers are local residents who live within walking distance and come in nearly every day. The new branch manager at the payday-lending/check-cashing station believes most of her customers will be "repeat customers" who need to access payday loans every 30 days or so because their paychecks do not meet their monthly needs.^c

Embracing Change: Firms that Serve New East Austin Residents

Interview respondents at two mainstream financial institutions are looking forward to their businesses thriving because of new residents moving into East Austin. In fact, they located in Central East Austin in order to capitalize on the business opportunities connected with demographic change.

The owner of one insurance company says his business's parent corporation decided it "needed a presence on the east side of town. We knew East Austin would become very diverse." The owner pointed to a new condominium development one block west of his office as an illustration of the kind of community change they had anticipated. The owner looks forward to the new business that such change will bring and welcomes the real estate businesses and mortgage lenders moving into the neighborhood: "I think it brings more strength and diversity to the area and helps it become sustainable." The owner belongs to several formal Austin business networks.

In 2005, a large mainstream bank moved into Central East Austin because it "needed a presence in the community," according to the branch manager, but not necessarily to serve longtime residents. The owner says corporate headquarters anticipated development east of I-35 and wanted to serve new residents. The bank also serves people who work in the area, as well as former neighborhood residents who return to attend church. The manager, a member of the local chamber of commerce, believes the wider changes occurring in East Austin are affecting the business "in a positive way."

Industry Projections

Out of the six businesses interviewed in the finance sector, two seem poised to thrive because of the changing dynamics in East Austin—the bank and one of the insurance companies, both mainstream financial institutions that located in Central East Austin in order to capitalize on the business opportunities afforded by new residents moving into the area. The corporate-owned pawn shop and payday lender/check casher have remained solvent, but if the population in East Austin shifts significantly over time from low-income to high-income residents, these businesses on the fringe of the mainstream economy may no longer have a solid customer base in the area. Only one business, the insurance company designed to serve low-income Hispanic families,

seems to be on the verge of demise as this particular population is moving further east. The credit union, having served underserved residents of East Austin for nearly ten years, seems poised to expand its reach to longtime residents, while also benefiting from the wider forces of change. It just may be able to bridge the old and the new in East Austin.

Other Services

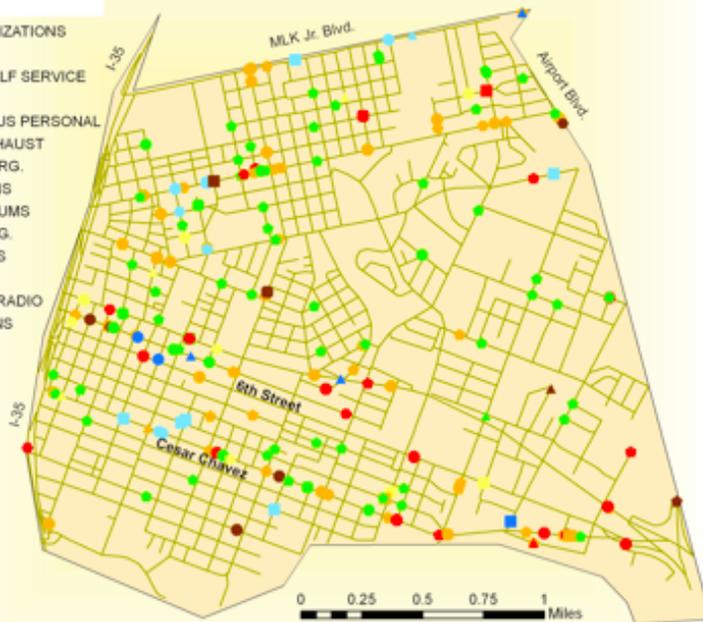
The other services sector consists of three main subcategories: repair and maintenance; personal and laundry services; and religious, civic, professional, and similar organizations.^{ci} In East Austin, this sector consists of a large assortment of sub-industries. There are at least 16 distinct classifications and many more sub-classifications.

Other Services in 78702

211 Total Establishments

Legend

- | | |
|-----------------------------|--------------------------|
| ● ABORTION ALTERNATIVES | ● LABOR ORGANIZATIONS |
| ■ ALCOHOLISM INFO | ● LAUNDRIES |
| ▲ ANTIQUES-REPAIRING & | ● LAUNDRIES-SELF SERVICE |
| ● APPLIANCES-HOUSEHOLD | ● MANICURING |
| ● ASSOCIATIONS | ● MISCELLANEOUS PERSONAL |
| ● AUTOMOBILE BODY-REPAIR | ● MUFFLERS/EXHAUST |
| ● AUTOMOBILE DETAIL | ▲ NON-PROFIT ORG. |
| ● AUTOMOBILE GLASS | ● ORGANIZATIONS |
| ● AUTOMOBILE INSPECTION | ● PSYCHIC MEDIUMS |
| ▲ AUTOMOBILE SHOP | ● RELIGIOUS ORG. |
| ● AUTOMOBILE REPAIRING | ● SCHOLARSHIPS |
| ● BARBERS | ● TATTOOING |
| ● BEAUTY SALONS | ■ TELEVISION & RADIO |
| ● CAR WASH/POLISH | ▲ TRANSMISSIONS |
| ● CEMETERIES | |
| ■ CHARITABLE INSTITUTION | |
| ▲ CHURCH ORGANIZATIONS | |
| ● CHURCHES | |
| ● CLEANERS | |
| ● CLUBS | |
| ● COMMUNITY ORGANIZATIONS | |
| ● CREMATORIES | |
| ■ DRUG ABUSE & ADDICTION | |
| ▲ EDUCATIONAL ASSOCIATION | |
| ● FRATERNAL ORGANIZATION | |
| ● FRATERNITIES & SORORITIES | |
| ● FUNERAL DIRECTORS | |
| ● FUNERAL PLANS | |
| ● FURNITURE-REPAIRING | |
| ■ HISTORICAL ORGANIZATION | |
| ▲ HUMAN SERVICES ORG. | |



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

For this study, only two classifications of businesses were interviewed—auto body repair/service centers and barbers/beauty salons. Of the 130 other services sector businesses listed in Central East Austin, auto body repair was the second most populous industry behind churches, with 47 business listings, while there were 42 barbers/beauty salons. Seven interviews were conducted with four auto body repair owners, two barbers, and one beautician.

Because these firms primarily provide personal and consumer services at their place of business, most are located on corridors to maximize visibility. With this in mind, this industry sector as a whole should benefit from East Austin's growing population.

Key Themes

Two distinct stories are taking place in East Austin's "other services" sector. With auto body repair and service centers, as well as barbershops and beauty salons, the different storylines reveal two different attitudes toward the changes occurring east of I-35. On the one hand, businesses that own their land are less affected by rising property taxes, able to realize increasing profits from more residents, and expect large returns when they close the doors and sell the property. On the other hand, rising property values are forcing some renters or those who recently purchased their land to adjust their business models, with taxes and rising rents cutting into slim profit margins and making businesses difficult to operate.

Businesses Negatively Affected by Economic Improvements in East Austin

An owner of an auto-body repair business has been operating in East Austin since 1988, but only recently purchased the land upon which the shop sits. Mortgage and other overhead costs are increasing while revenue has remained modest, so rising tax bills are straining the business's bottom line. The insurance companies continue to depress revenues, refusing to pay what shop owners believe to be fair prices. Meanwhile, the biggest challenge for this firm is attracting quality employees, as the perception of East Austin as a low-income area with high crime, as well as the firm's inability to provide benefits, makes it difficult to compete with body shops in other parts of town.

The financial difficulty arising from limited revenue and rising overhead is causing the owner to worry about rising taxes. Unfortunately, this owner has found little relief, as the system to pay the firm's taxes has changed from a 12-month to a six-month payment plan. Increasingly involved in the local business community, this owner is hoping to secure the city's attention to help this and neighboring firms with tax relief—before it is too late.

The owner of a neighboring auto repair shop has similar concerns about the changing business climate in East Austin. Though this firm has always rented, the owner is not concerned with rising taxes, but rather is feeling the crunch from increased competition. The new shops in town, with large, attractive buildings, have significant overhead and charge their customers high prices just to stay in business. This firm has been in business at the same location for 30 years and the owner is proud to say the firm charges just enough to enable the owner to make a living—most customers have been coming back for years and the return business keeps the firm in operation. Nevertheless, the owner comments, "Business is hard in East Austin, and is only getting harder."

Businesses Benefiting from Economic Improvements

In the same part of town, but blocks from some of the businesses negatively affected by economic change, an entirely different story is unfolding. Those business owners that own their properties free and clear, or are not reliant on their business for family income, seem much less concerned about rising property taxes and more accepting of economic changes to their neighborhoods. These businesses are at ease with the current situation and are even welcoming the new residents and the higher incomes they bring. Strikingly different from the other group, nearly all of these business owners stated that change was inevitable, and believe that only better

days are ahead. While not all of them saw their businesses growing or continuing well into the future, they saw positive value in the changes occurring around them.

The two barbers and one beautician interviewed were entirely unconcerned with the changes. All three had been in business for decades, and were ready to retire when the time was right. One interviewee, the owner of a very busy barbershop, employs two sons and daughter who expect to operate the business in the future. The owner's doors are open at seven o'clock every morning, and his chairs are full all day. Neighborhood change has brought the owner prosperity, and the owner believes that when construction is complete on mixed-use development across the street, the business will continue to thrive.

The other barber and the beauty shop owner, both approaching 80, are still in business purely for the social aspect and are ready to quit whenever the time is right. They both have had the same clients for years; the beautician has not accepted new clients for more than a decade. The beautician owns her beauty shop, which is situated in a prime location on the corner of a busy intersection. The business has been for sale for over a year, and when an acceptable offer appears, the owner will retire. The older barber rents space, but retired from the military with a full pension and benefits and therefore will stay open as long as the firm's revenue covers the rent. The only difference between these two business owners is their clientele. The beautician exclusively serves African-American women, and over the years has seen clients move from East Austin. They still return for their beauty needs, but otherwise no longer call East Austin home. The barber serves anyone who walks in, primarily Hispanics, but has seen a rise in Anglo customers in recent years.

Two auto body repair owners own the land upon which their shops operate. They both inherited the shops from their fathers, and have been in the business their entire lives. The first has not seen any difference in the level of business activity due to the recent changes, but has watched the value of land rapidly increase as construction on a large project directly across the street begins. The owner plans to sell the property and retire as soon as the value is sufficient to support the owner's family in retirement. If the firm were paying rent, the owner would have to work much harder to make ends meet due to the rising taxes. However, the increasing tax bill is not a concern to the owner since it reflects increasing property value. The owner of the other repair shop operates two locations close to downtown, and business has never been better. This owner is excited about the changes and the new clientele bringing higher incomes into the neighborhood in which this owner was born and raised. This owner now lives outside of East Austin, but loves doing business with longtime residents as well as the newer neighbors.

Current Issues

Municipal Services

The business owners who are negatively affected by the changes occurring in East Austin indicate feeling disconnected from City Hall. One observation shared is that while taxes were increasing, quality of services did not seem to change. In fact, many of these businesses are on corridors that lead from the airport to downtown, and city officials have strongly encouraged them to upgrade storefronts but have been unable to help with the costs of such work. There

appears to be a distinct wariness of the city's motives, as well as a concern for these businesses' very future.

Limited Firm Collaboration

Contrarily, the businesses benefiting from the economic growth are accepting, if not welcoming of the changes in East Austin. They are not interested in being involved in groups wishing to mitigate the changes, feel ambivalent toward the city government, and are willing to wait and see what tomorrow will bring.

Property Values

Overall, for businesses in this industry sector, property value matters. The auto body repair centers are capital intensive, which often translates into high overhead costs, and therefore adjustments to rent or property tax bills can create serious cash flow concerns. The barbers and beauty shops, while less capital intensive, can certainly benefit from the increase in value of the property they own. The interviews conducted indicate that those who do not have rent or mortgage payments consider themselves more fortunate than those that do, particularly because of the rapidly increasing property values.

Industry Projections

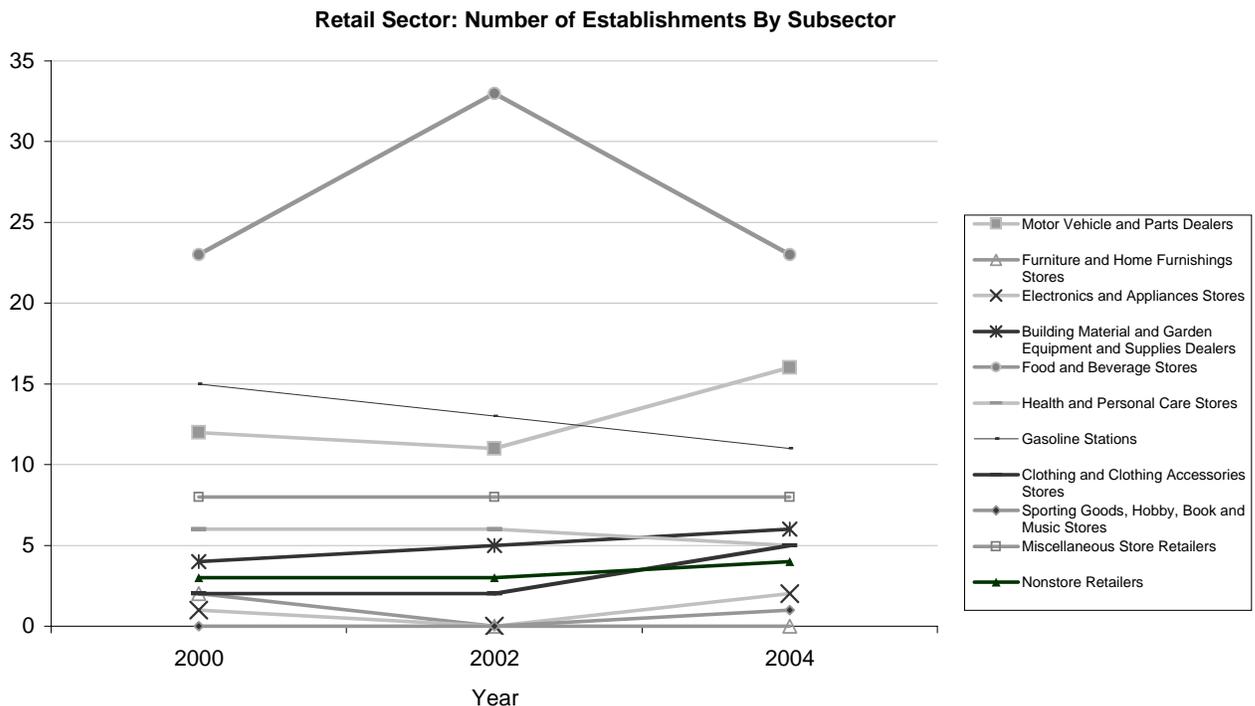
Overall, this industry sector has a mixed outlook in East Austin. There will always be a need for auto repair and barber shops where there are people and cars. Local firms that stay competitive and develop loyal clientele can buffer themselves against competition from national firms. Auto body and repair centers, because of their inability to raise prices sufficiently to meet increasing costs, will be sensitive to costs associated with land values.

Business owners in this sector will certainly experience more pressure as changes continue in East Austin. Those that can absorb the pressures of rising property values and adjust to the demographic change—or those who can rally enough business support around them to produce aid from city hall—will continue to thrive. Those who cannot do these things will ultimately suffer.

Retail Trade

According to the Bureau of Labor and Statistics, the retail trade sector is the last stage in distributing small amounts of merchandise to the public. This sector is composed of two types of retailers: store and non-store retailers.^{cii} From tiny “mom and pop” shops to huge shopping malls, retail centers provide consumers with several necessities and specialty products. Retail trade is a significant component of the national economy as it is responsible for 12 percent of national employment and composes 12 percent of all business establishments. The BLS expects retail to grow 11 percent in the United States by the year 2014.^{ciii} In 2002, Austin retail trade constituted 14 percent of business establishments in the Austin MSA, which included over 4,700 retail establishments.^{civ} Central East Austin showed very similar trends, with 15 percent of businesses belonging to the retail sector.

Little change occurred in most retail subsectors in Central East Austin between 2000 and 2004. Food and beverage stores continue to make up the largest retail trade subsector in Central East Austin. The smallest subsectors include furniture and sporting goods. Declining subsectors include food and beverage, gasoline stations, health and personal care and furniture businesses. Growing subsectors of the retail industry include motor vehicles and parts, electronics, building and garden supplies, clothing, sporting goods and other non-store retailers.^{cv}



Source: US Census Bureau, Zip Code Business Patterns, 2000, 2002, 2004.

One economic factor that helps determine business location for the retail industry is labor market pooling, a process where firms congregate in order to attract and draw from a larger labor pool. Usually this pooling benefit is a result of locating a retail firm in a large city and in a corridor

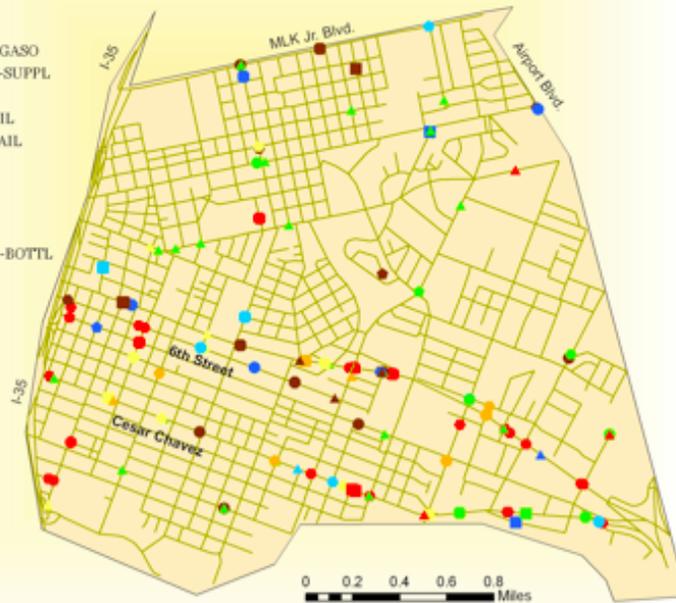
near downtown.^{cv} However, access to customers can also affect retail trade location. Many retail businesses will locate on a corridor or in a strip mall in close proximity to each other to take advantage of the spillover from their neighboring firms' customer base. Many Central East Austin retail businesses are located along major thoroughfares, corridors and in shopping centers and strip malls (see map).

Retail in 78702

127 Total Establishments

Legend

- | | |
|-------------------------|-------------------------|
| ● ALL TERRAIN VEHICLES | ● MEAT-RETAIL |
| ■ ALTERATIONS-CLOTHING | ● MOTORCYCLES & MOTOR S |
| ▲ APPLIANCES-HOUSEHOLD- | ■ PAINT-RETAIL |
| ● AUDIO-VISUAL EQUIPMEN | ▲ PHARMACIES |
| ● AUTOMOBILE DEALERS-US | ● SEAFOOD-RETAIL |
| ● AUTOMOBILE PARTS & SU | ● SERVICE STATIONS-GASO |
| ● AUTOMOBILE RACING CAR | ● SEWING MACHINES-SUPPL |
| ■ BEER & ALE-RETAIL | ● SHOES-RETAIL |
| ▲ BOUTIQUE ITEMS-RETAIL | ● SPORTSWEAR-RETAIL |
| ● BRIDAL SHOPS | ■ TIRE-DEALERS-RETAIL |
| ● BUILDING MATERIALS | ▲ TRUCK-DEALERS |
| ● CARPET & RUG DEALERS- | ● TYPEWRITERS |
| ● CELLULAR TELEPHONES-E | ● UNIFORMS |
| ● CLOTHING-RETAIL | ● VINYL-DEALERS |
| ■ COMPUTER & EQUIPMENT | ● WATER COMPANIES-BOTTL |
| ▲ CONVENIENCE STORES | |
| ● COSMETICS & PERFUMES- | |
| ● COSTUMES-MASQUERADE & | |
| ● DOOR & GATE OPERATING | |
| ● DOORS | |
| ● DOORS-GARAGE | |
| ■ DRAPERIES & CURTAINS- | |
| ▲ ELECTRONIC EQUIPMENT | |
| ● FOOD MARKETS | |
| ● GLASS-AUTO PLATE & WI | |
| ● GLASS-STAINED & LEADE | |
| ● GOURMET SHOPS | |
| ● GROCERS-RETAIL | |
| ■ HERBS | |
| ▲ JEWELERS-RETAIL | |
| ● LINGERIE | |
| ● LIQUORS-RETAIL | |
| ● LUMBER-RETAIL | |



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

This study examines only two retail trade subsectors in Central East Austin: food and beverage (which contains the largest number of firms) and clothing (which has the highest growth rate in the number of firms). According to a 2005 survey, there were 54 food and beverage and 21 clothing retailers in Central East Austin.^{cvii}

Key Themes

Location

Some retail business owners interviewed have been in business for decades, while others are relatively new to the industry. The majority of the small business owners interviewed either inherited their business from family members or employed family members in their stores. The many examples of familial relationships in business practices led to an observation that many of the business owners did not choose their location; rather, the family business had been located

there for generations. The fact that four of the nine businesses surveyed (both food and clothing stores) had two employees—the owner and one of the owner’s relatives—illustrates the familial nature of retail in East Austin. One food/beverage store on Airport Boulevard reported that the owner’s father had bought the store and four other stores more than 40 years ago. The owner had sold the other businesses, but planned to keep working until finding someone else to maintain the business in its current location.

Lack of Access to Capital

Ability to access capital and other financing is one of the major challenges faced by business owners in East Austin. The majority of interviewees were minorities and several alluded to their race or ethnicity as a barrier to securing loans. The perception that business income from low-income neighborhoods and racial/ethnic minority status are obstacles is not new. Financial investment discrimination was not outlawed until 1977, when the Federal Community Reinvestment Act was passed, requiring banks to invest in and offer credit to the entire markets where they exist.^{cviii}

Many business owners had applied for loans through City of Austin programs, but none received a loan. Others chose not to apply for loans, saying there was too much bureaucracy involved. “When you hook up with the city, you’ve got a partner,” replied one interviewee. “I didn’t want a partner.” Several of the business owners interviewed were similarly reluctant to involve outside entities in their operations or decision-making process.

The clothing-store owner in the new mixed-use development complex said that loans for multi-use space and commercial loans are difficult to acquire. The owner, who is white, was “lucky enough to get private funding,” the only instance of private funding discussed in an interview.

Current Issues

Customer Base and Retention During Change

Retail stores devise different strategies for generating a customer base, from attempting to attract local passers-by to online patrons. An auto store with specialty items will likely generate a wider customer base than a local pharmacy.

Local residents generally patronize local food and beverage stores. Every major corridor in East Austin has at least one convenience store. A resident of East 8th Street is not likely to travel to Cesar Chavez to buy a soda when there is a convenience store on East 7th Street. Most of the food/beverage retailers reported that their clientele was roughly half local and half drive-by traffic. Many reported customers from towns to the east of Austin such as Manor and Bastrop or people driving to and from the airport. The types and levels of traffic tend to show that food/beverage stores in East Austin are deeply rooted in the area and will be only minimally affected by community change. In fact, the business activity of food and beverage retailers seems to be increasing due to increases in disposable income of new residents.

The clothing stores and boutiques, on the other hand, are very small and tend to carry a specific clothing type, such as traditional African or Mexican clothing, high-end women’s apparel, or

“hip-hop” street wear. The clothing stores reported more local and less non-local clientele. While many of the clothing-store owners report increasing sales, their dependence on local clientele may create higher risk than that of the food and beverage retailers, which have a more diversified customer base. The African clothing store may experience a loss in business due to the decreasing number of African Americans in East Austin. On the other hand, as the Hispanic population continues to increase, the traditional Mexican dress store interviewed may benefit from higher sales.

Industry Projections

Compared with other industries in the area, retail businesses seem to be able to adjust effectively to the changes in East Austin. Socioeconomic trends show a younger, wealthier population moving into the area (see Part I), which can be a positive development for retail businesses. The adequate expansion of supply, however, seems to be one of the challenges some small East Austin businesses face.^{cix}

None of the interviewees in this study mentioned competition as a concern. Two firms, in fact, had survived while competing neighbor stores had closed. If more chain retailers decide to open stores in East Austin in response to changing demand, small businesses will likely face more competition. Local convenience stores, for example, may face intense competition from 7-Eleven.

Although rising land and property values might mean that some businesses will be unable to continue to afford commercial space, none of the interviewees reported this as a concern. Many own their land and believe that their business is increasing in a way that will cover any costs. One interviewee spoke of a property owner who is “very fair and not greedy,” leaving the business owner to worry about other things besides rising rent. If East Austin is at a tipping point, these values and subsequent rises in costs may become a challenge to business owners.^{cx}

On the other hand, there is considerable discussion in East Austin about ways to preserve its culture. Part of that culture is the support of small and locally owned business. Many new and longtime residents enjoy homegrown businesses and will support them irrespective of new development.

Ultimately, retail business in East Austin is trending toward growth. Most East Austin businesses are either stable or growing, and many owners expect more businesses to locate in the area as the population and income increases. Yet, whether new chain-retailers or small businesses prevail during this time of growth is yet to be seen. The outcome will, in a significant way, contribute to shaping the future business culture of East Austin.

Health Care and Social Services

An examination of the health care and social assistance sector in Central East Austin suggests that the area, in many ways, is taking advantage of projected national growth in the health care sector while experiencing many difficult transitions in the social assistance sector. As one of the largest sectors in the national economy in 2004, health care provided 13.1 million jobs. The Bureau of Labor Statistics projects that health care will continue to grow due to a combination of an aging population, improved technology, and rising life expectancy rates. Eight of the 20 occupations in the U.S. projected to grow the fastest are in health care.^{cx1} In the social services sector, the Bureau of Labor Statistics expects the number of social and human service assistants to grow 46 percent and predicts that personal and home health care aides will increase 44 percent—two of the highest projected job growth rates in the country.^{cxii}

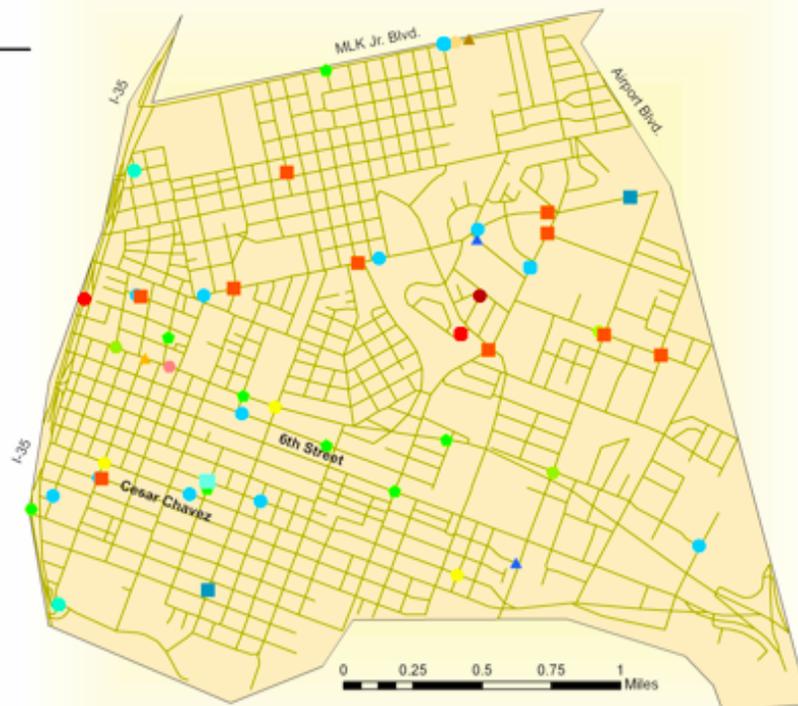
In 2004, there were 32 health care-related and 24 social assistance firms in Central East Austin.^{cxiii} The health care and social assistance sector in Central East Austin, while clustered in the Cesar Chavez and Rosewood neighborhoods, exhibits variation between sub-sectors. For instance, many social assistance firms are located in the Cesar Chavez neighborhood, while several health care firms are clustered on 7th Street, 2nd Street, and MLK. The majority of childcare centers are located either along Rosewood Avenue or in the Rosewood neighborhood.^{cxiv}

Health Care and Social Services in 78702

57 Total Establishments

Legend

- ABORTION INFORMATION
- CHILD CARE SERVICE
- ▲ CHIROPRACTORS DC
- CLINICS
- CONVALESCENT HOMES
- COUNSELING SERVICES
- DENTISTS
- GOVERNMENT-JOB TRAINI
- HEALTH & WELFARE AGEN
- ▲ HOMES-MENTAL RETARDAT
- HOSPICES
- LABORATORIES-MEDICAL
- MEDICAL EMERGENCY TRA
- MENTAL HEALTH SERVICE
- ▲ PAIN CONTROL
- PHYSICIANS & SURGEONS
- PSYCHOTHERAPISTS
- SENIOR CITIZENS SERVI
- SOCIAL SERVICE & WELF
- ▲ YOUTH ORGANIZATIONS &



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

Researchers conducted seven interviews to examine the state of the health care and social assistance sector in Central East Austin. These firms included two physicians who own private practices, a home health care agency, a childcare center, a housing advocacy nonprofit organization, a nonprofit family planning clinic and a nonprofit mental health agency.

Key Themes

Operational Constraints for East Austin Nonprofit Organizations

A reduction in public funding and increased cost of living has decreased nonprofit agencies' ability to retain employees. The national hourly average wage for non-supervisory workers in the health care field in 2004 was \$15.76 per hour for 34 hours per week, or roughly \$25,000 per year.^{cxv} The home-health agency director reported that some employees have asked for a wage advance in order to pay for mortgages and rising property taxes. In addition, a few employees of the family planning clinic in East Austin attempted to obtain apartments that met the city's definition of affordable, but soon discovered that the apartments were not affordable enough. While the family planning agency is able to provide health insurance to its employees (as well as family planning services for half-price), its employees are often forced to commute long distances due to rising housing prices close to their place of work. Many of the workers must use public transportation because they cannot afford automobiles. The director of the home-health agency, whose employees must travel to and from clients' homes, fears that the quality of East Austin bus service may decline because new residents do not use the bus as often as current residents

The nonprofit agencies interviewed depend on public funding and report that clients have experienced increased costs that make it more difficult to pay for health services. While national family planning funding reductions have been significant, the reductions in Texas have been especially dramatic. According to the director of the family planning clinic, while the demand for their services increases every year, their clients' ability to pay for them has not improved much. At one time, the City of Austin and nonprofit family planning clinics in East Austin competed to determine which entity could most efficiently spend family planning funds. Now, the funding barely exists.

Shifting Clientele

The family planning agency discontinued its popular walk-in service, which greatly reduced both its hours of operation and its ability to serve low-income clients. The family planning clinic in East Austin was forced to inform 6,000 uninsured patients that it was no longer able to serve them and now cannot afford to serve anyone over 24 years of age. The federal government diverted funding to federally qualified health centers, which used the funds for general health care for indigent clients.^{cxvi} To balance the budget, the director of the family planning clinic has commented that the agency has started to serve new, more affluent clients who have moved into East Austin and are able to pay for their services. In another interview, the director of a childcare center in East Austin also noted that it is beginning to attract new, higher income clients.

Unique Experience of Private Physicians

Not all health care employers seem negatively affected by these economic forces. Private physicians, for example, differ from community health care clinics in that doctors' offices are for-profit businesses. The doctors interviewed in East Austin serve many low-income clients, and thus rely on government health insurance programs such as Medicaid and Medicare for reimbursement. The two physicians interviewed do not perceive economic change in the neighborhood to be a threat to future business. Nor do the physicians perceive a demographic change in their clientele. Their offices serve as a central location for the clients they target throughout Central Texas (one doctor targets the African-American population, while the other came to Austin to serve Hispanics). Therefore, neither doctor depends too heavily on East Austin for patients. In general, while located in East Austin, the health care and social assistance firms interviewed were concerned with serving all of Central Texas rather than East Austin exclusively. For instance, most networking or coalition groups of which the nonprofits were members focus on serving at-risk individuals in Austin rather than East Austin specifically.

Current Issues

Need for Funding

Not surprisingly, nonprofit agencies mentioned funding as their top resource need. In addition, the childcare center, home health care agency and family planning center reported that their clients need more generous government benefits to be able to afford services. Every social service agency interviewed was facing funding cuts while simultaneously feeling pressure to retain their employees.

Rent Difficulties

The director of the nonprofit housing advocacy group said that it recently relocated to space leased by the Austin Housing Authority because its former location of thirty years became too expensive. The City of Austin has been very generous to the family planning agency regarding its monthly rent, and the agency is not concerned about displacement from their current location. Two other agencies also leased office space in city-owned properties at a lower cost than at their previous locations.

Access to Capital

Only two agencies mentioned access to capital as an issue. The childcare center works with a local nonprofit lending agency that has helped it establish credit with mainstream banks and relies on revenues for expansion. The home health agency was interested in obtaining a loan in order to purchase its own building.

Municipal Services

Many directors/business owners were concerned with municipal services. Almost every agency mentioned that both their clients and employees depend on public transportation to interact with the agency and that the service was, at times, inefficient and unpredictable. In addition to

nonprofits' concerns about transportation mentioned above, one physician was concerned about the homeless people who congregate near his business during the day and requested that the city resolve the problem.

Building Owner's Concerns

Only one business interviewed, the childcare agency, owned its building. According to the owner, ownership of the building provides some flexibility in addressing other financial issues. The agency was able to open a new downtown/West Austin location, which the director reported was thriving and earning higher revenues than the center in Central East Austin. Owning a second, profitable building seems to allow the director more flexibility to keep the East Austin agency open despite its unpredictable profits.

Changing Client Base

Several of the nonprofit agency directors plan to expand services to paying clients in order to increase revenues. Nonetheless, they said the agencies would prefer to be able to serve targeted clientele with increased government and/or private funding rather than make clients pay for services. Despite recent economic pressures for nonprofits in East Austin, it remains a good location to provide social services/advocacy to clients throughout Central Texas.

Based on the interviews, it is evident that the health care and social assistance sector in Central East Austin is in need of additional operating funds, rental support, improved and affordable transportation for clients and employees, a more diverse client base that can pay for services, and improved municipal services.

Industry Projections

Health care and Economic Development

According to a 2005 study, there is currently little research regarding the impact of economic development on community health care facilities.^{cxvii} Another study reported that health care providers receive substantially less profit for caring for uninsured patients. In an economically depressed area, the demand for hospital services decreases while the demand for charity services increases. "An increase in the uninsured rate should lower and flatten the demand for hospital services in a geographic market."^{cxviii}

Unprecedented Health Care Shifts in East Austin

Some of the recent health care plans and reorganization efforts seem to suggest a future increase in insured individuals in Central East Austin. For instance, the Mueller Airport development includes the construction of a 170-bed children's hospital sponsored by Dell and Seton Health Care, the largest health system in Central Texas. Although the Dell Children's Hospital is a specialized hospital, its construction seems to suggest that the area may be ripe for expanded health care infrastructure.

Seton also plans to relocate its administrative offices to the Robert Mueller Municipal Airport Redevelopment. With the Seton facilities reorganizing around the Mueller site, combined with new residents with higher than average incomes, East Austin may see its stock of private medical providers expand in the neighborhood to take advantage of the new customer base. After all, one of the doctors interviewed moved to the Cesar Chavez neighborhood in the 1990s in order to target the expanding Hispanic population. It is not unreasonable to predict that doctors and other private health care providers will move to East Austin in order to target the expanding population of young, urban professionals and the new population base at Mueller Airport.

Predictions: Profits versus Target Efficiency

The challenge for existing providers in this changing context is to adapt business practices to increase their profit margins while at the same time serving their target population. Thus, while experts predict the health care industry will continue growing due to a combination of an aging population, improved technology, and rising life expectancies, the changing dynamics in East Austin may spur unique health care developments.^{cxix} One can reasonably expect that physician practices that thrive on close proximity to patients (e.g., family practice) will target new, insured residents. The family planning clinic, as noted above, is starting to serve higher income condominium dwellers and the home health care agency in East Austin is planning to integrate more non-Medicare clients to ensure financial stability. Yet the director of the home health care agency remarked that the agency is already planning for the day when it will need to move its office farther east (past Airport toward Weberville) to better serve its clientele, who are being pushed east by economic forces.

Health care and social assistance firms face the multiple pressures of a shifting client base, increased economic costs of operation, and employee retention. While no health care and social assistance agency interviewed had a shortage of clients, economic and demographic changes have altered their ability to serve their target population. For a mission-based nonprofit, one result of economic change in East Austin may be the decision that it can best serve at-risk Central Texans by changing locations. Moreover, the farther employees must commute to work, the more difficult it is for these traditionally low-paying firms to retain employees.

Arts and Entertainment Industry

According to the Bureau of Labor Statistics, “the arts, entertainment, and recreation sector includes a wide range of establishments that operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons.”^{cxx} Both nationally and locally, firm sizes are relatively small, with most establishments having fewer than five full-time employees. In addition, the number of firms accounted for by the census and BLS include only taxable entities and do not include studio artists or performing artists who work for cash. In Travis County 1.5 percent of the workforce is employed in the arts, entertainment, and recreation, which mirrors the national average. As with the national industry, between 1997 and 2000, the arts, entertainment, and recreation industry saw significant growth locally, with increases of 49 percent in the number of establishments, 66 percent in revenue, 79 percent in payroll growth, and 48 percent in the number of employees.^{cxxi}

In Central East Austin, there are 19 establishments, including dance companies, live theater, theater and performing arts organizations, studio artists, and musicians. In addition to these establishments, there are many individual studio artists in East Austin who operate solely on profits from artwork sales. In 2006, 86 studios representing such artists participated in the East Austin Studio Tour, an annual event designed to call attention to the work of East Austin artists. The economic and demographic changes in East Austin are affecting each of these firms, which are located throughout the community, usually away from corridors, where rents are more affordable.

The six interviewed business owners tell the same story: the arts and entertainment industry in East Austin faces a crossroads: to grow, decline, or relocate. Rents are increasing, burdening arts groups, many with limited access to capital, but at the same time business is increasing as more people become aware of and are supporting the arts in East Austin. Whether the arts continue to grow and flourish in a community is dependant upon the level of public and private support and the amount of publicity that groups and programs receive.

Traditionally a minority community, East Austin has for many decades been home to African American musicians and artists. An African American performing arts nonprofit organization incorporated in 1993 with the mission of supporting arts in the African American community. Other culturally based arts groups, such as the Ballet Folklorico, thrive in East Austin as well. However, some interviewees indicated that culturally based arts groups, typically small in scope and scale, are declining in numbers as East Austin becomes more heterogeneous. The director of a prolific cultural art nonprofit suggests many African Americans do not support the arts or the arts community. As many African Americans have moved into the suburbs, the director finds they have lost touch with Afro-centric culture.

Hispanic arts groups are comprised primarily of dance companies and performing artists, though these artists are not represented in the six interviews conducted. Some of these groups have flourished in recent years, but because they serve primarily an Hispanic population, some of these groups may also face decline as demographics continue to shift.

There are many East Austin arts groups, some culturally based and some not, that are determined to remain despite rent increases. These groups are all deeply embedded in the local community.

The directors of the six groups interviewed are all East Austin residents, as are their partners and much of their staff. Arts-related businesses generally support other local businesses and feel a deep concern for the future of East Austin. Researchers interviewed two nonprofit performing arts companies, one nonprofit theater support group, one cultural arts nonprofit, one commercial and industrial art business, and one studio artist and promoter in order to gauge their reactions to the changes in East Austin and to research how such changes affect the arts.

Key Themes

Embeddedness

The arts are an essential part of every growing and flourishing community. They are also a source of economic development. Creativity and innovation will be the foundation for success and growth as our country moves toward a more creative economy in which a community is more attractive to an educated and creative workforce because of its cultural opportunities.^{cxxii}

Accordingly, East Austin artists are typically longtime residents of 10 to 20 years who frequent local businesses and feel ties to their community. The sales made by these artists bring revenue into the community and the owners use at least some of these revenues within the community. Some of these businesses, such as the cultural arts nonprofit and the African American performing arts nonprofit, describe their missions as preserving the East Austin arts culture; others simply like the community and want to remain there.

Perceptions of Change

“I’m on the fence about gentrification,” said the director of the cultural arts nonprofit. The incoming population with a disposable income tends to be arts patrons and helps the sector to grow. Overall, the artists interviewed feel that the demographic and economic changes in East Austin are good for business and for the community as a whole. Most like the idea of the community becoming more heterogeneous and they accept market-driven change, which includes increasing rents. However, most artists, culturally based or not, share a common interest in preserving cultural heritage in East Austin. One director expressed disappointment that there was no cultural preservation district created on East 11th Street before the Austin Revitalization Authority began construction of the commercial buildings along the corridor. As a result, the director said, businesses along that corridor are not receiving the support needed to continue operating and remain part of the community. Entrepreneurial residents, making the neighborhood bars into hangouts for young urban professionals, have purchased many of the bars and music venues along East 11th Street and have begun to renovate these establishments to suit the incoming population. While most arts groups do not see themselves being priced out of East Austin any time soon, some expressed concern about the fates of their neighbors at nearby restaurants, bakeries, and auto repair shops.

Every artist interviewed also gave the same account of the “gentrification cycle.” In this cycle, artists move into a location first because of its cheap rent and ample studio space, which allow them to live and work inexpensively and inconspicuously for several years. With the influx of artists to a previously blighted area, culture and entertainment make the area more desirable to live. Many residents of wealthier parts of the city soon find themselves venturing into an

unfamiliar part of town and realize that the neighborhood no longer conforms to their negative perception. The scene then begins to change and higher income people begin to move in, fixing up older homes and building new ones, thus raising the property values. Consequently, rising costs may force the initial group of artists responsible for the change to relocate, where the cycle continues.

Current Issues

Access to Capital

Many of East Austin's art and entertainment businesses are nonprofit organizations, all of which compete for city funding. While the City of Austin does have a program that subsidizes the arts, many believe that it is inadequately funded. Most businesses rely on the National Endowment for the Arts, the Rockefeller Foundation, or other private grants. Consequently, many artists are thrust into the unfamiliar role of grant writer, while others ignore funding opportunities that require an application. Due to inexperience or ignorance, some groups are not seeking existing sources of available funding. Many believe that there should be a better system for approaching private philanthropy in the arts.

Exposure and Visibility

As the arts grow in East Austin, the new exposure comes with increasing visibility and vulnerability. Several interviewees expressed concern that their groups' facilities do not comply with city land use and building codes. Arts establishments fear that this exposure will draw the attention of regulators to their business practices, perhaps bringing about the end of the era of artists residing in East Austin.

Networking and Support

Every group interviewed expressed interest in networking opportunities. All groups are struggling with the same issues—exposure, cost, cultural change—and could benefit from organizing to implement necessary changes. The firms need an umbrella arts advocacy group to address funding issues. Furthermore, artists could benefit from support organizations that provide assistance in marketing, publicity and management. One source of networking and collaboration appeared several years ago, with the inception of the East Austin Studio Tour. The tour annually draws arts patrons from the Austin area to view the work of more than 120 artists, thus bringing publicity to East Austin studios. Perhaps performing artists and musicians could benefit from a similar event.

Industry Projections

Grow, Fade, or Relocate

While most do not see their work as a reflection of East Austin, local artists are typically embedded in the community. The majority of business owners live in East Austin and started their business there. As a result, they feel connected to the East Austin community. For those businesses with a mission of serving the East Austin ethnic community, rapid growth is

necessary to counteract increasing property values. African American and Hispanic arts organizations will experience greater difficulty than those organizations serving a less specific population as demographic shifts in East Austin continue. The latter group is more adaptable to change and its work serves a broader audience. However, African American and Hispanic arts organizations must reach out to a more heterogeneous population if they are to remain in East Austin.

While none of these businesses anticipate relocation, it is inevitable that some artists will have to relocate as property values escalate. One East Austin arts organization has already been displaced from its former facility and is now renting space from other companies. Those businesses able to adapt to the changing demography and appeal to a heterogeneous population have the greatest chance for growth; those who can continue to produce the same product from a less expensive part of town will most likely relocate; and those whose art does not engage the transitioning community may die.

Food Services

The accommodation and food services sector is comprised of establishments that provide customers with lodging or prepare meals, snacks, and beverages for immediate consumption. The sector includes both accommodation establishments and food services establishments because the two activities are often combined in one location.^{cxxiii} The largely population-based food services sector should continue to grow as the Central East Austin population increases and incomes rise in the neighborhood.

Accommodation and food services accounts for about 8 percent of all U.S. employment and 7 percent of all U.S. establishments and is the nation's third largest employer. It is also Travis County's third largest employer, representing 11 percent of all employment and accounting for close to 8 percent of its establishments. The industry grew significantly from 1998 to 2004. In 2004, the industry was the area's second largest sector in employment, representing 12 percent of Central East Austin's employment. As downtown Austin continues to grow, the accommodation and food services industry in Central East Austin is positioned for future growth.

The growth of this industry bodes well for the local economy. Every dollar spent by consumers in restaurants generates an additional \$2.34 spent in other industries allied with the restaurant industry. Every additional \$1 million in restaurant sales generates an additional 37 jobs for the nation's economy. Yet, eating and drinking places are very labor-intensive. Sales per full-time-equivalent employee were \$57,032 in 2005, notably lower than other industries.^{cxxiv}

As a subsector within the accommodation and food services sector, restaurants comprise an overwhelming majority of employment and establishments both nationwide and in East Austin. Of the 85 establishments in this industry in Central East Austin, 68 establishments, or 80 percent, are related to the restaurant industry; twelve are bars or nightclubs; and five are related to lodging. This report focuses on the restaurant subsector within East Austin because of its importance to the accommodation and food service sector and to the economy of East Austin. Researchers interviewed nine restaurant owners in East Austin.

As an industry, establishments tend to cluster along major transportation corridors and areas with retail development or office locations. The food services industry generally clusters to achieve economies of scale in attracting customers, parking utilization, and building construction costs. Establishments also cluster in transportation corridors to take advantage of access to houses and firms and also look for office buildings and hospitals around the area.^{cxxv}

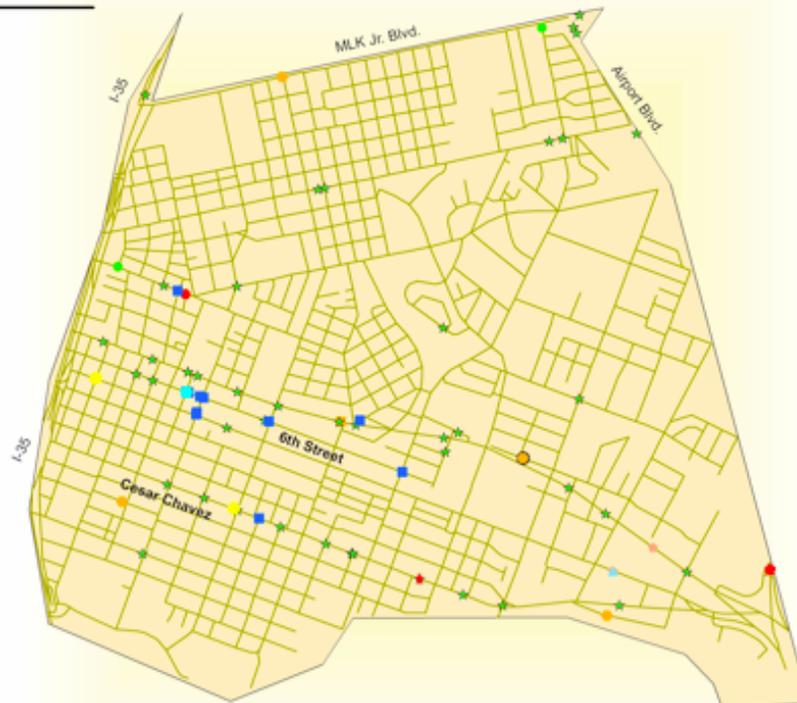
In Central East Austin, establishments cluster around transportation corridors that run east to west, especially in the southern area of 78702. Establishments are predominantly located in the southern area of this neighborhood, with the significant majority located on the Cesar Chavez and 7th Street Corridors. As a result, it is possible that there is unfulfilled demand in the northern corridors of the area.

Accommodation and Food in 78702

74 Total Establishments

Legend

- BARBECUE
- BARS
- ▲ BEVERAGES-NON-ALCOHOL
- CAMPGROUNDS
- CATERERS
- COFFEE SHOPS
- COOKIES & CRACKERS
- DELICATESSENS
- FOODS-CARRY OUT
- ▲ HOTELS & MOTELS
- ICE CREAM PARLORS
- ◆ NIGHT CLUBS
- ★ RESTAURANTS



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

Key Themes

Entrepreneurship

All of the restaurant owners are entrepreneurs hoping to realize a personal vision. Some of the new owners mentioned previously working for a corporation, taking severance pay or retirement, and risking it to realize their dreams. Yet, restaurant owners are a different breed of entrepreneurs. A high percentage of restaurants do not survive past seven years. Industry-wide, the relatively low financial return on restaurant operations generally does not justify the risks of such a large personal equity investment. Thus, the returns cannot be purely financial. Their personal vision must emanate from a deeper sense of personal expression and community engagement.

Some owners come to East Austin because they see change, while others locate here because they like the lower rents and proximity to downtown. Another population, minority-owned restaurants, located in East Austin at a time when there was “nowhere else to go.” Because most corporate establishments have not entered the East Austin market, there is still a perception of opportunity for small, independent entrepreneurs. Most owners mentioned that they like East Austin because it is still primarily composed of “mom and pop” establishments, where the

owners are directly involved in their business. Almost all of the owners reported awareness of the extreme risks involved in starting a restaurant.

Unstable Revenues

Unfortunately, most of the new businesses report that they have not yet maintained stable revenues to meet their expenses on a monthly basis. Two significant factors have emerged in explaining the problems with new full-service restaurants in East Austin: (1) they cannot obtain loans to stabilize operations and grow, and (2) there is limited demand for dinner service. These factors limit their growth and increase risk. Thus, for most owners, the current reality has not yet fulfilled their dreams for the future.

New versus Old Businesses

The owners generally fall within two mutually exclusive categories: established, traditional businesses and new, start-up businesses. The established, traditional businesses do not want loans from the banks or to get involved with the city, and are satisfied with the direction that their businesses have taken. They also believe that recent changes in East Austin are positive, and look forward to more people moving in with more income to spend. Within the new start-up category, owners either focus on the existing market, comprised of the downtown lunch crowd and limited residential service, or on the emerging market, comprised of new residents with higher incomes. All of the new owners are very concerned with access to capital and also seek help from the city and landlords. They see the new residents as a means of survival, rather than growth. Of all the restaurant owners interviewed, only one owns the land on which the business operates, and this owner has been in East Austin for over forty years. As the extent of their investment in East Austin is limited, so are the potential gains from increasing property values. Yet, so are the increasing costs of property taxes.

Economic Embeddedness in East Austin

Many businesses reported moving to East Austin to be closer to their customers and for lower rents, while a few others reported that they saw new opportunities as the community changes. Yet, none of the owners interviewed reported that the majority of their customers reside in East Austin or that more than 50 percent of their employees reside in East Austin. Considering that this industry employs low-wage, young workers, it is surprising that so many employees commute from other parts of the city. Only two owners reported being a part of neighborhood or industry associations. Most new owners complained that the associations charge a membership fee that they cannot afford without stable positive cash flows. One owner aptly summarized the dilemma, “I can’t afford to think about the industry as a whole, when I’m trying to make it to next month.” For the established restaurants, the associations never appeared to help them become successful. Therefore, they did not perceive increased benefit from the costs of joining an association.

Economically, most businesses have strong links to other businesses in East Austin. The overwhelming majority of businesses—78 percent—reported that their main suppliers were in East Austin. East Austin contains a preponderance of large-scale food suppliers, which were patronized by all of the owners interviewed.

Sense of Community in Central East Austin

Most firms are content to provide a service for the surrounding community rather than simply make a large financial return. None of the owners reported plans to expand their business beyond East Austin, stating that they generally just want to survive, live within reasonable means, and be a part of the surrounding community. The greatest concern for East Austin food service business owners is the emergence of large-scale real estate developers who are focused on maximizing profits and whose existence alters community character.

One new owner who came to East Austin for its emerging market wants to be an active participant in the community. The owner supports many local nonprofit organizations and is a member of industry-wide associations such as Strategic Profits, which helps restaurants with marketing and strategy, and of the East Austin Neighborhood Association. This owner has actively engaged in joint promotions with businesses, both inside and outside of the industry, that serve the restaurant's target market. Some interviewees view neighborhood associations as polarized between two extremes; one contingent focuses on development and profits, while the other focuses on preventing any new development, thus negating any consensus to build effective community policies. There is clearly a demand for leadership that will ensure that the small business community has a voice as the community changes.

Current Issues

No Access to Funds

The capital markets do not support this industry in East Austin operations. For the established restaurants, loans and working capital are not a concern as they currently enjoy stable cash flows. Yet for new or start-up operations, access to loans and working capital is seen as a critical factor in the survival of the business and each of the new restaurants exclusively financed their initial operations with their own equity as they were unable to obtain capital. Each new start-up operation also mentioned the need for working capital to manage operations on a monthly basis, as they have no funds with which to market or grow their business.

Each new owner reported an extensive effort to apply for loans that involved rejection by local bankers. One owner's experience highlights this industry's difficulty in accessing capital for investment in East Austin. The owner had successfully serviced two \$1 million loans at the firm's former location in another city that has experienced extensive gentrification. The owner wanted to set up operations in East Austin because of the similarities between the two areas. Although the owner had established relationships with a national mainstream bank and had adeptly managed larger loans in the firm's former location, the Austin branch of the national bank would not even consider the application, as its lenders were particularly concerned with the choice of location. It was not until the owner established personal relationships through an accountant that a different bank finally offered a revolving credit line. If an applicant with a good credit history and established relationships at a bank cannot get loans for operations in East Austin, it is possible that the area has an unfavorable stigma within the financial market.

Perception of Crime Limits Revenues

None of the owners reported any concerns with either actual crime in East Austin or perception of crime in East Austin. In fact, the most commonly reported change in East Austin was, "A lot more people walking around with dogs and riding bikes everywhere." However, a common theme among most owners was that the neighborhood seems to close down at night. The owners lament that there are not many people who are out and about after dark. As most people stay inside at night, there is a reported absence of nightlife, and therefore, limited demand for dinner service, causing some businesses to close after lunch.

One owner on the 6th Street corridor posited that if the city could implement better lighting on the corridors, it would re-energize the nightlife and allow people to feel more comfortable dining in East Austin. Although crime might not be an explicit issue for owners, there appears to be a subtle and pervasive fear of nighttime activity in East Austin. The absence of a dinner market severely limits restaurants' revenue potential and increases their reliance on the downtown lunch crowd while failing to meet the local demand of neighborhood residents.

Fear of Big Development and National Competitors

None of the owners were concerned with their rents, nor did they envision their rents dramatically increasing in the near future. Yet, they are very concerned with what will happen on neighboring parcels of land. Some owners were very concerned with large-scale commercial development entering the neighborhood and bringing corporate establishments with them. Many owners specifically mentioned "big developers and corporations" and "Wal-Mart types" as one of their greatest concerns about the future. In particular, they fear developers who focus on profit rather than on community will cause East Austin to become "the next Dallas."

With the Capital Metropolitan Transportation Authority's plans for a rail line, business owners want East Austin to be a pedestrian neighborhood. They have already noted increases in the number of people walking around and riding their bikes. They hope the city will preserve the "mom and pop" nature of East Austin businesses. Yet with large-scale public investment, there is a legitimate fear of large-scale private investment. Given the inability of new businesses to obtain working capital, big businesses and large-scale commercial development pose a threat to their survival. Even the established and successful restaurant owners fear they cannot compete with national or regional restaurant chains. The fear of big development is not based on concern about rising rents, but rather about the disparity in access to capital markets.

Ownership Gap

All of the business owners anticipate changes in East Austin and focus on the higher revenue new clientele are expected to provide. Yet very few owners reported concern with the risks of higher rents and property values that new residents will likely spur. Disposable income drives the industry and the median income of area residents is expected to increase. However, over time, much of this increase will be captured in rents and property values. Small business entrepreneurs in this industry take on significant risks and are known for their optimism. It is possible that they are focusing on their hopes for increasing revenue, rather than worrying about increasing expenses. As the neighborhood is still in a period of transition where the current rents have not

adjusted to future expectations, a significant gap exists between the current rents on land and land prices in East Austin. As land appraisals happen annually, the increasing values have begun to affect landowners and though only one restaurant owner actually owns the land on which the business operates, both owners and renters may view rising property values as an impediment to growth as increasing costs begin to take their toll on business owners.

Industry Projections

By all indications, the future is very bright for the food service industry in East Austin. Every owner interviewed eagerly awaits the anticipated changes in East Austin. The primary driver of this industry is disposable income, and the new residential development construction in East Austin is expected to bring more young professionals with higher disposable incomes to the area. The new developments are unanimously viewed as the primary drivers of this growth. For the established restaurant owners, these developments are welcomed as a means of further growth. For the new restaurant owners, the completion of new developments is viewed as a means of survival. Thus, the question is not whether restaurants will benefit from the changes in East Austin, but rather, which type of restaurants will benefit.

For restaurants, research has shown parties, or groups, rather than individuals go to full-service restaurants whereas individual customers generally purchase take-out items. If national demographic trends in consumer demand apply to East Austin, then it appears that most new demand will come from individual customers, not family households. The target customers are mainly workers, students, and non-family households around the neighborhood.^{cxxvi}

Not one of the restaurants with less than five years of operations reported being profitable. In contrast, all of those with more than seven years of operations reported being profitable. Thus, those restaurants with an established history in East Austin appear to be the only restaurants faring well amidst the competition. Yet, it is clear that as the demographics change, there will be new challenges for existing restaurants and new opportunities for others.

Increases in population, income, and dining sophistication should also contribute to job growth. Consumer demand for convenience and ready-to-heat meal options also will offer cooks and other food preparation workers a wider variety of employment settings in which to work. Moderately priced restaurants that offer table service will afford increasing job opportunities as these businesses expand to accommodate the growing demand of a young and mobile population in the area.

Appendix 3: Construction Industry Case Study

Long-Established Construction Materials Retailer

This business is, relative to others in the industry and area, extremely old, as the enterprise is approaching its 80th birthday. The business was founded by the current owner's grandfather, and has been passed down through two generations. For the first 70 years of its existence, the primary focus of this business was consumer construction material retail sales. There was a hardware store in addition to the wood products that were the major staple of the business, generally sold to "do-it-yourselfers" and homeowners.

The advent of the "big-box" construction material retailers—corporations such as Lowe's and Home Depot—dramatically changed the operating environment for this business. Unable to compete on cost, this business owner took a "can't beat 'em, join 'em attitude," and shifted the focus of operations to commercial sales, primarily to major contractors purchasing milled wood products. Two of the major customers for those products are the aforementioned "big boxes," for which this business supplies stores throughout Texas.

Located within the line of sight of the new Pedernales and Saltillo loft developments and with a new neighborhood plan and accompanying zoning overlay, this business owner is very much aware of the changes occurring nearby. Tragedy threatened the survival of this company, as a fire ripped through five of seven buildings on the property. With the original office still intact, however, the owner never missed a day; the fire burned on New Year's Eve two-and-a-half years ago, and the company was open for business the following Monday. Because reputation and word of mouth are so critical for almost every player in the construction industry, the owner believes the business would likely have failed had there been any delay in the company's ability to provide materials to area contractors.

Out of this unfortunate series of events, the owner has seen an opportunity—to shift the focus of the business slightly in order to adapt to the changes that are occurring. Plans are underway to reopen the hardware store that was a centerpiece of the business under the previous two generations, with a slight shift toward a "higher-end" market, selling specialty items such as designer cabinet hardware. In addition, there are plans to replace the current—temporary—structure that houses the millwork. The new structure will be a multi-story building with office space above the mill. This is partially the result of discussion with neighborhood residents, who wanted to rezone the property as a mixed-use plot, including some residential units in the upper floors above the millwork. Through careful negotiation, the business owner was able to maintain the light industrial zoning of the land, but allowing for a slightly more compatible mix of uses. The owner plans to lease the new office spaces to small specialty trade construction companies—plumbers, electricians, and carpenters, for instance.

As a long-term resident, this business is deeply embedded in the community. The current owner's father served as a father figure for many area residents and mentor to many of the area's

businesses. His impact was perhaps most visible at his standing-room-only funeral, where tattoo artists, coffee shop owners, artists, hipsters, a multitude of individuals from various construction companies in the area, friends, and family were in attendance. The company still receives free HVAC services as a result of one of these mentoring relationships, despite the passing of the current owner's father several years ago. The company's commitment to the community did not die with its previous owner, however. Currently, the owner of this business finds time to mentor local high school and elementary school girls to help inform them about the possibilities for women interested in construction careers. These mentoring programs—Construction Gateway and FOCUS (Fundamentals of Construction and Understanding Self)—are administered by Skillpoint Alliance, a local workforce development nonprofit organization.

Commercial and Nonprofit Developers

Interviews were conducted with three commercial developers engaged in commercial and residential construction in East Austin, and two Community Development Corporations (CDCs) focused on creating affordably priced homes in their neighborhoods.

The three commercial developers have been innovators in creating many of the new mixed-use developments throughout East Austin. These three developers indicated that their vision is heavily influenced by the New Urbanist movement to create denser, walkable, and diverse residential communities. The target population in these residential developments has generally been young artists and professionals, as well as empty nesters.

Two of the commercial developers interviewed have utilized the City of Austin's SMART (Safe Mixed-Income Accessible Reasonably Priced and Transit-Oriented) Housing program to help finance housing units at or below 80 percent of the area's median family income (MFI). Commercial developers' communication with the neighborhoods in which the developments are constructed seems to have decreased as mixed-use development has increased in East Austin. All three commercial developers interviewed reported that when they first started developing projects in East Austin, they sought neighborhood's approval of their projects. As demand has increased for the new residences, incentives to utilize the city's SMART housing program and to seek the local community's opinions simply cannot compete financially with selling the housing units at market rates. Additionally, one of the commercial developers indicated that factions of the neighborhood associations have become so radical that the communication process between developers and neighborhoods (at least in that area of Central East Austin) has broken down completely.

The CDCs are nonprofit organizations closely affiliated with their respective neighborhood associations. Both are engaged in building affordable rental housing for residents—all of it affordable to families living on less than 80 percent median family income (MFI) for the area, most is affordable to families under the 60 percent threshold, and there are a number of units affordable to families under 30 percent of MFI. These organizations are extremely protective of their neighborhoods—one referred to their strategy as “treating the neighborhood like a fortress,” the other is associated with a neighborhood association which was born out of a contentious battle between the University and area residents.

These two organizations have both existed for close to 25 years. Both started building homes that were intended for sale, but have since moved almost exclusively into the rental market because they want more money to stay in the neighborhood: owner-occupied units can be turned over to “outsiders” with no say from the CDC. Representatives of these organizations perceive substantial change happening in East Austin. Residents can now obtain many goods and services in the neighborhood that they previously could not. While parts of east Austin remain affordable, others are not, with the effects of higher property values concentrated mostly on renters.

All of the developers had strong opinions on the City of Austin’s policies regarding housing in East Austin. These touched on issues from perverse incentives for “move-ons,”^{cxvii} the high cost of energy for low-income residents and regulations banning solar energy “sharing”, to SMART housing. Until very recently, the city only funneled federal funds—but did not have its own assistance or incentives for the development of affordable housing.

Neither the nonprofit or commercial developers view SMART housing as an effective tool, since developers include affordable units in their developments either because they have a strong personal belief in it, or they do not provide affordable housing at all because of market incentives. While the nonprofit developers recognize the city’s need to grow its tax base through increased property values, they believe the city should identify funding through alternative sources and create new policies to ensure that some portion of the housing stock in East Austin will remain affordable to the families who are long established in their neighborhoods. The commercial developers strongly believe that the City of Austin must provide more leadership in the area of affordable housing rather than depending on the altruism of the individual developer. If the City could provide more financial incentives and flexibility in the building process, they feel that more developers would utilize the program.

Appendix 4: History of Health Services and Social Assistance in Central East Austin

The City of Austin has always struggled with finding out the best way to serve the historically segregated population of East Austin. Dr. B.E. Conner commented in the early 20th Century that some of the important health and community needs of East Austin were “The need for better housing and medical provision for the aged, the need for a school physician and a school lunch program, the need for slum clearance, and the need for supervised recreational programs at the housing unit.” Dr. Conner also mentioned his approval of the process of training “Negro doctors” in East Austin, who often served the needs of the segregated East Austin community. And, while Dr. Conner remarked that East Austin housing projects (first instituted in 1939) were a “blessing” for the East Austin Community, he remarked, “What we need is a little hospital clinic for these people.”^{cxxviii}

What East Austin residents got was not a small hospital, but rather services in the large, general Brackenridge Hospital, which is closer to East Austin. Yet, on October 1, 1978, the Austin City Council created the Medical Assistance Program (MAP), in which “three Brackenridge Hospital outpatient services, general medicine, general pediatrics and general obstetrics, were transferred to the Austin Travis County Health Department neighborhood clinics to provide a more complete range of services to the community” (Austin City Council Publication). During the Model Cities period, an East Austin community center was opened on East 6th Street (now moved to Comal Street, in a converted Safeway building). These clinics not only were able to provide medical services for individuals who cannot pay, but could also see patients on Medicare and Medicaid. These health care and social assistance centers, for decades, primarily addressed the needs of the at-risk population of the neighborhood. Only recently have events occurred suggesting dramatic, fundamental changes in health care infrastructure in East Austin.

Endnotes

- ⁱ “Texas Bird’s-Eye Views” (exhibit organized by the Amon Carter Museum). Online. Available: http://www.birdseyeviews.org/artist_bios.php#koch. Accessed: January 26, 2007.
- ⁱⁱ Augustus Koch, “Bird’s Eye View of the City of Austin, Travis County, Texas, 1873” (lithograph). Online. Available: http://www.birdseyeviews.org/zoom.php?city=Austin&year=1873&extra_info= Accessed: January 26, 2007.
- ⁱⁱⁱ Augustus Koch, “Austin, State Capital of Texas, 1887” (lithograph). Online. Available: http://www.birdseyeviews.org/zoom.php?city=Austin&year=1887&extra_info= Accessed: January 26, 2007.
- ^{iv} *Handbook of Texas*. Online. Available: <http://www.tsha.utexas.edu/handbook/online/articles/AA/hda3.html>. Accessed November 1, 2006.
- ^v Ibid.
- ^{vi} James William McCarver, “The Blackland Miracle: An analysis of the development of power in an East Austin neighborhood from 1982 to 1994” (Ph.D. Diss., The University of Texas at Austin, 1995, DAI-A 56/10), p. 4021.
- ^{vii} David Humphrey, “Austin: A History of the Capital City,” Texas State Historical Association (1997), p. 47.
- ^{viii} Ibid.
- ^{ix} Ibid., p. 39.
- ^x Ibid., p. 56.
- ^{xi} “Austin’s History.” Online. Available: <http://www.austintexas.org/visitors/heritage>. Accessed: October 28, 2006.
- ^{xii} “The Rosewood Neighborhood Plan,” *The Austin Tomorrow Comprehensive Plan* (November 29, 2001), Chapter 5, Section 5-8, Exhibit A., p. 17.
- ^{xiii} Humphrey, “Austin: A History of the Capital City,” p. 38.
- ^{xiv} “U.S. Census Bureau Fact Finder.” Online. Available: <http://factfinder.census.gov>. Accessed: November 1, 2006.

^{xv} Due to a lack of real 2006 data by census tract, this hypothesis may already be proving true.

^{xvi} Dennis Keating and Janet Smith, "Neighborhoods in Transition," *Revitalizing Urban Neighborhoods* (University of Kansas Press, 1996), p. 29.

^{xvii} "Growth Watch: Annual Edition 1987," City of Austin Planning Department (January 1989), p. 17.

^{xviii} Jeffery Chusid, "Preservation in the Progressive City: Debating History and Gentrification in East Austin," *The Next American City* (Fall 2006).

^{xix} Ibid.

^{xx} "Govalle/Johnston Terrace Combined Planning Area Plan." Online. Available: <http://www.ci.austin.tx.us/zoning/govalle.htm>. Accessed: November 1, 2006.

^{xxi} Capital Area Council of Governments (CAPCOG).

^{xxii} Available 2006/2011 demographic forecast information regarding racial estimates does not distinguish between only White and Hispanic and White. Therefore, this is a hypothesis. However, the numbers still indicate that the White population will be growing.

^{xxiii} Immigration Information. Online. Available: <http://www.immigrationinformation.org>. Accessed: November 1, 2006.

^{xxiv} "U.S. Census Bureau Fact Finder." Online. Available: <http://factfinder.census.gov>. Accessed: November 1, 2006.

^{xxv} United States Department of Agriculture, Food and Nutrition Service, National School Lunch Program Fact Sheet. Online. Available: <http://www.fns.usda.gov/cnd/lunch/AboutLunch/NSLPFactSheet.pdf>. Accessed: October 13, 2006.

^{xxvi} Austin Independent School District, "All Data 2002-2005" (Excel file), provided by CAPCOG.

^{xxvii} There may be confounding variables. Due to school choice programs, not all students who live in East Austin may attend East Austin schools, and those students attending school in East Austin may not necessarily live in East Austin. In addition, schools that have high percentages of free and reduced school lunches receive higher reimbursement rates and reduced school lunch for all students, so the individual income data may not be completely accurate. Furthermore, because it is impossible to sort school lunch rates by census tract, this data is of limited use in a neighborhood-by-neighborhood comparison.

^{xxviii} Families with children (especially single-parent households) are among the poorest demographic groups in CEA. In 2000, the poverty rate for all families was 25.5 percent, but the rate for families with children was 32.6 percent and 38.7 percent for families with children under five. For female-headed households with no husband present, the same rates were 54.7 percent and 69.4 percent, respectively. (U.S. Census Bureau, Census 2000, Census 2000 QT-P35, Poverty Status in 1999 of Families and Nonfamily Householders: 2000 Census 2000 Summary File 3 (SF 3) — Sample Data, Online. Available: factfinder.census.gov. Accessed: January 27, 2007.)

^{xxix} Ronald F. Ferguson and William T. Dickens (eds), *Urban Problems and Community Development* (Washington, D.C.: Brookings Institution Press, 1999), p. 473-520.

^{xxx} *Central Texas Sustainability Indicators Project — 6th Edition* (Austin: Aus-Tex Printing, 2006), p. 36.

^{xxxi} Kirk Ladendorf, “Austin’s Economic Outlook Strong,” *Austin American Statesman* (January 26, 2007).

^{xxxii} Ibid.

^{xxxiii} Paul A. Jargowsky, “Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s,” The Brookings Institution (2003). Online. Available: <http://www.brookings.edu/es/urban/publications/jargowskypoverty.htm>. Accessed: February 21, 2007.

^{xxxiv} Weissbourd/Bodini, “Market-Based Community Economic Development.”

^{xxxv} *Staff Task Force on Gentrification in East Austin*, City of Austin. Online. Available: www.ci.austin.tx.us/housing/publications.htm. Accessed: November 14, 2006.

^{xxxvi} Barrios, Greg. “Don’t Go Near the Water,” *RiverCity Sun* (August 4, 1978), p. 8.

^{xxxvii} Ibid.

^{xxxviii} Ibid.

^{xxxix} Austin Housing Finance Corporation. Online. Available: <http://www.ci.austin.tx.us/ahfc/smart.htm>. Accessed: November 29, 2006.

^{xl} Ibid.

^{xli} Percentages derived from Capital Area Council of Governments data.

^{xlii} Patrice Hill, “Speculation likely driving home prices, Fed chief warns,” *The Washington Times* (September 27, 2005), p. A01.

^{xliii} Capital Area Council of Governments, “Census 1990 – 2000 Comparison Tables” database. Online. Available: http://www.capco.state.tx.us/Information_Clearinghouse/Tabular_main.asp#census. Accessed: September 9, 2006.

^{xliv} City of Austin, Neighborhood Housing & Community Development, *2006 Single Family Residential Tax Delinquent Parcels by Geographic Concentration and Neighborhood Planning Area*.

^{xlv} Elliott Beck, Assistant County Attorney. Personal communication, April 24, 2007. This information was confirmed during a May 7 follow-up visit to the County Tax Assessor’s Office: A sampling of foreclosed properties were pulled from the Chief Operating Officer’s database. All were vacant.

^{xlvi} Dick Lavine, “Why are there so many foreclosures?” *Center for Public Policy Priorities*. Online. Available: <http://www.cppp.org/research.php?aid=580>. Accessed: November 9, 2006.

^{xlvii} Dusty Knight, Chief Operating Officer, County Tax Office. Personal communication, April 24, 2007.

^{xlviii} This study did not include permits for residential remodels that did not increase the number of housing units or permits for commercial, office, industrial, civic, and “miscellaneous” building activity.

^{xlix} Center for Housing Policy, “Paycheck to Paycheck.” Online. Available: <http://www.nhc.org/chp/p2p/>. Accessed: October 2006.

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^{li} Housing Authority of the City of Austin. Online. Available: http://www.hacanet.org/about_haca/history.php. Accessed: October 2006.

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^{liii} City of Austin, Neighborhood Housing & Community Development. *2006-2007 Consolidated Plan*. Online. Available:

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^{liv} Austin Tenants Council. “Guide to Affordable Housing in the Greater Austin Area.” Online. Available: <http://www.housing-rights.org/>. Accessed: November 2006.

^{lv} City of Austin, Neighborhood Housing & Community Development. MFI Chart. Available: <http://www.ci.austin.tx.us/housing/mfichart.htm>. Accessed: November 2006.

^{lvi} Foundation Communities owns ten properties citywide and 1,349 total rental units, 25 percent of which are located in East Austin. Blackland Community Development Corporation owns 35 total rental units, all in East Austin, and serves formerly homeless families and seniors living below 60 percent MFI. Guadalupe Neighborhood Development Corporation owns 54 affordable properties, including 42 rental units and 12 owner-occupied homes. All of GNDC’s housing is located in East Austin and is designed to serve people with incomes below 80 percent MFI, but according to Mark Rogers, Executive Director, 74 percent of GNDC tenants actually fall below 50 percent MFI. *Habitat for Humanity* has constructed 186 affordable homes in Austin to date, 82 percent of which are located in East Austin. Habitat sells their homes to families living between 25-50 percent MFI.

^{lvii} Chusid, “Preservation in the Progressive City.”

^{lviii} Humphrey, “Austin: A History of the Capital City,” p. 56.

^{lix} *Ibid.*, p. 57.

^{lx} *Handbook of Texas*. Online. Available: <http://www.tsha.utexas.edu/handbook/online/articles/TT/hct8.html>. Accessed October 25, 2006.

^{lxi} Humphrey, “Austin: A History of the Capital City,” p. 57.

^{lxii} “Austin History.” Online. Available: <http://www.klru.org/austinhistory/history.html>. Accessed: October 28, 2006.

^{lxiii} U.S. Census Bureau, “ZIP Code Business Patterns.” Online. Available: <http://censtats.census.gov/cgi-bin/zipnaic/zipsect.pl>. Accessed November 1, 2006.

^{lxiv} Actual employment for 1998 is officially listed at 5,000-9,000. Of the employment data provided by the U.S. Census Bureau and included in this analysis, this is the only statistic for which an exact number is not listed. Actual employment for 2000 is provided and lists total employment at 2,407, the overall number of establishments growing since 1998, and a stable number of large firms. This raises the possibility that the 1998 actual figure is not accurate. Consistent with other sections in the study, this section uses the estimated figure to calculate percentage changes. The estimated figure for 1998 is 2,551.

^{lxv} Elsie L. Echiverri-Carrol, “The Regional Economic Impact of New Airport Construction: The Case of Austin-Bergstrom International Airport,” *Texas Business Review* (June 1999).

^{lxvi} RMMA redevelopment. Online. Available: http://www.muelleraustin.com/urban_village.html. Accessed December 5, 2006.

^{lxvii} Restaurants compose the overwhelming majority of the firms in this sector.

^{lxviii} Envision Central Texas. Online. Available: www.envisioncentraltexas.org. Accessed: January 13, 2007.

^{lxix} For example, a function in Microsoft Excel would randomly generate the number 33, and thus the 33rd business on the spreadsheet would be added to the list of targeted firms.

^{lxx} City of Austin, “Smart Growth Initiative.” Online. <http://www.ci.austin.tx.us/smartgrowth/>.

^{lxxi} The research team used “systems analysis” that blends three theoretical approaches: land economies (economic development); network analysis (community development); and professional practice (human ecology and sustainable development). For further sources, see “An Evaluation of the Interaction between Urban Transport and Land Use Systems” by Michael A. Goldberg in *Land Economics*, Vol. 48, No. 4. (Nov., 1972), pp. 338-346; “Distance and Human Interaction: Review and Discussion of a Series of Essays on Geographic Model Building” by Claes-Fredrik Claesson in *Geografiska Annaler, Series B, Human Geography*, Vol. 50, No. 2. (1968), pp. 142-161; “Interaction in an Urban System: Aspects of Trade and Commuting” by John B. Parr in *Economic Geography* Vol. 63, No. 3 (Jul., 1987), pp. 223-240; *Central Place Studies: A Bibliography of Theory and Applications* by Brian Barry and Allen Pred; “Beyond the Ethnic Enclave Economy” by Ivan Light, Georges Sabagh, Mehdi Bozorgmehr, and Claudia Der-Martirosian in *Social Problems*, Vol. 41, No. 1, “Special Issue on Immigration, Race, and Ethnicity in America.” (Feb., 1994), pp. 65-80; and “Culture, Race, and the Economic Assimilation of Ethnic Immigrants” by Jeffrey G. Reitz; Sherrilyn M. Sklar in *Sociological Forum*, Vol. 12, No. 2. (Jun., 1997), pp. 233-277.

^{lxxii} Kristina Shevory, “Square Feet; It’s Also the Capital of Texas Construction,” *New York Times*. February 14, 2007.

^{lxxiii} The North American Industry Classification System (NAICS) defines Other Services as consisting of three main categories: Repair and Maintenance; Personal and Laundry Services; and Religious, Civic, Professional, and Similar Organizations.

^{lxxiv} John J. Macionis and Vincent N. Parillo. *Cities and Urban Life*, Second Edition. New Jersey: Prentice Hall, 2001. 252-253.

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Interaction in an Urban System: Aspects of Trade and Commuting

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^{lxxvi} City of Austin's SMART Growth Initiative. <http://www.ci.austin.tx.us/smartgrowth/>.

^{lxxvii} Arendt, Randall, et al. Charter of the New Urbanism. New York: McGraw-Hill, 2001.

^{lxxviii} ECCNP

^{lxxix} Interestingly, the issue of crime was not a compelling finding from the interviews conducted this Spring. It is likely that the recent attention to crime and improvement of lighting along the sidewalks reduced the perception of crime, thus it no longer presents an issue for business-owners.

^{lxxx} Data were also provided by Capital Area Council of Governance

^{lxxxi} Information gathered from interviews with 7th Street business owners.

^{lxxxii} Information gathered from combination of SMART Growth Plan as well as interviews with 7th Street business owners.

^{lxxxiii} The tables provide information taken from the Travis County Central Appraisal District for the years 2000-2005.

^{lxxxiv} City of Austin Corridor Planning Program. "East 7th Street Corridor Concept Plan." Austin, Texas: October 2002

^{lxxxv} Julian Huerta, Director of Community Services, Foundation Communities; Mark Rogers, Executive Director, Guadalupe Neighborhood Development Corporation; Bo

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^{lxxxvi} U.S. Census Bureau, “ZIP Code Business Patterns.” Online. Available:
<http://censtats.census.gov/cgi-bin/zbpnaic/zbpsect.pl>. Accessed: November 1, 2006.

^{lxxxvii} U.S. Department of Labor, Bureau of Labor Statistics. Industry-at-a-Glance: NAICS
23: Construction. Online. (<http://www.bls.gov/iag/construction.htm>, Accessed January
24, 2007)

^{lxxxviii} Force account construction (construction performed by the employees of a company
whose primary activities are in some area other than construction) is not included in this
sector. An example would be the maintenance of infrastructure by telecommunications
company employees.

^{lxxxix} NAICS Association. NAICS Code Definition: Sector 23: Construction. Online.
(<http://www.naics.com/censusfiles/NDEF23.HTM#N23>. Accessed January 25, 2007)

^{xc} Capital Area Council of Governments

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(<http://censtats.census.gov/cbpnaic/cbpnaic.shtml>. Accessed April 15, 2007)

^{xcii} Ladendorf, Kirk. “Austin’s Economic Outlook Strong”. Austin American Statesman.
January 26, 2007.

^{xciii} Austin Convention & Visitors Bureau, Austin’s History. Online.
(<http://www.austintexas.org/visitors/heritage>. Accessed May 4, 2007).

^{xciv} Professional, scientific, and technical services include: legal advice and
representation; accounting, bookkeeping, and payroll services; architectural, engineering,
and specialized design services; computer services; consulting services; research
services; advertising services; photographic services; translation and interpretation
services; veterinary services; and other professional, scientific, and technical services.

^{xcv} US Census Bureau, ZCBP, <http://censtats.census.gov/cgi-bin/zbpnaic/zbpdetl.pl>

^{xcvi} Fall Report - Economy

^{xcvii} U.S. Census Bureau, County Business Patterns for Zip Code 78702. Online.
Available: <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>. Accessed: December
6, 2006.

^{xcviii} The industry standard on payday loan interest rates in Texas “hovers close to 600
percent APR,” according to the Center for Public Policy Priorities, “As Payday Lending

Spreads Across Texas Can it be Reformed or Regulated?" December 7, 2006. Available online at <http://www.cppp.org/files/2/POP%20275%20payday.pdf>

^{xcix} Howard Karger, "America's Growing Fringe Economy." KPFA radio program: Against the Grain. December 13, 2006. Online. Available: <http://www.kpfa.org/archives/index.php?arch=17632>.

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^{ci} 2007 Colorado Business Economic Outlook; http://leeds.colorado.edu/uploadedFiles/Faculty_and_Research/Research_Centers/Business_Research_Division/Research/BEOF/2007_BEOF_Sector_and_County_pages/BEOF2007_Other_Services.pdf; March 20, 2007.

^{cii} Bureau of Labor and Statistics website, <http://www.bls.gov>. Last viewed January 29, 2007.

^{ciii} *ibid*

^{civ} U.S. Census Bureau, CenStats Databases, County Business Patterns Data. <http://censtats.census.gov/>. Last viewed: April 3, 2007.

^{cv} U.S. Census Bureau, CenStats Databases, County Business Patterns Data. <http://censtats.census.gov/>. Last viewed February 1, 2007.

^{cvi} Krugman, Paul. *Geography and Trade*, Cambridge: The MIT Press, 1991, pp. 35.-67.

^{cvii} Several of the businesses contacted for this study either did not appear in the 2005 survey or were no longer in existence. This could mean these firms are new businesses, identify with a different NCAIS subsector, or are no longer in business. Many of the firms contacted chose not to participate in the interview for reasons ranging from "too busy" to "owner not available" to the Spanish-English communication barrier. Furthermore, interviews attempted and/or conducted include four firms on East Manor Road outside of the Central East Austin area.

^{cviii} FFIEC Community Reinvestment Act. Available online: <http://www.ffiec.gov/cra/>. Last viewed: May 7, 2007.

^{cix} Rayasam, Renuka. *Austin American-Statesman*. "Change takes root; East Austin's cheap land draws hip folks and the retail that follows -- at a cost", November 20, 2005., Pg. A1. Available Online: Lexis-Nexis.

^{cx} Toby Futrell, City of Austin City Manager, Defining Community Change in East Austin Insight Forum, March 21, 2007, University of Texas, Thompson Conference Center.

^{cxⁱ} Bureau of Labor Statistics, U.S. Department of Labor, Career Guide to Industries, 2006-07 Edition, Health Care. Online. Available: www.bls.gov/oco/cg/cgs035.htm. Accessed: April 15, 2007.

^{cxⁱⁱ} Bureau of Labor Statistics, U.S. Department of Labor, Career Guide to Industries, 2006-07 Edition, Social Assistance, Except Child Day Care. Online. Available: <http://www.bls.gov/oco/cg/cgs040.htm>. Accessed: April 15, 2007.

^{cxⁱⁱⁱ} 2002 Economic Census, American Factfinder, US Census (78702). Online: www.factfinder.census.gov. Accessed: April 15, 2007.

^{cx^{iv}} Nationally, medical related industries tend to situate around hospitals (including doctor's offices, medical supply stores, pharmacies and other medical related firms). Similarly, social assistance agencies tend to situate in clusters—with many services located in the same area to reduce transportation costs for low-income clients.

^{cx^v} Bureau of Labor Statistics, Health care

^{cx^{vi}} Smith, Jordan, "The New Texas Family Planning: Slashed budgets and anti-abortion politics undermine women's health care" Austin Chronicle: on the Internet at: <http://www.austinchronicle.com/gyrobase/Issue/story?oid=oid%3A329525> (visited on April 15, 2007)

^{cx^{vii}} Al-Kodmany, Ahlam (2005) "Impact assessment of gentrification on federally qualified health centers in Chicago: 1990—2003", University of Illinois at Chicago.

^{cx^{viii}} Gaskin, D.J. and Needleman, J. (2003) "The Impact of Uninsured Populations on the Availability of Hospital Services and Financial Status of Hospital in Urban Areas" A Shared Destiny: Community Effects of Uninsurance, National Academies Press.

^{cx^{ix}} Bureau of Labor Statistics, Health care

^{cx^x} Bureau of Labor Statistics. 2006. www.bls.gov. Retrieved January 28, 2007.

^{cx^{xi}} U.S. Bureau of the Census, 2000. www.census.gov. Retrieved February 4, 2007.

^{cx^{xii}} Florida, Richard. The Rise of the Creative Class, New York: Basic Books, 2001.

^{cx^{xiii}} U.S. Bureau of Labor Statistics (BLS): Division of Information Services. "NAICS 71 & 72: Leisure & Hospitality"

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^{cxxiv} National Restaurant Association: Restaurant Industry Facts, restaurant.org.
http://www.restaurant.org/research/ind_glance.cfm Accessed 1/30/07

^{cxxv} Steve Brooks, “Winning the Real Estate Game”. *Restaurant Business*; Mar2006, Vol. 105 Issue 3, p44-50, 6p, 6c

^{cxxvi} Edith Ho, Hawaii State Department of Business, Economic Development and Tourism, “A Model Study for Establishing a Small Restaurant in Downtown Honolulu”. June 2004. http://www.hawaii.gov/dbedt/info/census/Folder.2005-11-23.1639/ec02-reference/small_diner_condensed_final.doc

^{cxxvii} A “move-on” is a structure which previously stood at a different address and has been literally “moved on” to a vacant lot. Current regulations make it actually cheaper to move a house from inside Austin to outside of the city limits, and then back, rather than moving the house from one Austin address to another.

^{cxxviii} Jack M. Smartout “Negro Doctors” (Physicians P3800 Gen). The researcher gathered this information in the “physicians” section of the miscellaneous documents section of the Austin History Center. It is an undated document from a community historian named Jack M. Smartout, a resident of Austin.

Lyndon B. Johnson School of Public Affairs
Policy Research Project Report
Number 160

Community Change in East Austin

Project Directed by
Robert H. Wilson
Lodis Rhodes
Norman J. Glickman

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Table of Contents

List of Tables	vi
List of Figures	vii
Foreword.....	ix
Preface.....	x
<i>Part I: Dimensions of Community Change in East Austin</i>	
Chapter 1: Historical Context	2
Map and Guide to East Austin Terminology	8
Chapter 2: Demography	9
Chapter 3: Housing	29
Chapter 4: The Economy	48
Chapter 5: Community Change and its Consequences	64
<i>Part II: Businesses and Community Change in East Austin</i>	
Chapter 6: Patterns Across Industries	69
Chapter 7: Patterns Across Corridors	84
Appendix 1: Methodology	102
Appendix 2: Industry Studies.....	105
Appendix 3: Construction Industry Case Study.....	149
Appendix 4: History of Health Services and Social Assistance in Central East Austin..	152
Notes	154

List of Tables

Table 2.1 Population Growth in Central East Austin (1980-2000)	11
Table 2.2 Population Growth by CEA Neighborhood (1980-2000).....	12
Table 2.3 Family Households by CEA Neighborhood (1980-1990)	13
Table 2.4 Non-Family Households by CEA Neighborhood (1980-1990).....	14
Table 2.5 Household Size by CEA Neighborhood (1990-2000)	15
Table 2.6 Median Age by CEA Neighborhood (1990-2000)	17
Table 2.7 Median Household Income by CEA Neighborhood (2005)	21
Table 2.8 Occupation by CEA Neighborhood (1980-2006).....	26
Table 3.1 Residential Home Sales in Austin and U.S. (2005-2006).....	36
Table 3.2 Home Sales Price Appreciation in East Austin (1999-2005)	39
Table 3.3 Estimate of Housing Equity in Austin in 2006.....	41
Table 3.4 Tax Delinquency and Foreclosures in East Austin (2006)	42
Table 4.1 Economic Structure of East Austin (1998-2004).....	50
Table 7.1 East Austin Businesses by Corridor.....	90
Table 7.2 Industry Share by Corridor	91
Table 7.3 Appreciation of East Austin Properties (2000-2005)	97

List of Figures

Figure 2.1 Age Distribution in Central East Austin (1990-2000).....	16
Figure 2.2 Race/Ethnicity by CEA Neighborhood (1980-2000)	18
Figure 2.3 Racial/Ethnic Demographic Change (1990-2000)	19
Figure 2.4 Share of Foreign-Born Residents by Neighborhood (2000).....	20
Figure 2.5 Household Poverty Rates by Neighborhood (1980-2000)	22
Figure 2.6 Educational Attainment by CEA Neighborhood (1990-2000).....	25
Figure 3.1 Housing Unit Change in East Austin (1990-2006).....	31
Figure 3.2 Change in Homeownership in East Austin (1990–2000).....	32
Figure 3.3 Rental Burden in East Austin (1990-2000)	34
Figure 3.4 Increase in Median Home Values in East Austin (1990-2000).....	37
Figure 3.5 Increase of Property Sales in East Austin (1999–2005).....	40
Figure 3.6 Increase of Home Values in East Austin (1999–2005)	40
Figure 3.7 Number of Residential Building Permits (1996-2004)	43
Figure 3.8 Public Housing in Austin by ZIP Code (2006)	45
Figure 4.1 Industry Composition (78702)	51
Figure 4.2 Industry Composition (78721)	52
Figure 4.3 Industry Composition (78722)	54
Figure 4.4 Industry Composition (78723)	55
Figure 4.5 Industry Composition (78741)	57
Figure 4.6 Greater East Austin Industry Summary.....	60
Figure 6.1 Perception of Change in Central East Austin	72
Figure 6.2 Property Ownership by Industry	74
Figure 6.3 Businesses Employing East Austin Residents.....	77

Figure 6.4 Businesses Serving East Austin Residents by Industry.....80

Figure 7.1 Traffic Along Corridors.....86

Figure 7.2 Businesses Serving East Austin Customers by Corridor.....91

Figure 7.3 Appreciation of Commercial Properties by Corridor96

Foreword

The Lyndon B. Johnson School of Public Affairs has established interdisciplinary research on policy problems as the core of its educational program. A major part of this program is the nine-month policy research project, in the course of which one or more faculty members direct the research of ten to 20 graduate students of diverse backgrounds on a policy issue of concern to a government or nonprofit agency. This “client orientation” brings the students face to face with administrators, legislators, and other officials active in the policy process and demonstrates that research in a policy environment demands special talents. It also illuminates the occasional difficulties of relating research findings to the world of political realities.

This report presents the findings of a two-part project undertaken by the LBJ School for PeopleFund, a federally certified community development financial institution in East Austin. Research for Part I, which was conducted during Fall 2006, focused on demographic, economic, and housing changes in East Austin. Research for Part II, which was conducted during Spring 2007, focused on specific industries and business corridors.

The curriculum of the LBJ School is intended not only to develop effective public servants, but also to produce research that will enlighten and inform those already engaged in the policy process. The project that resulted in this report has helped to accomplish the first task; it is our hope that the report itself will contribute to the second.

Finally, it should be noted that neither the LBJ School nor The University of Texas at Austin necessarily endorses the views or findings of this report.

James B. Steinberg
Dean

Preface

Community Change in East Austin is a two-part report prepared for PeopleFund, a federally certified community development financial institution in East Austin, by the LBJ School of Public Affairs at the University of Texas at Austin.

Part I focuses on demographic, housing, and economic changes in East Austin. Because of different data sources used by the research team, the demographics chapter focuses on the years 1980 to 2000, the housing chapter focuses on the years 1990 to 2006, and the economics chapter focuses on the years 1998 to 2004. The intent of Part I was to assess how and why East Austin is changing.

Part II focuses on East Austin's current business environment. Researchers interviewed more than 90 business owners in East Austin and analyzed businesses by industry and corridor. The intent was to understand why these businesses locate where they locate, solicit business owners' perceptions of the East Austin business environment, and explore East Austin's prospects for future growth.

The combined project, conducted between September 2006 and May 2007, involved 15 students from the Master of Public Affairs Program at the LBJ School and one student from the Master of Science in Community and Regional Planning Program at the University of Texas School of Architecture. Three professors served as project directors.

The project team wishes to recognize Sean Moran, director of regional planning and information services at the Capital Area Council of Governments (CAPCOG), and Brian Kelsey, CAPCOG's economic development coordinator, for sharing data and expertise. The researchers also thank the many individuals who met with the project team during the course of its research, including Frank Fernandez, Claudia Conner, Jessica Flores, Dr. Elizabeth Mueller, Mark Pinsky, Doug Grecko, Deacon Robert Martinez, Sister Rose Moreno, Larry Warshaw, Jim Walker, Margaret Shaw, Kelly Weiss, Vanessa McMahan, Julian Huerta, Mark Rogers, Bo McCarver, Mitchell Gibbs, and Adrian and Harrietta Neely.

Part I: Dimensions of Community Change in East Austin

Chapter 1. Historical and Public Policy Context

The stretch of Comal Street between East 3rd and East 7th Streets reflects East Austin’s diverse land uses and the changing public policies that have encouraged them. On one corner, a distribution center operates as a remnant of the industrial zoning that directed manufacturing and warehousing activities to East Austin during much of the past century. Chalmers Courts, one of the nation’s first public housing projects, occupies several blocks nearby. Across the street, a well intentioned, if rarely used, civic plaza pays tribute to the area’s growing Hispanic population and hints at the transit-oriented development that will characterize the neighborhood’s future. In the middle of these three sites, Saltillo Lofts, a mixed-use development featuring bold architecture and affluent young residents, serves as a visible symbol of community change. Walking along Comal Street today, the loft development seems most out of place. A decade from now, that may not be the case.

East Austin is changing—slowly, rapidly, predictably, and counter to expectations. Owing, in part, to the city’s growth, the region’s changing racial/ethnic mix, and East Austin’s proximity to a booming downtown, new residents are moving to East Austin, property values are rising, and the types of businesses choosing to locate in East Austin are changing.

This report seeks to explain how and why East Austin is changing. By focusing on three broad areas—demographics, housing, and economics—and by relying on secondary data sources such as U.S. Census figures, the researchers have attempted to describe the process of community change in East Austin and identify the factors that are contributing to that change.

Each chapter includes background information, trend analysis, and conclusions. Because the research team analyzed data from different sources, methodology sections are included for Chapters 2, 3, and 4 (see Appendix 1) that explain the sources of data and how they were used. Chapter 5 offers an integrated conclusion. Throughout the report, graphs and tables have been inserted to illustrate key findings.

For purposes of data comparison, the researchers use different terms to refer to different spatial units. In general, *East Austin* is used as a collective term for the areas of Austin east of Interstate 35, *Central East Austin* specifies ZIP Code 78702 (the area immediately east of downtown), and *Greater East Austin* refers to East Austin excluding Central East Austin. (References to *Austin* or *Texas* include both Central East Austin and Greater East Austin.) The researchers have labeled neighborhoods according to census tracts, not necessarily as neighborhood residents would identify them. (For a map and more detailed information about these terms, see p. 17.)

What Defines Community Change?

Communities evolve constantly, yet they can change dramatically if the people who live in the community change or the way land is used alters significantly. They can also change in response to economic, social, or political forces.

The people who make up a community are determined largely by demographic characteristics—age, race/ethnicity, income, occupation, and education level. Family structure is significant as well: Are residents married or single? Do they have children? If so, do they have few children or many children? Are there multiple generations living under one roof?

Land use is influenced by such factors as value, density, and diversity. How much does it cost to buy or sell property? Are rents affordable? Are residents or businesses clustered together or spread out? Can a piece of property be used for residential, retail, or industrial activity? Are investors interested in the community?

Forces of change can be local, regional, national, or global. Is something happening in the economy that makes it less feasible to operate a manufacturing facility in the community? Are residents demanding change? Are city officials implementing new programs?

All of these dimensions are changing in East Austin. Demographically, East Austin's population is becoming younger and more highly educated, and household incomes are rising. These changes are benefiting some residents while negatively affecting others.

For businesses and residents, property values are rising. On the residential side, a homeowner may be able to realize gains on increased property values and buy a larger home. A homeowner not wanting to move may face higher property taxes. A renter whose income is not rising as quickly as his or her rent may have to look elsewhere for housing. On the business side, business owners may be able to cater to higher income clients or offer a wider range of services. On the other hand, their traditional customer base may be leaving the neighborhood. The influx of new residents and the departure of longtime residents present opportunities, but also increase the risk of altering East Austin's unique heritage, and the availability of lofts or boutiques may be of little benefit to the sizable population that struggles to make ends meet.

From an economic development standpoint, businesses that require highly skilled workers are increasing. Residents with high-demand skills may be able to choose among a number of employers. Those whose skills are less in demand may struggle to find work in the neighborhood.

As East Austin's history makes clear, change is nothing new to the community. Yet the scale of recent changes and the portent of continued changes point toward a new chapter in East Austin's history, one that will have long-lasting consequences.

East Austin: Historical Roots

In 1873, Augustus Koch, a German draftsman who made a career of rendering bird's-eye views of American cities, completed the first of two maps of Austin.¹ At the time of Koch's visit,

Austin was in the middle of a construction boom following the arrival of its first railroad.ⁱⁱ In the middle of the map, the precursor to the Texas Capitol holds pride of place. A pontoon bridge traverses the Colorado River. On the right side of the map, East Avenue—today’s Interstate 35—serves as the eastern border of the city. A few scattered buildings are visible in present-day East Austin, but, for the most part, East Austin consists of open agricultural land.

Koch drew his second map of Austin in 1887.ⁱⁱⁱ In the intervening 14 years, Austin’s population had doubled to more than 11,000 residents. In the center of the map, the Texas Capitol is being constructed a few blocks from the newly founded University of Texas. An iron bridge spans the Colorado River. East of East Avenue, the city grid continues, with dozens of buildings and large stacks of lumber indicating Austin’s prospects for continued growth.

Koch’s maps provide snapshots of Austin’s early development, but they also reflect the economic blueprint Austin would follow for its subsequent growth. Government and higher education, concentrated in Central Austin, would be the anchor employers, while East Austin would serve as the community’s breadbasket and loading dock.

In 1839, Austin was founded to serve as the capital of the newly formed Republic of Texas. After the United States annexed Texas in 1845, the functions of state government were consolidated in Austin, which led to the community’s first period of sustained growth. Residents constructed houses, offices, and hotels, founded newspapers, and established businesses that catered to local residents. In the town’s early years, East Austin consisted primarily of farmsteads and plantations. Between 1850 and 1860, Austin farmland increased from 70,000 to 1.3 million acres under cultivation.

From its inception, Austin was a racially mixed community. In 1850, the city’s 854 residents included 225 slaves. A decade later, both numbers had quadrupled. After the Civil War, emancipated slaves established residential colonies at Masontown (located in present-day East Austin), Wheatville, Pleasant Hill, and Clarksville.

In 1871, Austin was transformed into a regional trading center when the Houston and Texas Central Railway (H&TC) became the state’s westernmost terminus.^{iv} The railroad and the construction boom that followed attracted immigrants, especially Germans and Swedes, who settled in East Austin close to the railroad. A second railroad, the International and Great Northern Railroad (I&GN), arrived in 1876.

In 1881, the University of Texas was established, as was a black college, the Tillotson Collegiate and Normal Institute.^v With the establishment of these two institutions of higher education and continued growth in government employment, Travis County experienced rapid population growth. Toward the end of the century, East 11th and 12th Streets developed into vibrant commercial corridors, with most of the businesses owned by African Americans. On a regional level, agriculture continued to dominate the economy, with the majority of county residents living on farms or in small towns.

Before the early 1900s, the area east of Central Austin’s business district was mainly farmland owned and managed by families of Swedish descent. The rich, black loam was ideal for the cultivation of cotton, unlike the rocky soils of the Hill Country to the west.^{vi} The soil gave the

area a competitive advantage in cotton farming, and its black color led to its colloquial name, “the Blacklands,” which referred to the broad swath of farmland east of Austin. During the first half of the 20th century, Austin manufacturers sold “hardware, dry goods, groceries, and the produce of Austin’s agricultural hinterland.”^{vii} Small manufacturers produced mainly goods intended to be consumed locally, but a few industries, such as food processing and printing and publishing, exported their goods.

In 1928, following the practice of most cities and towns in the South, Austin’s first comprehensive master plan segregated the city by designating a “Negro District” in East Austin and clustering public facilities for its black residents. The plan functioned to segregate East Austin economically through industrial zoning and the location of transportation facilities. One of the provisions of the plan was to redevelop West Austin for high-end residential use and expand the central business district south to the Colorado River for commercial and retail use. To accomplish this, the city would re-route the I&GN railroad from West Austin to East Austin to share a line with the H&TC, a proposal that solidified East Austin’s future as an industrial area:

The route of the present H&TC railway is well adapted and suitable for an industrial area. The I&GN railway passes on the west side of the City through property which is not suited for industrial development. ... We recommend that a connection be built north of the city to permit I&GN trains to pass over to the H&TC tracks. ... It will permit the operation of through freight trains ... to the new proposed industrial district between East Avenue and Pedernales Street.^{viii}

During the Great Depression, New Deal programs employed Travis County residents to pave streets; build bridges, sewers, and parks; and construct the University of Texas Tower. In 1930, a quarter of Austin men worked in construction and retailing, but half the workforce and 80 percent of women were employed in domestic service.^{ix} Austin was the first municipality in the country to begin construction of federally subsidized public housing, in large part due to the legislative efforts of then-Congressman Lyndon Baines Johnson. Between 1938 and 1940, the Housing Authority of the City of Austin completed three developments, all located in Central East Austin. As Austin’s economy recovered from the Great Depression, the twin pillars of Austin’s economy—government and education—spurred economic growth. From the 1940s to the 1970s, the number of employees in these sectors quadrupled and the population grew by almost 40 percent per decade.^x

The effect of the city’s 1928 Master Plan was to relocate the city’s African-American community east of downtown. An unintended effect was the cultivation of music. The jazz and blues clubs that originated in East Austin beginning in the late 1920s helped develop the music scene for which Austin remains famous.^{xi} From the 1930s through the 1950s, the Rosewood neighborhood became an entertainment center for African-American and white citizens.^{xii} By the middle of the century, there were almost 150 black-owned small businesses, including establishments in the racially mixed commercial district around East 6th and San Jacinto Streets.^{xiii}

Beginning in the early 20th century, large numbers of Mexican immigrants settled in East Austin. Some were fleeing the civil unrest of the Mexican Revolution (1910-1920); others were attracted by jobs in agriculture. In the 1940s, labor shortages in the United States drew increasing numbers of Mexican laborers.

In the 1950s, the conversion of East Avenue into Interstate 35 created a physical barrier between East Austin and the rest of the city. By 1960, East Austin was an overwhelmingly minority community. Over the course of the next several decades, the explosive growth of the University of Texas razed residential neighborhoods on the western edge of East Austin and increasing numbers of students sought housing accommodations in East Austin.

In 1964, President Johnson signed the Civil Rights Act, which banned racial discrimination in public accommodations. In 1971, Austin elected its first African-American city council member since the 1880s. In 1975, the city elected its first Latino council member. Yet despite these advances, a legacy of past discrimination in housing, education, and employment persisted. Many “investments” in East Austin—from industrial tank farms to Mueller Airport to the Holly Power Plant—bred poverty, crime, and pollution.

In the 1980s and 1990s, the city started to redress earlier policies by investing in quality-of-life improvements for East Austin residents. Under community pressure, the city removed the tank farms, revitalized 11th Street, expanded the George Washington Carver Museum and Library, announced the phased decommissioning of the Holly Power Plant, and rezoned industrial districts to allow residential and mixed-use development. East Austin remains a diverse community, but one that is undergoing significant community change.

The Role of Public Policy in East Austin

As public affairs students, the researchers have tried to look dispassionately at the data and draw conclusions. Doubtless many came to the task with their own ideas about urban and economic policy; others may have had preconceived notions of how and why East Austin is changing, and whether or not those changes are beneficial.

This report seeks to avoid value judgments. Yet perhaps because the researchers are public affairs students, they have been struck by the extent to which policy decisions have influenced East Austin’s history. It was a policy decision, after all, to adopt the city’s 1928 Master Plan, which engendered decades of social and economic segregation. It was a further policy decision to give priority to public investments in affluent areas of town, leaving the city’s poorest residents with substandard services.

In response to community protests, the City of Austin made a series of policy decisions to invest in East Austin and eliminate its environmental hazards. The city encouraged East Austin residents to develop neighborhood plans based on what residents wanted to see and implemented those recommendations by rolling back industrial zoning and promoting high-density, mixed-use development. Those decisions are making the neighborhood safer and cleaner, but they are also making it more attractive to outsiders—characteristics that are encouraging the construction of developments like Saltillo Lofts.

This report’s purpose is descriptive rather than prescriptive. It is clear, however, that if public policies have contributed to East Austin’s history, then public policies will help determine its future. In many places, East Austin is becoming the community that city officials and East Austin residents articulated that they wanted to see a decade ago: residents from diverse

backgrounds, with varying income and education levels, living side by side. Whether East Austin looks like this a decade from now will be influenced by policy decisions made today.

Map and Guide to Terms

For purposes of data comparison, the researchers use different terms to refer to different spatial units. These are not necessarily the terms neighborhood residents would use. Rather, they reflect the various sources of data the researchers analyzed, some of which were based on U.S. Census tracts, others of which were based on ZIP codes.

East Austin is used as a collective term for the portions of Austin east of Interstate 35, south of U.S. Highway 290, west of U.S. Highway 183/Ed Bluestein Road, and north of Ben White Boulevard.

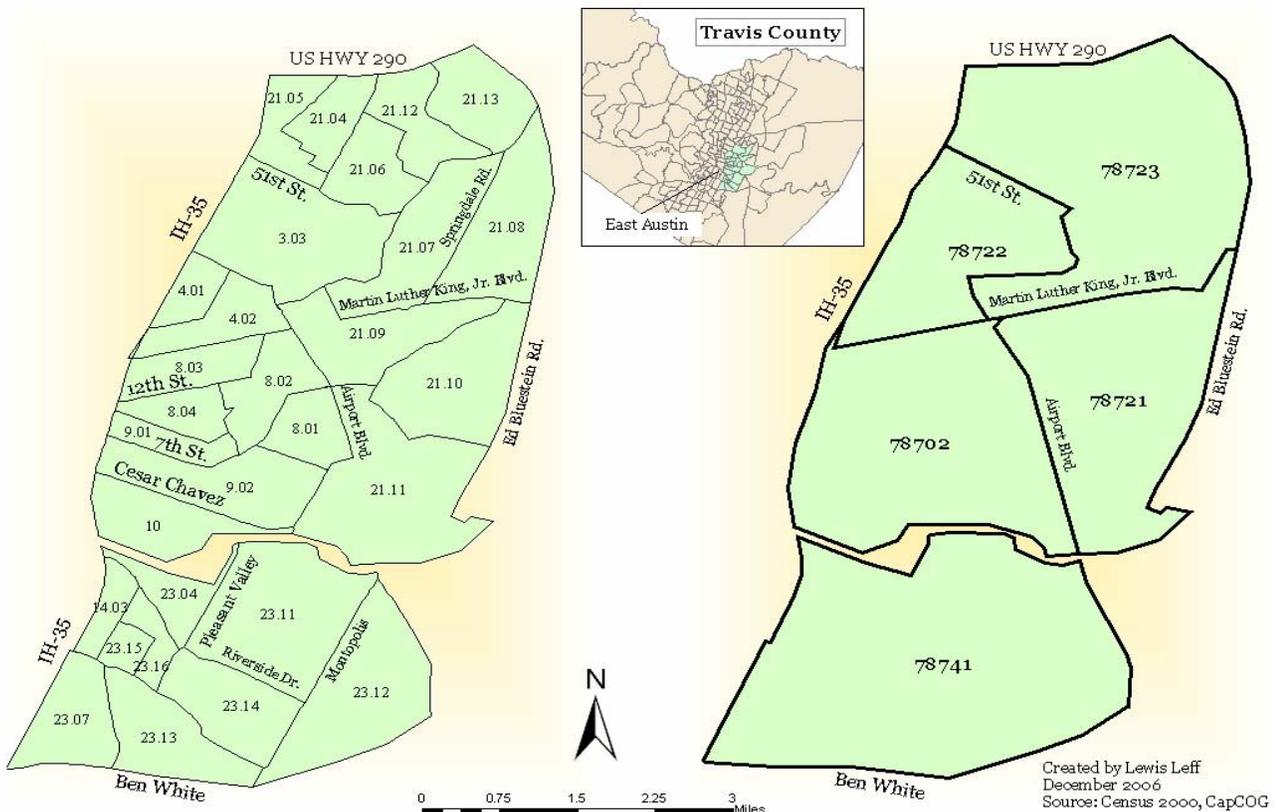
Central East Austin (CEA) refers specifically to ZIP Code 78702—the area immediately east of downtown. It is bordered by I-35 to the east, Airport Boulevard to the west, Town Lake to the south, and Manor Road to the north.

Greater East Austin (GEA) is East Austin excluding Central East Austin—ZIP Codes 78721, 78722, 78723, and 78741. This designation is used to compare rates of change in Central East Austin (78702) with rates of change in East Austin.

Austin is a collective term for the area and population within the Austin city limits. References to *Austin* and *Texas* include both CEA and GEA.

City of Austin refers to the political unit that governs Austin.

East Austin: Census Tracts and Zip Codes



Chapter 2. Demography

East Austin's geographic and political history has produced a demographic makeup that has traditionally differed from that of the rest of Austin. East Austin's distinct demography, however, is beginning to change in ways that suggest it is becoming more like the city of Austin as a whole. After experiencing an 18 percent decrease in its population in the late 1980s, East Austin has nearly recovered to previous population levels.^{xiv} During this repopulation period, significant demographic shifts have occurred in East Austin's racial/ethnic composition, income/poverty rates, and median/distribution of age.

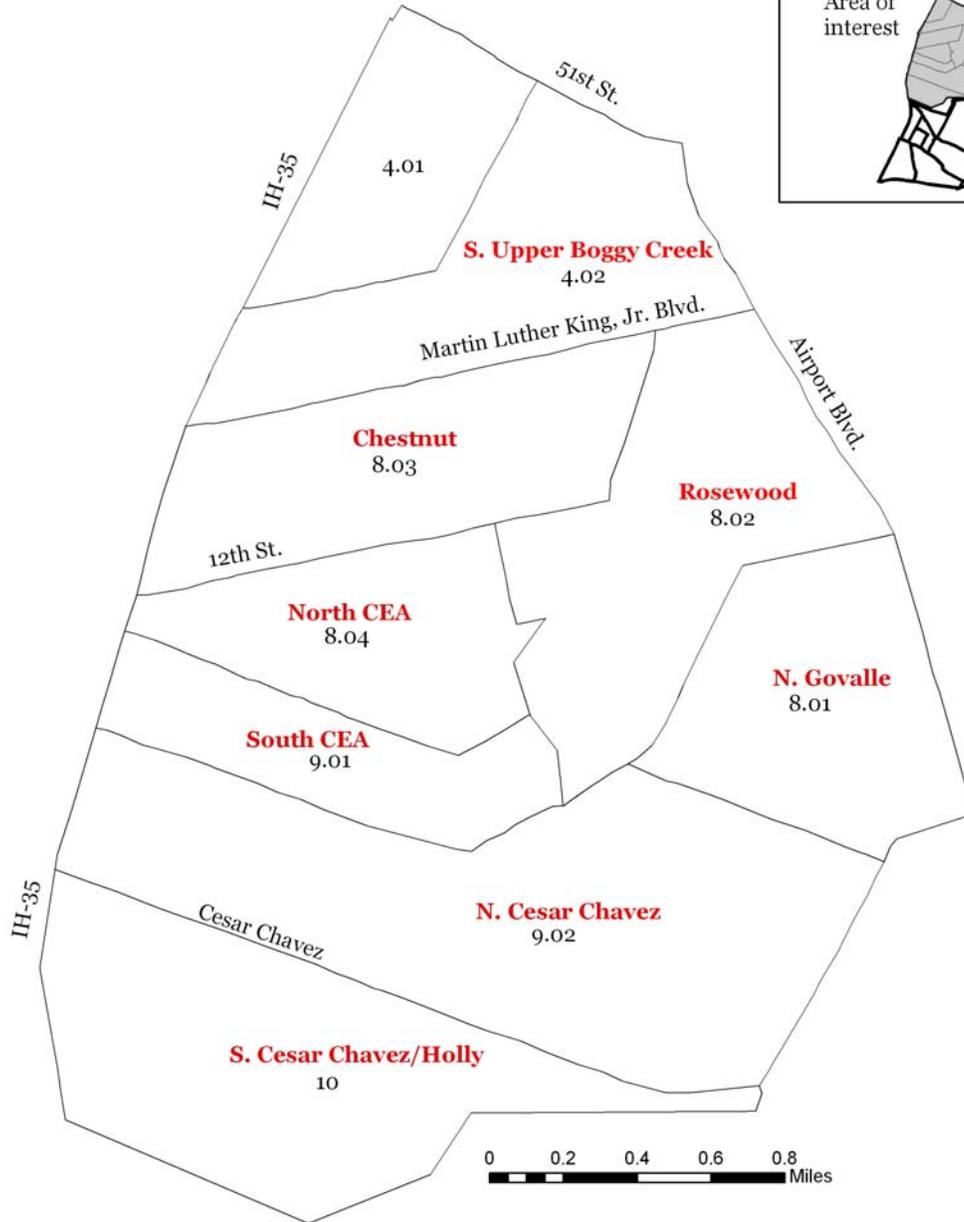
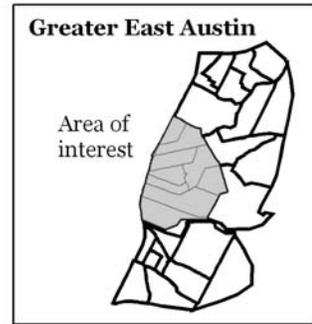
1. The African-American population has decreased while the white and especially the Hispanic populations have increased. For the most part, this phenomenon is taking place throughout the city, yet the transformation in East Austin neighborhoods is creating a racial/ethnic composition that looks increasingly like the racial/ethnic composition of the city as a whole.
2. Median income levels are increasing and poverty is decreasing in East Austin. Because property values are rising, some East Austin residents must choose between staying and moving. Residents who stay face higher costs of living.
3. The proportion of individuals who are 29 years of age or younger has increased while the proportion of those who are 55 years of age or older has decreased. East Austin's population is starting to resemble the comparatively young population of the city, which includes a large population of students and high-tech workers.

In the context of East Austin's historic separation from the city, these demographic changes are significant. The westernmost areas of East Austin—those closest to I-35—are experiencing the most dramatic changes, but these changes seem to be occurring in waves that move from west to east.^{xv}

Regardless of trends in East Austin as a whole, there is significant variation between neighborhoods within East Austin. The Chestnut and Rosewood neighborhoods, for example, have similar racial/ethnic compositions, but their income/poverty and median/distribution of age rates differ considerably. In general, Central East Austin seems to contain three types of neighborhoods: those that are integrating higher income residents, those in which poverty is increasing, and those that are relatively stable.

This chapter identifies major demographic changes in East Austin by examining specific population variables. By comparing overall demographic trends with those occurring in individual census tracts/neighborhoods, this section draws conclusions regarding the nature of demographic change in East Austin.

Neighborhoods and Census Tracts: Central East Austin



Map Created on Lewis Leff
January 29, 2007
Source: Census TIGER, CAPCOG

Population

Central East Austin (CEA) represents a relatively small proportion of Austin’s population (3.7 percent in 2000). Nonetheless, the demographic shifts in this area may point toward a developmental turning point. Keating and Smith describe the process by which higher income residents replace lower income residents as “reverse filtration.”^{xvi} This change has occurred in cities across the United States as a result of higher income individuals’ growing displeasure with suburban living and their desire to work and live in or near downtown. One of Central East Austin’s distinguishing characteristics is its proximity to downtown Austin.

While a visual inspection of East Austin neighborhoods such as South Upper Boggy Creek and North Central East Austin suggests that these neighborhoods are transitioning to accommodate higher income residents, it is challenging to confirm these observations with demographic data. Because the census is taken only every ten years, many of the changes that register between census years could already be obvious to residents and observers of the neighborhood. In addition, East Austin neighborhoods vary demographically, so it may be inaccurate to say that the entire neighborhood is transitioning. Despite these difficulties, demographic trends suggest that East Austin has reached a developmental turning point and is integrating into wider Austin after years of stigmatization and disinvestment.

Table 2.1 Population Growth in Central East Austin (1980-2000)

Total Population Growth					
Region	Population			Percent change	
	1980	1990	2000	1980-1990	1990-2000
Central East Austin	28,020	23,076	24,522	-17.6	6.3
Greater East Austin	—	63,508	88,090	—	38.7
Austin	345,890	472,020	656,562	36.5	39.1
Texas	14,229,191	16,986,510	20,851,820	46.5	22.8

Source: CAPCOG, Central East Austin—1990-2000 Comparison Profile

The population of Central East Austin declined significantly from 1980 to 1990 (see Table 2.1), while the population of the city of Austin grew. The economic slump in the late 1980s disproportionately affected working-class residents in East Austin, contributing to a significant exodus of the population. In late 1987, total employment in Austin had declined by 2.1 percent over the year and the unemployment level in the city had reached its highest level of the decade (6.5 percent).^{xvii} The population loss in East Austin is attributable, in part, to a decline in the African-American population that had started before 1987.^{xviii} Many houses in Central East Austin were vacated.^{xix}

In the 1990s, Central East Austin’s population grew. Yet the population remains at a lower level than it was during the 1980s, perhaps due to a general fear of the area that led Austin residents to devalue and stigmatize it. The total population growth in CEA from 1990 to 2000 suggests that population dynamics have changed and that the area is becoming more attractive to those looking for housing.

Table 2.2 Population Growth by CEA Neighborhood (1980-2000)

Total Population Growth					
Neighborhood (Census tract)	Population			Percent change	
	1980	1990	2000	1980-1990	1990-2000
S. Upper Boggy Creek (4.02)	3,099	2,443	2,941	-5.1	20.4
N. Govalle (8.01)	1,903	1,738	1,755	-7.8	1.0
Rosewood (8.02)	3,570	2,721	3,356	-6.0	23.3
Chestnut (8.03)	2,771	1,989	2,247	-18.9	13.0
N. Central E. Austin (8.04)	2,871	2,511	2,534	-11.7	0.9
S. Central E. Austin (9.01)	2,150	1,815	1,807	-16.0	-0.4
N. Cesar Chavez (9.02)	6,231	5,230	5,306	-14.8	1.5
S. Cesar Chavez/Holly (10.0)	5,425	4,629	4,576	-15.6	-1.1
<i>Central East Austin</i>	<i>28,020</i>	<i>23,076</i>	<i>24,522</i>	<i>-17.6</i>	<i>6.3</i>
<i>Greater East Austin</i>	—	<i>63,508</i>	<i>88,090</i>	—	<i>38.7</i>
<i>Austin</i>	<i>345,890</i>	<i>472,020</i>	<i>656,562</i>	<i>36.5</i>	<i>39.1</i>
<i>Texas</i>	<i>14,229,191</i>	<i>16,986,510</i>	<i>20,851,820</i>	<i>46.5</i>	<i>22.8</i>

Source: CAPCOG, 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

The largest relative population gains in Central East Austin during the 1990s occurred in Rosewood (see Table 2.2), perhaps due to a combination of natural population increase and the neighborhood’s relative affordability compared with other neighborhoods in East Austin. The 2000 data do not capture an emerging demographic shift: the construction of high-end units in neighborhoods such as North Cesar Chavez and Central East.

Household Type

In 2000, family households constituted a larger percentage of total households in Central East Austin than in the city of Austin. Despite the relatively high number of family households in CEA, family households decreased and non-family households increased from 1990 to 2000 (see Table 2.3). From 1990 to 2000, many neighborhoods in Central East Austin witnessed significant increases in the number of non-family households, including North Cesar Chavez and South Cesar Chavez, which saw little or no increase in the number of family households during the same time period. CEA as a whole saw an increase in non-family households from 1990 to 2000. Indeed, the demography in many parts of CEA may be shifting from family households to non-family households. Yet this seeming shift may be representative of a wider trend in Austin: the city experienced a higher proportionate increase in non-family households than family households between 1980 and 2000.

Table 2.3 Family Households by CEA Neighborhood (1980-1990)

Growth in Number of Family Households					
Neighborhood (Census tract)	Number of households			Percent change	
	1980	1990	2000	1980-1990	1990-2000
S. Upper Boggy Creek (4.02)	664	501	520	-21.7	3.8
N. Govalle (8.01)	381	390	380	-0.3	-2.6
Rosewood (8.02)	877	632	769	-12.3	21.7
Chestnut (8.03)	666	440	453	-32.0	3.0
N. Central E. Austin (8.04)	651	576	547	-16.0	-5.0
S. Central E. Austin (9.01)	458	332	346	-24.5	4.2
N. Cesar Chavez (9.02)	545	1,144	1,132	107.7	-1.0
S. Cesar Chavez/Holly (10.0)	334	990	943	182.3	4.7
Central East Austin	4,576	5,005	5,090	11.2	1.7
Greater East Austin	—	13,377	16,648	—	24.5
Austin	80,061	105,416	141,589	76.9	34.3
Texas	3,696,656	4,384,921	5,247,794	42.0	19.7

Source: CAPCOG, 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

Table 2.4 Non-Family Households by CEA Neighborhood (1980-1990)

Growth in Number of Non-Family Households					
<i>Neighborhood (Census tract)</i>	<i>Number of households</i>			<i>Percent change</i>	
	<i>1980</i>	<i>1990</i>	<i>2000</i>	<i>1980-1990</i>	<i>1990-2000</i>
S. Upper Boggy Creek (4.02)	551	427	530	-3.8	24.1
N. Govalle (8.01)	77	70	98	27.3	40.0
Rosewood (8.02)	345	437	358	3.8	-8.1
Chestnut (8.03)	453	336	352	-22.3	4.8
N. Central E. Austin (8.04)	410	362	313	-23.7	-13.5
S. Central E. Austin (9.01)	168	147	156	-7.1	6.1
N. Cesar Chavez (9.02)	404	376	460	13.9	22.3
S. Cesar Chavez/Holly (10.0)	447	530	603	34.9	13.8
<i>Central East Austin</i>	<i>2,855</i>	<i>2,685</i>	<i>2,870</i>	<i>0.5</i>	<i>6.9</i>
<i>Greater East Austin</i>	<i>—</i>	<i>12,881</i>	<i>17,245</i>	<i>—</i>	<i>33.9</i>
<i>Austin</i>	<i>54,193</i>	<i>86,720</i>	<i>124,060</i>	<i>128.9</i>	<i>43.1</i>
<i>Texas</i>	<i>1,277,294</i>	<i>1,694,420</i>	<i>2,145,560</i>	<i>89.9</i>	<i>26.6</i>

Source: CAPCOG, 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

Average household size increased in several CEA neighborhoods, most dramatically in those neighborhoods with higher percentages of low-income residents. This may be because the share of married couples with children increased more from 1990 to 2000 in poorer CEA neighborhoods such as Rosewood than other areas of CEA, which may represent another sign of shifting demographics. In addition, some of the neighborhoods to the west that contain comparatively more business and housing developments (South Upper Boggy Creek and North Central East Austin) have seen either a decline in household size or a more gradual increase in household size than other neighborhoods in Central East Austin (see Table 2.5). This is consistent with the hypothesis that displacement is occurring in Central East Austin from west to east.

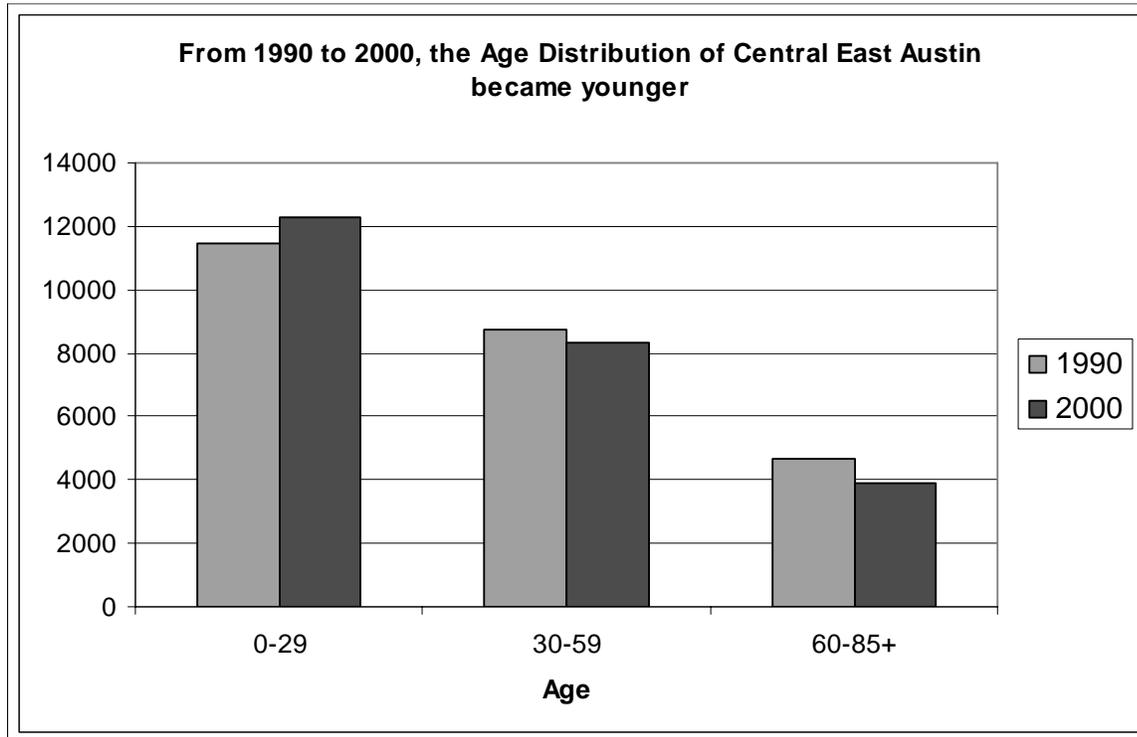
Table 2.5 Household Size by CEA Neighborhood (1990-2000)

Average Size of Household			
<i>Neighborhood (Census tract)</i>	<i>1990</i>	<i>2000</i>	<i>Percent change</i>
S. Upper Boggy Creek (4.02)	2.23	2.15	-3.6
N. Govalle (8.01)	3.48	3.52	1.1
Rosewood (8.02)	2.53	2.94	16.2
Chestnut (8.03)	2.46	2.74	11.4
N. Central E. Austin (8.04)	2.65	2.92	10.2
S. Central E. Austin (9.01)	3.10	3.22	3.9
N. Cesar Chavez (9.02)	3.39	3.26	-3.8
S. Cesar Chavez/Holly (10.0)	3.02	2.93	-3.0
<i>Central East Austin</i>	<i>2.84</i>	<i>2.94</i>	<i>3.5</i>
<i>Greater East Austin</i>	<i>2.46</i>	<i>2.61</i>	<i>6.1</i>
<i>Austin</i>	<i>2.33</i>	<i>2.40</i>	<i>3.0</i>
<i>Texas</i>	<i>2.73</i>	<i>2.79</i>	<i>2.2</i>

Source: CAPCOG, Central East Austin—1990-2000 Comparison Profile and Greater East Austin—1990-2000 Comparison Profile

In addition to household size and income, the changing age distribution in Central East Austin supports the hypothesis that East Austin is transitioning demographically. CEA’s population is younger than the populations of both Austin and Texas. The age distribution within CEA varies from census tract to census tract, but, overall, the 29 and younger age group has grown while the number of individuals aged 30 to 59 and 60 and older has decreased. This age shift can perhaps be attributed not only to a decrease in the number of older individuals, but also to the significant loss of African Americans and the increase in the number of younger Hispanics. This subtle population shift, coupled with an increase in non-family households, may signal an important demographic trend: single individuals without children moving into Central East Austin (see Table 2.6).

Figure 2.1 Age Distribution in Central East Austin (1990-2000)



Source: CAPCOG, Central East Austin—1990-2000 Comparison Profile

Median age should increase in transitioning neighborhoods at a higher rate than it does in high-poverty areas due to the larger concentration of children in poverty. This demographic pattern seems to be occurring in CEA (see Figure 2.1). North Central East Austin's median age is decreasing at a lower rate than Rosewood's. In addition, the median age in Chestnut (another traditionally poorer neighborhood) decreased significantly while the median age in South Upper Boggy Creek (a neighborhood facing substantial change) shifted much less. Another explanation for the decreasing median age in many neighborhoods is the overall reduction in the African-American population, which represented an aging segment of CEA. This reduction in the African-American population might partially explain why, in general, CEA contains fewer individuals over 55 than other age categories.

Table 2.6 Median Age by CEA Neighborhood (1990-2000)

Median Age			
<i>Neighborhood (Census tract)</i>	<i>1990</i>	<i>2000</i>	<i>Percent change</i>
S. Upper Boggy Creek (4.02)	32.9	31.4	-4.6
N. Govalle (8.01)	32.4	32.6	0.6
Rosewood (8.02)	31.2	25.2	-19.2
Chestnut (8.03)	34.6	31.2	-9.8
N. Central E. Austin (8.04)	29.3	28.0	-4.4
S. Central E. Austin (9.01)	24.8	26.7	7.7
N. Cesar Chavez (9.02)	27.3	28.9	5.9
S. Cesar Chavez/Holly (10.0)	30.9	33.6	8.7
<i>Central East Austin</i>	<i>31.1</i>	<i>30.1</i>	<i>-3.2</i>
<i>Greater East Austin</i>	<i>26.7</i>	<i>26.8</i>	<i>0.4</i>
<i>Austin</i>	<i>28.9</i>	<i>29.6</i>	<i>2.4</i>
<i>Texas</i>	<i>30.8</i>	<i>33.2</i>	<i>7.8</i>

Source: CAPCOG, Central East Austin—1990-2000 Comparison Profile and Greater East Austin—1990-2000 Comparison Profile

The median age in North Govalle was relatively unchanged between 1990 and 2000, which might reflect the stability of the area, manifested in several demographic categories, such as total population, number of family households, and household size. The City of Austin describes Govalle as a demographically stable, Hispanic neighborhood with mostly families and long-term residents.^{xx}

From 1990 to 2000, CEA’s population increased modestly and became younger relative to trends in Austin. CEA had a different median age distribution in 2000 than it did the previous decade. In 2000, individuals over 55 represented a much smaller proportion of the population than they did in 1990. Moreover, individuals 29 or younger grew faster from 1990 to 2000 than the 30 to 59 and 60 to 85+ age groups. There was a notable increase in non-family households from 1990 to 2000 in several neighborhoods, but, overall, the rate of increase in the number of family households exceeded that of non-family households.

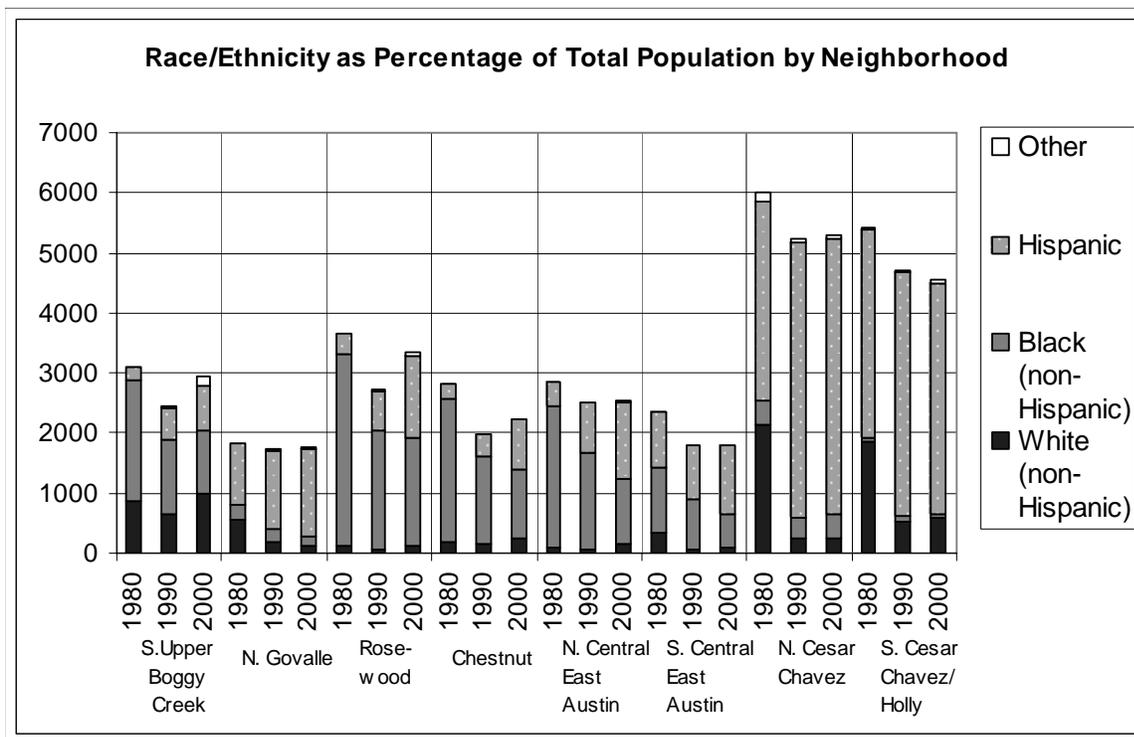
In summary, the overall population of CEA has increased since 1990 after deep decreases in the late 1980s. In addition, characteristics of age and family structure have changed fairly rapidly in

some neighborhoods, while other neighborhoods have remained stable. Population factors vary significantly across neighborhoods in the area.

Racial/Ethnic Composition

The racial and ethnic composition of Central East Austin has changed dramatically over the past two decades. Historically a region shaped by mandated segregation, its southern neighborhoods, like North Cesar Chavez and South Cesar Chavez/Holly, have traditionally been home to Hispanic populations. On the other hand, the northern neighborhoods, like Chestnut and Rosewood, have been mostly African American. The majority of neighborhoods in CEA have never had large Asian/Pacific Islander or Native American populations, and the white population remains small, although its share is increasing in CEA.

Figure 2.2 Race/Ethnicity by CEA Neighborhood (1980-2000)



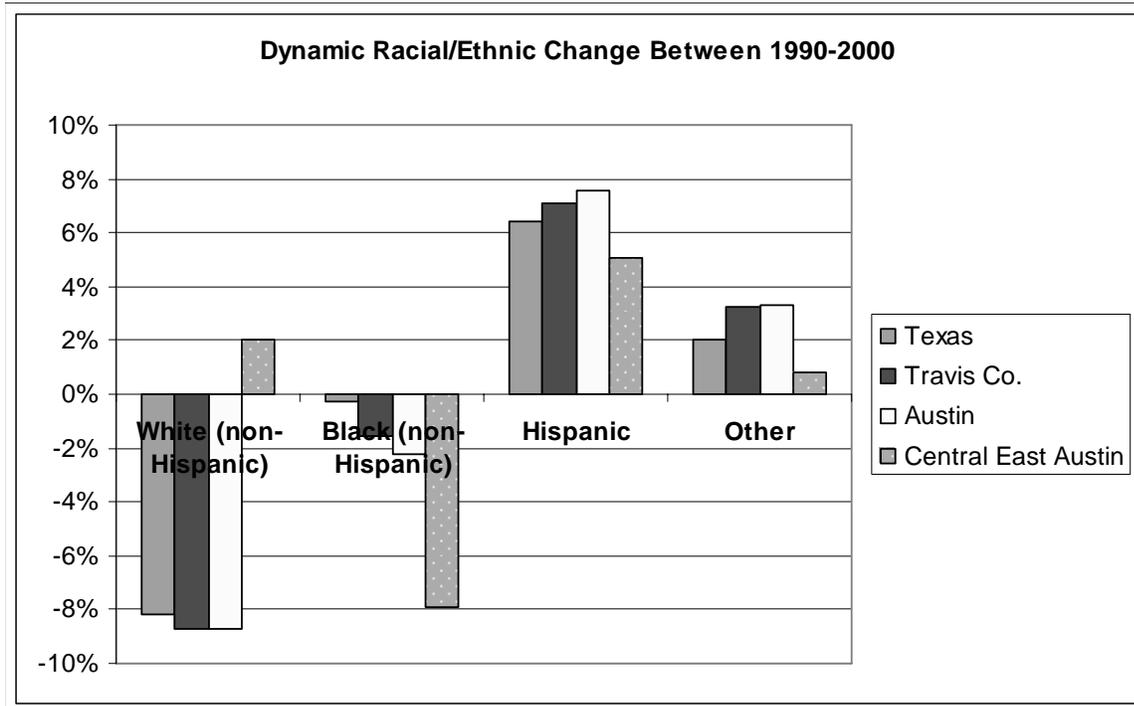
Source: CAPCOG 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

Nearly every CEA neighborhood witnessed a decrease in its African-American population from 1980 to 1990 and 1990 to 2000 (see Figure 2.2). Even in Rosewood, the neighborhood with the highest percentage of African Americans, their number declined 16 percent between 1980 and 1990, and another 18 percent between 1990 and 2000. Forecasts suggest a continuation of this trend.^{xxi} Compared with Greater East Austin, Austin, Travis County, and Texas, the African-American community in Central East Austin has declined at a higher rate (see Figure 2.3).

The Hispanic population has steadily increased in East Austin neighborhoods. In some neighborhoods, such as South Central East Austin, the two minority groups have inverted majority status over the past 25 years, a trend reflected throughout the region (city, county, and state). While this shift is significant to the makeup of Central East Austin, the increase in the percentage of Hispanics in CEA is lower than in Austin as a whole.

In 1980, several neighborhoods had modest white populations in CEA. In 2000, only two neighborhoods (South Upper Boggy Creek and South Cesar Chavez/Holly) had more than 10 percent white residents. South Upper Boggy Creek is the only neighborhood that experienced growth of more than 4 percent in its white population between 1990 and 2000. Projections indicate the white population will continue to grow.^{xxii} Notably, the modest increase in the white population in CEA is greater than the rate of white growth in the city of Austin, the county, and the state.

Figure 2.3 Racial/Ethnic Demographic Change (1990-2000)

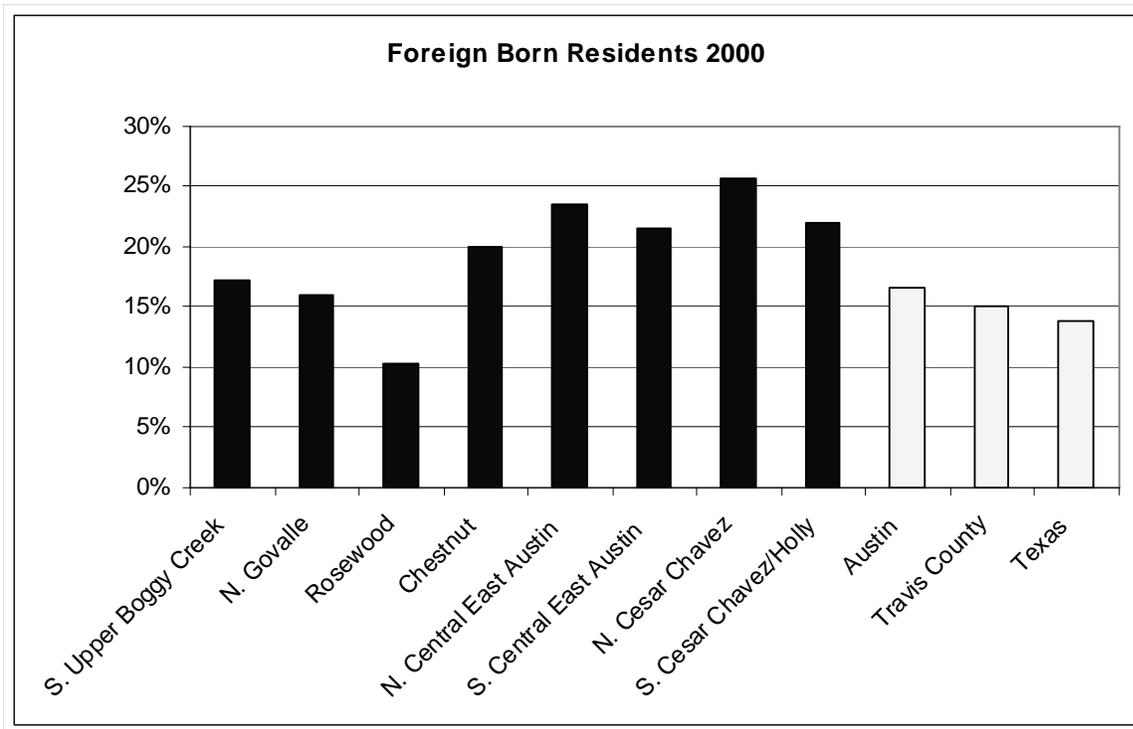


Source: CAPCOG 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile. Note that the percentages reflect the change in share.

Immigration

As a border state, Texas has a high immigration rate. In 2000, the state's percentage of foreign-born residents was 14 percent (see Figure 2.4), placing Texas seventh in the nation (Texas ranked third in total number of foreign-born residents).^{xxiii} Many of these immigrants have made their homes in Central Texas. Travis County's rate was slightly higher (15 percent), as was Austin's (17 percent).^{xxiv} Nearly every CEA neighborhood exhibited a rate at or higher than Austin's, varying between 16 to 26 percent of residents who are foreign born.

Figure 2.4 Share of Foreign-Born Residents by Neighborhood (2000)



Source: CAPCOG 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

Income and Poverty

The income and poverty characteristics of East Austin residents have changed markedly over the past few decades. As seen in other demographic categories, the income and poverty characteristics of East Austin residents are becoming more like those of other Austin residents.

Median household income in East Austin is increasing, even after adjusting for inflation (see Table 2.7). In 2000, the median household income for CEA was \$24,660, compared with Greater East Austin's \$30,777. Austin's median household income was \$42,689, which is higher than the

median income for Texas (\$39,927). Comparing real income figures, the rates in Central East Austin are rising faster than the rates for Austin as a whole.

Table 2.7 Median Household Income by CEA Neighborhood (2005)

Median Household Income Adjusted for Inflation					
Neighborhood (Census tract)	Median household income (2005 dollars)			Percent change	
	1980	1990	2000	1980-1990	1990-2000
S. Upper Boggy Creek (4.02)	\$22,708	\$21,666	\$29,133	-4.6	34.5
N. Govalle (8.01)	28,620	34,475	39,415	20.5	14.3
Rosewood (8.02)	18,435	13,276	14,867	-28.0	12.0
Chestnut (8.03)	15,977	17,530	28,686	9.7	63.6
N. Central E. Austin (8.04)	14,394	13,013	19,411	-9.6	49.2
S. Central E. Austin (9.01)	16,214	19,123	34,521	17.9	80.5
N. Cesar Chavez (9.02)	19,272	20,850	26,683	8.2	28.0
S. Cesar Chavez/Holly (10.0)	22,457	21,166	26,378	-5.8	24.6
<i>Austin</i>	<i>34,862</i>	<i>42,350</i>	<i>47,408</i>	<i>21.5</i>	<i>11.9</i>

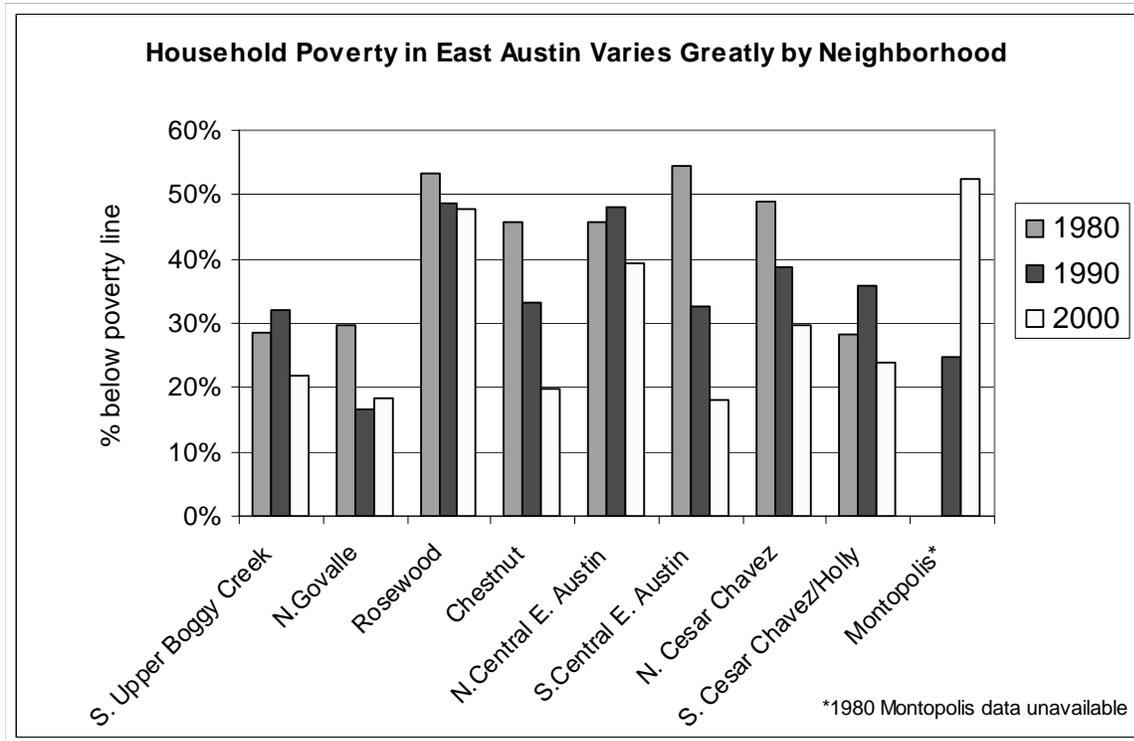
Source: Central East Austin—1990-2000 Comparison Profile and Greater East Austin—1990-2000 Comparison Profile (conversions completed using U.S. Department of Labor Bureau of Labor Statistics Inflation Calculator)

Median household incomes vary significantly by neighborhood. North Govalle had the highest median income in both 1990 and 2000. Rosewood, Chestnut, North Central East Austin, and South Central East Austin had median incomes below the poverty level in 1990. By 2000, only two neighborhoods—Rosewood and North Central East Austin—had median income levels below the poverty level, although the rate of change from 1990 to 2000 for North Central East Austin was much greater than that for Rosewood, which declined in real income from 1980 to 2000.

Poverty is generally decreasing in Central East Austin (see Figure 2.5). Three neighborhoods—South Upper Boggy Creek, North Central East Austin, and South Cesar Chavez/Holly—had slightly higher rates of poverty from 1980 to 1990, but lower rates in 2000. One tract, North Govalle, had a small increase of 81 to 94 households in poverty from 1990 to 2000. Between 1980 and 2000, the proportion of impoverished households decreased in every tract. Moreover, almost every tract saw a reduction in the actual number of poor households (South Upper Boggy Creek had a marginal increase from 268 to 276 households). Though the number of poor households in East Austin continues to decrease, many households, while not living below the

poverty line, have very low incomes and are unable to afford quality housing and services. These issues are discussed further in Chapter 3.

Figure 2.5 Household Poverty Rates by Neighborhood (1980-2000)



Source: CAPCOG 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile

The eight East Austin neighborhoods experienced different poverty outcomes over the 20-year period (see Figure 2.5). Some neighborhoods had drastic reductions in rates of household poverty. Household poverty rates in Chestnut and South Central East Austin fell significantly from 1980 to 1990. Others with low initial levels, such as South Upper Boggy Creek and North Govalle, witnessed smaller reductions.

Although poverty rates in CEA are decreasing (the poverty rate has not increased in any individual tract), there are tracts in which poverty levels are high or not decreasing. The absolute numbers of households in poverty in two tracts—North Cesar Chavez and South Cesar Chavez/Holly—appear quite high, but those tracts are relatively larger and the poverty rate is declining in both neighborhoods. In other words, the number of residents in poverty is increasing, but the poverty rate is decreasing.

In North Central East Austin and Rosewood, both absolute and relative rates of poverty have remained high. It is possible that the high concentration of public housing developments in these

neighborhoods is masking reduced rates of poverty among families not living in subsidized housing units. If it were possible to set aside these pockets of concentrated poverty, rates of overall poverty (and median household income) in Rosewood and North Central East Austin might appear closer to rates in Chestnut and South Central East Austin.

Rates of poverty in Greater East Austin are slightly lower than in Central East Austin, with the exception of Montopolis. In Census Tract 23.11, the household poverty rate was 25 percent (290 households) in 1990. In 2000, that figure had increased to 53 percent (1,416 households). Not only is this the highest rate of poverty in Central East Austin or Greater East Austin, it is the only tract to show a substantive increase in the rate of poverty from 1990 and 2000. The current poverty levels in Montopolis exceed all neighborhoods in CEA and indicate that the neighborhood might be becoming a new area of concentrated poverty.

Finally, it is important to note that the percentage of East Austin households in poverty remains much higher than the poverty rate for the city of Austin as a whole. However, East Austin has experienced swift income growth and rapidly decreasing poverty over the past 20 years, even more so if one excludes the pockets of concentrated poverty. A developmental turning point may be occurring in which the income and poverty status of East Austin residents grows even closer to Austin levels.

Free and Reduced School Lunch

The Federal School Lunch Program offers a free meal to children from families with incomes at or below 130 percent of the poverty level and a reduced-price meal to those with incomes between 130 and 185 percent of the poverty level, for which students can be charged no more than \$0.40.^{xxv} Rates of free and reduced school lunch eligibility can be used to determine the number of East Austin households whose income was higher than the poverty threshold but are still considered low income.

More than 90 percent of students attending East Austin public schools qualify for free or reduced school lunch (80 percent of those students receive reduced school lunch, meaning that the vast majority of East Austin students come from families with incomes between 130 and 185 percent of the poverty line).^{xxvi} These numbers suggest that a high percentage of East Austin families with children probably have incomes no higher than 180 percent of the poverty level.^{xxvii}

The school lunch data imply that families with children are a poorer subset of the East Austin population than families without children. This observation is consistent with 2000 poverty figures that show that households with children have the highest incidence of poverty in Central East Austin.^{xxviii} The overall poverty statistics may obscure a disparity between families with children and families without children or non-family households in East Austin. Childless couples and singles likely have lower rates of poverty than initially indicated, while families with children (especially single-parent families) have higher levels of poverty.

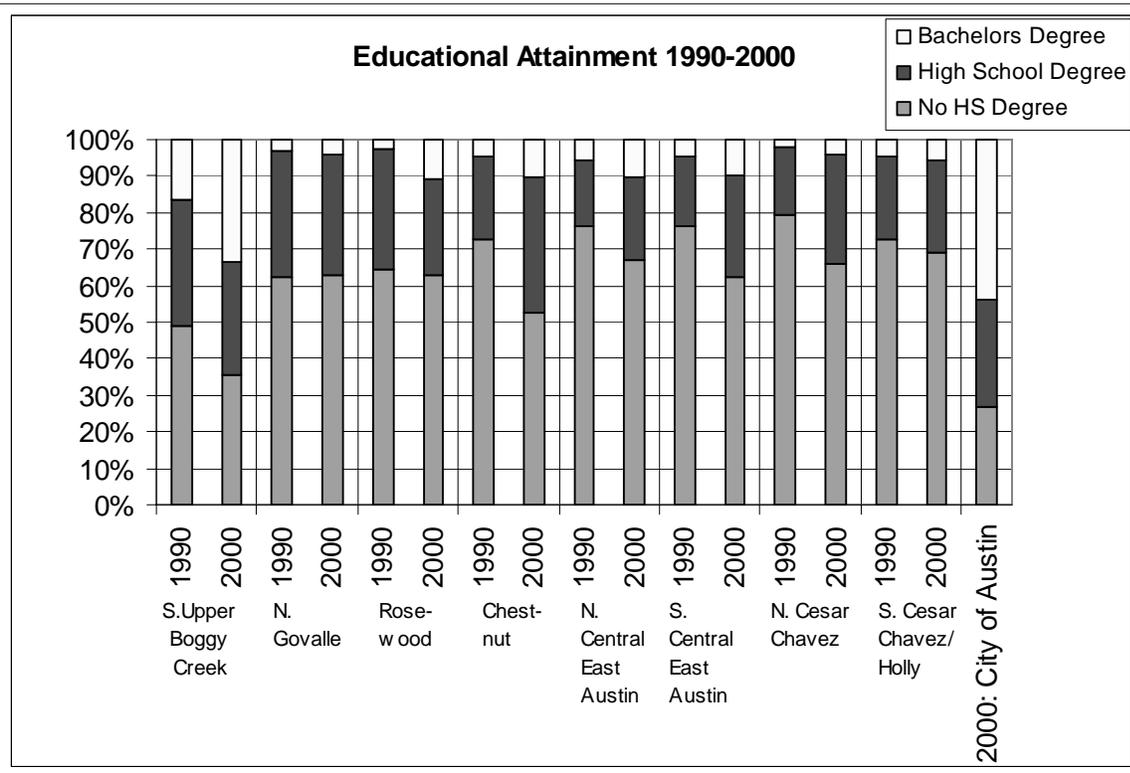
Educational Attainment and Occupational Type

Educational attainment and occupational type comprise important elements of a socioeconomic profile that are critical to understanding an area's growth. Employment status (or, more

specifically, the unemployment rate) is often one of the first variables considered when measuring economic conditions in low-income areas. Poorly educated, low-skilled workers in inner cities are a root cause for weak inner-city business growth. An area with high unemployment reflects negatively on the characteristics of the available labor force.^{xxix} Because the U.S. Census Bureau includes all persons 16 years or older in the workforce, the rates of unemployment appear too exaggerated for comparative analysis. As a result, unemployment figures were omitted from this profile.

Educational attainment and investment in human capital have been widely accepted as catalysts for improving general employment levels. In terms of attainment levels, CEA neighborhoods show little variability (see Figure 2.6). Percentages for persons completing high school and college have increased in every neighborhood. In 1990, most neighborhoods hovered between 3 and 4 percent of their residents with a bachelor's degree. By 2000, these numbers had improved to 8 and 9 percent in several areas. More significant, the percentage of persons who had not completed high school decreased 10 percent on average between 1990 and 2000.

Figure 2.6 Educational Attainment by CEA Neighborhood (1990-2000)



Source: CAPCOG Central East Austin—1990-2000 Comparison Profile

This improvement in attainment levels has occurred in conjunction with an improvement in the perception of education in Central East Austin. A 2006 study conducted by the Central Texas Sustainability Indicators Project^{xxx} revealed that 70 percent of CEA respondents believe that college is too expensive and financial aid too limited. Moreover, 80 percent believe that attending college is not necessarily appropriate for everyone. Yet 60 percent of respondents disagreed with the notion that Texas would remain strong even if college enrollment decreased. The respondents’ association of prosperity with education underscores the importance of schooling, especially in a market like Austin where the University of Texas and area colleges consistently supply the workforce with competitive graduates. The increased value that CEA residents are placing on education could spur further educational improvement.

Another economic factor involves the occupations held by CEA residents. For the city of Austin as a whole, professional, sales, and services jobs have consistently ranked highest on the employment list. Construction usually garners fourth place (although some years it exhibits popularity comparable to that of service industry jobs). Residents of CEA have contributed steadily to Austin’s service and construction labor force since 1980 (see Table 2.8).

Table 2.8 Occupation by CEA Neighborhood (1980-2006)

S. Upper Boggy Creek (4.02)			
Rank	1980	1990	2006
1	Service (29.14)	Service (17.97)	Professional (25.1)
2	Admin Support (13.95)	Admin Support (14.26)	Service (24.8)
3	Transportation (9.65)	Professional (10.4)	Management (11.7)
N. Govalle (8.01)			
Rank	1980	1990	2006
1	Service (21.44)	Admin Support (20.66)	Service (25.1)
2	Craft/Repair (19.55)	Service (15.34)	Construction (24.8)
3	Admin Support (12.11)	Craft/Repair (12.04)	Admin Support (17.4)
Rosewood (8.02)			
Rank	1980	1990	2006
1	Service (28.21)	Service (34.07)	Service (23.4)
2	Admin Support (9.02)	Admin Support (8.67)	Construction (16.8)
3	Craft/Repair (7.25)	Sales (6.32)	Professional (14.1)
Chestnut (8.03)			
Rank	1980	1990	2006
1	Service (30.51)	Service (29.51)	Service (32.0)
2	Admin Support (12.17)	Handlers (9.01)	Admin Support (18.1)
3	Craft/Repair (9.57)	Craft/Repair (5.90)	Professional (14.1)
North Central East Austin (8.04)			
Rank	1980	1990	2006
1	Service (37.67)	Service (29.51)	Service (32.6)
2	Handlers (8.46)	Handlers (9.01)	Construction (21.3)
3	Private Homes (8.10)	Craft/Repair (5.90)	Prof & Sales (10.5)
South Central East Austin (9.01)			
Rank	1980	1990	2006
1	Service (25.49)	Service (22.81)	Service (24.7)
2	Craft/Repair (8.84)	Admin Support (10.78)	Construction (14.7)
3	Handlers (7.91)	Handlers (8.77)	Sales (16.5)
North Cesar Chavez (9.02)			
Rank	1980	1990	2006
1	Service (21.13)	Service (21.27)	Service (24.7)
2	Craft/Repair (14.57)	Craft/Repair (11.06)	Construction (21.1)
3	Admin Support (12.80)	Admin Support (10.31)	Sales (11.2)
South Cesar Chavez/ Holly (10.00)			
Rank	1980	1990	2006
1	Service (20.47)	Service (21.65)	Service (22.0)
2	Craft/Repair (20.22)	Admin Support (14.20)	Construction (14.7)
3	Admin Support (12.30)	Craft/Repair (12.79)	Production (13.9)

Source: CAPCOG, 1980 Census Data—Tract, Central East Austin—1990-2000 Comparison Profile, and Greater East Austin—1990-2000 Comparison Profile, Central Texas Sustainability Indicators Project—2006

The occupations held by CEA residents have not changed greatly over the past 30 years. Throughout the area, administrative support and craft/repair jobs, in addition to service and construction, have accounted for the majority of employment. Predictions for 2006 indicated a steady increase in service industry occupations, thus anticipating an increase of services available in East Austin. If the number of these service businesses continues to increase, so too will the number of job opportunities in CEA.

Construction ranks in the top two occupations for almost all neighborhoods in CEA. Angelos Angelou, a prominent economic development consultant, stated in January 2007 that the Austin real estate market is one of the hottest in the country.^{xxxii} However, relying on construction for economic growth comes with risks. If the market falters, so too will construction jobs in East Austin. The economy's downward turn in the 1980s caused East Austin residents, many of them employed in construction and manufacturing, to relocate in search of work. A similar outcome could befall a labor force that does not diversify its employment. While Angleou extols Austin's housing boom, he admits that many of the jobs created will pay less than \$20,000 per year.^{xxxiii}

The occupation forecast implies that the work force will not see a dramatic change in its skill levels and marketability. Although educational attainment is improving, the overall labor force is not predicted to change radically. Where will these better-educated CEA residents turn for employment? According to the 2006 forecast, administrative support occupations became more popular in CEA, most notably in the North Govalle and Chestnut neighborhoods. This anticipated increase in support positions was certainly reasonable. Because of East Austin's proximity to downtown government offices, better-educated residents can take advantage of the nearby administrative support opportunities. In addition, city and state offices have opened along East Austin corridors, such as 7th and 12th Streets, offering even more convenience.

Conclusions

East Austin's population is changing in ways that may affect the future of the community. In terms of race, there has been a noticeable conversion over the past century, with East Austin transforming from being predominantly African American to predominantly Hispanic. In the decades since integration, the African-American community has been dispersing into suburban areas of Austin. With respect to Hispanic growth, Central East Austin is witnessing less of an influx than the city of Austin as a whole. Immigration, on the other hand, which accounts for a portion of this Hispanic growth, has historically been higher in Central East Austin neighborhoods than throughout the city.

Although there are changes in all demographic categories, the migration of the white population into CEA is a significant indicator. Only in CEA is the white population increasing its share of the total population. This suggests that while whites may be moving into Austin, Travis County, and Texas at lower rates than other racial/ethnic groups, they are moving into CEA at a higher rate.

The overall increase in median family income and decrease in poverty levels indicate that residents of CEA are becoming more affluent. As property and land values rose in the 1990s, residents had to keep up with the income requirements or move to surrounding areas (a pattern of decreasing high-poverty neighborhoods found throughout Austin and the nation).^{xxxiii} This has

particularly affected certain neighborhoods of Central East Austin, resulting in greater income variation among the region as a whole. This pressure may lead to greater demand for higher income housing or a movement toward mixed-income neighborhoods, as is the case in other parts of Austin.

CEA's population is becoming younger and better educated. These patterns, as well as the decreasing proportion of family households, indicate that young, well-educated, single residents may be replacing families and older residents. This new populace looks much different from traditional East Austin residents and may create a culture of younger, more affluent families rather than older, deeply rooted community members.

The demographic shifts in East Austin suggest that the area is going through a period of significant change led by a drive in the external market of Austin.^{xxxiv} Until recently, East Austin, with its history of racial/ethnic and class division, remained one of the last geographic areas bordering the thriving and growing urban core of Austin that had not been redeveloped. These shifts are altering the demographics of East Austin and the neighborhoods that have shaped the cultures that personify this important area.

Chapter 3. Housing

The City of Austin has developed and invested in various identities over time: as the capital of state government, the home of the flagship University of Texas, a live music mecca, and home for progressive thinkers, technology gurus, and salamander lovers. Its identity as a city is contingent not simply on physical and geographical factors, such as the Balcones Fault and the Colorado River, but also on the psychological connotations of favorite landmarks, such as Antone's or Barton Springs. In a city in which natural and social space is prized, the emergence of unique neighborhood and community identities is not surprising.

The places and spaces in East Austin neighborhoods are undergoing a period of substantial change that may alter their community identity. The confluence of public and private investment has meant a recent and rapid increase in the value of residential properties. The implications of increased property assets can be a blessing for homeowners, whether longtime residents with well-paying jobs and stable financial situations or new residents drawn by development and investment in the area. Rising property assets can also present a challenge for residents with fixed incomes or limited financial resources. As regional growth trends spur population inflows and record levels of new housing development, the proximity of East Austin neighborhoods to downtown suggests that its land and property will continue to increase in value.

The housing situation in East Austin has deep roots in the development of the city and its housing policies. Choices concerning public and private investment have had a notable effect on the current status of housing in East Austin.

In the early 1970s, the City of Austin implemented new policies that affected housing development in East Austin. In 1974, the city's Historic Landmark Commission established the Historic Landmark Program to designate "landmarks to preserve the exterior of structure and carry property tax exemption for the owner to ensure proper maintenance and preservation."^{xxxv} Public and private investments affected housing in East Austin as well.^{xxxvi} Banks restricted funds for new home construction or renovations of older housing in the area and the lakefront area was polluted with water amusement operations.^{xxxvii} Construction of the Holly Power Plant was finalized in 1974, effectively lowering nearby property values and increasing pollution.^{xxxviii} In 1985, the Capital Metropolitan Transportation Authority (Cap Metro) was created. Its hub was built in East Austin, causing the area's housing values to decrease. Furthermore, a surge in commercial activity caused warehouses and businesses to open next to schools and residences.

The latter part of the 20th century represented a new and different period in city housing policy. In 1979, the Austin Housing Finance Corporation was created to increase the production of "reasonably priced" housing for low- and moderate-income residents, as well as to administer several federal affordable housing programs. In 2000, the city created the Safe Mixed-Income Accessible Reasonably Priced and Transit-Oriented (SMART) Housing Program. The purpose of SMART Housing is to "stimulate the construction of reasonably priced housing in mixed income neighborhoods" by offering fee-waiver incentives to private developers who agree to designate at least 10 percent of their new housing units for families living at or below 80 percent of the area's

median family income (MFI).^{xxix} SMART Housing was adopted as one effort to increase the supply of affordable housing to low- to moderate-income East Austin residents.

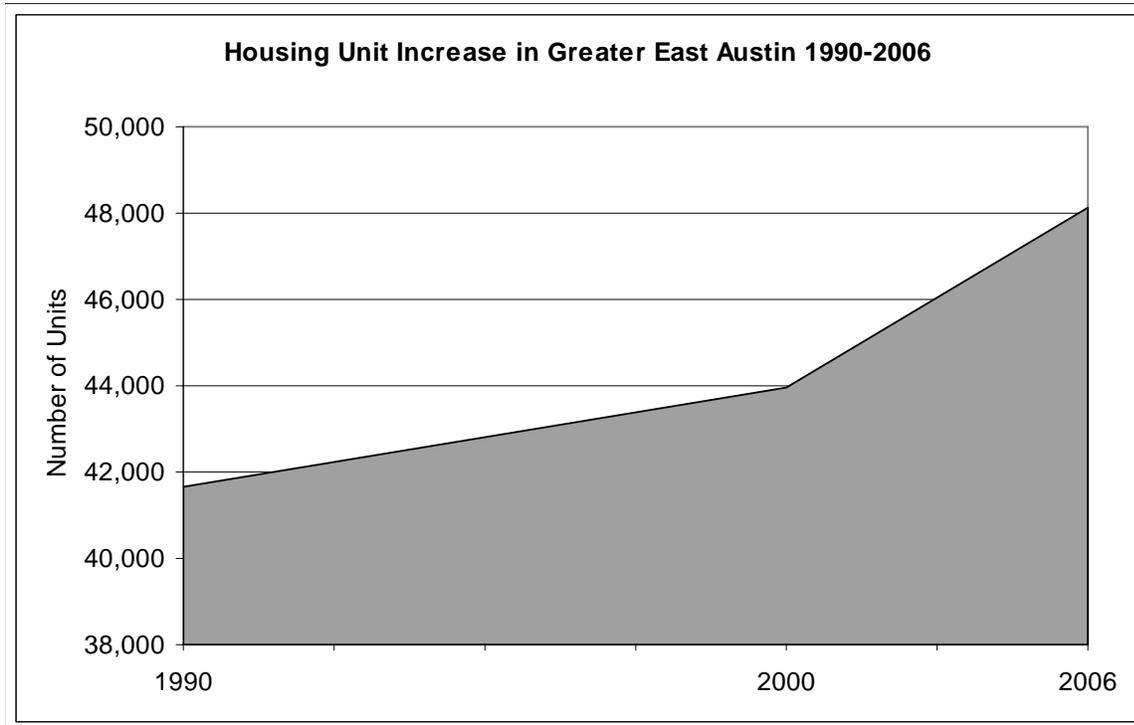
Analysis of the changing housing market in East Austin points to several issues of concern to community members and policy makers: how the speed of rising property values is affecting affordability; the implications of rising taxes and rents for residents with fixed and low incomes; and the involuntary displacement of vulnerable residents. To explore these issues more fully, this chapter begins with an examination of the overall characteristics of the housing stock and homeownership. Additional sections look more closely at the pace of rising property values and implications for property tax delinquency and tax foreclosure rates. This chapter also examines the rental and mortgage burden of East Austin residents, public and private sector programs to increase affordable housing options, and other indicators of the housing sector, such as building permit activity.

Housing Units and Occupancy Rates

Total Housing Units in East Austin

The 1990s were a period of change in East Austin housing. Many older homes were demolished and replaced by new accommodations. This trend is evident in the census tracts that lost housing units between 1990 and 2000. In 1990, the number of total housing units in Austin was 217,054, with East Austin units representing just under 20 percent of the total. The number of units in East Austin increased slightly between 1990 and 2000, from 41,645 to 43,972 (see Figure 3.1). Several census tracts experienced substantial increases, especially tracts 23.11 and 23.14, located between Oltorf Street and Town Lake, west of Pleasant Valley, where total units doubled or nearly doubled. The considerable increase in housing units reflects the construction of new apartment units, particularly for an increasing population of students and minority families. With the exception of the above-mentioned tracts, no other census tracts in Greater East Austin saw similar increases in housing units during this time, and housing stock remained rather stagnant. However, there are several tracts that experienced significant housing unit loss between 1990 and 2000. For example, housing stock in tract 23.13 declined by 20 percent and tract 8.02 experienced a 22 percent decrease. Between 1990 and 2000, Austin experienced a 27.5 percent increase in housing stock, with a total in 2000 of 276,842. East Austin units, which represented nearly 20 percent of Austin's housing stock in 1990, comprised a 16 percent share of Austin's total in 2000. In 2006, Austin was estimated to have 317,487 units, a 14.7 percent increase since 2000, with 48,109 of those units, or 15 percent, located in East Austin. It is possible that the number of housing units has remained stable over the last 17 years because, while some homes are deteriorating and being torn down, others are being constructed.

Figure 3.1 Housing Unit Change in East Austin (1990-2006)



Source: Capital Area Council of Governments, “Census 1990—2000 Comparison Tables” database. Online. Available: http://www.capco.state.tx.us/Information_Clearinghouse/Tabular_main.asp#census. Accessed: September 9, 2006.

Housing Occupancy Trends in East Austin

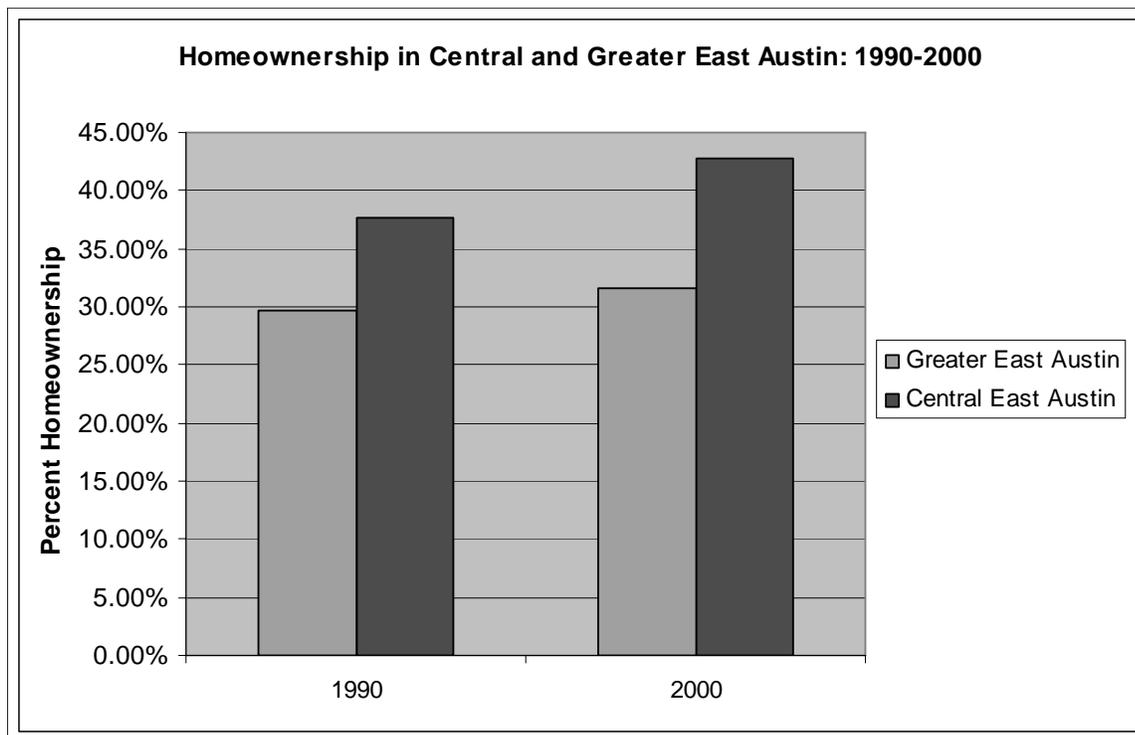
One of the most staggering nationwide housing trends has been the dramatic decrease in vacancy rates between 1990 and 2000; Austin’s hot market was no exception. In 1990, according to the U.S. Bureau of the Census, the national vacancy rate was 10 percent, compared with 12 percent in Austin and 17 percent in East Austin. As the national housing picture improved in the late 1990s and Austin experienced a technology boom, the city’s housing market outpaced the national averages. In 2000, the U.S. vacancy rate was 9 percent, compared with a 4 percent rate locally. At the same time, East Austin’s vacancy rate fell to 5 percent. By 2005, vacancy rates were steadily increasing both nationally and locally. In Austin, the vacancy rate rose to 9 percent, whereas East Austin housing units remained heavily occupied, maintaining only a 5 percent vacancy rate. One possibility for this discrepancy is that new homes may be constructed in Austin more quickly than they are filled. On the other hand, there are fewer new housing projects in East Austin, with most ongoing construction being renovations. Furthermore, the economy in East Austin is beginning to expand (see Chapter 4), which, in turn, influences demand for housing, thus maintaining a high rate of occupancy.

Homeownership

Ownership Trends in Central East Austin and Greater East Austin

At first glance, ownership rates in East Austin seem to be relatively low. Estimates for 2006 suggest that only 36 percent of occupied housing units in East Austin are owner occupied, compared with 64 percent that are renter occupied. However, this margin narrows when one looks only at Central East Austin, which has a 43 percent homeownership rate (see Figure 3.2). Between 1980 and 2000, homeownership in Greater East Austin decreased from 46 percent to 33 percent, whereas homeownership in Central East Austin remained stable, at around 45 percent. In fact, Central East Austin matches homeownership rates throughout Austin, as the 2005 homeownership rate for Austin was 48 percent.

Figure 3.2 Change in Homeownership in East Austin (1990–2000)



Source: Capital Area Council of Governments, “Census 1990—2000 Comparison Tables” database. Online.

Available: http://www.capco.state.tx.us/Information_Clearinghouse/Tabular_main.asp#census. Accessed:

September 9, 2006.

Furthermore, because ownership rates are derived by dividing the number of owner-occupied units by the number of total housing units—a formula that does not take into account that many of the total housing units are apartments, duplexes, or other multifamily units—this measure can be misleading. A more accurate picture of ownership trends is provided by isolating single-family units from total housing units. In Greater East Austin, 69 percent of single-family homes are owner-occupied. In Central East Austin, the single-family homeownership rate is slightly

lower, at 60 percent. Thus, homeownership rates in single-family homes in East Austin are relatively high, almost 70 percent. It is likely that many families who own their homes are long-term residents of East Austin and have passed their homes from one generation to the next.

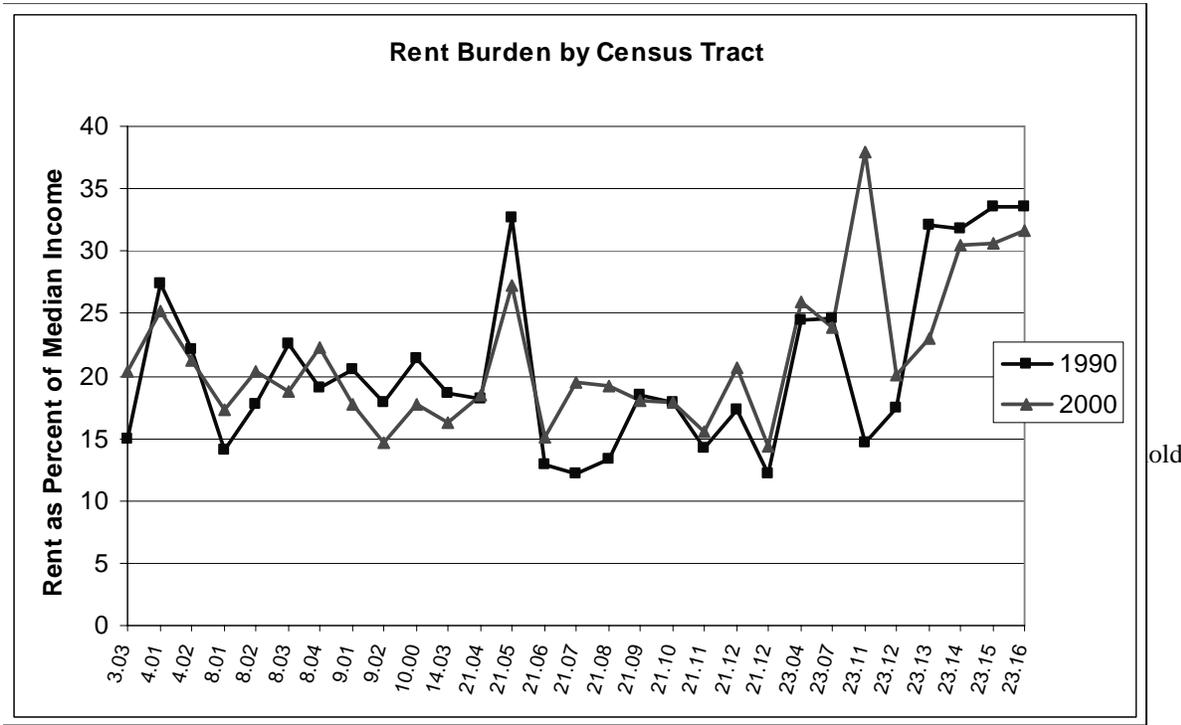
Census tracts with the lowest aggregate ownership rates include 23.04, 23.14, 23.15, and 23.16, each with an ownership rate of 5 percent or less. Each of these tracts is south of Town Lake and is comprised predominantly of apartment complexes, including those occupied by students, immigrants, and other low-income residents. Single-family homes in these census tracts, however, have high rates of homeownership. For example, tract 23.04 has a 53.9 percent ownership rate among residents of single-family homes. The highest aggregate home ownership rates occur in tracts 8.01, 21.04, 21.06, 21.09, 21.10, and 21.13. All of these tracts have ownership rates near or greater than 60 percent, even when including apartments. Census tract 8.01 is the only tract in Central East Austin, and includes the North Govalle neighborhood. Tract 21.09 is just east of the Rosewood neighborhood. The remainder of the tracts are located near 51st Street, just northeast of the Mueller Airport redevelopment. These neighborhoods represent a portion of East Austin homeowners whose home values will be positively influenced by development occurring in the area.

Rental and Mortgage Burden

The U.S. Department of Housing and Urban Development (HUD) considers families that spend more than 30 percent of their income on housing to be “cost burdened.” According to HUD, “An estimated 12 million renter and homeowner households now pay more than 50 percent of their annual incomes for housing, and a family with one full-time worker earning the minimum wage cannot afford the local fair-market rent for a two-bedroom apartment anywhere in the United States.”^{x1} Therefore, housing cost is quite possibly the most important measure of affordability. Renter burden is calculated by dividing median rent for a census tract by median income for the same tract to get rent as a percentage of income. If that figure is 30 percent or greater, then the average household is considered renter burdened.

The average median rent as a percentage of income in Greater East Austin was about 20 percent in 2000, meaning that the average renter is not rent burdened. Four census tracts, however, show high rent burdens (see Figure 3.3). In 2000, the average rental household in tract 23.11 spent 38 percent of its income on rent, making it the most rent-burdened tract in Greater East Austin. This tract, in the Montopolis area, is predominantly an immigrant and low-income Hispanic community, with many of its wage earners working in low-paying jobs. The three tracts directly south and west of this tract (23.14, 23.15, and 23.16) also spend more than 30 percent of median household income on rent, and have done so for more than a decade. As Austin property values skyrocket, affordable rents will continue to be a pressing issue.

Figure 3.3 Rental Burden in East Austin (1990-2000)



Source: Capital Area Council of Governments, “Census 1990—2000 Comparison Tables” database. Online. Available: http://www.capco.state.tx.us/Information_Clearinghouse/Tabular_main.asp#census. Accessed: September 9, 2006. Note: Rental burden is calculated by a comparison of median income to median rent against the 30 percent threshold recommended for total housing costs.

Another dimension of housing affordability is homeowner costs. Owner costs include mortgage payments, title insurance, and repair and maintenance costs associated with owning a home. Since homeownership costs do not cease once a mortgage has been paid off, a homeowner may be cost burdened, regardless of whether he or she has a monthly mortgage payment. In 2000, households with mortgages in Greater East Austin consistently paid between 20 and 25 percent of their incomes in owner costs. Homeowners without mortgage payments, on the other hand, paid roughly 10 to 15 percent of their incomes.^{xli} For the purposes of this analysis, “mortgage burden” refers to the housing burden for households with a monthly mortgage payment. Between 1990 and 2000, mortgage burden in Greater East Austin changed very little. Overall, East Austin saw a 0.75 percent increase in mortgage burden, with some census tracts paying a lesser percentage of income in owner costs, and others paying a higher percentage. Tract 14.03, in the Riverside area, is the only census tract that experienced a significant increase in mortgage burden from 1990 to 2000, rising 16 percent.

When compared with statistics for Austin, the housing burden in East Austin was relatively low in 2000, when Austin homeowners spent 27 percent of their incomes on rent. Homeowners in Austin spent 21 percent of their incomes on mortgage payments during the same time. Median

rent and mortgage payments at the census tract level are not available for 2006, but it can be assumed that as property values have increased, both rental burden and mortgage burden have increased. The available 2005 Austin data indicate that citywide mortgage burden was 29 percent and East Austin seems to be following the same trend. When assessing the housing burden data, it is apparent that a lack of affordable housing is affecting renters to a greater degree than homeowners. As property values increase, the problem for renters will only become worse.

Residential Property Values

In recent years, the U.S. economy has benefited from strong growth. One consequence of this increased national wealth has been record levels of home buying and real estate investment. In Fall 2005, the National Association of Realtors reported that the average home price nationwide had reached “a record \$220,000, the biggest jump since 1979, while sales of existing homes remained at near-record levels.”^{xlii} Unlike the national real estate market, which is experiencing a cooling of investment, home building and home buying continue to be strong in Austin. Sales of existing homes rose by 9.8 percent between 2005 and 2006 while residential sales nationwide decreased by 2.1 percent (see Table 3.1). The housing market in Austin did experience an oversupply of housing units and flat prices during a period of stress in the national and local technology sector from early 2001 into 2004. Factors that contributed to higher prices in Austin since mid-2004 include below-average mortgage debt servicing costs, strong job growth, and positive net migration. One factor that may slow the rate of home price appreciation in Austin is the substantial increase in new home construction, which grew 51 percent from 2005 to 2006, as opposed to a national decrease of almost 1 percent.

Table 3.1 Residential Home Sales in Austin and U.S. (2005-2006)

	<i>Austin</i>	<i>U.S.</i>	<i>Comment</i>
Price Activity			
Latest Appreciation (2006 Q1 vs. 2005 Q1)	8.5%	10.3%	Strong
Last Year Appreciation	5.8%	12.0%	Neutral
3-year Appreciation	4.5%	31.0%	Weak
Historical Average Annual Appreciation*	4.4%	5.0%	Neutral
Affordability			
Mortgage Debt Servicing Cost to Income Ratio (2006 Q1)**	14.5%	22.0%	Favorable
Historical Mortgage Debt Servicing Cost*	20.9%	22.0%	Favorable
Home Sales			
Existing Home Sales (2006 Q1 vs. 2005 Q1)	9.8%	-2.1%	Favorable
Single-family Housing Permits (2006 Q1 vs. 2005 Q1)	51.0%	22%	Unfavorable

* Average ratio from 1980 to 2005.

** This ratio compares the monthly mortgage payment for a median-priced home financed at the prevailing mortgage rate to the median household income.

Source: National Association of Realtors, Home Price Analysis for Austin Region (July 2006), p. 2. Online.

Available: [www.realtor.org/Research.nsf/files/06TXAustin.pdf/\\$FILE/06TXAustin.pdf](http://www.realtor.org/Research.nsf/files/06TXAustin.pdf/$FILE/06TXAustin.pdf). Accessed: November 13, 2006.

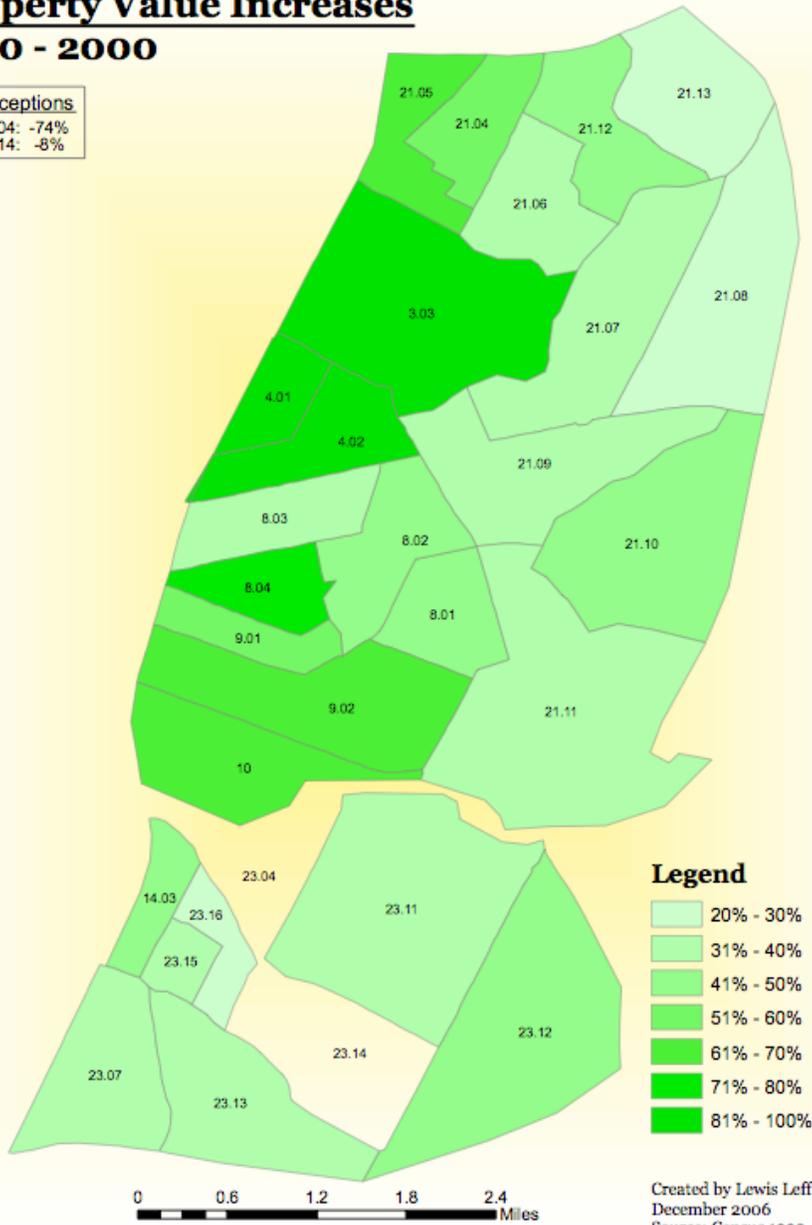
Owners Report Housing Price Increases From 1990 to 2000

Owner-occupied households in East Austin reported a 70 percent increase in median home value, from \$48,071 in 1990 to \$81,589 in 2000.^{xliii} During this same time period, median home values for Austin rose 73 percent, from \$72,100 to \$124,700. In most East Austin tracts, property values increased by 40 percent or more from their 1990 levels. Figure 3.4 illustrates the specific increases in owner-occupied property values by census tract.

Figure 3.4 Increase in Median Home Values in East Austin (1990-2000)

**Greater East Austin
Property Value Increases
1990 - 2000**

Two exceptions
CT 23.04: -74%
CT 23.14: -8%



Source: Capital Area Council of Governments, "Census 1990 – 2000 Comparison Tables" database. Online.
Available: http://www.capco.state.tx.us/Information_Clearinghouse/Tabular_main.asp#census. Accessed:
September 9, 2006.

Market Reveals Substantial Home Value Increase From 1999 to 2005

Market data of residential property transactions, which indicate that property values in East Austin, rose more rapidly from 1999 to 2005 than for the city as a whole (see Table 3.2). Growth rates for three indicators in Greater East Austin outpace the city as a whole: (1) number of home sales, (2) price of home, and (3) dollar per square foot value of the residence. The median sales price of homes in East Austin rose from \$79,000 in 1999 to \$126,423 in 2005. Although still below the median price of a home in Austin, the East Austin median represents a 60 percent increase over the six-year period, double the rate for other residential properties in the city.

Home sales in particular ZIP codes reveal more dramatic changes. For instance, the median sales price of homes in 78702 (Central East Austin) and 78741 increased by more than 100 percent in value, or more than double the citywide 30 percent median price increase. Higher levels of home sales could be due to situations that are likely to prompt property sales, such as deaths among the elderly population or inadequate financial resources. Even though unit sales rose less quickly in 78722, this ZIP code was where 43 percent of total East Austin sales occurred in 1999, indicating that it continues to have a significant volume of property sales.

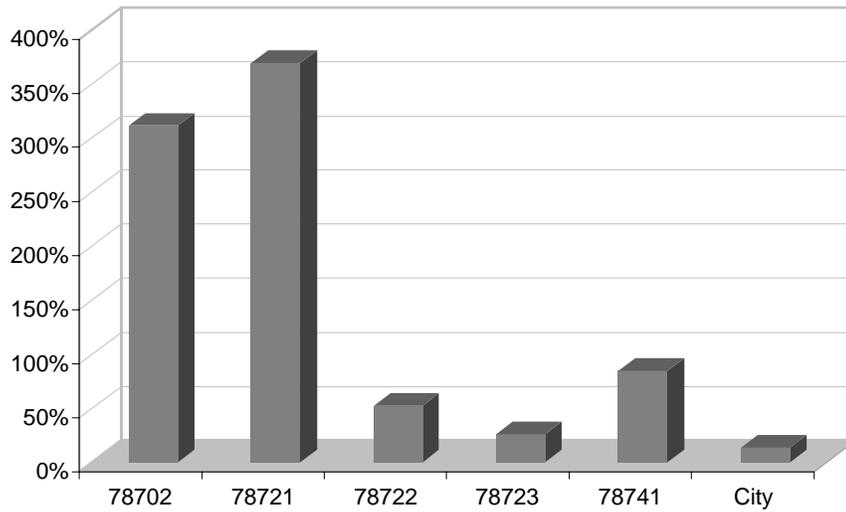
The rapidly rising property values suggest there is growing demand for a limited supply of housing in East Austin. ZIP codes 78702 and 78741 experienced the highest price increases, which more than doubled from median values near \$58,000 to more than \$119,000. Higher demand for houses in Central East Austin also meant that houses were sold after being on the market for two weeks less in 2005 than in 1999. In the 78722 ZIP code, which includes French Place and is close to the University of Texas, the median sales price for a house in 2005 was \$210,000, or \$20,000 above the citywide median home price.

Table 3.2 Home Sales Price Appreciation in East Austin (1999–2005)

<i>Zip Code</i>		<i>1999</i>	<i>2005</i>	<i>Absolute Change</i>	<i>Percent Change</i>
78702	No. Sales	52	212	160	308
	Median Price	\$58,150	\$125,450	\$67,300	116
	\$/SqFt	\$53.50	\$116.31	\$63	117
78721	No. Sales	26	122	96	369
	Median Price	\$53,500	\$90,000	\$36,500	68
	\$/SqFt	\$46.00	\$76.91	\$31	67
78722	No. Sales	78	119	41	53
	Median Price	\$130,500	\$218,500	\$88,000	67
	\$/SqFt	\$107.00	\$161.66	\$55	51
78723	No. Sales	229	288	59	26
	Median Price	\$82,000	\$129,950	\$47,950	58
	\$/SqFt	\$59.00	\$89.26	\$30	51
78741	No. Sales	149	276	127	85
	Median Price	\$58,500	\$119,950	\$61,450	105
	\$/SqFt	\$61.00	\$102.51	\$42	68
<i>East Austin Totals</i>	<i>No. Sales</i>	<i>534</i>	<i>1,017</i>	<i>483</i>	<i>90</i>
	<i>Median Price</i>	<i>\$79,000</i>	<i>\$126,423</i>	<i>\$47,423</i>	<i>60</i>
	<i>\$/SqFt</i>	<i>\$61</i>	<i>\$105</i>	<i>\$44</i>	<i>72</i>
<i>City of Austin Totals</i>	<i>No. Sales</i>	<i>22,577</i>	<i>25,593</i>	<i>3,016</i>	<i>13</i>
	<i>Median Price</i>	<i>\$145,000</i>	<i>\$188,000</i>	<i>\$43,000</i>	<i>30</i>
	<i>\$/SqFt</i>	<i>\$84</i>	<i>\$109</i>	<i>\$25</i>	<i>30</i>

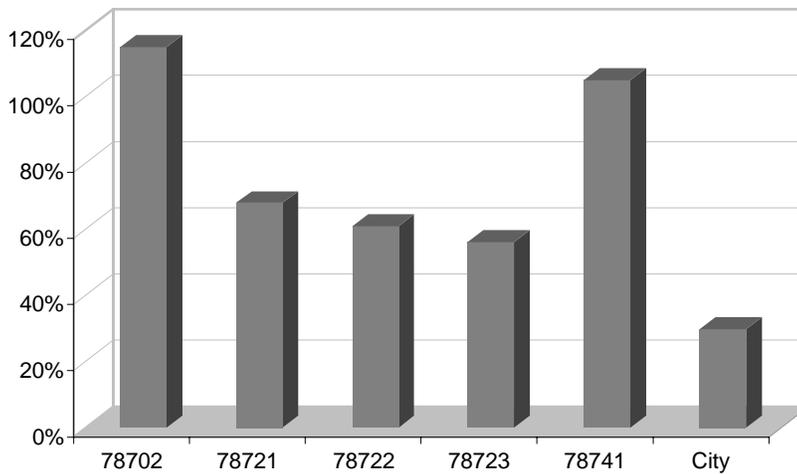
Source: Vanessa McMahan, Realtor, Actrislistings Marketlinks database of home listings and sales. Online. No longer available. Accessed: November 3, 2006. City of Austin Totals from class presentation by Margaret Shaw, Deputy Director, City of Austin Neighborhood Housing and Community Development at the Lyndon B. Johnson School of Public Affairs, October 27, 2006.

Figure 3.5 Increase of Property Sales in East Austin (1999–2005)



Source: Vanessa McMahan, Realtor, Actrislistings Marketlinks database of home listings and sales. Online. No longer available. Accessed: November 3, 2006.

Figure 3.6 Increase of Home Values in East Austin (1999–2005)



Source: Vanessa McMahan, Realtor, Actrislistings Marketlinks database of home listings and sales. Online. No longer available. Accessed: November 3, 2006.

The Significance of Rising Property Values

Given the above-average rates of homeownership in East Austin, rising property values represent an increase in wealth. For property owners in stable financial situations, a dramatic increase in property value can translate into valuable gains and significant financial returns if the property is sold. A family that purchased a property in Austin in 2000 would build average equity of \$17,600 above the purchase price (see Table 3.3).

Table 3.3 Estimate of Housing Equity in Austin in 2006

<i>Year of Purchase</i>	<i>Housing Equity (after 5% price decline)*</i>
1980	\$131,100
1985	91,900
1990	99,900
1995	69,200
2000	17,600
2001	12,400
2002	6,900
2003	6,000
2004	5,000

* Home price appreciation plus principal payments on mortgage.

Source: National Association of Realtors, Home Price Analysis for Austin Region (July 2006), p. 2. Online.

Available: [www.realtor.org/Research.nsf/files/06TXAustin.pdf/\\$FILE/06TXAustin.pdf](http://www.realtor.org/Research.nsf/files/06TXAustin.pdf/$FILE/06TXAustin.pdf). Accessed: November 13, 2006.

Rising property values have other repercussions, however, even for homeowners who have built a significant amount of equity. As the market value of the property increases, so does the appraised value and property taxes collected by the Travis County Appraisal District. Homeowners with low or fixed incomes and limited access to additional financial resources are at risk of losing their home equity (and place to live) if property taxes are rising faster than their sources of income. Although mortgage burden in East Austin appears manageable due to increasing median incomes, there are also a disproportionate number of residents who are at risk for property tax delinquency and tax foreclosures. If trends in property value continue at current levels, the costs of property ownership may outweigh the rewards and become more problematic for too many residents. Overall, these increases in property value indicate more demand for the space in East Austin, and a changing perception regarding the desirability of its neighborhoods.

Tax-Delinquent Properties and Foreclosures

According to a recent study by the City of Austin Department of Neighborhood Housing and Community Development, there were 3,005 tax-delinquent properties in all of the city's neighborhood planning areas during Fiscal Year 2006.^{xliiv} Nearly half of these properties were

located in East Austin (see Table 3.4). In addition, East Austin neighborhoods owed 42 percent of the total tax delinquent dollar value for the city’s neighborhood planning areas during the same year. This indicates hardship for homeowners unable to keep pace with rapidly rising property values and property taxes.

East Austin also contains a disproportionate number of the city’s total tax foreclosures, according to public records from the Travis County Tax Assessor’s Office. Excluding properties that were retrieved by their original owner before the scheduled sale date, there were 58 tax-foreclosed properties within the city limits between December 2005 and November 2006. Seventy-two percent of these were in East Austin, an area that contains 15 percent of the city’s total housing stock (see Table 3.4). East Austin ZIP codes 78702 (Central East Austin) and 78721 accounted for 78 percent of all East Austin tax foreclosures and 56 percent of tax foreclosures citywide. It is important to note, however, that these tax foreclosures did not result in the displacement of East Austin residents. According to the County Attorney’s Office, all properties were vacant or had been deemed uninhabitable by the City of Austin.^{xlv}

Table 3.4 Tax Delinquency and Foreclosures in East Austin (2006)

	<i>East Austin as a percentage of Austin</i>
Total housing units	15
Tax delinquent properties	47
Tax foreclosures	72

Source: Tax Delinquent Property data: City of Austin, Neighborhood Housing & Community Development. 2006 Single Family Residential Tax Delinquent Parcels by Geographic Concentration and Neighborhood Planning Area. Foreclosure data: Travis County Tax Assessor’s Office. Online. Available: http://www.co.travis.tx.us/tax_assessor/foreclosure/tax_sales.asp. Accessed: October 2006.

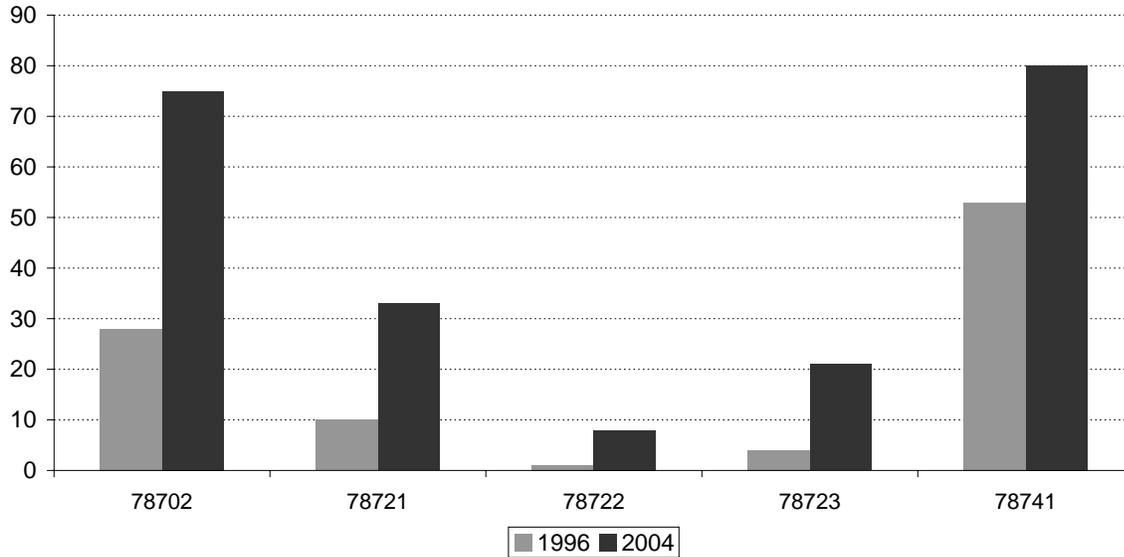
In general, foreclosures tend to be precipitated by rising property taxes, high gas and utility rates, expensive homeowners’ insurance, boosts in adjustable rate mortgages, or predatory lending practices.^{xlvi} However, in the case of East Austin, many tax foreclosures in FY 2006 were due to cloudy family title issues.^{xlvii} Further research could help illuminate the historical roots and current implications of this phenomenon.

Residential Building Permit Activity

A surge in new residential construction over the past decade, including several upscale loft developments, has contributed to rising property values in East Austin. From 1996 to 2004, building permit activity increased 126 percent, compared with just 35 percent for the entire city. Permit categories for the purposes of this analysis included residential additions that increased the number of units in multi-family buildings, as well as new multi-family buildings, new single-family houses, and conversions from non-residential to residential properties.^{xlviii}

In all five East Austin ZIP codes, new residential permit activity increased significantly between 1996 and 2004 (see Figure 3.7). Nevertheless, East Austin represents a small proportion of citywide residential building permit activity, only 3 percent in 1996 and 6 percent in 2004.

Figure 3.7 Number of Residential Building Permits (1996-2004)



Source: Capital Area Council of Governments. Online. Available:

http://www.capcog.org/Information_Clearinghouse/tabular_main.asp. Accessed: October 2006.

Of the 217 East Austin building permits issued for new residential construction in 2004, 42 percent were awarded to private developers participating in the city’s SMART Housing Program. This local policy incentive ensured that at least nine new housing units (10 percent of SMART projects) were reserved for families living at or below 80 percent of the area’s median family income. Only 4 percent of new housing units constructed in East Austin in 2004 were required to be “reasonably priced,” according to city guidelines, at 30 percent of household income for low- to moderate-income residents. All others could be priced at market rates.

Affordable Housing

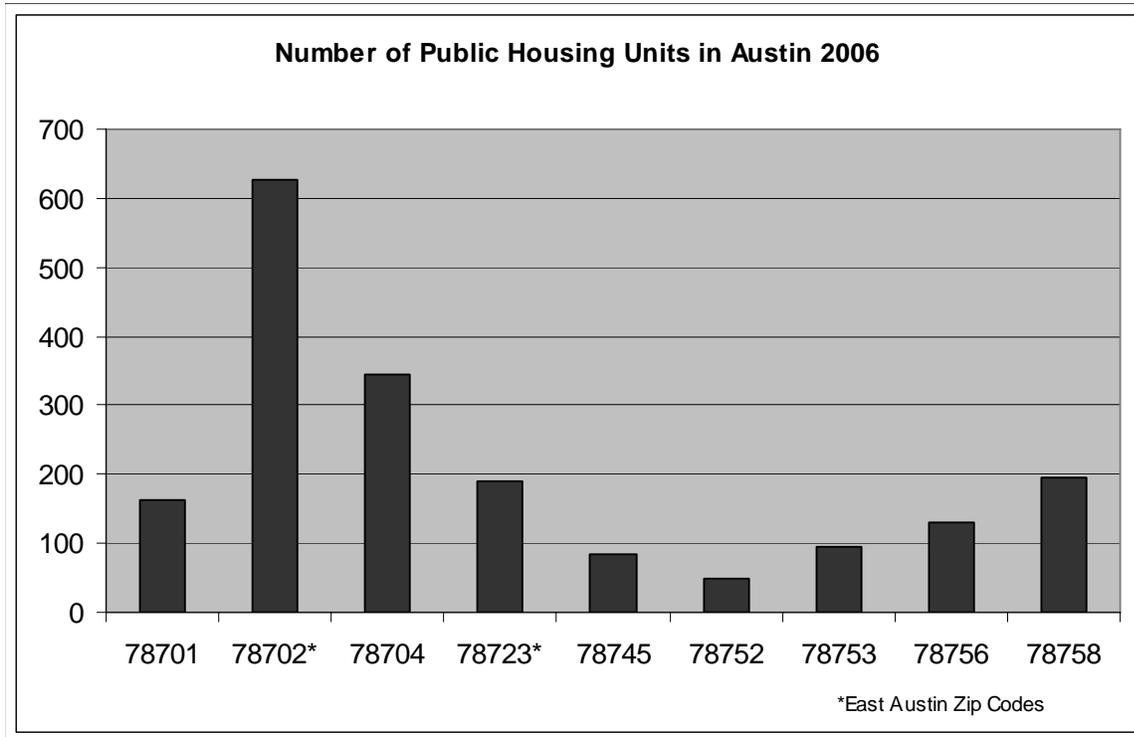
An average market-rate, two-bedroom apartment in Austin in 2006 cost \$804 per month. To afford that unit, families must earn \$17.54 per hour. However, many low-wage jobs pay as little as half that amount: janitor (\$10.60), retail sales (\$10.00), construction (\$15.50), and food preparation (\$8.32).^{xlix} When the private market fails to produce housing that is affordable for low- to moderate-income residents, communities like Austin have relied on publicly financed affordable housing to help meet the need. This affordable housing stock includes government owned and operated public housing properties, as well as innovative public-private partnerships in which federal, state, and local programs provide subsidies or tax credits to developers, landlords, and nonprofit organizations to preserve and produce affordable housing units in the private market. Public investment in affordable housing, however, has declined significantly since the 1980s.¹

In East Austin, the private housing market is beginning to mirror city and national trends. As property and land values rise and higher-income residents locate there, low- to moderate-income residents are increasingly at risk of housing instability. At the same time, the safety net of government-funded affordable housing is fraying, leaving poor people, especially low-wage workers, seniors, and disabled adults, in a vulnerable position.

HACA Public Housing

In the wake of the Great Depression, as millions of Americans struggled to escape poverty and homelessness, President Franklin Roosevelt enacted the U.S. Housing Act of 1937. Lyndon Baines Johnson, then a young congressman from Austin, was instrumental in developing this legislation. That same year, Austin Mayor Tom Miller and the Austin City Council created the Housing Authority of the City of Austin (HACA). HACA was the first housing authority in the country to begin construction of public housing with financial assistance from the federal government. Its first three developments were located in Central East Austin, an extension of the city's 1928 Master Plan which concentrated poor and minority residents, as well as municipal services, in East Austin. Between 1938 and 1940, HACA completed the construction of the racially segregated Santa Rita Courts, Rosewood Courts, and Chalmers Courts in ZIP code 78702.^{li} Today HACA owns and operates 19 developments citywide.^{liii} Nearly half of those properties (44 percent) are located in East Austin, 33 percent in ZIP code 78702 alone.

Figure 3.8 Public Housing in Austin by ZIP Code (2006)



Source: Housing Authority of the City of Austin. Online. Available: http://www.hacanet.org/haca_communities/. Accessed: October 2006.

Austin’s public housing stock is disproportionately located in East Austin. In order to “reduce the isolation of income groups within areas by de-concentrating housing opportunities,”^{liii} one of the city’s stated goals is to more equitably distribute the production of affordable housing in the future.

Public-Private Partnerships in Affordable Housing

There are a number of housing programs at the federal, state, and city levels that provide government subsidies and tax credits to private developers and landlords to create and maintain affordability in the private housing market, including HUD’s Section 8, Community Development Block Grant (CDBG), and HOME programs; the Texas Department of Housing and Community Affairs’ low-income tax credit program; and the city’s SMART Housing Program. Thirty-four percent of these housing units in Austin are located in East Austin, 68 percent of which are located in ZIP code 78741.^{liv} Most of the city’s public-private affordable housing stock is reserved for households with incomes between 50 and 80 percent of MFI. For a family of four, that translates into an annual income range of \$35,550 to \$56,900.^{lv}

In addition to these subsidized units developed through partnerships in the private sector, there are four main nonprofit housing developers in Austin—Foundation Communities, Blackland

Community Development Corporation, Guadalupe Neighborhood Development Corporation, and Habitat for Humanity.^{lvi} Thirty-six percent of their rental and owner-occupied housing units are located in East Austin. Each of these nonprofit organizations relies on limited federal, state, and city subsidies and tax credits, as well as mainstream financial institutions, foundations, corporations, and individual donors, to preserve existing and develop new affordable housing. Compounding a paucity of public funding is the rapidly increasing cost of construction and price of land in places like East Austin. Mitchell Gibbs, Habitat for Humanity's communications director, says land values have increased 400 percent in the past five years, forcing the organization to look for building opportunities in Manor and Blanco County.

Conclusions

Whereas low- to moderate-income residents have previously been able to find reasonably priced market-rate housing in East Austin, the dynamics are changing. East Austin is now prone to the same powerful market forces that the rest of the city has experienced over the last several decades. In fact, increasing rates in property values in East Austin substantially exceed those citywide.

Historically, East Austin has been home to the city's poor and minority populations. This is not by chance. Public policies such as Austin's 1928 Master Plan and the construction of public housing in the late 1930s deliberately concentrated poor and minority populations to the east of Interstate 35. Until recently, East Austin rental prices and property values remained lower than other parts of the city and the area attracted little new residential development. These housing trends, combined with stigmatizing public perceptions, served to keep East Austin's housing market isolated for generations from the wider forces occurring in Austin.

Over the past decade, however, the city has once again turned its attention eastward. Austin's population is growing significantly and higher density residential development is in demand. East Austin's proximity to downtown has attracted investment in new housing construction. As a result of increased activity and broader appeal, vacancy rates in East Austin have drastically declined since 1990 while property values and home sales have soared in some, but not all, neighborhoods. This trend is undoubtedly beneficial to many homeowners. It is, however, detrimental to others, as indicated by the disproportionate number of tax-delinquent properties and tax foreclosures in East Austin compared with the city as a whole. In addition, increasing property values have also left renters, who comprise 65 percent of East Austin's population, in a vulnerable position.

In 30 years Austin "has gone from the city with the best housing affordability index in the country to the most expensive housing market in Texas, and one of the most expensive of any large non-coastal US city."^{lvii} East Austin, once isolated from the powerful market forces affecting the rest of the city, is now also subject to them. Private developers have seized on the opportunity and are building upscale lofts in the area. Prices range from \$125,000 to \$275,000 at the recently constructed Pedernales Lofts, Saltillo Lofts, and TwentyOne24 Lofts. Lucrative market rates for housing units, along with the high price of land and increasing construction costs, have severely reduced incentives for the private sector, as well as the ability of the nonprofit sector, to develop affordable housing.

Just as public policies of the past helped shape East Austin's demographics, economy, and housing market, public policies of the future can be crafted to reflect the city's evolving community values. Is there a way to preserve long-term affordability for low- to moderate-income residents while encouraging economic development and growth, as well as higher density mixed-use housing? At the local level, public policy tools that have the potential to facilitate these goals include deeper incentives for private developers to incorporate affordable units into their new high-end housing projects and the creation of community land trusts, as championed by the Austin Housing Finance Corporation and State Representative Eddie Rodriguez. Ultimately, however, state and federal resources must be brought to bear on the citywide affordable housing crisis.

Austin is at a crossroads. If city officials and community members value economic and racial diversity, vibrancy, and stability, they will garner the public and political will necessary to shape an East Austin that reflects these values.

Chapter 4. Economy

East Austin's economy continues to evolve from its agricultural beginnings to a more diverse mix of industries and establishments. Recent increases in the share of professional, scientific, and technical services, for example, are driving the current diversification. At the same time, some traditional East Austin industries are declining—namely, transportation and warehousing, and wholesale trade.

As the economy has diversified, commercial property values have increased. While it is difficult to isolate specific causes, it is likely that strong demand and expectations for future growth are driving the increase. Commercial development has become denser, driven in part by changes to zoning rules and efforts of the Austin Revitalization Authority. Because increases in density and commercial property values are indicators of a robust economy, East Austin seems poised for future growth.

This chapter explores these principal findings in greater detail. The profile begins with a brief economic history of the area, including major development since the mid-1960s. The chapter then presents a detailed economic profile from 1998 to 2004. To better capture geographic differences within East Austin, the profile is disaggregated into five ZIP codes. Each profile consists of the mix and concentration of various industries measured by establishment and employment share.

Development of Austin's Modern Economy

In 1948, the Austin Area Economic Development Foundation undertook a study to determine the industries that provided the best opportunities for growth. The effort to broaden Austin's economic scope focused on leveraging the presence of the University of Texas to establish research and development labs and high-tech manufacturing. Many successful scientists and engineers emerged from the present-day J.J. Pickle Research Center, some of whom started R&D firms, most notably Tracor.^{lviii}

The Austin Chamber of Commerce became involved in developing the high-tech sector by focusing on attracting clean, science- and electronic-based industries to create jobs for its residents and expand its tax base. In 1967, IBM built a plant.^{lix} Texas Instruments, Motorola, Advanced Micro Devices, Dell, and small suppliers followed. These companies soon became the county's largest employers.^{lx} Austin's place as a high-tech center was firmly established when the Microelectronics and Computer Technology Corporation (MCC), a consortium of computer and semiconductor companies, chose Austin over 50 other cities.^{lxi} In 1982, MCC and another major research consortium of high-technology companies collaborated to develop Sematech, which later became an incubator for software and high-technology spin-offs.^{lxii}

After an explosive growth period, Travis County faced a serious economic downturn in the mid-1980s; newly built office space remained vacant, and unemployment increased. With the decline in manufacturing that accompanied the downturn, East Austin was severely affected. As Chapter 2 describes, significant numbers of the population left East Austin in search of employment.

While Austin's population doubled from 1980 to 2000, East Austin's population continued to decline until 1995. By 2000, East Austin's population still had not reached its 1980 level. These changes display the influence an area's sectoral composition can have on its population growth or decline.

Growth in Sematech and Dell, and Samsung Electronic's decision to build a plant in the mid-1990s, helped Austin return to the forefront of the high-tech industry. By locating in East Austin, Tracor, Samsung, and AMD have opened many possibilities for the east side. These firms represent one element of the changing East Austin economy, from one characterized largely by industrial businesses to one with an increasing share of firms specializing in professional and scientific services. This change also demonstrates how Austin's economic development planning has influenced East Austin's current economy.

As the industrial composition of East Austin changes, some businesses and residents will benefit while others will struggle. New industries will bring new job opportunities and, possibly, higher wages. These industries will require workers with new skills. Conversely, some industries will continue losing employment share, signaling the loss of local jobs and the possible closure or relocation of firms. It remains to be seen if East Austin's current residents and businesses realize more benefit or harm from future regional growth in high-skill, high-wage industries such as scientific services.

The Geography of the Greater East Austin Economy

To develop an economic profile of East Austin, the researchers studied 16 sectors of the economy for the years 1998 to 2004. The following analysis is based on the U.S. Census Bureau County Business Patterns (CBP) and ZIP Code Business Patterns (ZCBP) reports from 1998 to 2004.^{lxiii} The data are classified by the NAICS system. The data represent the number of firms that are located in each area, and their estimated levels of employment. Further explanation of employment estimates are provided in the methodology section in Appendix 1.

Economic data are grouped according to their geographic location. These data are spatially disaggregated and reported at the ZIP code level. Greater East Austin (GEA) is defined as the 78721, 78722, 78723, and 78741 ZIP codes. The data used when analyzing GEA aggregate sector data are for these four ZIP codes. The data from ZIP code 78702 are represented as Central East Austin (CEA). Because CEA is presented as a distinct basis of comparison, 78702 is not included in the GEA calculations. (See map, p. 7.)

Through the course of their analysis, the researchers found numerous industries where significant substantial concentration existed in some ZIP codes, but was significantly lower in others. As a result, a summary that aggregated the economic structure of all five East Austin ZIP codes would not convey the meaningful geographic detail that the researchers desired. Instead, the researchers decided to present the data as a summary of industry structure for each ZIP code. This approach delivers a more detailed analysis and also allowed the researchers to make comparisons across ZIP codes.

Table 4.1 Economic Structure of East Austin (1998-2004)

(Reported as a percentage of total employment for each region)

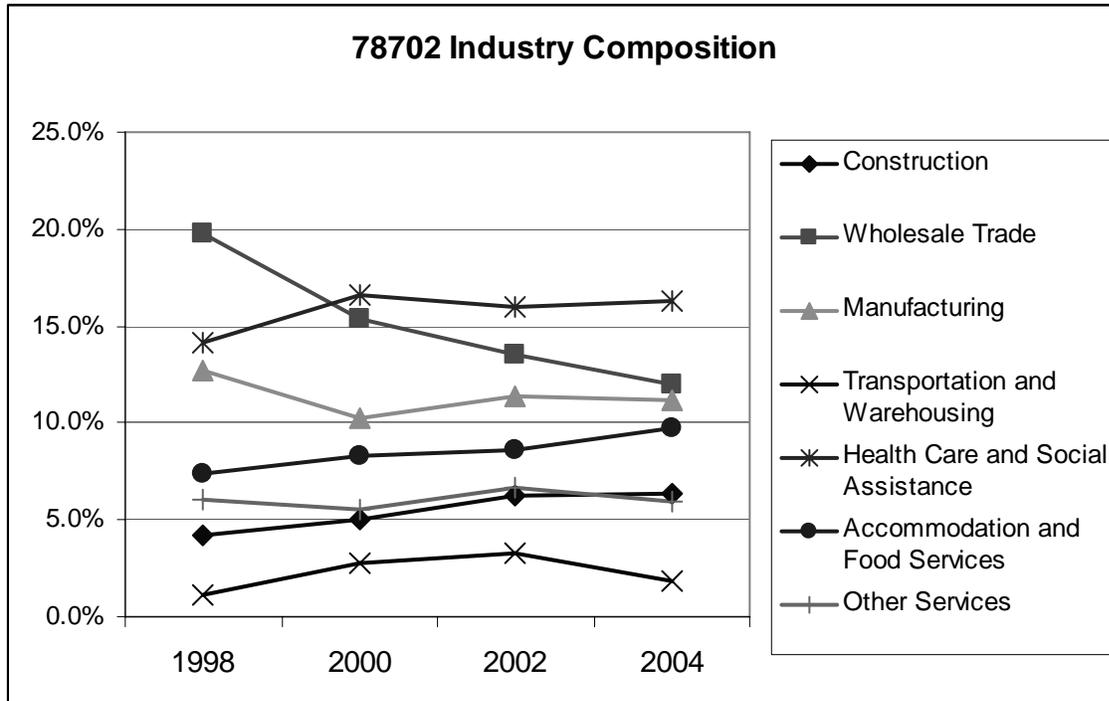
	<i>Central East Austin</i>		<i>Greater East Austin</i>		<i>Travis County</i>	
	<i>1998</i>	<i>2004</i>	<i>1998</i>	<i>2004</i>	<i>1998</i>	<i>2004</i>
Construction	4.2	6.3	2.2	3.0	5.9	5.4
Manufacturing	12.7	11.1	7.1	10.2	12.5	9.8
Wholesale trade	19.7	12.0	9.0	4.4	5.1	4.7
Retail trade	9.8	9.0	15.2	13.6	12.3	11.8
Transportation & warehousing	1.1	1.9	5.9	5.6	1.4	1.7
Information	1.7	2.6	1.1	1.0	5.0	5.1
Finance & insurance	1.8	1.8	3.5	5.4	5.4	5.6
Real estate & rental & leasing	0.8	0.7	3.5	2.9	1.9	2.4
Professional, scientific & technical services	3.0	4.9	5.9	8.8	9.3	11.4
Management of companies & enterprises	0.1	0.5	0.3	2.4	2.1	1.4
Administrative, support, waste management, and remediation services	10.9	13.4	14.1	9.2	10.9	10.2
Educational services	5.9	3.1	1.2	2.1	1.5	1.9
Health care and social assistance	14.1	16.3	7.8	9.4	10.5	10.4
Arts, entertainment & recreation	0.5	0.7	0.7	1.3	1.4	1.7
Accommodation & food services	7.4	9.7	15.2	12.4	9.4	11.0
Other services (except public administration)	6.1	6.0	7.7	8.3	5.2	5.2

Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006.

<http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

Central East Austin — Zip Code 78702

Figure 4.1 Industry Composition (78702)



Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006.
<http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

Estimated at more than 8,800 employees, Central East Austin (the 78702 ZIP code) is the largest employment center in East Austin. Employment in this area grew very quickly between 1998 and 2004, increasing its number of employees by 11 percent and the number of establishments by 9.5 percent.

A number of industries exhibited substantial changes during the seven years of study: construction, wholesale trade, administrative support, health care and social assistance, and accommodation and food services. The construction industry had rapid growth, rising from the ninth to the seventh largest sector in the area. Administrative support grew quickly as well, becoming the second-largest sector in Central East Austin. Health care and social assistance increased employment nearly 30 percent and is now the single largest industry in the area. The accommodation and food services industry also grew very rapidly during this period.

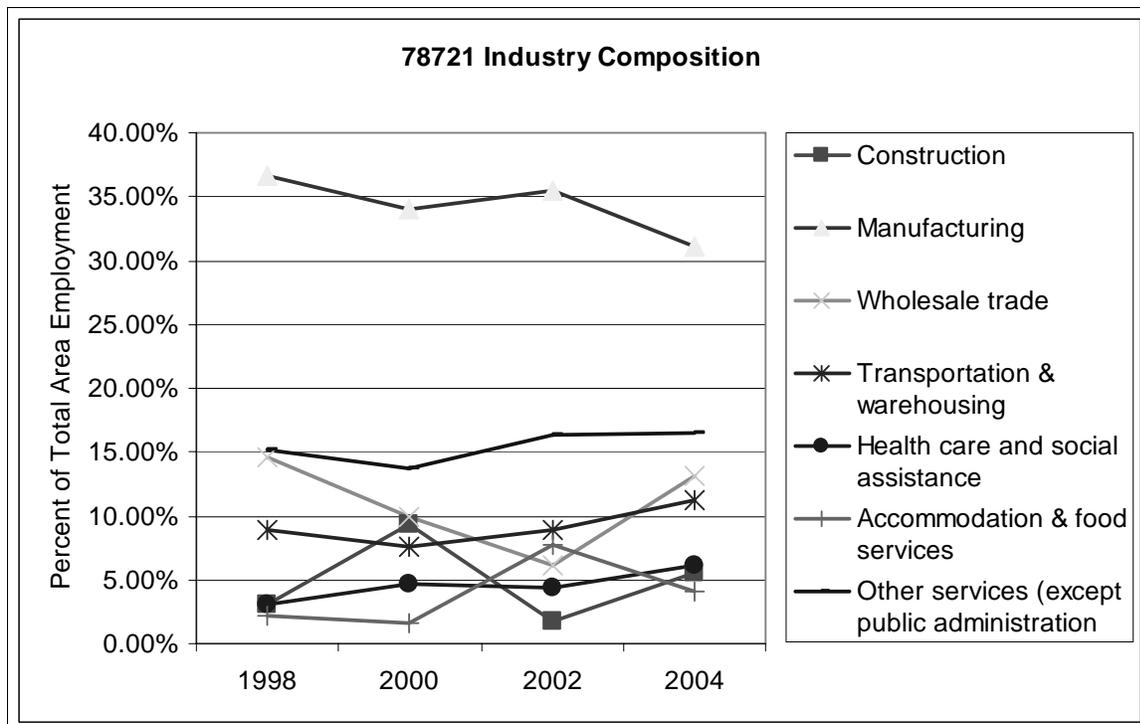
The most notable exceptions to the trend of high growth in Central East Austin are wholesale trade and manufacturing. These industries were the area's first and third largest in 1998,

comprising roughly 20 and 12 percent of total employment, respectively. By 2004, however, the wholesale share of employment had declined by 7 percent and manufacturing’s share declined by approximately 1.5 percent. Yet, despite these declines, these sectors still represent a significant portion of the area economy with a combined 23 percent of employment in the ZIP code.

The high growth of the construction industry is likely due to the high-growth housing market in the Austin area. This hypothesis warrants further investigation, however, as these might also be firms involved in nonresidential projects, such as redevelopment of Mueller Airport. Given the recent rise of Central Texas as a center for the health care industry in the state, there are strong growth prospects for this sector. The growth of administrative support enterprises could bode well for the area to the extent that these services are necessary for supporting a number of professional service industries—sectors that are poised to play a large role in the future of the Austin economy. It is important to note a significant negative trend in the local economy: There has been a consistent and steep decline of wholesale trade activity and employment.

Far East Austin — Zip Code 78721

Figure 4.2 Industry Composition (78721)



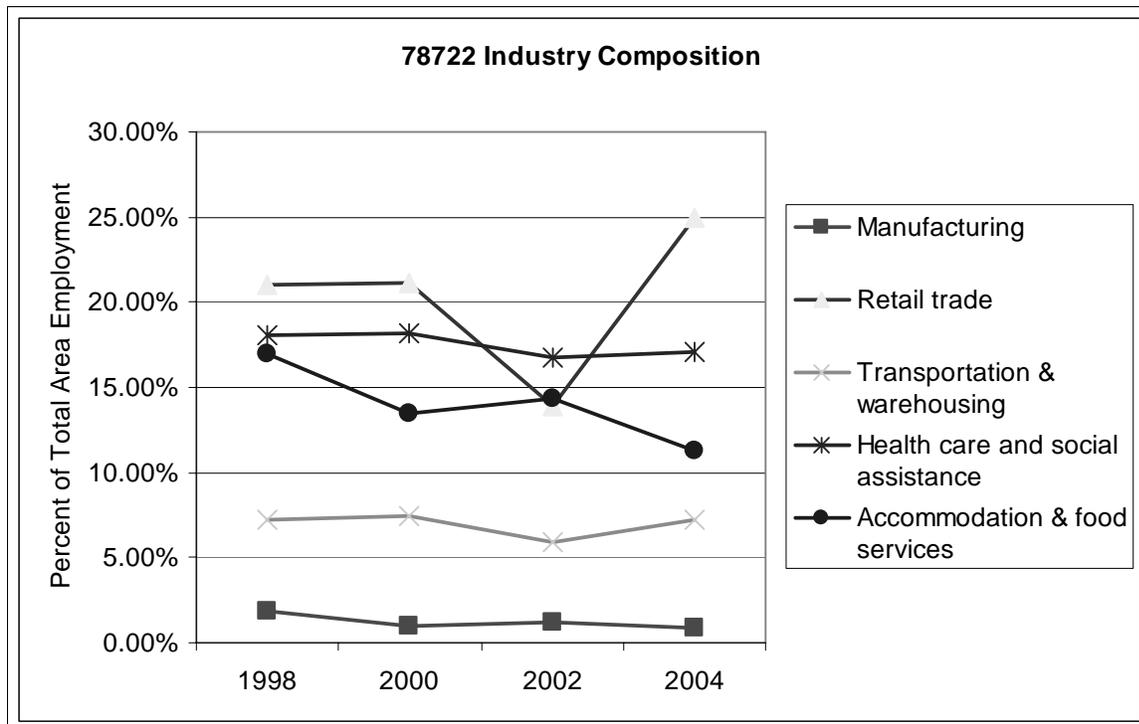
Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006. <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

Employment in Zip Code 78721 comprises about 12 percent of total employment for East Austin. Further, employment declined almost 8 percent in the seven-year period, ending at an estimated 2,738 employees. The number of firms declined by almost 3 percent.

The largest four industry sectors in this area are manufacturing, wholesale trade, transportation and warehousing, and other services. These industries are traditionally land intensive and historically have located outside of the main populated areas. Manufacturing is by far the largest sector, comprising more than 30 percent of total employment, but out of these four sectors, only transportation and warehousing grew during this time. Construction, health care and social assistance, and accommodation and food services grew more than 60 percent.

Population growth seems to be contributing to employment gains in some industries. The sectors with the most growth (construction, health care and social assistance, and accommodation and food services) have benefited from the demand for services from a growing population. Manufacturing remains the largest industry here, and the observed decline may be due to an employment-class change from 1998 to 2004 caused by one semiconductor firm. As the population continues to grow in this area, there should be increased demand for population-based services. Continued diversification of this area's economy to more closely match regional industry change could alleviate some of the recent employment decline.

Figure 4.3 Industry Composition (78722)



Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006.
<http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

Located just north of Central East Austin, this area constitutes a relatively small share (11 percent) of GEA’s total employment with approximately 2,500 jobs; moreover, employment remained stable over the seven years.^{lxiv} The number of establishments in the ZIP code, on the other hand, grew just over 4 percent.

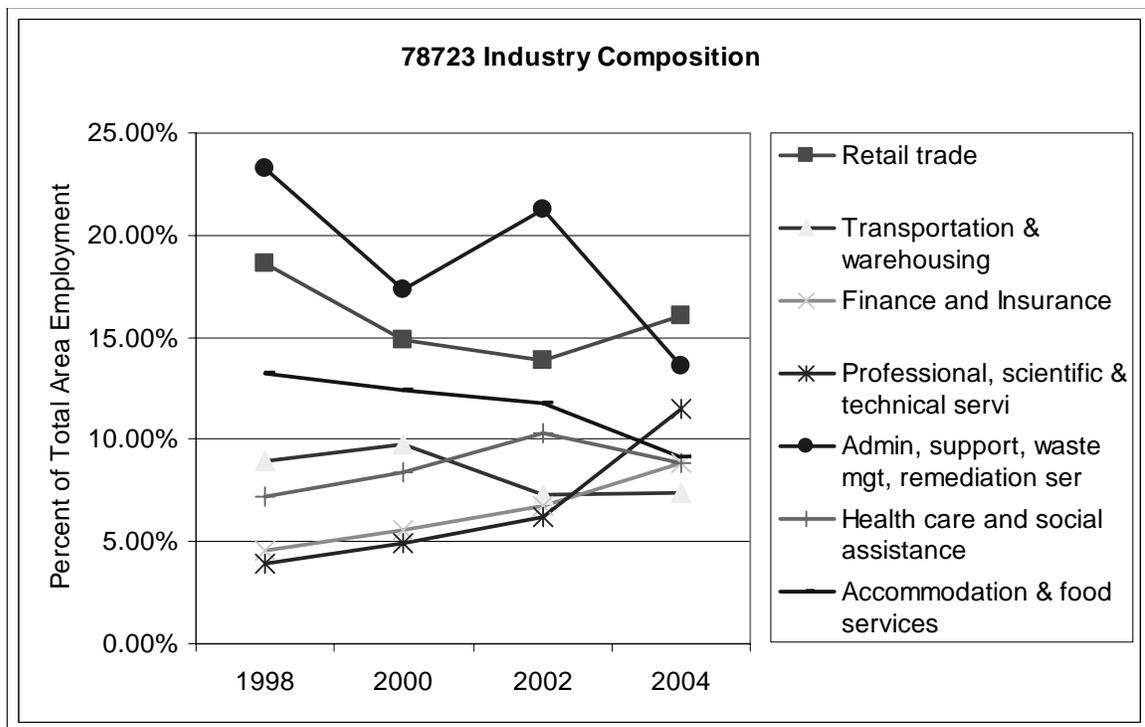
With a share of less than 1 percent of total employment, there is virtually no manufacturing activity. Instead, employment is anchored by a strong, growing retail trade sector, and a large and stable health care sector. In 2004, retail trade accounted for almost 25 percent of total jobs, up 17.1 percent in absolute employment since 1998. Health care constitutes the second largest industry but experienced a slight decline in employment from 1998 to 2004. The only major industries showing decline are transportation and warehousing and accommodation and food services. The slight decline in transportation and warehousing follows the trend seen in most of GEA.

The closure of Mueller Airport has had some role in this change, and subsequent plans for its redevelopment will also influence the area. Before its closure, the Mueller Airport had a significant economic impact, directly employing approximately 1,000 individuals at its peak.^{lxv}

While sectors that specialized in services associated with airport operations have suffered, the future Mueller redevelopment offers new opportunities for growth. The current plans include many new residential and mixed-use developments, as well as dining, shopping and nightlife in a designated Town Center.^{lxvi} The businesses that can expect the greatest benefit are in construction and accommodation and food services. One major development in Mueller is the new Dell Medical Center of Central Texas. Further investigation should also focus on the impact of the medical center on the existing health care sector. Although much of the decline in accommodation and food services can be attributed to the airport closure, the new Mueller development will present opportunities for future growth.

East of Mueller — Zip Code 78723

Figure 4.4 Industry Composition (78723)



Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006.
<http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

Businesses operating in 78723 accounted for more than 8,600 jobs in 2004, slightly below CEA. Similar to most of GEA, business activity in 78723 did not increase along with the growth in the region’s economy between 1998 and 2004; rather the area lost 5 percent of its employees. The number of establishments declined by approximately 1.5 percent.

Manufacturing does not have a significant presence in 78723, accounting for just 2 percent of employment. Considered along with 78722’s low manufacturing employment share of less than

1 percent, it is clear that little manufacturing activity is occurring inside the northern region of East Austin (north of Martin Luther King Jr. Boulevard). Instead, employment is spread across a diverse set of industries, with no single industry accounting for more than 16 percent of area employment.

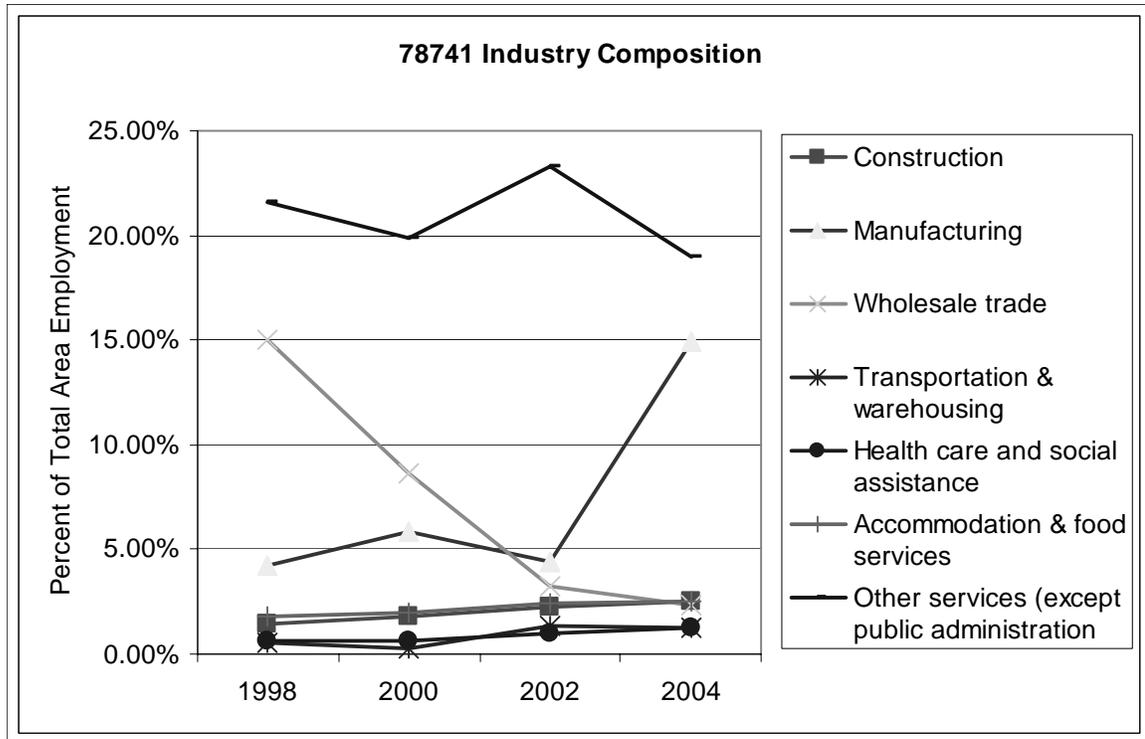
The four largest sectors in 1998 all lost employment over the period ending in 2004. The largest absolute losses occurred in administrative and support and accommodation and food services, with decreases of 44 and 34 percent, respectively. Other major industries that suffered employment losses were transportation and warehousing (22 percent) and retail trade (18 percent). Declines in these four industries resulted in the estimated loss of almost 2,000 local jobs.

These losses were partially offset by growth in other service industries. Professional, scientific, and technical services grew 179 percent during this period to become the third largest industry in terms of employment share. Additional employment was created in the health care and finance and insurance sectors. Employment in health care grew by 17 percent and employment in finance and insurance grew 86 percent to push these sectors into the fifth and sixth positions in terms of employment share, respectively.

Generally, the industries that have experienced the most growth require a certain degree of specialized knowledge and skills. At the same time, the industries suffering the largest employment declines seem to rely more on manual labor than specialized knowledge.

South of Town Lake — Zip Code 78741

Figure 4.5 Industry Composition (78741)



Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006. <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

With more than 8,100 employees, the area south of Town Lake is GEA’s second largest employment center. It is the only area in GEA that grew in employment from 1998 to 2004. The number of establishments exhibited only modest growth—just over 3 percent.

However, the entrance of one large manufacturing firm in the “Other Household Textile Product Mills” sector had a significant impact on the overall employment data for this area. With the entrance of this firm, manufacturing became the second largest sector in the area, comprising 15 percent of employment. This entrance marked a dramatic shift in economic structure since manufacturing was previously insignificant in the area. Further, from 1998 to 2002, overall employment in this area actually declined by 13 percent. Yet, with the manufacturing firm’s entrance in 2004, total employment increased 5 percent compared with 1998.

Accommodation and food services is the area’s largest sector and only experienced a slight decline in employment from 1998 to 2004.^{lxvii} With a steady and significant number of firms, professional, scientific, and technical services have remained a stable and significant source of employment for the area with 10 percent of employment. Perhaps the most drastic movement in employment was in the wholesale trade sector. In 1998, it was the second largest sector before it lost 84 percent of its employment over the seven-year period. With the exit of two large firms, it

quickly became a relatively insignificant sector in 78741's employment. Thus, the movement of a few large firms flipped this area's sectoral composition from wholesale trade to manufacturing.

Because these large sectoral shifts occurred in relation to a few firms, future areas of study should investigate the location decisions of these firms. Given that much of this employment data is based on the decisions of a few firms, it is difficult to predict future trends. However, this area has consistently maintained a relative specialization in accommodation and food services and is poised to build on the sector's impressive growth in the Austin area. In addition, as the regional economy shifts, one could expect growth in the professional, scientific, and technical services sector. Thus, there are some bright spots for the area as it maintains significant employment in growing regional sectors.

East Austin

Employment Change by Zip Code
1998 - 2004

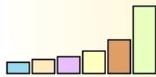
ZIP	1998	2004
78702	7998	8890
78721	2990	2738
78722	2551	2514
78723	9125	8667
78741	7765	8143

Legend

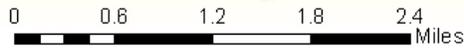
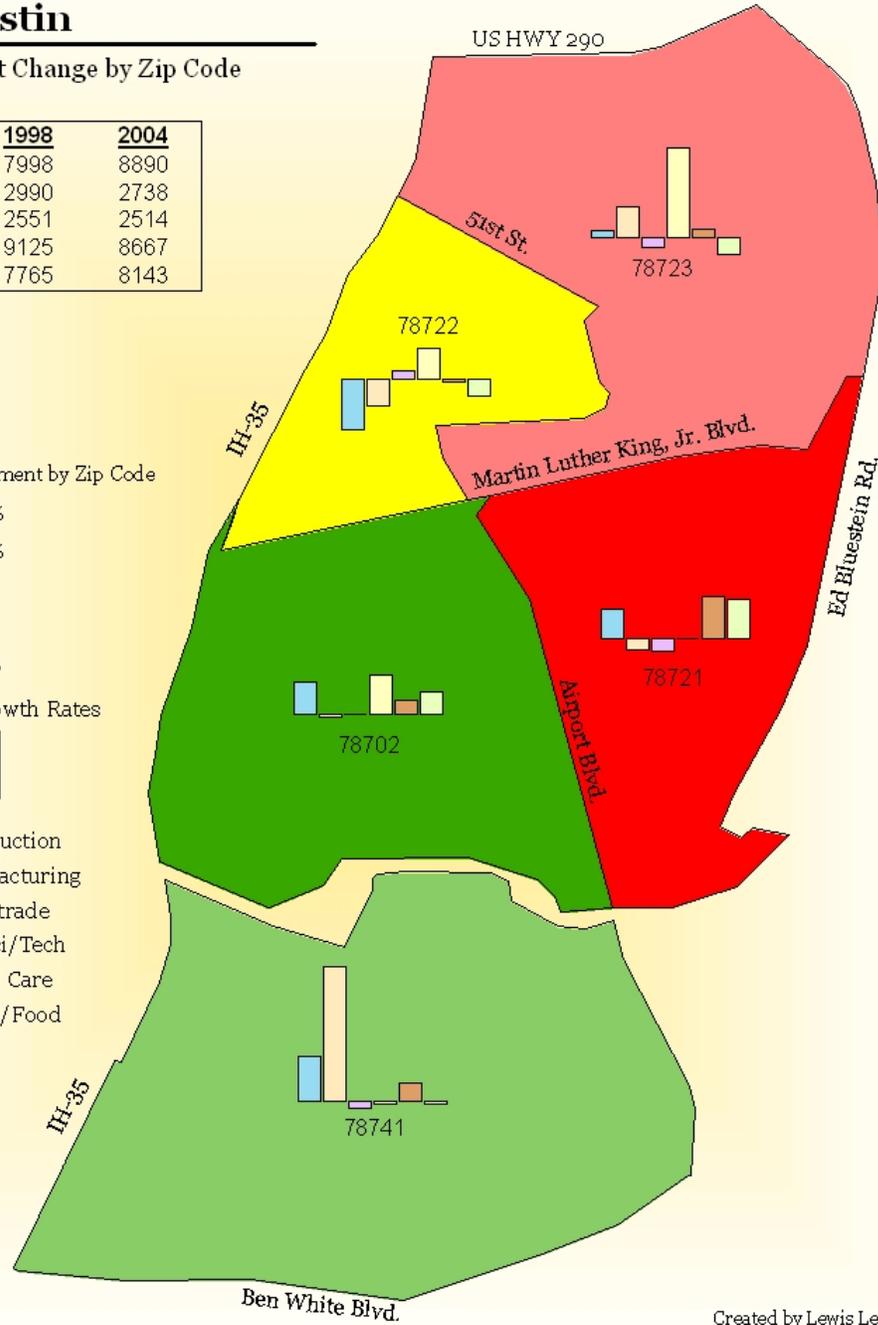
Total Employment by Zip Code

- -8.43%
- -5.02%
- -1.45%
- 4.87%
- 11.39%

Industry Growth Rates

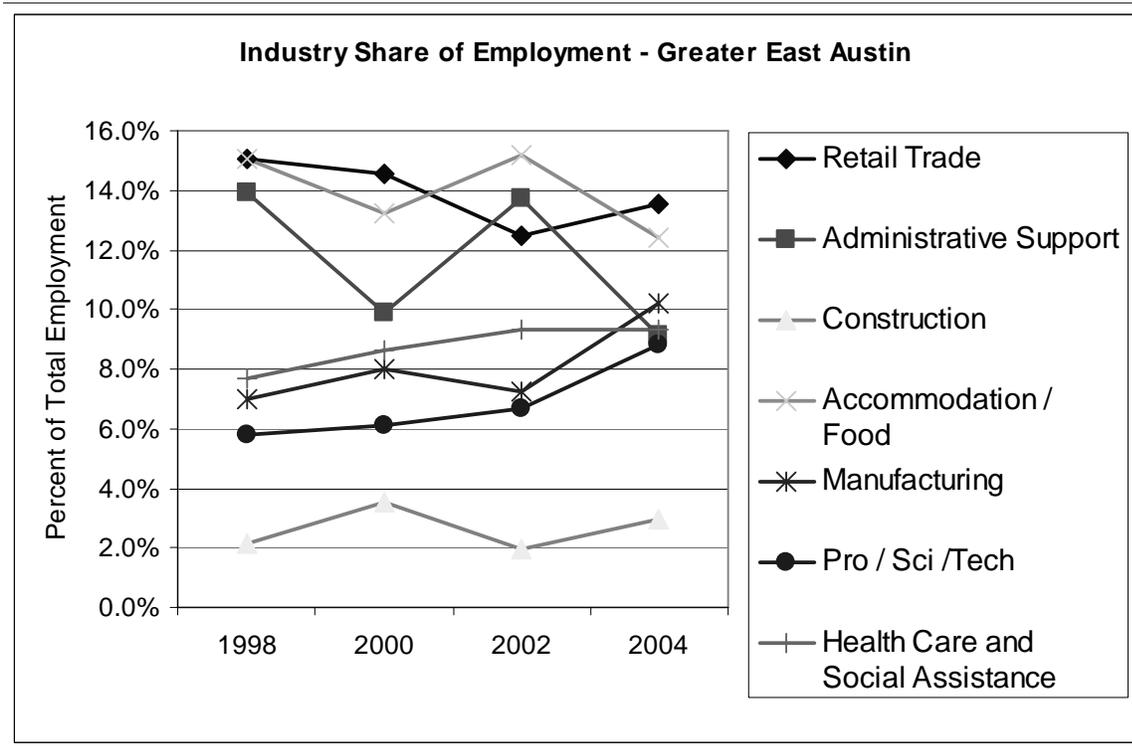


- Construction
- Manufacturing
- Retail trade
- Pro/Sci/Tech
- Health Care
- Accom/Food



Created by Lewis Leff
December 2006
Source: Census ZCBP

Figure 4.6 Greater East Austin Industry Summary



Source: United States Census Bureau. County Business Patterns. Online. (Accessed: December 6, 2006. <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>)

While Travis County grew by 8 percent from 1998 to 2004, Greater East Austin (GEA) lost 1 percent of its employment, ending the study period with an estimated 22,061 employees. The number of firms in the area, however, grew by just under 1.5 percent.

Most of the employment decline was in the area's four largest sectors: wholesale trade, retail trade; administrative and support and waste management and remediation; and accommodation and food services. Wholesale trade employment declined by more than 105 percent for all of Greater East Austin. The bulk of this decline occurred in the 78741 ZIP code. Retail trade had only modest increases in the 78722 ZIP code. Accommodation and food services grew in 78721, but declined more than 30 percent in northern East Austin. The decline in employment in these three sectors had a profoundly negative impact on the local economy.

In addition, one of the most historically significant sectors in building GEA's economy, manufacturing, does not seem poised for future growth. Manufacturing activity is heavily concentrated in the two ZIP codes south of MLK, and it is only growing in the 78741 ZIP code south of the river.

As the largest sector in GEA's economy over the seven-year period, retail trade has been an important factor in overall employment change. There also appears to be dispersed location of its employment among the ZIP codes. While retail trade is the largest sector in 78722, it is only a

small share of employment south of MLK. The 78721 ZIP code has also seen declining gross sales in the retail trade sector, falling by 53 percent from 1998 to 2004.

This analysis does yield a few positive sectors for future focus. As property values continue to rise due to GEA's access to downtown and new public investment, one could expect construction employment to continue to grow. Recently, GEA has seen employment increases in construction in every ZIP code except 78722. Mirroring the region's strong growth in the professional, scientific, and technical services sector, it has been a fast-growing sector in northern and eastern GEA, and has maintained steady levels south of the river. GEA is in a good position to benefit from regional growth in the future.

The largest sector with stable growth prospects for GEA is health care and social assistance. In the 78722 ZIP code, health care and social services is the second largest employment sector and will likely explode when the new hospital opens in this area. Meanwhile, the sector also experienced strong growth south of MLK, but remained small in terms of total employment, with the health sector accounting for only 9 percent of 78741's employment and 6 percent of 78721's employment. While exhibiting consistent growth across East Austin, this sector also requires further investigation. If the elderly population continues to decline as a percentage of the population in the area, future demand for elderly health care could decline. However, with the development of a specialized service in and around the new hospital, there is ample room for future growth.

Forces of Change

The historical legacy of public policies lingers in the economy of East Austin. As East Austin maintains regional concentrations of employment in manufacturing, wholesale trade, and transportation and warehousing, the legacy of the 1928 Master Plan still affects the East Austin economy. Unfortunately, these are not sectors poised for future growth. Given the impact of segregation on establishing East Austin as a center for entertainment and nightlife, it is possible that many historic restaurants, bars, and food service companies will grow with East Austin's future and maintain a specialization in the concentrated accommodation and food services sector. Thus, this is one sector where East Austin's history may complement the future growth of Austin, but it is important to note that this sector consists mainly of low-wage jobs.

Despite the significance of its history, advances in technology, professional services, and health care will change the future of East Austin. With the advance of technology, professional, scientific, and technical services compose an increasingly large share of employment across the nation. In the city of Austin and across East Austin, the professional, scientific, and technical services sector has exhibited strong and consistent growth over time. For various reasons, market forces have stimulated a booming housing market across the nation. As a result, the construction industry has seen significant growth nationally and in East Austin (see Chapter 3 for a detailed look at changes in the East Austin housing market). As property values continue to rise, and large-scale residential developments continue to migrate toward East Austin, it is reasonable to expect continued growth in the construction industry for the next few years. Finally, with the aging baby-boomer population and advances in medical technology, the health care and social services sector is a modern force in the national economy. As more people move into East Austin

and the medical center opens, this sector should be a positive and enduring force in the local economy. With a specialization in this sector, GEA could indeed market health care services to demand originating outside the area and increase employment in related industries that serve this sector.

Conclusion

Austin has a remarkably resilient and growing economy. As new, large residential developments have appeared, CEA is now growing even faster than Austin. Unfortunately, GEA has not benefited from the economic growth experienced by the metropolitan region. The sectors in which it specializes are generally declining in the greater Austin area, as well as across the nation, although the construction of Highway 130 may attract new businesses.

Diversity

The advancement of the technology, health care and professional services sectors has diversified East Austin's economy. The researchers expect these new industries to grow as a percentage of East Austin's employment. With a more diverse economy, East Austin should expect stable growth in population and reduced risk of another steep population drop as seen in the late 1980s. Public policies and transportation investment should continue to spur property development and economic growth, resulting in population growth. This should lead to increased residential and commercial density. Increasing density should lead to increased property values, particularly in CEA. Rising commercial property values are one indicator of a robust economy, signaling a positive outlook for CEA's economic future.

Given the sectoral diversity and pockets of concentrated economic activity across East Austin, it is difficult to define the region as a whole. Rather, East Austin could be considered as the sum of many distinct parts. Although East Austin has specializations in some industries compared with Austin, those concentrations cluster in small and distinct areas of East Austin. No sectors predominate the entire expanse of East Austin. Rather than an overall sectoral shift, industries appear to be reorganizing, or relocating into certain areas. In the future, these distinct areas will play a larger role in affecting the growth of the overall economy, and different areas will play a role in affecting the sectoral composition of the economy. Further research should investigate whether an area's concentration of economic activity can provide economies of scale for the sector. If an area has a concentration of firms or employment within one sector, it is possible that additional firms will then locate into the area to leverage economies of scale and lower production costs.

Value

The question remains whether today's modernizing forces will continue to shape an economy that is significantly different from the one created by East Austin's traditional businesses. Austin has experienced a shift from agriculture to industry, and, more recently, a diversification from industrial uses to a more service-based economy. Will increasing property values and changes in demand for various services force a continued shift away from traditional sectors that have been so prominent in East Austin?

It is possible that property values have played a critical role in the steep decline of wholesale trade activity across the expanse of East Austin. Yet, with increases in manufacturing, and concentrated transportation and warehousing activity, it is evident that land-intensive industries still exist in certain areas of East Austin. Increasing property values also explain the growth in construction across East Austin. At this critical moment, new macroeconomic forces have already created shifts in employment toward professional services and health care.

The researchers witness a relationship between an increase in land values and diversity of economic sectors. These increasing values probably explain a reorganization of industries across East Austin. As land values and the diversity of sectors increase, the researchers expect increases in commercial density, particularly in Central East Austin. As land-intensive industries relocate and prices rise, density will increase, which should stimulate further sector changes toward population-based industries like retail, health care, and possibly accommodation and food services. Given 78702's proximity to downtown, the researchers expect continued growth in the professional, scientific, and technical services sector. With dense residential development planned within downtown, 78702 should continue to increase in both commercial and residential land value.

Chapter 5. Community Change and its Consequences

It is difficult to generalize about East Austin as a whole. There is great diversity between neighborhoods, with some seeing great degrees of change while others remain largely unchanged by recent events. However, it is likely that the changes that are occurring in some sections will, in time, become more widespread if basic market forces are left unchecked.

Qualifying the challenge of representing East Austin as an aggregate unit, it is clear that there is dramatic change occurring in some neighborhoods, and on the horizon for others. Through the lens of community definition introduced earlier, it is clear East Austin has changed and is continuing to change and assume characteristics similar to Austin as a whole. How are these observed changes in demographics, housing, and economics affecting East Austin?

The People Who Live in East Austin

The resident population of East Austin is certainly changing. While the age distribution within Central East Austin varies from one neighborhood to the next, overall the 29 and under age group has increased while the oldest demographic category has decreased. In addition, the number of non-family households has also decreased. The number of younger, single individuals without children is increasing more rapidly than older residents and families overall; however, some neighborhoods are experiencing exactly the opposite. The least-expensive neighborhoods are seeing an increase in family households. This could indicate families are seeking affordability as it becomes scarcer; the poor are not being displaced so much as concentrated.

The median income is rising, suggesting that the numbers of lower-income and less-educated residents are increasing at a slower rate than the number of more affluent individuals. Educational attainment is increasing, while the number of high school dropouts is declining. This shift coincides with a decreasing African-American population, a rapidly growing Hispanic population, and a modestly increasing white population. After segregation policies ended, the concentration of African Americans has dwindled as some who could afford to move have dispersed across the region for better schools and more opportunities. These changes in East Austin are significant considering the area's historical separation from the prosperity that has developed across the city. A lower-income population with historically less opportunity is transforming into a more affluent population with higher income levels.

Shifts in the economy accompany shifts in the workforce; jobs requiring more education are increasing and demand for unskilled labor, for the most part, is declining. Many of the sectors identified as most promising—health care and social assistance, administrative and support services, and professional, scientific, and technical services—require more education than declining sectors such as manufacturing. Residents with the wherewithal to take advantage of this shift are prospering, while other demographic groups are finding the economic changes to be a growing burden.

Overall, many of the changes in the residential composition of East Austin are creating a population that seems to reflect the rest of the city; the starkly contrasting lines delineating the

east side are blurring to accommodate and integrate the historically depressed area into the city as a whole. The caveat to this is the declining numbers of African Americans in both absolute numbers and as a percentage of the population in East Austin. African Americans appear to be dispersing throughout the city.

Land Uses in East Austin

Land values in certain sections of East Austin are increasing rapidly. The traditionally low-priced property values east of I-35 are aligning with property values across the rest of the city. There is significant building activity in the area. New housing developments are selling at high market rate prices. Property taxes are increasing and East Austin homeowners are struggling to keep pace. These trends are affecting the nature of residents able to afford to live in East Austin.

In addition, commercial land values are changing the makeup of businesses in East Austin. Businesses that require larger tracts of land are finding it less economically feasible to remain, and are either moving to lower-priced properties or simply closing up shop. This change in value is affecting land use in East Austin; much of the original industrial zoning has been repealed, and once the currently grandfathered businesses leave, the new landowner may be more restricted in the types of businesses allowed. The business climate is bound to change as land values continue to rise.

Greater density is one effect of rising land values, and mixed-use development is sprouting throughout the most immediate locales to downtown. If population continues to increase, and non-family households decrease, then more densely constructed development must be occurring. Infill development, new single-family residential construction, and rehabilitation of previously unoccupied homes are creating more density every day.

In addition, greater density is occurring with greater concentration of poverty. As fewer properties become affordable, lower-income residents may be forced to move to less expensive neighborhoods or share space with more people, splitting the rising costs with more income earners. The Montopolis area south of Town Lake is evidence of this, as it is the only outlier in the otherwise improving poverty outlook of East Austin, and population is increasing as well. This type of density will be found more frequently as prices continue to rise.

With mixed-use developments and less land-intensive industries moving in, and a more educated workforce at hand, diversity of land use is increasing as well. Not only are diverse zoning changes occurring with the vertical mixed-use and work-live projects, but businesses selling similar wares are diversifying to meet varying demands. With changing demographics, there will surely be retailers and other consumer services catering to different populations but selling similar products.

Forces Affecting Change

There are both external and internal forces contributing to these changes. Many of these changes can be traced back to external, market-driven forces from the surrounding region, as well as internal efforts from East Austin residents themselves, making some of them subject to the adverse consequences of their own success.

In a two-year visioning process incorporating extensive input from the five-county region, Envision Central Texas concluded that Central Texas is a burgeoning, affluent city population that is tired of sprawl, expensive and time-intensive traffic congestion, and the environmental effects of this type of development.^{lxviii} Residents are looking for cost-effective alternatives to the suburbs, creating a market for infill development. Because of the lack of affordability across the rest of the central city, housing in East Austin has become increasingly attractive.

Internally, concerned East Austin residents who have been battling for decades the stigma attached to East Austin have finally begun to change perceptions, which, in turn, have made the area more attractive to the very people now bidding their neighbors out of their homes. Many proponents of equity in East Austin have convinced the City of Austin to make changes that have consequently increased land values and desirability east of I-35. Examples include the extraction of the tank farms and the planned decommissioning of the Holly Power Plant, as well as improved infrastructure along corridors, which is increasing the attractiveness of neighborhoods. The tireless advocates for East Austin are now experiencing many unintended consequences of their own efforts.

In addition, public policy efforts to make downtown Austin more livable and attractive, as well as infrastructural improvements, have led to an influx of affluent residents to Central Austin. Just as public policies of the past helped shape East Austin's demographics, economy, and housing market, they are continuing to cause changes. Developers are unwilling to invest in underdeveloped neighborhoods, so the city's new attention to the east side has encouraged the high-end growth becoming more common.

While changes are evident through the observations made in this report, there remains the real concern for us yet to address. What are the long-term implications of these changes?

Positive Effects

Positive effects of these changes include: home and land owners in East Austin reaping benefits from rising land values; a population that better reflects the city as a whole and is easier to assimilate into the regional community and economy; alternative residential opportunities for those wanting to live downtown but unable to afford high downtown housing costs; and denser development and more effective land use enabling the city to increase tax revenues and, in return, deliver more services.

Negative Effects

Negative effects of these changes include: renters and fixed-income homeowners are finding an increasing housing burden, possibly leading to displacement; constituencies that once claimed East Austin as their own are having trouble maintaining the former sense of community, while the unique nature of many neighborhoods is being washed out; and land-intensive business ventures that benefited from the lower land values are finding success harder to attain as land prices increase.

Why Should We Care?

As a true cultural asset, East Austin presents a unique, valuable opportunity to the region that may be missed if not specifically addressed. The American neighborhood not comprised of homogeneous residents that all look, act, and think in similar ways is a rare and precious discovery. Sections of East Austin, as they change from homogeneous communities of one kind to something else, afford us the distinct opportunity to create the mixed-income, racially diverse community from which tolerance and understanding is bred, and hopefully the chance to benefit the entire region as a whole. If we do not act soon, this opportunity will escape us, and we will simply have more of the same.

Part II: Businesses and Community Change in East Austin

Chapter 6. Patterns Across Industries

“Smith Enterprise” has operated a landscaping business in Central East Austin for almost 30 years. The owner bought the land long before increases in commercial property value made it difficult for neighboring businesses to purchase land. The owner does not worry about increased property taxes so much as the lack of improvement in city services. Despite increased tax payments, there has been little change in the quality of roads, lighting, or police patrol. Certainly, East Austin has changed, but the changes have not greatly affected Smith Enterprise. The landscape services firm primarily serves clients outside of East Austin.

“La Mariposa” recently opened on one of the major corridors in East Austin, a site chosen for its proximity to downtown and high traffic. About to celebrate its second anniversary, La Mariposa is doing well. The busiest time of day is around noon, when the restaurant caters to the downtown lunch crowd. Fewer patrons come for dinner, but the owner is excited about the changes she sees around her. The city has undertaken a major street renovation project, and although the construction makes it difficult for customers to reach her, she hopes the aesthetic improvements will make La Mariposa more appealing. She has also benefited from a diversifying clientele—more young professionals with more disposable income. The challenge for La Mariposa is to retain its character and clientele while attracting new customers.

“Eastside Credit Union” has been a fixture in East Austin for years, providing banking services to primarily low-income East Austin residents. Only three establishments offer traditional banking in the neighborhood, making the credit union an important community asset. Over the years, Eastside has benefited from its proximity to its customers—people seem to prefer to bank close to home. The manager observes East Austin changing and some of the credit union’s longtime, low-income customers threatened by displacement. To survive this change, Eastside has adjusted its marketing. Remaining true to its mission to serve low-income residents, Eastside has nevertheless benefited from local redevelopment efforts and changes in population demographics.

Smith Enterprise, La Mariposa, and Eastside Credit Union are composites of real firms. Their stories, which emerged from dozens of interviews with East Austin businesses, demonstrate common themes that will shape the future of business in East Austin: tenancy, changes in local employee and customer bases, location, and owner attitudes. With the exception of a few industries, firms that embrace change are likely to remain viable, while those that resist change face increasingly unfavorable odds.

To understand a local economy, one must evaluate change at both the aggregate and individual business level. A macro-level picture emerges from examining changes in employment size and industry share, as well as changes in the number of establishments in each industry. To understand individual business characteristics, one can examine quantitative data (number of employees, wages, total sales) or qualitative data (attitudes toward growth, plans for the future, obstacles to overcome).

This study complements Part I by examining quantitative and qualitative data at the level of individual businesses to assess how Central East Austin businesses are adapting to change. This chapter briefly recaps the findings of Part I and examines recent structural changes to the local economy. Following a section on research methodology, the major themes and observations that emerged from interviews with East Austin businesses are discussed. These themes are divided into (1) tenancy, (2) workforce characteristics, (3) location, and (4) client base. Chapter 7 analyzes business corridors in East Austin and Appendix 3 includes reports on specific industries (e.g., manufacturing, retail, accommodation and food service).

Community Change

East Austin is changing. Part I showed increases in residential and commercial property values and a diversifying economy. Change is not occurring uniformly across East Austin. While many neighborhoods are becoming more diverse with respect to age, race, educational attainment, and income, a few neighborhoods are becoming increasingly homogeneous. As a result of these changes, the East Austin population is becoming whiter, younger, wealthier, and more highly educated. Economically, the overall industrial structure of East Austin is diversifying, but that change is occurring in pockets.

The changes in East Austin are resulting in opportunities and threats for local businesses. Across the business landscape, business owners and service providers can benefit from a growing population with higher incomes. Commercial property values are rising because East Austin is becoming a more desirable place to conduct business. Yet despite this demand, Central East Austin property is relatively inexpensive compared with the downtown business district. Due to Central East Austin's proximity to both downtown and I-35, businesses enjoy the benefits of a downtown location without paying downtown rates. Higher property values indicate rising demand for East Austin property. This demand, while a sign of a robust economy, signals an increasingly competitive business environment. If local businesses cannot capitalize on the opportunities change brings, another business may move in that can.

Economic Change

As discussed in Part I, the economic structure of East Austin is becoming increasingly diverse (see Chapter 4). Simply put, some industries are expanding, while others, in a comparative sense, are declining. Traditional, land-intensive East Austin businesses appear to be on a downward trend. The wholesale trade sector, for example, experienced a substantial decline between 1998 and 2004, while the transportation and warehousing sector remained relatively stable (see Table 4.1). Manufacturing would have lost employment had it not been for the entry of a large manufacturing firm in 2004. Rising property values may have contributed to the declining economic activity of traditional, land-intensive industries.

As land-intensive industries relocate and land values rise, business development will likely become denser. Public investment, such as the transportation-oriented developments planned for East Austin, should further spur property development and economic growth, resulting in increased population density. Increased population density will stimulate further sector changes toward population-based industries such as retail, health care, and food service. Businesses in the professional, scientific, and technical services industry will look to East Austin as an attractive

and affordable alternative to downtown. Given the continued growth of the Central Texas construction industry, local construction firms should continue to grow. Overall, rising commercial property values are an indicator of a robust economy, suggesting a positive outlook for the future of businesses in East Austin.

Aggregate economic data provide a valuable, albeit limited, understanding of the East Austin economy. The data reflect changes that have occurred recently in the economic structure of East Austin. By analyzing trends, a story emerges about the types of industries that are growing and declining, and the relative size of those changes. However, the data reveal little about what is happening at the individual business level. To understand this story, the researchers interviewed business owners.

Research Methodology

Part II of this study assesses business owners' attitudes toward change in East Austin in the context of the macro-level findings presented in Part I. The research team debated the best way to study East Austin businesses. The team could focus on business corridors—where retail and service-oriented firms tend to cluster—to study the effects of population increase. This approach would offer insights into the effect of higher traffic on business growth, but it would not adequately capture businesses that do not cluster along corridors (artist studios, construction companies). Studying corridors would paint an illuminating picture, but not a complete one. On the other hand, the team could group businesses based on their North American Industry Classification System (NAICS) coding. This system, used in Chapter 4, would allow the research team to study businesses as grouped by their industry classification. A study of industries would highlight changes within a particular economic sector (health care firms, financial institutions), but would not account for the influence of location on economic growth.

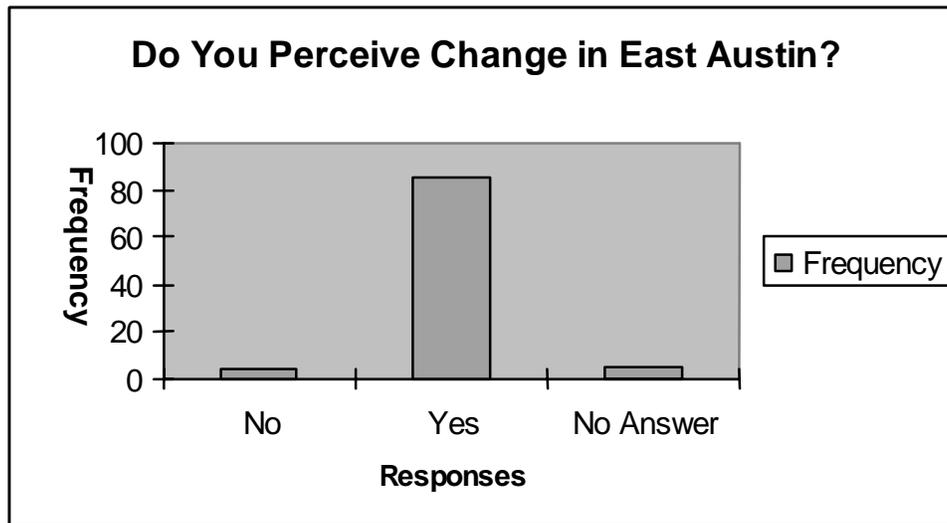
Given these two options, the researchers selected both. By employing a mixed-methods approach, the team could interview firms on and off the corridors, allowing it to evaluate the changes in East Austin as they applied to economic growth within industries and the importance of location. Ten industries were selected for their importance to the Central East Austin economy. The team created a two-page survey instrument designed to elicit both quantitative and qualitative responses. On the first page, business owners were asked questions about their business operations that could be converted into numerical data. On the second page, respondents were asked to answer open-ended questions about their perceptions and opinions. To collect uniform data that could be aggregated for analysis, the same questions were asked of all respondents.

The information and opinions used to compile the findings in Part II are based on a series of 92 interviews conducted with Central East Austin business owners in February and March of 2007. Each member of the research team used the same sampling method to randomly generate a list of target firms. The team began with a comprehensive master file of more than 700 businesses in the 78702 ZIP code compiled by the Capital Area Council of Governments (CAPCOG). The researchers disaggregated the file into separate categories based on industry and corridor. Once lists were generated for each category, individual researchers selected firms that corresponded to randomly generated numbers.^{lxix} Each researcher generated a list of targeted firms.

Unfortunately, the researchers discovered that some of their targeted businesses had closed or relocated after the CAPCOG master list was compiled in 2005. Between outdated information and business owners unwilling or unable to meet with team members, several researchers were unable to reach their initial goal of six to eight completed interviews. In those cases, researchers conducted unannounced “walk-ins” to find businesses willing to complete the survey. When a researcher completed an interview, he or she shared the results with other students. A student interviewing a restaurant, for example, might share that data with a student from the corridor group (because the restaurant was located on a major throughway) and another student focusing on manufacturing (because the restaurant doubles as a bakery).

Respondents overwhelmingly reported they perceive that change is taking place in Central East Austin (see Figure 6.1). But in contrast to the mostly uniform belief that change had occurred, the interviews reflected a wide range of opinions on the nature of that change. Some merchants lamented that runaway economic growth was too far advanced and therefore anticipated negative consequences for their business. Others did not believe that Central East Austin had really changed that much. Still others expressed opinions somewhere in the middle.

Figure 6.1: Perception of Change in Central East Austin



These findings reinforced the researchers' choice of a mixed-methods approach because the interviews provided a richer context for understanding the aggregate data. But the researchers then faced the difficult task of defining change based on the disparate perceptions. Comparing the expressed opinions of interviewees with the quantitative data yielded some interesting and sometimes incongruent results. To give one example, 64 percent of respondents stated that their business has been increasing recently. Only 11 percent said that business had been declining. Basing the results solely on that quantitative data, one would assume the majority of owners were quite satisfied with market changes affecting Central East Austin. Yet many business owners voiced opinions that were far from enthusiastic.

Ultimately, the research team's task became one of investigation, organization, and objective analysis. The results of both the qualitative and quantitative data are important, and both have been reflected in the study. For the sake of simplicity, the studies will focus on key themes and current issues affecting the corresponding industries and corridors.

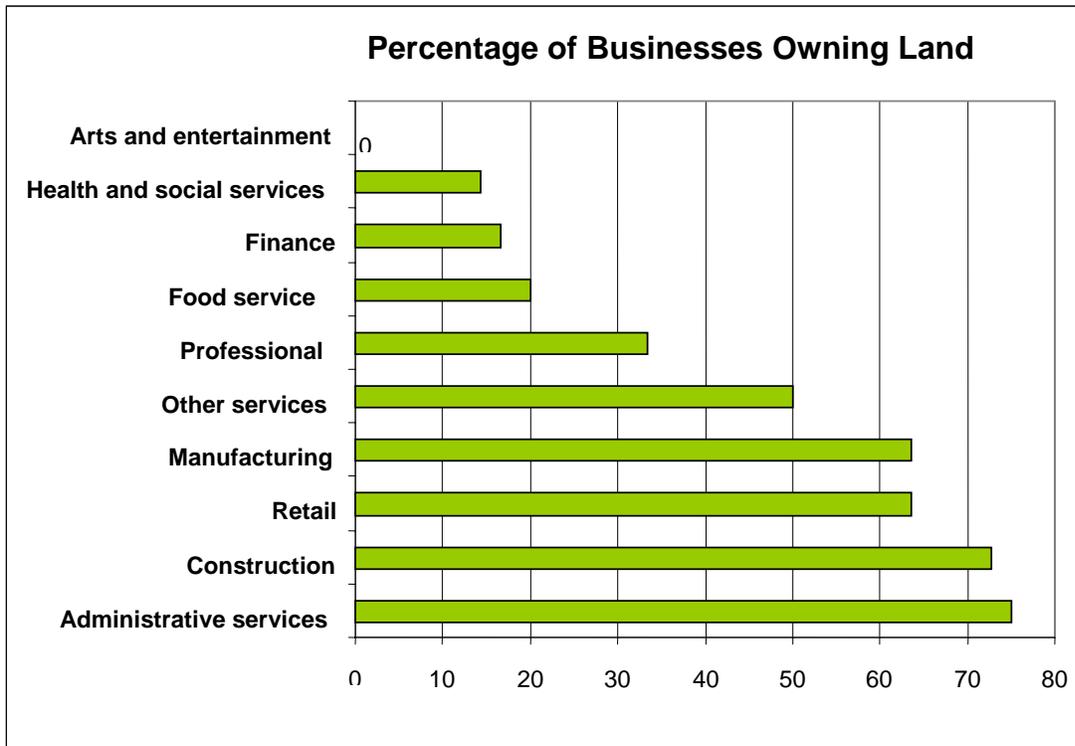
Themes from Industry Interviews

East Austin business owners overwhelmingly perceive neighborhood change. From a public policy perspective, the City of Austin has attempted to manage and direct area growth through its SMART Growth initiative. A prime example of New Urbanism, SMART Growth aims to restore community and vitality by advocating patterns for newly developing areas and promoting mixed-use developments.^{lxx} The city feared that, left to market forces alone, economic growth in East Austin could jeopardize the area's unique character. The opinions of the business owners surveyed often respond to both of these forces: market growth and city policies meant to control it.^{lxxi} The survey results, grouped into four themes, speak to the effect of these opposing forces.

The Great Tenancy Divide

In each of the industries studied, except arts and entertainment, there was a mix of interviewees who own their property and those who rent or lease it.

Figure 6.2: Property Ownership by Industry



Of all interviews conducted, 47 percent of businesses owned their property, meaning a majority rent or lease. Tenancy is a particularly important concern for East Austin business owners because even small increases in property taxes or rent mean significant adjustments in overhead costs. Those adjustments can have serious effects on profit margin. For owners, especially those who have been in business for several years, drastic increases in the real estate market have had less impact on them than on firms that lease.

In the retail industry, the majority of interviewed businesses own their property. Consequently, they were not terribly concerned about rising property costs. In many retail firms, the owners are siblings or husband-and-wife teams who have inherited the business and own multiple locations across town. Owning the business provides merchants flexibility to react to market needs. In the health services sector, for example, only one respondent—a childcare center—owned its property. Property ownership allowed the business to adapt to market demand. Recognizing the growing need for childcare services, the owner started a nonprofit organization west of I-35.

In contrast to owners, merchants who rent or lease often fear market displacement and are concerned about changes occurring in East Austin. A primary example is evident in the arts and entertainment industry. All of the artists interviewed rent their space. While many have good relationships with their landlords and have garnered fair rental contracts, most believe that property values have increased too drastically to consider buying East Austin studio space. Despite this concern, the local artists declared that they will continue to rent in East Austin because it is still less expensive than in other parts of the city. Studio space is currently affordable, but if land values continue to rise, the artists may need to relocate. East Austin is known for its strong arts community and many of the artists are embedded in the local community. Displacement of this group would deprive East Austin of one of its most unique and recognizable cultural assets.

Firms in the professional, scientific, and technical services industry have low rates of ownership but do not consider owning or leasing to affect their longevity in East Austin. Of the businesses interviewed, most own or lease their property, and two had received donated office space from the City of Austin. Those interviewed also seemed unfazed about their ability to remain in East Austin despite rising property taxes.

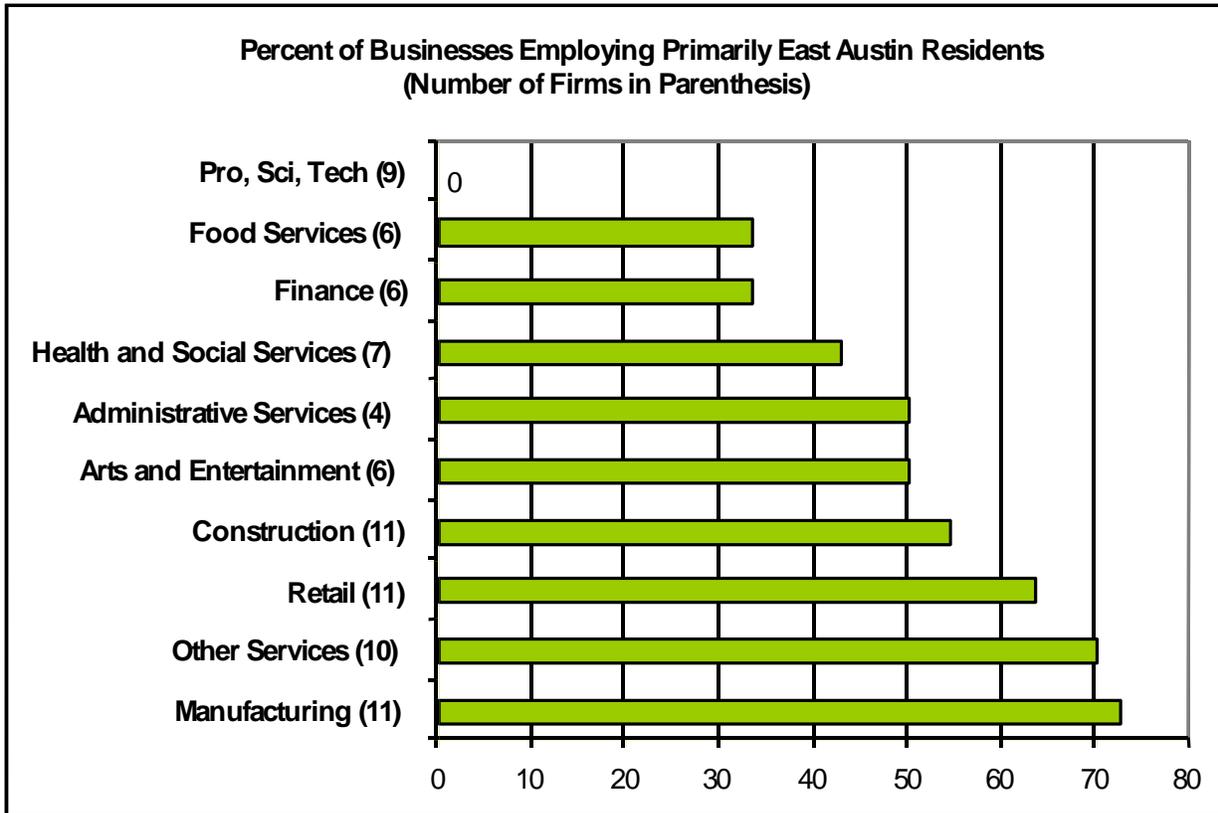
Workforce Characteristics

One measure of a firm's importance to the surrounding community is the number of local people it employs. Businesses able to employ local residents serve as a community good and can adapt to the skill set offered by its neighboring residents. In the case of East Austin, several industries have capitalized on the workforce available in adjoining neighborhoods. Typically hiring low-skill workers, industries such as manufacturing and retail have relied heavily on the available East Austin labor force. However, as more young professionals move into the area, and the economic structure continues shifting toward industries that demand a more educated workforce, many longtime residents may be forced to either seek employment far from home or develop new skills.

Most East Austin businesses are small. Approximately 70 percent of interviewees reported employing a workforce of fewer than ten people. Only 10 percent employed more than 20

people. Given the small size of most East Austin businesses, it is helpful to analyze employment numbers at the industry level. Like manufacturing and retail firms, businesses in administrative and support services and construction tend to employ East Austin residents. In fact, slightly more than half of all businesses interviewed (53 percent) stated that most of their employees lived in the surrounding area (See Figure 6.3).

Figure 6.3: Businesses Employing East Austin Residents



While the majority of workers live nearby, many respondents speculated that higher rents will displace employees who live in the neighborhood. The health services study describes the severity of the situation (see Appendix 3). Several health care employers reported that their employees are primarily East Austin residents. However, employees are finding it more difficult to live close to work. Most of the nonprofit organizations reported that some of their employees had resorted to commuting long distances. The interviewees fear that these commutes, in combination with low salaries associated with nonprofit work, would make it harder to attract and retain employees.

The professional, scientific, and technical services industry again provides a distinctly different experience. The level of interaction between these businesses and local residents is minimal and few of the employees live on the east side. Some perceive this disconnect as a major issue facing East Austin residents: they must gain the skills needed to be competitive for jobs in these firms.

In 2004, the Greater Austin Chamber of Commerce announced a five-year plan to diversify the Austin economy.^{lxxii} The city adopted the plan to insulate itself from an economic slump. While the chamber sought to lure companies from all across the country, nearly all of the targeted firms were professional or high-tech, which means the demand for educated, skilled labor is unlikely to diminish. Businesses in the finance sector, another industry demanding a relatively skilled labor force, do not generally employ high percentages of East Austin residents. Only two out of six businesses, both insurance companies, reported having a primarily East Austin workforce.

Half of the construction companies interviewed indicated that they hire primarily East Austin residents. This category includes a broad range of firm types: three longtime businesses, two community development corporations, and one more recently established business. Of those construction firms that do not hire mostly East Austin residents, two are recently established firms and two are specialty trade firms. The specialty trade firm respondents explained that they cannot find the skilled workforce they need from the community because most skilled trade workers either cannot afford or do not choose to live in East Austin. Indeed, many live in smaller communities outside of Austin. To bolster the available workforce, the trade union administers an apprenticeship program serving local youth.

The diversification of the East Austin population is altering the composition of the local workforce. This shift will have a significant impact on firms that have historically employed primarily East Austin residents. At the same time, as the population becomes younger and more highly educated, industries requiring relatively higher skilled labor may begin employing more East Austin residents.

The Importance of Location

Many businesses interviewed have long histories in Central East Austin. Almost 62 percent have been in business at their current location for at least 10 years. Doubtless their choice of location has contributed to their success. Several industries interviewed—including retail, food service, professional services, and finance—attributed their longevity in East Austin to their specific site. In particular, they celebrated their attachment to high-traffic corridors. These businesses are closely tied to population growth: more residents means more exposure. The 11th Street corridor, for example, is an ideal business zone for such firms, spanning roughly four blocks. Directly

across I-35 from professional and government offices, the corridor entices hungry office workers and interested clients alike. Despite increasing rental prices, businesses continue to open on 11th Street because they associate financial growth with their location on the corridor. Higher rent is offset by the boost location contributes to each firm's overall worth.

But location on a corridor is not a pertinent concern for all industries. Studio artists, located farther from I-35, prefer their site because its distance from downtown allows them to rent larger spaces for lower prices. Performing arts groups tend to locate wherever they can afford space. Paying more for a 7th Street studio would surely garner an artist better exposure, but the financial gain from such a location would not necessarily outweigh the higher rent. Those artists who have their own studios tend to come upon them by a stroke of luck. This disinterest in particular locations stems from the fact that none of the Arts and Entertainment businesses interviewed is dependant on local demand. Most have cultivated a citywide customer base, with some even commissioned by patrons in other cities.

Other businesses do not necessarily target corridors but enjoy the competitive advantages that result from being close to the Central Business District. For construction firms, the decision was typically based on property costs and the ease of accessibility to downtown or the airport. Health care firms also benefit from a central location. Most of the nonprofit organizations surveyed chose the convenience of Central East Austin to simultaneously serve the local at-risk population and individuals throughout Central Texas. A number of physicians located in Central East Austin choose to treat minority patients of their own ethnicity.

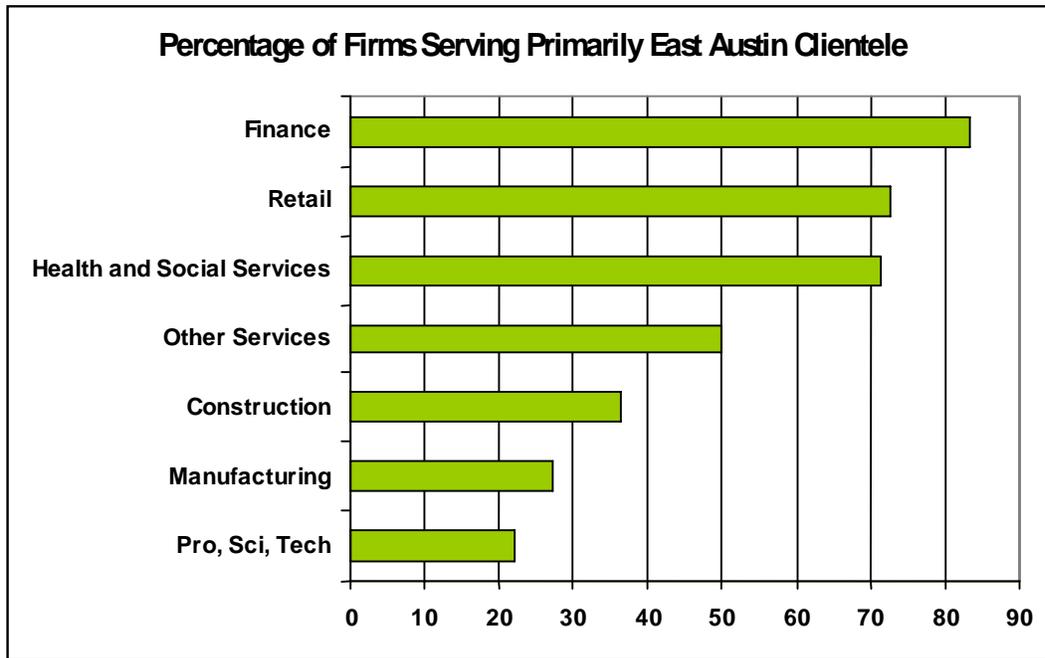
For a few firms, such as the beauty shops and automotive firms categorized as "other services," location is not a pertinent business choice.^{lxxiii} The same was found for administrative and support services firms. In general, their client base is not dependent on a major corridor location. The firms offer mostly on-site services, such as landscaping and janitorial services, so they can avoid the financial burden of owning or renting property along busy thoroughways. Instead, the businesses rely on existing clients, referrals, and government contracts.

Welcoming a Diverse Client Base

While serving local employment needs is one way to evaluate a business' benefit to its community, evaluating the firm's client base allows one to assess its appeal to the community and future prospects. A growing client base suggests future growth, whereas a declining client base is cause for concern. For firms located on corridors, the increased exposure that results from being on a busy thoroughway inevitably translates into a diverse client base. Indeed, corridor respondents cited an increasingly diverse customer base from all parts of Austin. Even Martin Luther King Jr. Boulevard, which is primarily a residential corridor, is experiencing economic growth and a diversifying clientele.

Local artists also appreciate the increased exposure to their works, which is highlighted every year by the East Austin Studio Tour. The tour allows art patrons and interested neighbors an opportunity to visit more than 100 local studios. As East Austin continues to grow, organizers anticipate more participation in local art. Increased participation should translate to additional support from more affluent parts of the city.

Figure 6.4: Businesses Serving East Austin Residents by Industry



Despite this exposure, many firms still identify local residents as the foundation of their client base. On the East 7th Street corridor, the loyal customer base in older businesses has helped them withstand higher rents and increased property taxes without having to drastically increase their prices. Retail clothing stores seek to lure new residents with high disposable income. In the finance sector, all six businesses interviewed cater to East Austin residents, although their definitions of local vary. Some aim to serve established, low-income residents with few financial options. Others have recently located to Central East Austin to satisfy the needs of young, professional newcomers. As the finance industry study explains (see Appendix 3), financial institutions such as credit unions are in a unique position to bridge old and new East Austin by appealing to both constituencies. In fact, patronage extends beyond the business to neighborhood economic relationships. More than 55 percent of firms surveyed purchased services or supplies from other East Austin businesses.

Construction and manufacturing/wholesale trade firms provide unique perspectives in this arena. The newer construction firms primarily serve clients outside the East Austin area, and occasionally outside the Austin area. Many of the older businesses focus their attention on regional construction projects. In fact, only three businesses indicated that their primary clients are East Austin residents, and two of these are nonprofit neighborhood community development corporations. Manufacturers rarely have typical “storefronts,” instead shipping their products to customers across a region. An East Austin exception is Hispanic-focused manufacturing businesses that target local Hispanic customers by maintaining small retail areas that offer products to neighborhood residents.

The Economics of Urban Space

The discipline of geography offers several theories that attempt to explain the use of urban space. Among these theories, competition primarily explains why firms in a city cluster together, in most cases creating entire districts devoted solely to a particular product or industry. As a result, the urban population tends to disperse itself around these business centers based on the firms’ relative utility. Firms that attract daily use, such as retail stores, coffee shops, and restaurants, tend to lure the population into the surrounding neighborhoods. Firms with more intermittent use, such as advertising agencies, have less influence on population dispersion.

Businesses cluster for several reasons. First, they can monitor their competition simply by walking across the street. In East Austin, for example, East Cesar Chavez is home to numerous Mexican restaurants. The business owners can easily monitor customer levels and price changes, thereby gauging their own business practices by their neighbor’s success. Second, the district provides a single locale where customers can easily observe competitors. The busy intersection at East 7th Street and Pleasant Valley provides a vivid example of such a shopping area. Many of the shops have been in business for decades and offer customers a wide range of products, from flowers and tobacco to dry cleaning and jewelry. Third, businesses along a corridor realize benefits from locating near each other. Businesses may have lower supplier costs or benefit from a concentrated customer base, thereby making their products less expensive for everyone. (Economists refer to this effect as economies of agglomeration.) If a new business opens in a busy business district, the owner can maximize his or her access to goods and services and, if the area is heavily populated, draw on a larger pool of labor resources. This level of competition can

generate higher rental and property rates, but for the business owner, locating in an area with high demand could generate enough income to offset the higher rates.

Regional scientist William Alonso developed a model suggesting that a city had two major districts: a central business district occupied by businesses of various types, and surrounding, mostly residential areas.^{lxxiv} Circling the residential areas would be other rings, containing businesses that require more land and where rents are lower. Such land uses include junkyards and cemeteries. Longer East Austin corridors, such as MLK and Manor Road, support Alonso's theory. As these corridors stretch through Central East Austin toward Airport Boulevard, land-intensive firms abound, including warehouses and construction companies.

As economic growth continues in Central East Austin, areas unaffected by significant development may see increased attention from public and private investment. Compared with the level of private investment occurring in East Austin, the 12th Street and MLK corridors remain largely unaffected by recent changes. However, given the increasing business activity in East Austin, it is unlikely that these corridors will remain sheltered for long. But because the corridors are in the early stages of their inevitable development, current business owners and neighborhood citizens can take an active role in shaping how their neighborhood will evolve. Many of the business owners on East Cesar Chavez and East 7th Street regret that their influence in local decision-making seemingly decreases with each new loft development. Because redevelopment efforts along 12th Street and MLK are at such an early stage, business owners have an opportunity to participate in neighborhood change through civic participation. Market growth in East Austin means the possibility of inner city housing becoming a seedbed of wealth for Americans who have never had it. If change on 12th Street and MLK is indeed inevitable, the ability and effectiveness of businesses to engage in the process will help determine the character of future development.

Industry Projections

Industries Poised for Growth

Business owners in the construction, food, retail, manufacturing, and professional services industries report a generally positive outlook for the future. Many of the respondents anticipate moderate to rapid growth for their businesses. For the food and retail industries, that growth comes as businesses report serving a larger client base with higher disposable incomes than in the past. Construction and manufacturing firms should also benefit from local East Austin and regional population growth. East Austin has already witnessed the arrival of more private health care providers (especially in Central East Austin and the Mueller redevelopment area), marking what should be the continued growth of the health services sector. In addition, some social assistance agencies report moving east to better serve their target populations, retain employees, and take advantage of lower rent. Finally, professional, scientific, and technical services firms will likely continue to grow as both regional and national firms look to East Austin as a place that offers proximity to downtown without the burden of downtown rents. To realize the employment opportunities afforded by growth in these industries, East Austin residents must acquire and demonstrate the necessary skills.

Threatened Industries

Even for corridor businesses that have benefited from growth, the future is uncertain. Most interviewees expect to experience moderate to rapid growth. At the same time, many expect to see more businesses catering to a higher income clientele and a decline in firms such as automotive services and beauty shops.

If realized, this sector shift would mean increasingly diverse businesses. Set against this background, business owners along East Cesar Chavez and East 7th Street voiced a strong desire to maintain the Hispanic heritage of the area while adapting to a changing customer base. The 11th Street corridor seems poised to continue large-scale commercial and retail development. Significant change along 12th Street and MLK is also likely in the near future. To have a voice in the change process, neighborhood organizations, municipal interests and private developers should already be organizing around their issues.

Moving from the corridors to individual industries, businesses in arts and entertainment feel particularly embedded in the East Austin culture and believe they must grow or be displaced. Administrative and support services owners expressed some concern about increased competition. These industries do not typically employ large numbers of high-skilled workers and therefore may face an increasingly difficult time recruiting employees from a wealthier, more highly educated East Austin. Businesses involved in financial services, including banking and insurance companies, check-cashing establishments, and pawn shops, will likely have different futures. Two sub-sectors positioned to thrive as a result of changing demographics (banking and insurance companies) are mainstream financial institutions that should capitalize on the business opportunities afforded by new residents. Pawn shops and payday lenders are well represented along East Austin's corridors, but if the population shifts significantly from low-income to high-income residents, these "fringe economy" businesses may no longer have a solid customer base in the area.

In the end, industry projections rest on how well businesses adapt to change. For firms closely tied to local customers, adapting means integrating new, comparatively affluent residents into their client base. For firms that service the greater area, adapting means countering higher property values. Each business must decide if its current location is integral to economic growth. If higher property taxes and rents are offset by the higher value of conducting business in East Austin, these firms will remain and prosper. If not, they may need to relocate to pursue less expensive property or an adequately skilled labor force. The ethnic and racial diversity that has long been a hallmark of East Austin is being transformed by diversity along socioeconomic lines. Wealthier Austinites are crossing the I-35 barrier. Nimble businesses able to adapt will benefit from this transformation.

Chapter 7. Patterns across Corridors

Corridors are built on the perimeters of East Austin neighborhoods, serving as the primary arterial roadways connecting the eastern regions of the city to downtown Austin and the Interstate. At present, 51 percent of all Central East Austin businesses are located along the five principal corridors. These major streets also create boundaries around neighborhoods and types of land use, both physically and symbolically enabling and restricting human interaction and mobility within and across the places they define. For the purposes of this chapter, corridors will be considered as agents of transport. The term transport comes from the land economies literature, referring to one of three factors that determine the value of a location: distance, density, and diversity.^{lxxv} Typically, an owner gains value when the distance is short, density is high within limits, and transport cost is low.

Thus, as an empirical concept, the corridors can be differentiated in terms of distance, density, and diversity and by their primary transitory function. For example, corridors like 7th Street and MLK are throughways, connecting Austin's central business district to the periphery and the airport. These streets receive higher volumes of traffic relative to the other corridors, particularly in terms of traffic from Greater Austin. In contrast, corridors such as East Cesar Chavez and 11th Streets serve as circulators, connecting local residents to local businesses.

Historically, the East Cesar Chavez and East 7th Street corridors have been important thoroughfares for streetcars, buses, pedestrians, and automobiles. Until the early 1960s, 11th and 12th streets were home to a vibrant mix of business establishments and entertainment venues. Streets and sidewalks were crowded throughout the day with both foot and car traffic. Martin Luther King, Jr. Boulevard (MLK) stands as a traditional East Austin throughway that continues to maintain mixed commercial and residential use.

In each of the corridors, the legacy of the original residents is evident. While the demographic composition of 78702 is changing (see Part I), a visitor traveling down 11th street would likely observe the remnants of the highly visible and active African-American communities that historically occupied those spaces. Similarly, East 7th and East Cesar Chavez Streets maintain elements of their Hispanic heritage.

The following chapter explores current business attitudes along East Austin's busy throughways. In the context of urban change, corridors maintain a unique community voice when confronting and shaping city growth. Each corridor story includes examples of neighborhood organizations, municipal planning committees, and private development corporations that have to some extent influenced the direction and scope of their evolving areas. MLK presents an interesting opportunity as the future of the roadway's density and land use could be greatly altered by the creation of SH-130 east of the city. Because MLK would provide commuters with an ideal link between SH-130 and I-35, the corridor could grow rapidly in the coming years.

Historical Development of East Austin

Land use and zoning codes influence where and how communities develop. Zoning codes for most of Austin required that land used for industrial, manufacturing, and retail activity be located on separate land parcels. Historically, this zoning principle was not followed in East Austin. It has always been the location of different, or mixed, land uses, many in residential neighborhoods. Undesirable land uses have meant that, in the past, many East Austin residents have had to live in the presence of industrial activity or near hazards such as the Holly Power Plant. East Austin community groups called for improvements in their neighborhood and restrictions on undesirable land uses. The late 1990s brought renewed economic growth to Austin and, with it, repopulation east of the I-35 (see Part I).

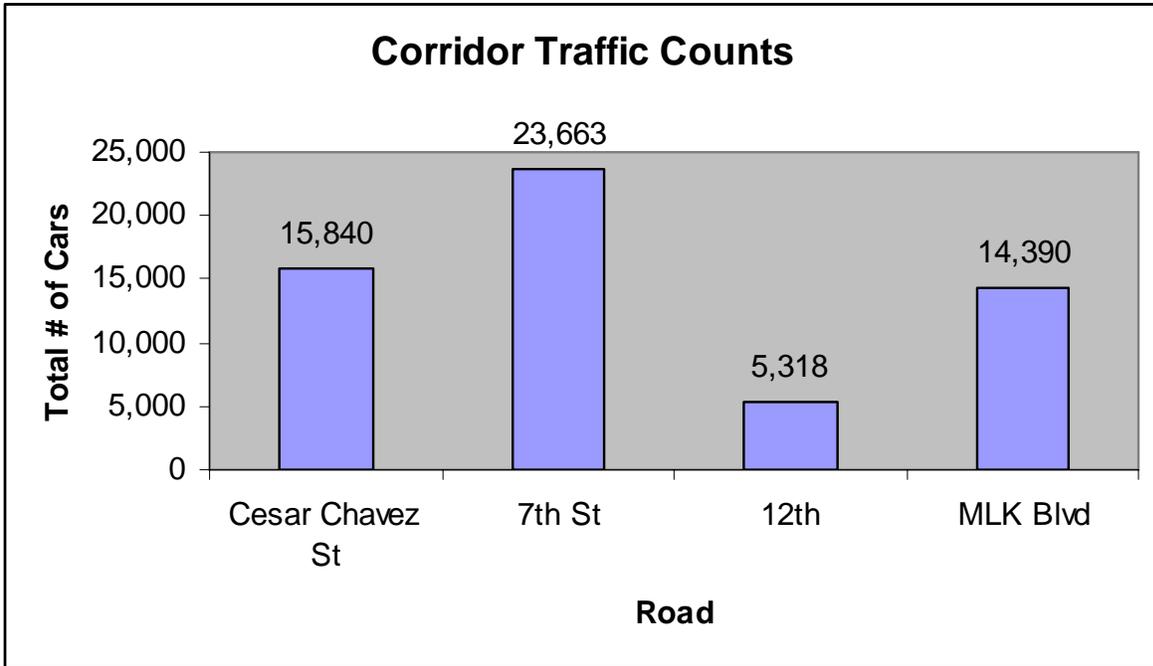
In response, the City of Austin introduced SMART Growth as an initiative to “modernize Austin's long-range plan for growth, managing and directing growth that minimized damage to the environment and helped build a more livable city.”^{lxxvi} The plan sought to dissuade further development westward, instead directing that growth east. The population was multiplying rapidly and the city needed to find space to absorb the boom. Because East Austin already had utility infrastructure and the area did not represent a geographical boundary to growth (unlike the environmentally sensitive area to the west), SMART Growth targeted the land east of I-35. Specifically, the program advocated patterns for newly developing areas that promoted a mix of land uses and a transportation system that accommodated pedestrians, bicycles, public transit, and automobiles.

Ironically, the fact that East Austin had been zoned for mixed use is now an advantage, as urban density and commercial activity in close proximity to residential areas have gained currency in urban planning. New Urbanism captures many elements that have existed in East Austin for decades.

New Urbanism

The notion of the urban corridor as a key element in municipal planning was introduced in the theories of New Urbanism. According to New Urbanism, corridors are civic creations that are meant to connect or separate neighborhoods and districts. A transportation corridor, for example, is generally modeled according to the amount and direction of traffic through a particular portion of the city. Ideally, highways with heavy traffic are built tangential to cities and industrial districts, whereas bus corridors with lighter traffic are built on the perimeters of neighborhoods. As more automobiles began to crowd the streets during the post-World War II era, city planners created collector roads meant to carry higher traffic loads. This city planning regulation intended to minimize traffic on residential streets so as not to adversely affect the neighborhood's tranquility.^{lxxvii} Traffic from residential streets fed into the collector roads, and those eventually led to major thoroughways intended for heavy traffic. These main roads then became the town's transportation arteries. The corridors and parallel, residential streets have distinct characteristics.

Figure 7.1: Traffic Along Corridors



The corridors carry much more traffic than neighboring residential streets. For example, the traffic count conducted at the intersection of East Cesar Chavez Street and Navasota indicated that 15,840 cars passed through the intersection within 24 hours. In contrast, a traffic count of 3rd Street (only two blocks north) showed that only 827 cars per day passed through the residential street.

The traffic counts indicate that 7th Street is the busiest corridor in terms of automobile traffic, receiving over four times the number of cars as 12th Street (See Figure 7.1). The heavy flows of traffic along 7th Street are likely due to transit between central Austin and the airport.

East Cesar Chavez St. and MLK receive comparable traffic flows and serve as secondary connectors to eastern regions of the city and central Austin. These two corridors receive less traffic because they are primarily used by local residents as opposed to travelers from Greater Austin.

Transportation, in all its forms, drives the creation of corridors. New Urbanist communities focus their transportation planning by encouraging citizens to walk, bike, or use public transportation to save energy, improve air quality, and reduce traffic congestion. These communities advocate both rectangular and irregular street networks that can disseminate traffic, create many intersections, and therefore reduce congestion.

Within New Urbanism, the responsibility for transitioning from planning to implementation often falls to municipalities themselves. Codes and ordinances are responsible for the architectural quality of roads. Buildings within the same vicinity should be compatible and governed by the same code—compatible mass, height, and architecture while still maintaining creativity and individuality. New Urbanists believe city ordinances should be used to create mixed-use developments along corridors. Community involvement through venues such as neighborhood organizations and municipal planning committees could be important in shaping such change.

East Austin Business Corridors

East Cesar Chavez Street

Cesar Chavez Street serves as an east-west circulator, connecting local residents to local businesses. The corridor and surrounding neighborhood is a stable, mixed-use area characterized by its culturally diverse history. In 1997, the East Cesar Chavez neighborhood took part in the City of Austin’s neighborhood planning process. The plan stated that the residents wanted their neighborhood to remain a place where “people sit on their front porches and wave to their neighbors or lend a helping hand, and where working people, the elderly and young families can afford to live.”^{lxviii} The goal of the neighborhood plan was to guide future development, protect the existing neighborhood residents and businesses, and provide opportunities to improve the quality of life for everyone in the neighborhood.

East 7th Street

Development in Austin's central business district spurred revitalization on East 7th Street. As part of its SMART Growth initiative, the city created a Corridor Planning Program. In 2002, East 7th Street was selected as a pilot corridor, involving many business owners, residents, and other interested stakeholders in the planning process. The East 7th Street corridor was chosen primarily because it serves both the local and regional communities with restaurants, offices, housing, education, personal services, and other businesses. Improvements such as continuous sidewalks, trees, organized signage and medians were proposed "to increase safety and comfort for all users" (Corridor Concept Plan 2002).

The ultimate goal of the 7th Street study, based on feedback from various community workshops, was to improve its appearance and safety, making it more economically viable. Ironically, the city also sought to develop the corridor as more pedestrian friendly. Although the city acknowledged the importance of the corridor as a throughway, the Corridor Planning team felt that beautification was the first step toward revitalization.

While focusing on appearance and safety, the team identified the two most important barriers: traffic and crime.^{lxxix} The Corridor Planning Team suggested landscaped medians, more trees throughout the corridor, better lighting, more pedestrian-friendly sidewalks and curbs, and more comprehensive overall maintenance. Better lighting and increased pedestrian activity were thought to be the most effective means to decrease area crime.

East 11th and 12th Streets

Both 11th and 12th Streets function as local circulators for businesses and residences within the immediate area, as well as indirect throughways connecting different areas of Greater East Austin with the rest of the city. For 11th and 12th Streets, a strong African-American presence has contributed to the singular character of the area. Beginning in the 1960s, the once bustling thoroughfares began to experience a steady decline. Compounded by the negative consequences of urban renewal, the 11th and 12th Street corridors had vastly deteriorated by the 1970s. Today, that unique African-American character is once again prevalent. The adjoining neighborhoods are becoming more diverse in terms of both people living and working there and the types of businesses in operation. While Central East Austin is changing, the African-American presence on its main business corridors has remained strong. From the 11th Street restaurants serving Cajun and New Orleans style cooking to the 12th Street African-American beauty salons and barbershops, African-American influences on the business environment are obvious.

The creation of the Austin Redevelopment Authority (ARA) in 1996 signaled a new era for these corridors. By 1999, this organization, comprised largely of East Austin stakeholders, developed plans for each corridor. The 11th Street corridor was envisioned as a commercial and entertainment district while 12th Street was planned as a mixed-used, small-scale development, aimed at serving the local population. These two plans proposed very different visions for the two streets, and the development that followed has been equally varied. A comparison of the 11th Street of today and 1999 reveals large-scale and dramatic alterations. Among the most prominent changes is the addition of approximately 95,000 square feet of office/retail space; restoration of office space at 1101 East 11th Street; and a mixed-use project consisting of three

buildings and two parking garages. In contrast to the large, multi-story, and recently built structures dominating 11th Street, the businesses along 12th Street have remained relatively small. Visible signs of development exist (largely individual building renovation), but on a much less dramatic scale.

Historical legacies in business clustering along the two corridors may help explain these very different development paths. Almost all of 11th Street business is situated along a roughly three to four block stretch east from I-35 to Navasota. This clustering has created a walkable business district supporting a variety of businesses. Development along 12th Street has followed a much different path; while there is cluster of business at the intersection of 12th Street and Chicon, business activity occurs regularly along the roughly 1.5 miles from I-35 east to Airport Boulevard. This has created a less pedestrian friendly business environment and may be less suitable to the type of dense, mixed use development that ARA promotes on 11th Street.

Key Themes

Information gathered from interviews with business owners and managers in Central East Austin proffered crucial insights into the relative density, distance and diversity of the five principal corridors.^{lxxx} East Cesar Chavez and 7th Streets are the two longest corridors (both 2.5 miles) with the greatest number of firms. However, the two roadways are distinct in that 7th Street primarily serves as a throughway, connecting Central Austin to the airport and the periphery. This transport/connector function of the corridor is evident on 7th Street as approximately 40 percent of all businesses are retail/trade firms (see Table 7.2). In contrast, East Cesar Chavez Street has the greatest array of types of businesses and largely serves the local community (See Tables 7.3 and 7.4).

Another interesting contrast is the economic activity occurring along 11th Street in comparison to the other corridors. Businesses on this street are clustered along the 0.9-mile stretch from I-35 to Navasota St. Thus, businesses along this corridor enjoy close proximity to other businesses, thereby attracting a greater source of potential clients. While 11th Street businesses represent only 4 percent of all firms in 78702, they serve the greatest number of clients from greater Austin (See Table 7.2).

Finally, MLK presents a unique case in that there is low density and diversity of businesses, though the corridor spans nearly two miles. The corridor contains open land, vacant properties and very few businesses. However, MLK will soon become a key connector road, serving as the link between SH-130 and Austin's central business district. MLK is straight-through roadway and will soon connect a highway bypass (SH-130) to Austin's central business district. Thus, like 7th Street, MLK will likely see greater traffic, particularly in terms of clients coming from outside of East Austin.

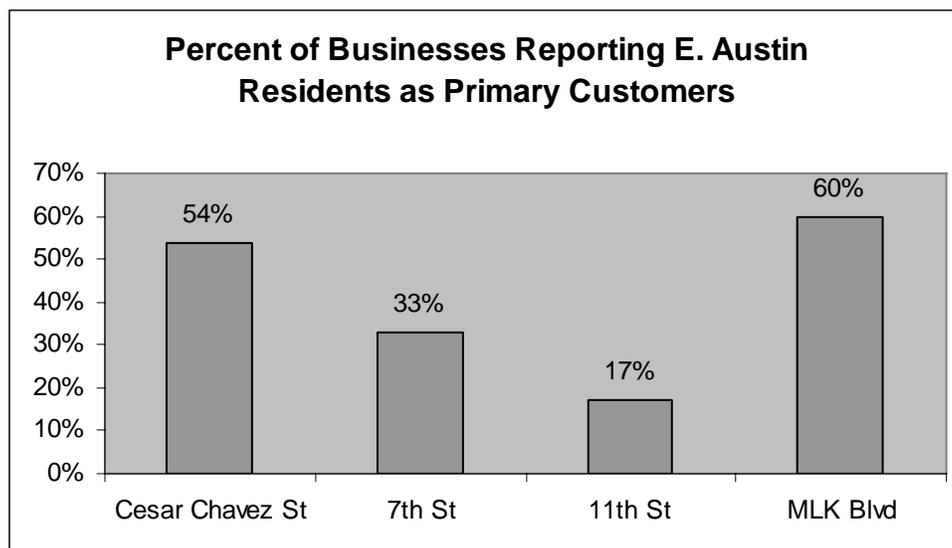
Table 7.1: East Austin Businesses by Corridor

Total Number of Businesses					
<i>Industry</i>	<i>Cesar Chavez Street</i>	<i>7th Street</i>	<i>11th Street</i>	<i>12th Street</i>	<i>MLK Blvd.</i>
Retail Trade	37	38	2	4	7
Pro/Sci/Tech	22	2	4	2	5
Food Services	16	12	4	4	1
Manufacturing	16	12	1	1	2
Other	27	18	8	24	6
Admin/Support	0	0	2	2	0
Construction	5	0	0	2	1
Financial	11	12	0	1	0
Health care	3	2	0	0	8
Arts	0	1	1	0	2
Percentage of firms in 78702	22%	12%	4%	6%	5%

Table 7.2: Industry Share by Corridor

Percentage of Businesses Along Corridor					
Industry	Cesar Chavez St.	7th Street	11th Street	12th Street	MLK Blvd
Retail Trade	27%	39%	9%	10%	22%
Pro/Sci/Tech	16%	2%	18%	5%	16%
Food Services	12%	12%	18%	10%	3%
Manufacturing	12%	12%	5%	2%	6%
Other	20%	19%	36%	59%	19%
Admin/Support	0%	0%	9%	5%	0%
Construction	4%	0%	0%	5%	3%
Financial	8%	12%	0%	5%	0%
Health care	2%	2%	0%	0%	25%
Arts	0%	1%	5%	0%	6%

Figure 7.2: Businesses Serving East Austin Customers by Corridor



Importance of Mixed-Use Development for East Cesar Chavez

The East Cesar Chavez corridor has a broader range, or diversity, of industries than the other corridors. Nearly a quarter of all businesses are retail trade firms and 11 percent of all businesses are in the automotive industry. Three of the five business owners interviewed reported that their primary customers are East Austin residents.

However, Cesar Chavez Street also has a large proportion of professional, scientific, and technical services firms, mostly law firms. As the demographic composition of the area changes, and more residents with higher levels of education increase, it is likely that the proportion of professional firms will increase, while traditional businesses such as automotive shops will decrease.

Interviews conducted with business owners on East Cesar Chavez Street indicated that the Hispanic character of the corridor was the primary motivation when choosing a location. Similarly, many business owners also emphasized that they preferred East Cesar Chavez Street to other East Austin corridors because the commercial corridor has a more residential, neighborly quality. Frequently, respondents would use the 7th Street corridor as a method of comparison, illustrating what they did not find desirable in a potential business location. They explained that 7th Street was overly commercial and had less of a unique character.

An East Cesar Chavez Street business owner recalls spending afternoons, weekends, and summers working alongside his father and older brother at their family automotive and body shop. While his brother shadowed their father and began developing the skills of the trade, one respondent remembers being more interested in his school studies. Not incidentally, he also recently became the first member of his family to graduate from college, and has now begun his work as the business administrator for their five-man operation.

The interviewee explained that his primarily Spanish-speaking father opened their initial shop on East Cesar Chavez Street with his former business partner over 25 years ago, but that they moved to the current East Cesar Chavez location approximately two years ago. The previous location was behind another automotive shop at the intersection of East Cesar Chavez Street and Highway 183. They felt that they were not sufficiently visible to passing traffic and were concerned that potential customers coming from I-35 would pass too many competitors before arriving at their location. Thus, they felt it was necessary to find a location closer to I-35 and downtown.

However, it was very important for the family business to remain on this vital corridor as their business has established a solid reputation within the community and they view their location as an essential defining characteristic of their business. The high value placed on location—not just within Central East Austin, but along East Cesar Chavez Street—is not unique to this business.

Another professional business owner explained that she was initially drawn to the corridor because of its rich Hispanic heritage and the strong sense of community within the neighborhood and the corridor itself. Seeking Spanish-speaking clientele, this business owner has benefited from the nearby Hispanic residents, as well as the relatively high levels of traffic along the corridor. She estimates that approximately 50 percent of her current clients are East Austin

residents and that many of those clients actually come from the East Cesar Chavez neighborhood. In addition to her location, she also attributes her success to her involvement in the Hispanic Chamber of Commerce and a local church that she regularly attends.

An owner of an engineering firm, who also owns his place of business, commented that he believes that residents were more likely to be concerned with the aesthetic appeal of their homes, and thus prefers a greater proportion of residences to businesses. He was pleased with recent changes in the business climate as more “well-to-do” businesses are moving into the area and replacing traditional businesses such as tire shops, which he viewed as an eyesore.

The views expressed by business owners along East Cesar Chavez Street indicate that most firms have a strong identity with the particular characteristics of the corridor. However, there is a dynamic mixture of older businesses that are pleased by incoming changes and businesses that feel threatened because they fear the changes will lead to displacement.

Construction as a Mixed Blessing for 7th Street

Nearly 40 percent of all 7th Street businesses are retail trade firms. Thus, 7th Street is the least diversified of all the corridors in terms of the array of services provided. Businesses falling under the “other” category—primarily automotive services; funeral homes and crematories; and barber and beauty shops—have the second largest proportion along the roadway. Approximately 60 percent of all businesses along 7th Street are storefronts that depend on heavy flows of traffic for their customer base. Similarly, these businesses are not necessarily targeting the more recent residents with higher disposable incomes.

A busy corridor, by nature, attracts a diverse customer base. In the case of 7th Street, the ease of travel between downtown and all points east of the city means that a wide array of businesses can take advantage of the heavy traffic and exposure. As expected, businesses along 7th Street continue to benefit from its proximity to the Central Business District. Austin’s Central Business District is experiencing a development boom, so once again developers and prospective business owners have turned their attention east of I-35 as a means of controlling and directing that growth. Local owners identified these new businesses developing along 7th as overall beneficial to the corridor, helping to create a more competitive business climate.

In addition, despite the rising property values along the corridor, no merchant reported a decline in profits. Most reported business as relatively steady, and some actually experienced an increase in sales. Few of the merchants advertise, but rather rely on word of mouth to bring in new customers. New customers come from throughout the city, often making up a majority of the client base. Interviews conducted with 7th Street business owners indicated that only 33 percent of the businesses interviewed serve primarily East Austin residents (see Table 7.3). Conversely, the businesses tend to serve local employment needs. According to most respondents, their firms employ a majority of East Austin residents. For restaurants, that labor force was entirely local.

Of particular interest was the sentiment that crime, or even the perception of crime, had not affected their business in recent years. Many felt that crime was no longer a major issue on the corridor. When asked if city programs had helped to reduce the amount of crime in the area, most answered that crime had never been as high as those outside of East Austin perceived it to

be. Rather, one merchant who had resided in East Austin for 47 years stated that she felt safer when traveling on the east side than any other part of the city.^{lxxxix}

Rising property values may not have affected the long-established businesses with loyal, core customers, but the low rent that once attracted businesses to East Austin has become a thing of the past. New businesses moving onto the corridor tend to be large chains. For older businesses, increased property values might not have affected their business to date, but they acknowledge that they have raised prices in order to mitigate financial loss. One owner complained that her customers have started to ask why prices are increasing. Despite explaining that the increase is a result of higher costs, customers have begun to suspect the business is augmenting its prices in order to benefit from the higher income residents moving into the neighborhood.

Longtime merchants complain that the new owners have shown less interest in becoming active in the local business community. These new businesses that are able to build tend to be pawn shops, check-cashing stores, and tire shops, which hurt the overall aesthetic of the corridor. In terms of city initiatives, the emphasis on beautification means that construction along the corridor will stifle business growth in the short term, especially those businesses near 7th Street and Pleasant Valley. At that busy intersection, where the city hopes to install landscaped medians, traffic and parking were already considerable problems.^{lxxxii} One merchant lamented it will only worsen in the future.

Boom and Stagnation for 11th and 12th Streets

Another compelling finding is that 14 percent of businesses along 11th Street are professional, scientific, and technical services firms, representing the greatest percent share of businesses from this industry along any of the corridors. Firms in this industry located on 11th Street include advertising agencies, lobbyists, management consultants, etc. These “professional” firms benefited the most from development initiatives close to I-35. The large mixed-use developments created by the Austin Redevelopment Authority in the 1990s attracted such firms with the lower rents along 11th Street relative to other parts of the city.

Even with the fast pace of change, 11th Street has retained its small business character. This is not to suggest that large, national chains have not attempted to gain entry. In fact, the ARA declined to lease space to at least one prominent chain. Instead, the ARA has developed buildings with both small and large retail and commercial spaces. The approximately 20 percent of small retail/office space offers opportunities to local businesses. In addition, the ARA has worked with small businesses to develop special financing arrangements that should enable long-term stays.

The food service industry along 11th Street is relatively small, but has experienced recent growth. The corridor contains some of East Austin’s more recognizable restaurant names, most notably Gene’s New Orleans Style and Ben’s Long Branch Barbeque. Ben’s has been in operation for decades while Gene’s has operated on 11th Street since 2000. While the food these restaurants are serving is similar to the food they were offering seven years ago, their clientele has slowly changed. The customer base now is decidedly more diverse than it was in the past.

Two new food service establishments, Ms. B's and the Dandelion Cafe, began operating in 2005. The physical space and design of these establishments clearly differ from the older restaurants on the corridor. Much of this can be explained by the newness of the building space. Beyond the newness, the establishments have a more "trendy" or "modern" feel. Despite the cosmetic differences; these restaurants' experiences have been similar. While many restaurants thrive on the dinner crowd, interviews with restaurant owners reveal that 11th Street business is much stronger for lunch.

In contrast to the strong presence of professional, scientific, and technical services located on 11th Street, the same industry makes up less than 5 percent of total establishments located along the 12th Street corridor. Twenty-two percent of businesses along 12th Street are barber and beauty shops that have likely served their traditional customer base. While these establishments certainly meet a community need, it is hard to imagine a healthy and well-balanced economy where nearly a quarter of establishments are dedicated to beauty shops.

Funeral homes have a strong presence along the 12th Street corridor. Funeral homes were prototypical ethnic businesses, and are a legacy of historical segregation in Austin. These businesses were traditionally family owned, and employees and clients were members of the same racial/ethnic group as the owner of the business. Today, many funeral homes are high-volume, franchise operations of large corporations. These operations have largely displaced family-owned businesses, even when the franchised business continues to carry the family name. In East Austin, there are three cemeteries on or near 12th Street (Evergreen, Texas State, and Oakwood). They occupy prime tracts of land which cannot be converted to different land uses.

There is concern that this may not be a sustainable local industry. As the East Austin population becomes younger and existing cemeteries reach capacity, there may be reduced demand for funeral-related services.

The remaining businesses located along 12th Street represent a mix of industries, with no single industry holding a strong position. In fact, outside of beauty and barbershops, and funeral-related services, the only industry with more than three establishments is the food service industry. Construction, food manufacturing, administrative and support services, and various other industries have no more than two establishments.

Commercial Dearth on MLK

While MLK spans nearly two miles, the corridor has 32 businesses, representing only 5 percent of 78702 businesses. Thus, this roadway remains largely underdeveloped and a promising prospect for future growth. This corridor services as a connector into and out of central Austin, connecting one low-value, rural area to another, as MLK is perceived as a racial/ethnic area. Interestingly, 25 percent of all businesses along MLK are health care related services. The future of these services will be determined by their ability to compete with the incoming health care services provided at the nearby Mueller developments. Also significant is the fact that as development increases, the current housing stock along the corridor will likely disappear.

Current Issues

Owning versus Renting

Increased economic development and changes in the demographic characteristics of both residents and business owners have resulted in significant increases in property values. While many business owners who own their space view rising property values as increased assets, some older business owners with fixed incomes are concerned by the resulting increases in property taxes. Furthermore, those business owners who currently rent fear that rising rents will price them out of their current location.

Figure 7.3: Appreciation of Commercial Properties by Corridor

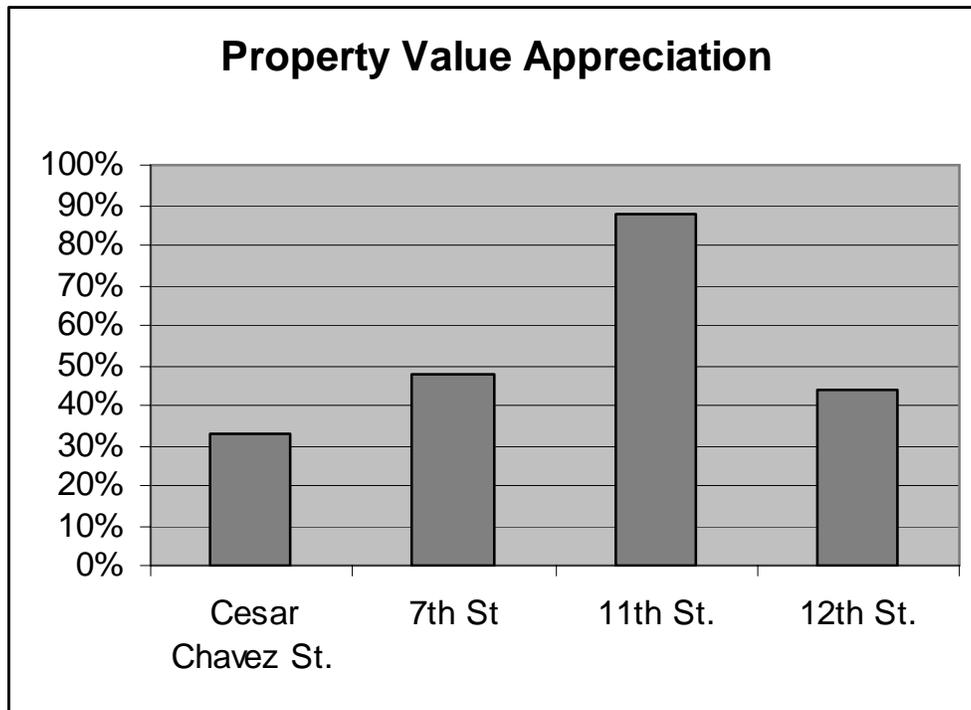


Table 7.3: Appreciation of East Austin Properties (2000-2005)

Corridor	# of businesses	Average Value 2000	Average Value 2005	Appreciation
Cesar Chavez	39	122,073	162,003	33%
7th Street	33	128,583	190,485	48%
11th Street	7	58,701	110,090	88%
12th Street	25	71,518	103,056	44%

The average values assessed for each corridor are the means of a large sample of properties and the addresses are held constant over the five years.^{lxxxiii} The data indicate that property values on Cesar Chavez Street appreciated the least from 2000 to 2005, while 11th Street properties had the greatest rate of appreciation. The data, unfortunately, are not accounting for appreciation prior to 2000. Perhaps a larger percentage of appreciation on the 7th Street and Cesar Chavez Street corridors occurred prior to 2000, while 11th and 12th Street properties appreciated between 2000 and 2004 because of ARA developments that began in 1999.

The interviews yielded perspectives about the wide array of opinions and attitudes toward the changing business climate and rising property values. The businesses that owned their spaces were more likely to speak positively and optimistically about the recent changes in the business and residential climate in East Austin. They were pleased with the dramatic increases in property values and optimistic that the corridor could maintain its historic characteristics while attracting more businesses that would be committed to improving the aesthetic appeal of the corridor. One business owner was enthusiastic about the increasing presence of “upper-echelon” businesses such as professional services and bistros. Interest was also expressed in office supply stores, banks, drug stores, and general suppliers.

However, another owner expressed frustration, explaining that her property taxes have increased dramatically, but have not been matched by increases in public services and repairs. “Pot holes aren’t fixed, lighting isn’t put in, police aren’t patrolling,” she said. “Nothing has changed.”

In contrast, the business owners who currently lease or rent, and are in many cases hoping to purchase their space, were extremely concerned about recent changes in the business environment as they are experiencing increases in rent and property taxes. While all respondents believed that their business would experience either modest or rapid growth in the future, they also believed that they would likely be priced out of their current location.

Some business owners believed that they would have to change location within the next few years if the high rate of growth in the area continues at current levels. And others expressed pessimism about the possibility of buying their property or another along the same corridor because the properties are increasingly unaffordable to individuals on a fixed income without other financial resources.

Access to Capital

The most pressing problem for many business owners continues to be a lack of access to business financing, an issue voiced by 7th Street merchants to the corridor concept team.^{lxxxiv} According to business owners, conditions have not adequately improved over time. Despite greater interest in development, small businesses have significant trouble securing financing. One merchant explained that, despite the fact that he was buying an existing restaurant at which he had worked for several years, he had to borrow start-up funds from a friend. He has attempted to take out a loan at three different banks, but was denied each time.

In addition, two of the current renting business owners explained that they had been able to operate in the past without external financial resources such as loans or lines of credit. One merchant proudly explained that his family business had been debt free for the past 11 years.

However, both owners recognized the likelihood of the need for loans in the near future if they want to purchase their current business properties.

The merchant also expressed interest in taking out a loan to expand the family business; he explained that his father was especially debt averse and had never attempted to formally market his business. Building upon the knowledge and experience he gained in college, he hopes to pursue resources available to small businesses and begin networking and participating in business organizations. He views his role within the family business as that of the new generation, offering a fresh outlook that will enable the business to remain competitive in the market and react to fast-paced economic growth in East Austin.

However, the business owners who owned their land did not express interest in financial assistance, training or loans, as they believed they had achieved sufficient levels of success. Thus, the interviews indicate that a business owner's ability to purchase land both affects the attitude toward change in East Austin, and serves as a measure of success. The only business owners interviewed who needed greater access to capital were those who did not own their own property.

Future Development

The business environment on 11th Street has undergone significant change due to the combination of ARA-backed development and large-scale private development. The ARA acquired much of the land along the 11th Street corridor and therefore wields considerable power in dictating the course of development. Its development plan has at least in part been driven by input from neighborhood residents and businesses. The ARA has worked with neighborhood associations to identify desired new businesses and also to address concerns relating to the development process.

In addition to their involvement with the ARA, 11th Street businesses have become increasingly active in the community. Coordinated through efforts of the Austin Independent Business Alliance and the local nonprofit, DiverseArts, 11th Street businesses began Fourth Friday in 2006. The purpose of the monthly event is to bring together local businesses and crafts people to network with one another and attract future customers. A similar event, First Thursday, has firmly established itself as a popular monthly event in Austin's trendy South Congress district. Participating "Fourth Friday" businesses describe the night as an effective way to draw additional customers into the community.

The rapid and large-scale redevelopment of 11th Street has brought dramatic change to the corridor. New restaurants, galleries, and professional services have opened with prices that reflect a more affluent, and in some cases more educated, clientele. Interviews with business owners, especially in the retail and restaurant industries, support the view that the customer base today is much more diverse compared with the recent past.

The diversification of customer demographics will most likely continue, thus attracting more affluent, single individuals to business establishments. New businesses will need to meet the needs of these customers to be successful. Current businesses will also need to adapt to the changing demographic characteristics of customers. Some of the older businesses have already

adapted: Ben's Long Branch recently renovated its restaurant and Gene's New Orleans Style has begun remodeling its space.

New customers with higher disposable incomes are not the only change that will affect 11th Street businesses. As both business and residential development become denser, retail and office space along the corridor will become a more valuable commodity. This will lead to higher rents, forcing business owners to attract more business or raise prices. In either scenario, changing demographic characteristics will bring additional changes to the area. As a result of the rapid growth of high-density loft and apartment developments, foot traffic in the area is likely to increase. The creation of a pedestrian friendly, live/work corridor will draw increased interest by businesses expanding in the Austin area. Already, the ARA has received numerous inquiries for commercial space, largely from out-of-town firms engaged in the professional, scientific, and technical services industry.

Compared with recent business development along 11th Street, 12th Street businesses seem more connected to their surrounding community. The ARA's 1999 plan envisioned a corridor that would balance development with community needs. Therefore, future development along the corridor is likely to move in tandem with demographic changes in the surrounding area. If individuals with higher incomes continue to move into the area, it is likely that more retail, restaurant, and office space will open to capture the increase in disposable income.

Contrast the active development along 11th Street with the current situation on MLK. Businesses located along MLK reported either stagnant or steady economic growth. A lack of a dramatic increase in sales may be attributable to slower population growth in the communities along the MLK corridor. Many of the residential units along MLK house families and few single or high occupancy residential units are being built in the area. Therefore, there is little opportunity for growth in these businesses' customer bases, which results in limited or stagnant growth.

The businesses that are experiencing steady growth might attribute this growth to an increasing Greater Austin customer base. People from Greater Austin may be purchasing more services from East Austin businesses because the perception of crime in East Austin is decreasing, and the appearance of the MLK is improving. Many of the houses within the MLK communities have recently been renovated or demolished to create new housing. The owners of these renovated or recently built houses have a higher income than previous owners and can purchase more services MLK businesses provide. Sales might be increasing for some businesses along MLK, but successful growth along the corridor awaits a major market change that will attract municipal and private investment.

Corridor Projections

The future of businesses operating in their current locations along East Cesar Chavez Street is contingent upon their ability to gain access to capital (for those businesses that lease) and respond to changes in the business climate and property values. It will be necessary to attract businesses that respond to neighborhood needs for the corridor to ensure continued or increased prosperity. The corridor and the surrounding neighborhood would benefit from a greater array of businesses, as well as improvements in the aesthetic appeal of the business facades.

Like East Cesar Chavez Street, the 7th Street corridor is experiencing economic development and change. Many merchants along 7th Street indicated in their interviews that new zoning intended to attract commercial loft developments means that the city is focused on these new businesses. Where has help been all this time for existing businesses? These longtime business owners believed that the city is providing new incentives to developers that were not offered to the businesses in the past. If Austin continues to direct tax incentives to businesses based solely on their economic promise, then the special character of 7th Street so long touted by city planners may not survive future growth.

The different 11th and 12th Street development paths are interesting due to their very different natures. However, the important differences go beyond industry composition or customer demographics. The redevelopment of 11th Street is already in full force: the landscape of today is vastly different from 1999. Many of the businesses are new, and with the continued construction of high-density lofts, the demographic makeup of the neighborhood will be altered. The situation on 12th Street is different. While redevelopment has begun, the neighborhood remains largely unchanged. Storefronts and residences are being renovated and the demography is slowly changing, but the change is still in its initial stages. The continued development of 12th Street represents an opportunity for current business owners and citizens to take an active role in shaping how their neighborhood changes.

All of the MLK businesses observed changes in the East Austin business climate and believe that they can benefit from these changes. As the East Austin community grows and becomes wealthier, businesses have an opportunity to increase their sales revenues. However, increased revenues will require businesses to understand the new markets that are emerging and how they might adapt to capitalize on the growing economic opportunities presented by SH-130.

Some business owners reported that they were worried that the construction of SH-130 will drastically increase traffic in East Austin, especially on MLK, which is not designed for heavy traffic. It is a four-lane boulevard bordered by communities of houses, churches, health care centers, and small businesses. According to Karen Akins, director of Trans-Texas Alliance, the city will have to widen MLK and demolish existing businesses and neighborhoods along the corridor to prepare for the influx of traffic if the city builds SH-130. While some business owners may benefit from compensation provided for their land, they might not be adequately compensated, as they will be unable to participate in the economic growth spurring from SH-130. However, the decision to widen MLK is not an imminent concern, as SH-130 is still under construction.

Appendix 1: Methodology

Chapter 2. Demography

Demographic statistics for the socioeconomic profile were gathered from U.S. Census Bureau data. Decennial census information for 1980, 1990, and 2000 was compiled at the tract level, defining Central East Austin as Tracts 4.02, 8.01, 8.02, 8.03, 8.04, 9.01, 9.02, and 10.0. Figures from these tracts compose all aggregate and mean values calculated in the study. In addition to the figures calculated by the researchers, the study includes data prepared by Sean Moran and Brian Kelsey from the Capital Area Council of Governments (CAPCOG). Their work, “1990-2000 Comparison Profile,” also relies heavily on decennial census data. For nondecennial years, researchers used data from the American Community Survey and processed them in a similar manner.

To facilitate comparisons between periods, researchers combined some census categories. For “Racial/Ethnic Composition,” several Asian and Islander categories were combined to create Asian/Pacific Islander (API). Alaskan natives, Eskimos, and Native Americans were also joined to create the Native American category found in the chapter. In the “Income and Poverty” section, single-family data were generated by combining male and female head-of-household categories for 1990 and 2000. In 1980, poverty status was compiled into only two categories: families in poverty and female head-of-household. The decennial data set includes no clear information on single father households or non-family households. As a result, graphs for 1980 use single female head-of-household figures to represent single-family households in general.

Greater East Austin statistics represent Census Tracts 3.03, 4.01, 14.03, 21.04, 21.05, 21.06, 21.07, 21.08, 21.09, 21.10, 21.11, 21.12, 21.13, 23.04, 23.07, 23.11, 23.12, 23.13, 23.14, 23.15, and 23.16.

Chapter 3. Housing

Housing Units and Occupancy Rates, Homeownership, Rental and Mortgage Burden

Data for this section of the housing chapter was gathered from the U.S. Census Bureau (1990), the American Factfinder section of the U.S Census Bureau website, and data sets provided by CAPCOG (1980). Data included homeownership, average rent, and number of housing units from each available census year. East Austin mortgage data was also compared across these years and across geographic levels (Austin, Texas, U.S.) to get an accurate picture of changes in housing stock, ownership, and housing cost burden.

Residential Property Values

Property value data was evaluated based on two sources of data: the reported values of owner-occupied units by owners in the U.S. Census Bureau from 1990-2000 and the actual home sales prices in the real estate database Actrislistings Marketlinks that occurred in 1999 and 2005. Census data was analyzed at the tract level and real estate data analyzed at the ZIP code level. Methodology in this section included analysis of change in property value over time, with particular focus on rates of change in the owner-reported or market value of residential properties. The Actrislistings Marketlinks data was included as a supplement to the census data because it was more recent data and could accurately capture not just the value of East Austin properties, but also the change in number of transactions as a proxy for the level of interest in residential property purchase and property development.

Tax Delinquent Properties and Foreclosures, Building Permits, Affordable Housing

Tax delinquent property information came from the City of Austin Neighborhood Housing and Community Development department. Delinquent properties in areas outside neighborhood planning areas were excluded from this study. Tax foreclosure data came from the Travis County Tax Assessor's "tax foreclosure sale" monthly auction lists (December 2005 to November 2006) and only included city properties. Properties that were "pulled" (retrieved by the original owner before the sale date) and properties that were "struck off" (did not sell on original date) were not included. Data on residential building permit activity came from CAPCOG. Only years 1996 and 2004 were analyzed. Permit categories pulled for this report included residential additions that increased the number of units in multi-family buildings, as well as new multi-family buildings, new single family houses, and conversion from non-residential to residential properties. All other categories were omitted. Affordable housing data on number of units, income guidelines, and funding sources came from (1) HACA, (2) primary sources at local community housing development organizations,^{lxxxv} and (3) the Austin Tenants Council's "Guide to Affordable Housing in the Greater Austin Area."

Chapter 4. The Economy

Analysis is based on the U.S. Census Bureau, County Business Patterns (CBP), and ZIP Code Business Patterns (ZCBP) reports from 1998-2004.^{lxxxvi} The data is classified by the NAICS system. Gross sales figures are reported by the Texas Comptroller of Public Accounts and are classified according to the Standard Industrial System (SIC).

These data are spatially disaggregated and reported at the ZIP code level. Data for Travis County were aggregated and reported at the county level in the CBP. Greater East Austin (GEA) is defined as the 78721, 78722, 78723, & 78741 ZIP codes. The data for GEA are presented as the sum of each sector in each ZIP code in each year from 1998-2004. The data from the 78702 ZIP code are represented as Central East Austin (CEA). Because CEA is presented as a distinct basis of comparison, 78702 is not included in the GEA calculations.

The ZCBP only report the number of firms and the relative employment size of those firms within any given area. The employment sizes of firms are reported in nine class ranges of employment. The first class is defined as the range of 1 to 4 employees. The categories are classified sequentially where each class is double the previous class. The final employment class represents 1,000 or more employees. To estimate employment within any given sector, the researchers calculated the average between the two ends of each range and multiplied it by the number of firms reported in each class. For example, if one firm is reported within the range of 250 to 499 employees, that firm's employment would be estimated at 374.5 employees. As each category gets larger, each estimate becomes less statistically accurate.

Because each CBP report gives an accurate total employment figure for each ZIP code, the researchers were able to gauge the accuracy of their estimates. For the purposes of this report, this technique yielded an acceptable range of reliability. In 1998, Central East Austin fell within 5 percent of reported total employment, while total employment for certain ZIP codes in GEA were not available for comparison. In 2004, Central East Austin's estimate fell within 10 percent of reported employment, and GEA fell within 5 percent of reported employment.

Appendix 2: Industry Reports

As part of their research for Part II of this report, project members conducted interviews with 92 businesses in Central East Austin. Included here are profiles of the following industries based on those interviews and supplemental data:

Administrative and Support Services

Construction and Development

Professional, Scientific, and Technical Services

Manufacturing and Wholesale Trade

Financial Services

Other Services

Retail Trade

Health Care and Social Services

Arts and Entertainment

Food Services

Administrative and Support Services

Administrative and support services is a growing sector of the Central East Austin economy. In 1998, these services comprised 11 percent of businesses in both Travis County and Central East Austin. By 2004, the percentage of administrative businesses in Travis County had decreased slightly to 10 percent while the percentage for Central East Austin had increased to 13 percent.

In general, administrative businesses in East Austin are not located along major corridors because visibility to clients is not essential. Most of these businesses, such as landscaping or janitorial services, provide services on a client's site. To generate new business, they rely primarily on existing clients, referrals, and government contracts. The following analysis is based on interviews with four of the approximately 24 firms in Central East Austin.

Key Themes

Embeddedness

Most of the administrative businesses in Central East Austin are longtime businesses that have been in operation for decades. The owners are firmly embedded in the business community and are generally satisfied with East Austin and its business climate.

A landscaping contractor, when asked what additional resources or services would be helpful, replied that while relatively new businesses need loans and additional resources, longtime businesses are in a better position to take advantage of economic changes in the area. This contractor has been working in Central East Austin for nearly 50 years. The business generates most of its revenue through government contracts and its work takes place outside of East Austin. The contractor buys services from other East Austin businesses and cares about their success. Years ago, the owner started an association to help other businesses procure additional work contracts from the city. The owner does not market to East Austin residents, but does employ them. This landscaping contractor is typical of a subset within the East Austin business community: longtime business owners who do not necessarily provide services to clients in East Austin but are deeply embedded in the East Austin community and identify closely with their fellow business owners.

The owners of a janitorial services company echo the contractor's emphasis on community. "We moved to East Austin for philosophical, logistical, and emotional reasons," one of the co-owners said. "It's closer to the community and many of our employees come from East Austin. The history of East Austin means a lot to us."

Sense of Business Community

Not all East Austin business owners have strong ties to the East Austin business community. Another landscaping company chose to locate in East Austin because of its proximity to major highways and the availability of land to store equipment. A family-owned metal-and-iron operation, which sells scrap metal to a growing list of global clients, bought land nearly a century ago. Still, a sense of community seems to be a defining characteristic of the businesses that comprise administrative and support services in Central East Austin.

Satisfaction with Community Amenities

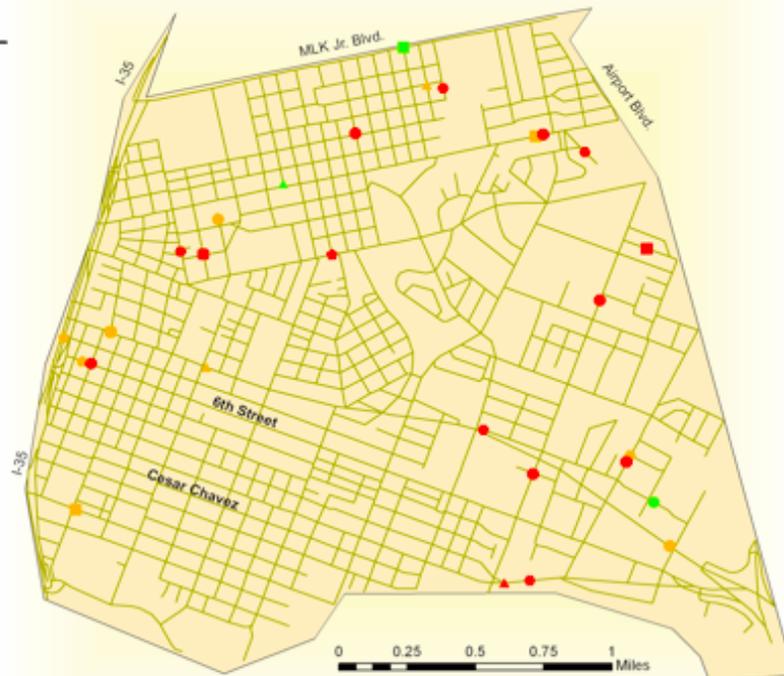
The four interviewed business owners seem pleased with the community and do not believe it needs much in terms of parks, libraries or other amenities. The landscape contractor who had been in business for nearly 50 years expressed modest desires when asked what East Austin is lacking, saying, “I’d like to see a nice grocery store. Once you cross I-35, there are very few available.” The owner of another landscaping company did not think East Austin needed anything.

Administrative Services in 78702

30 Total Establishments

Legend

- BUSINESS SERVICES NEC
- CARPET & RUG CLEANERS
- ▲ CONVENTION & MEETING
- EMPLOYMENT SERVICE-GO
- JANITOR SERVICE
- LANDSCAPE CONTRACTORS
- LEAD PAINT DETECTION
- MODELING AGENCIES
- PEST CONTROL
- ▲ SECURITY GUARD & PATR
- TALENT AGENCIES & CAS
- TICKET SERVICE
- TOURS-OPERATORS & PRO
- TRAVEL AGENCIES & BUR
- TREE SERVICE
- TRUCKING-DUMP
- ▲ WORD PROCESSING SERVI



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

Current Issues

Procuring Financial Resources and Advice

Access to capital is a serious issue for businesses located in Central East Austin, especially new ones, but so is access to financial services and advice. “I was one of the lucky ones,” the landscape contractor said. “One of my best friends was a banker. There are no bankers anymore. There are banks, but you can’t go in and talk to them. The folks in New York they send you to don’t know you as a person. You used to be able to walk in off the street and talk to a banker about the decisions you needed to make for your business. That’s gone.”

Deciding Whether to Buy Property or Invest in the Business

Decisions on whether to buy or rent property seem to differ by circumstances and the nature of the business. Several of the landscaping companies own their property, but the owners of a janitorial service rent because they prefer to invest in new equipment. “Equipment grows the business, not land,” one of the owners said, “and cash is easier to come by than credit.” The businesses that own their property are relatively safe from fluctuations in the real estate market, but rising rents could force renters out.

Marketing

None of the businesses market specifically to East Austin residents. In fact, none of the businesses significantly advertise, choosing instead to rely primarily on word of mouth and referrals. Because many of the businesses have been operating for decades, they can rely on their reputations for generating new business. Newer businesses, however, face increasing competition from new entrants to the market. Most of the businesses in East Austin serve a client base that is predominantly outside of East Austin, which means that they compete with administrative firms throughout the city and region.

Industry Projections

As a growing sector of the Central East Austin economy, administrative and support service firms, as a whole, are positioned to succeed. Individual businesses, however, face increasing competition and a potential loss of their employee base.

Because of increased competition in the janitorial services business, the owners of one firm chose to expand into different activities such as construction, recycling, and green building. In interviews, each of the landscaping companies likewise mentioned increased levels of competition. The fact that there are new businesses entering the market may indicate that there is more business to go around, in which case longstanding firms may need to differentiate themselves from their incoming competitors.

All of the administrative and support services firms in Central East Austin face a potential shortage of workers. Most rely on local residents to staff the less skilled and lower-paying jobs. If living near their Central East Austin employers becomes too expensive, these employees may be displaced and seek work closer to home. Firms would then have to choose between paying workers more to retain them, attracting workers from elsewhere in the city, or moving to a location with a ready labor supply.

These businesses, firmly embedded in the community, are taking East Austin’s changes in stride, but face both increased competition from businesses throughout the region and a potential scarcity of labor, making relocation of the firm a possibility.

Construction and Development

The construction and development sector includes businesses engaged in the construction of buildings or engineering projects, the preparation of sites for new construction, and the subdividing of land for sale as building sites. Owners usually manage these companies at a fixed place of business, but perform construction activities at multiple project sites.^{lxxxvii} Construction activities fall into two broad classes—residential construction and commercial/industrial construction—and current notation divides them into three subsectors based upon the required inputs and type of work performed: construction of buildings, heavy and civil engineering construction, and specialty trade contractors.^{lxxxviii,lxxxix}

In Central East Austin, 11 firms are engaged in the construction of buildings, seven are heavy and civil engineering companies, and 30 are specialty trade contractors.^{xc} Researchers conducted 13 interviews for this industry study, including two materials suppliers, a commercial/public utility contractor, a permitting company, a homebuilder, a custom furniture maker, a commercial cabinet company, and a labor union. Because real estate development has an extraordinary impact on this industry and on East Austin in general, the researchers also interviewed five developers—three private enterprises and two nonprofit community development corporations (CDCs).

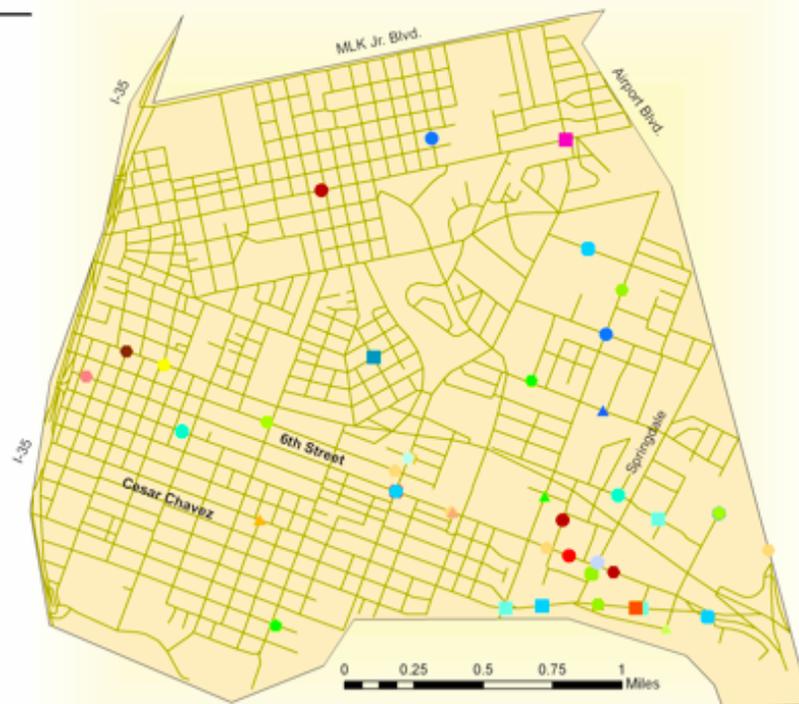
These companies cluster in the triangle between Cesar Chavez Street, Tillery Street, and Airport Boulevard, as well as forming a construction corridor along 5th Street (see map). The few remaining companies are scattered throughout the rest of Central East Austin, with a median distance of less than a mile between firms.

Construction in 78702

45 Total Establishments

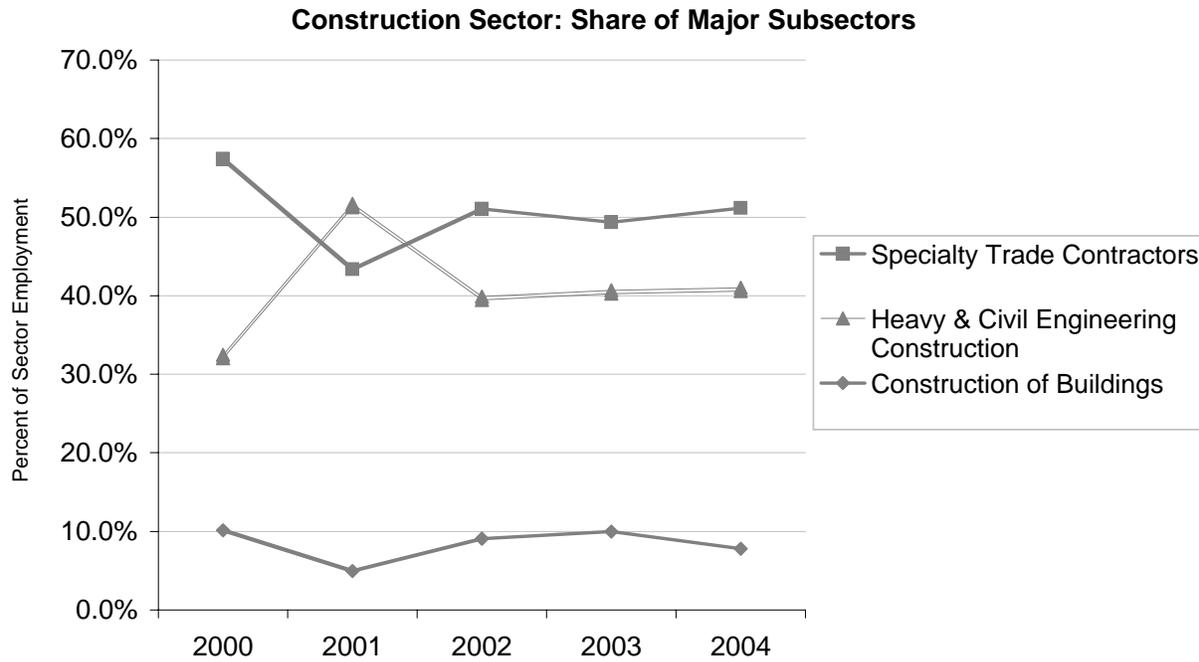
Legend

- AIR CONDITIONING CONT
- AWNINGS & CANOPIES-MA
- ▲ BUILDING CONTRACTORS
- ▲ BUILDING RESTORATION
- CABINET MAKERS
- CARPET LAYERS
- CONCRETE CONTRACTORS
- DRAINAGE CONTRACTORS
- ELECTRIC CONTRACTORS
- ▲ EROSION CONTROL
- GENERAL CONTRACTORS
- GOLF COURSE CONSTRUCT
- HOME BUILDERS
- HOUSE CLEANING
- ▲ MACHINERY MOVERS & ER
- MASONRY CONTRACTORS
- PAINTERS
- PAVING CONTRACTORS
- PLASTERING CONTRACTOR
- PLUMBING CONTRACTORS
- REMODELING & REPAIRIN
- RESTROOM SANITATION
- ▲ ROOFING CONTRACTORS
- SANDBLASTING
- SEPTIC TANKS
- SHEET METAL WORK CONT
- STONE SETTING CONTRAC
- TELEPHONE & TELEVISIO
- TILE-CERAMIC-CONTRACT
- ▲ UTILITY CONTRACTORS
- WINDOW CLEANING
- WOODWORKERS



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

Average firm size in Central East Austin grew from approximately 30 employees in 2000 to about 35 in 2004.^{xci} As indicated in the graph below, specialty trade contractors far outnumber the other two major subsectors in the industry for all but one year. There is one year, 2001, when heavy and civil engineering projects increased above the other two subsectors, probably due to the recession. This is likely due to the contractual nature of projects in the heavy and civil engineering category—they are more likely to be public infrastructure investments or long-term projects with several years of planned outlays.



Source: U.S. Census Bureau ZIP Code Business Patterns. Online. <http://censtats.census.gov/cbpnaic/cbpnaic.shtml>. Accessed: January 29, 2007.)

Key Themes

Long-Established Enterprises versus New East Austin Enterprises

The construction industry in Central East Austin displays varied patterns with regard to tenure. Some businesses have been established within the last five years. Others have operated from the same address for as many as three generations. Although the businesses in this industry operate throughout Austin and the surrounding region, in terms of the changes that are occurring in Central East Austin, it is the activity of the construction industry that is perhaps most visible. As old structures disappear, developers are replacing vacant lots and warehouses with new homes and stores. Although it is difficult to determine from a limited number of interviews, it appears that local East Austin businesses are performing a relatively small amount of the construction work in Central East Austin.

Long-established businesses (more than 10 years in East Austin) accounted for two-thirds of the interviews. The median age of all firms interviewed is 26 years. Nine of the businesses have operated in East Austin for 10 years or more, with a median age of 29 years. The oldest of these

businesses is approaching its 80th year in the same location. Previous generations decided the location of many of these businesses as many were started by the current owner's father or grandfather. Their east-central location is convenient as they are close to downtown, and can generally get anywhere else in the city and even in the region quickly. All of these companies owned the property on which their business operates, except one of the nonprofit CDCs, which has a long-term lease with the City of Austin.

For the most part, long-term business owners have positive relationships with their neighbors and the East Austin community. Several firms make substantial efforts to contribute to the local community through activities such as serving on public sector boards, donating to local charities, and mentoring young girls to encourage careers in the construction business. The trade union operates an apprenticeship program that targets students at local high schools who may not be college bound but are good candidates for a skilled trade career. A majority of these firms attempt to hire mostly local residents, though at least two suggested that either their workers could not afford to live in East Austin or that residents of East Austin do not possess the skills necessary to do the work. Interestingly, only half of the longtime owners interviewed live in East Austin.

Relationships with residential neighbors are sometimes contentious, even for the most community-oriented of these businesses. One business wishes to tear down and rebuild its outdated building, but expects a fight with residents because of the property's light industrial zoning. The neighborhood association was heavily involved in the closing of a tank farm in the 1980s and is perceived as being resistant to any expansion of industrial sectors in the neighborhood.

In addition, many construction firms reported continuing problems with crime. Stealing construction materials for resale can be lucrative, and several firms reported problems with either employees or neighbors in this regard. One owner reported theft of materials by a local gang, although the owner was eventually able to negotiate with the gang by offering to donate construction materials to them in exchange for not stealing from his property.

Two of these companies rent their properties, one from a former client. Both chose their location based on the close proximity to downtown and low rents. Two other businesses own their properties. One, located in a new mixed-use development, is the property management business affiliated with the developer of the property. The other property owner chose to buy because of an affinity for the neighborhood and its proximity to the owner's residence in one of the new East Austin loft developments.

In general, newer businesses seem to have fewer connections to the residential neighborhoods in which they are located or the larger business community in East Austin. The exception is the commercial developer who lives in East Austin and has many strong, if not always positive, relationships with East Austin residents and businesses.

Customer Orientation

The customer base of the businesses interviewed is geographically dispersed. Only five firms reported that their current business activity is primarily in East Austin, including the two

nonprofit CDCs. One firm has a contract to build a portion of the homes in the Mueller redevelopment, and the commercial and public utility contractor has poured concrete for many city projects in East Austin, such as Boggy Creek waterways and local parks. This may reflect the fact that much of the construction occurring in East Austin is residential or public sector, and thus not sought by these Central East Austin firms.

The remaining eight firms do very little of their work in Central East Austin. They primarily do commercial construction work, both private and public, focused on growing regional construction demands in Texas. These firms indicate that Central East Austin does not represent a significant market for their services. Notably, one of the firms does plan to open a high-end retail hardware store catering to the needs of the new clientele in the neighborhood as a complement to its existing construction business activities. When marketing to the public, the majority of businesses do not advertise through print or media outlets, employing a more informal approach. Whether a longtime or newer enterprise, the businesses interviewed rely largely on word-of-mouth and their reputations to attract new business.

Innovators versus Conventional Businesses

Based on the business owner's outlook on the changes occurring in East Austin, and the firm's ability to plan for and react to those changes, researchers classified Construction and Development firms as either "innovative" or "conventional."

The innovators, in general, have a much smaller physical footprint than the conventional firms. One significant difference between innovative and conventional firms is the innovator's greater reliance on Internet-based marketing and sales. These small companies—ranging from one to 14 employees—serve a market base largely outside of East Austin, attracting business from other parts of the city, the state, and even the country. In addition, many of the innovative firms are focused on mixed-use development and green building materials and techniques. The three commercial developers, as well as the residential homebuilder in this category, are heavily influenced by the New Urbanist movement, which promotes dense, walkable, and socially inclusive residential communities.

By contrast, the three conventional businesses maintain the more traditional, land-intensive approach of the old construction industry in East Austin. They generally conduct commercial construction services for clients located outside of East Austin. The materials retailer planning to open a high-end consumer hardware store might be considered a hybrid firm because of its ability to straddle both the old and new economies of East Austin.

By nature, the innovative businesses are more inclined to support changes in the business climate in East Austin, although all businesses interviewed seem to feel that there is a certain inevitability to the merging of Central East Austin with the rest of the downtown. Many business owners welcome both the expansion of downtown eastward and the diversification of traditionally ethnic neighborhoods. Even those owners who expect to be affected by the change due to rising rents or property values expressed positive outlooks toward the changes. Two business owners indicated that they planned to move when the time was right (when rents rise too much or it is most profitable to sell the property). One business owner plans to return to a

location in a smaller community somewhat removed from the city, and the other indicated that he would likely move his business to a location further east.

Significantly, not all of the companies that have been in business longer than ten years are conventional businesses. These long-term businesses have survived because they have, at least to some extent, embraced the changes in Central East Austin and have planned for the future.

Current Issues

National Markets

Housing markets nationwide have been cooling since mid-summer 2006, and this trend appears to be continuing due to large inventories of new homes. Although the prognosis for the construction sector does not look promising nationally, the Austin market has not experienced the same slowdown in demand for housing. In fact, one should reasonably expect the region's housing market to continue to have higher levels of demand for some time to come.^{xcii} Nevertheless, for East Austin construction firms to grow and thrive in the long term, the construction industry nationwide must continue to grow and thrive as well.

Tenancy

Property owners may confront problems in changing or expanding their businesses. For instance, there is the potential for conflict with neighbors as owners wish to upgrade their facilities without losing favorable zoning for their property. Renters face different issues, such as not being able to afford space in East Austin in the longer-term with rising property values and taxes.

Local Demand

Rising property values, increasing demand for land in the Austin area, more major public infrastructure investments and the influx of East Austin residents with higher incomes are all opportunities for construction companies. To the extent that these businesses value remaining in their current locations, they must continue to recognize the local trends affecting their businesses and their neighborhoods and capitalize on opportunities in East Austin.

Industry Projections

Looking to the future, there are several drivers of growth for this industry. The population of the city has doubled every 20 years since the 19th century.^{xciii} If this trend continues, both residential and commercial builders, as well as public sector contractors, should continue to see steady growth. Austin real estate markets—both residential and commercial—are strong and have spurred a flurry of building activity. Although the Central East Austin firms are involved in some of the current East Austin projects, most of these businesses rely on a larger market.

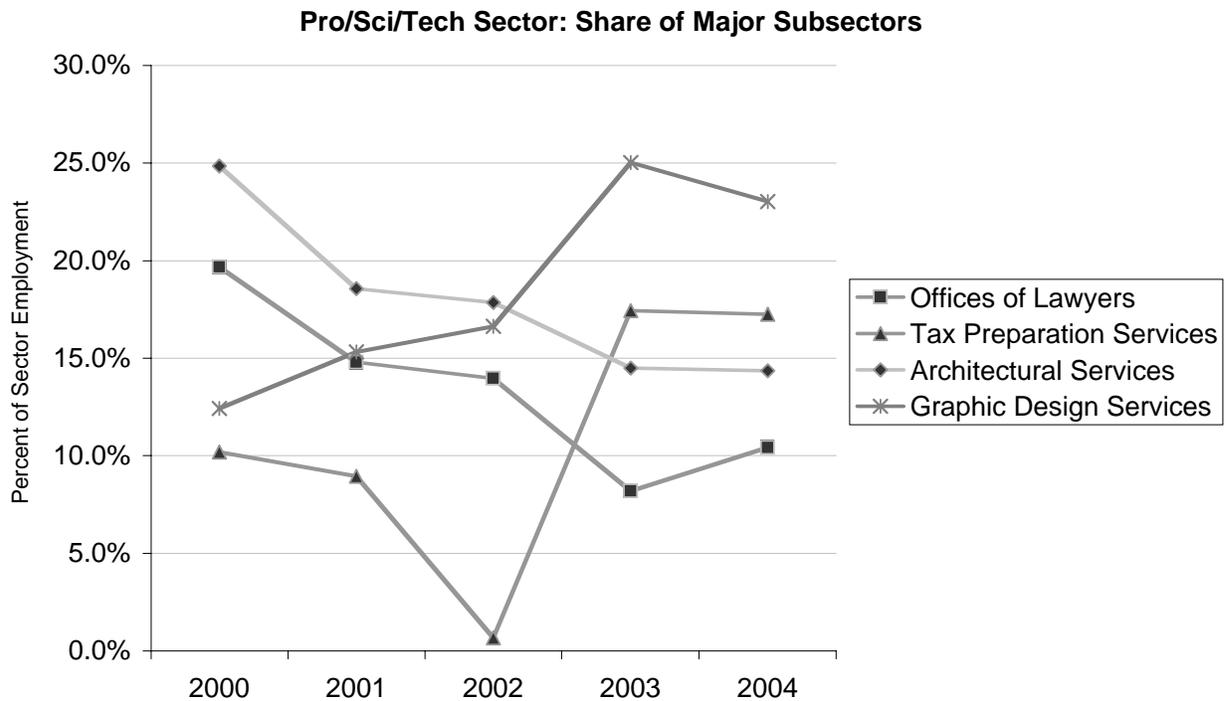
Those businesses that do serve East Austin residents will likely see a surge in activity, followed by an eventual leveling. Although the same is likely true for enterprises serving commercial clients as well, their fate seems much more tied to the success of the companies they build for and the entire central Texas region, rather than the fate of East Austin alone.

In a best-case scenario for the construction industry in East Austin, the economy of Central Texas would continue to grow, and people would continue to move into the area in large numbers. On the other hand, if the economy of Central Texas, especially the real estate market, declines, these companies will experience decline. In a slow-return or normal scenario, many East Austin residents currently employed in construction business activity would likely lose their jobs, though the exit of a number of workers who have come to Austin specifically to take advantage of the construction boom might cushion this decline for longtime firms.

Professional, Scientific, and Technical Services

The professional, scientific, and technical services industry serves clients in a wide variety of areas; most of the businesses in East Austin are lawyers, architectural, graphic design, and computer system design services (see map).^{xciv} The majority of the services performed in this sector are highly skilled and the workforce, typically, is highly educated. Their services are normally directed toward other businesses and individuals who can afford the relatively higher costs associated with the services.

Nationally, this industry has had steady and large growth in employment and establishments since 2003.^{xcv} Although not a prevalent industry in East Austin historically, it is growing in both the number of firms and employees as well as importance to the economic structure of East Austin. In 2004, there were more than 160 professional, scientific, and technical services businesses in East Austin. The number of establishments in Central East Austin has grown from 34 to 62 since 1998, with offices of lawyers consistently maintaining the largest number of establishments. Overall, professional, scientific, and technical services firms account for 5 percent of total employment in Central East Austin.



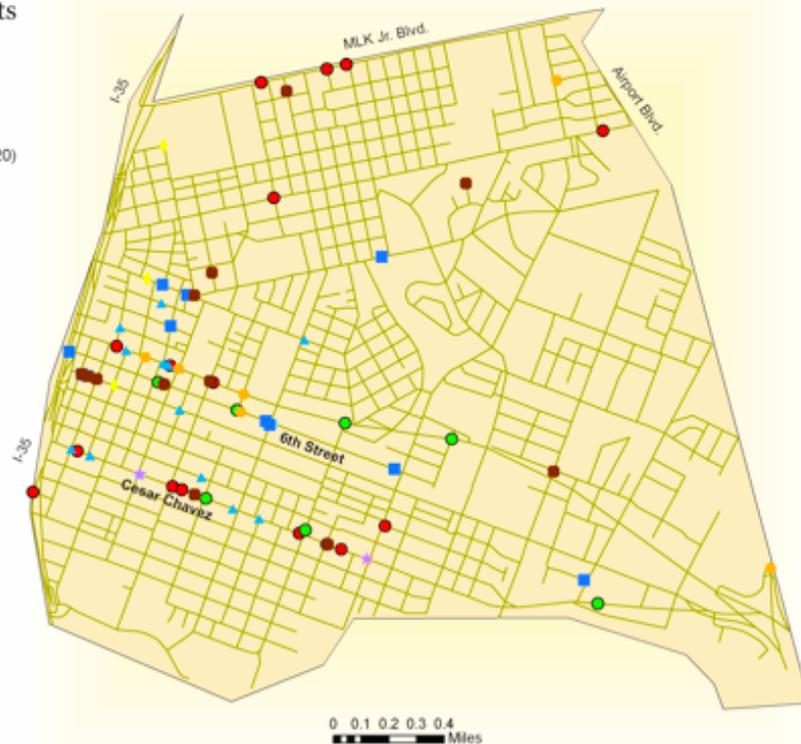
Source: U.S. Census Bureau, ZCBP, <http://censtats.census.gov/cgi-bin/zbpnaic/zbpdetl.pl>

ProSciTech in 78702

105 Total Establishments

Legend

- Accounting (8)
- Advertising (13)
- ▲ Architecture and Engineering (20)
- Computer systems (2)
- Mgmt and Sci Consulting (9)
- Offices of lawyers (20)
- Other ProSciTech (17)
- Other legal services (4)
- ★ Scientific R and D (3)
- ◆ Specialized design (9)



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

Access to the central business district is very important, as is access to the interstate, both of which a Central East Austin location provides. Many of the businesses in this industry are located on the 6th Street, 7th Street, and Cesar Chavez corridors. Businesses are typically located in office complexes and other shared space locations on the major thoroughfares. The number of professional, scientific, and technical services firms and employees continues to grow throughout East Austin, but the sector has not become a major employer in the area.

However, growth in the number of firms does not directly correlate with growth in employment in Central East Austin. While the number of firms is increasing, most firms still employ a relatively small number of workers and the majority of firms within this industry, approximately 78 percent, have fewer than ten employees.

Key Themes

While all nine businesses interviewed acknowledged demographic and economic changes in the area, the owners' perceptions of the current and future effects differed slightly. Almost every business interviewed identified the financial benefits of lower rent and property values associated with their decision to locate in East Austin. Additionally, none of the businesses interviewed primarily served East Austin clients, and the connection to the community was weak at best. Furthermore, they all said the negative connotation sometimes associated with the term "East Austin" is disappearing due to positive economic and aesthetic changes.

Effects of Change

The employers in this industry agree that East Austin is changing, but there is no consensus regarding effects on individual businesses. A director of a nonprofit organization dealing with educational services claimed to be a proponent for change, but believes the majority of businesses locating to East Austin are not employing local workers, contributing to the displacement of long-term residents. The owner of an architectural firm said the changes have enhanced the East Austin business climate, but this firm has not been affected. An energy broker observed that the “gentrification” of East Austin began 20 years ago, but the current physical upgrading of the area will perpetuate more gentrification and that there will be a challenge for businesses to adapt to the demographic change. Generally, the businesspeople in this industry recognize the change and acknowledge that there are positive and negative aspects to it for the residents of East Austin, but they do not believe that it will have a significant long-term impact on their businesses.

One company, a media firm that specializes in political campaigns, moved to East Austin from a location closer to the Capitol because it was less expensive. An energy firm also relocated to East Austin due to financial considerations, but the owner thinks the prime opportunity for business relocation has passed since prices have risen to a point that no longer compensates for the poorer infrastructure.

Labeling East Austin

The terms used by professional, scientific and technical services firms to describe East Austin are evolving along with East Austin’s demographic change and industries. The media firm owner argues that it is misleading to call the area “East Austin” because it has effectively become an extension of downtown. The energy business owner reiterated the idea that East Austin is an outdated name, and that it should now be called “Central Austin, east of downtown.” The architectural firm owner said that East Austin is now a “satellite” of downtown, because as more multifamily housing is constructed and as crime drops, the area is starting to resemble the other surrounding areas of downtown. Many comparisons were made to South Congress and North Lamar; the future perception of the east side will be determined by the changing businesses and people locating there, so the term associated with the area may change as well.

Limited Community Interaction

The level of interaction between East Austin professional, scientific, and technical businesses and East Austin residents is limited. Only a few employees in the businesses interviewed live on the east side, and the majority of clients their businesses serve are outside of East Austin. A majority of the interviewees said that the only interaction they have with the East Austin business community is for smaller office supply purchases, groceries, or dining.

Current Issues

Rising Property Values

Rising property values may not affect businesses in this industry as much as other industries. Of the businesses interviewed, most own or lease their property rather than rent, so property value increases are not a concern. Of those businesses who do rent, two have agreements with the City of Austin for affordable rates on their office space. None of the businesses interviewed mentioned rising property taxes as a factor that would affect their continued growth and success.

Business Climate

The businesses interviewed believe the industry is growing and demand for services is increasing every year. One owner said he felt like he is “caught in the flurry of good times,” and the other owners reflected the same sentiment. The most common request for a new local business was an office supply store. Others mentioned a possible need for more banks, but that was less for access to the capital and more for convenience of location. It appears that this industry has capitalized on the economic savings of locating to East Austin when the time was right, and the need for capital is not prevalent in these businesses. The professional, scientific, and technical services industry appears primed to continue growing in the near future.

Industry Projections

According to the Bureau of Labor statistics, national employment in this industry will increase almost 28 percent between 2004 and 2014, reflecting the third-highest rate of growth of all sectors. One driver for continued local growth will be the overall economy of Austin; if it continues its current growth trends, then new professional, scientific, and technical services firms will continue to emerge in East Austin because of its prime access to downtown and I-35. As median income levels rise in East Austin, businesses in this sector may interact more with local residents and small businesses in the area that have the disposable income to purchase the typically highly priced industry services. In addition, as a new socioeconomic class moves into East Austin’s live/work buildings, the industry may begin to work more closely with the new breed of residents and businesses.

One interviewee stated the time to buy the low-valued land has passed, but that the rising land values still hold some opportunities for those who want to buy land before prices reach a ceiling. Many businesses believe that real estate in the area remains a great investment because of its downtown access and proximity to principal clients. With demographic change in East Austin reflecting the population of the city at large, the target clientele of these businesses will begin to locate in East Austin. Connections between the East Austin community and the professional, scientific, and technical services industry will be important to eastside residents as these types of businesses relocate to East Austin and employment opportunities increase in the future.

Manufacturing and Wholesale Trade

Manufacturing and wholesale trade are closely related industries. While wholesale trade firms sell all types of goods, the manufacturing firms make or produce these goods. The functions of these two sectors are complementary. Manufacturing firms are thus critical producers and wholesale trade firms are the necessary link between manufacturers and the final consumer.

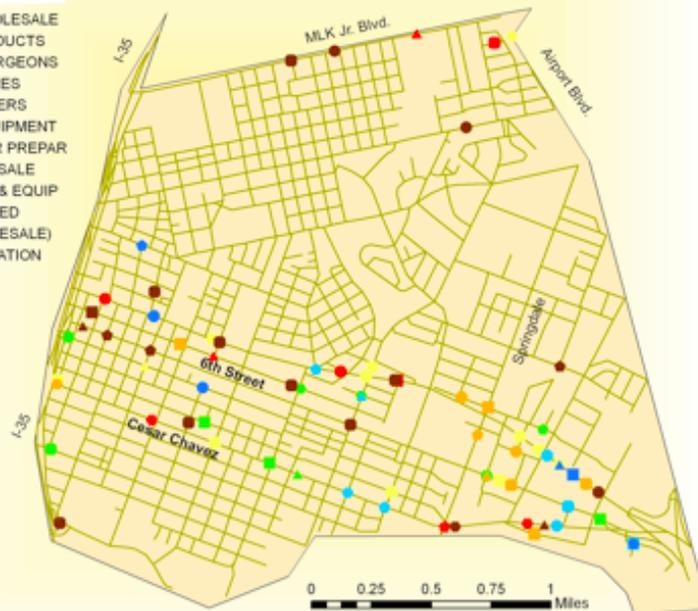
The 41 manufacturing companies in Central East Austin represent 8 percent of total business firms. Manufacturing firms have increased their share of employment from 7 percent in 1998 to 10 percent in 2004, approximately 800 employees.^{xcvi} Although the 33 wholesale trade firms comprise a similar 6 percent of the total businesses, their share of employment has dropped in half between 1998 and 2004 to 4 percent, or approximately 350 employees.^{xcvii} While many firms in East Austin conducted a mixture of manufacturing and wholesale trade, businesses that focused only on wholesale trade were concerned about future growth.

Manufacturing and Wholesale Trade in 78702

78 Total Establishments

Legend

- AMUSEMENT PARK RIDES
- APPAREL & ACCESSORIES
- ▲ AUTOMOBILE BODY SHOP
- AUTOMOBILE MOTORS
- AUTOMOBILE-BUYERS
- BAKERS-RETAIL
- BEADS (WHOLESALE)
- BOTTLEERS
- BREAD/OTHER BAKERY
- ▲ BREWERS
- ▲ BUILDING MATERIALS
- CHILDRENS & INFANTS
- CHOCOLATE & COCOA-MAN
- DIESEL FUEL (WHOLESALE)
- ENGINES-DIESEL
- FLUID MILK MANUFACTURE
- ▲ FOOD BROKERS
- FOOD PREPARATIONS
- FROZEN FRUIT/ JUICE
- FRUITS & VEGETABLES
- GAS-INDSTRIL/MED-CYLIN
- HEALTH FOOD PRODUCTS
- HOSPITAL EQUIPMENT & IMPORTERS
- INFORMATION RETRIEVAL
- JANITORS EQUIPMENT
- LOCKSMITH EQUIPMENT &
- MANUFACTURERS-AGENTS
- MEAT PRODUCTS
- MEXICAN FOOD PRODUCTS
- ▲ MOTION PICTURE EQUIP
- OFFICE FURNITURE
- PARTITIONS - WHOLESALE
- PETROLEUM PRODUCTS
- PHYSICIANS & SURGEONS
- PLUMBING FIXTURES
- RECYCLING CENTERS
- ▲ RESTAURANT EQUIPMENT
- SAUSAGES/OTHER PREPAR
- SEAFOOD-WHOLESALE
- SOUND SYSTEMS & EQUIP
- TIRE-DEALERS-USED
- TORTILLAS (WHOLESALE)
- TRUCK REFRIGERATION
- ▲ TRUCK-DEALERS
- WASTE-PAPER
- WATERPROOFING
- WHOLESALERS



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

The majority of manufacturing and wholesale trade companies are located near the main corridors of East Austin: Cesar Chavez, 6th Street, and 7th Street. The choice of location suggests that these businesses benefit from proximity to major roads, both in terms of attracting customers and accessibility to highways that transport their goods.

Looking specifically at Central East Austin, the manufacturing and wholesale trade industries are experiencing different trends. While the manufacturing industry experienced modest growth in the total number of firms over recent years, there has been a significant decrease in the number and employment share of wholesale trade firms. Historically, manufacturing and wholesale trade were among the most prosperous industries in Central East Austin, particularly when the local economy was dependent upon the railroad in East Austin for long distance receiving and shipping of goods. As the demographic and economic changes in East Austin have accelerated, firms in both manufacturing and wholesale trade firms have had to evaluate the implications of change on their businesses. Interviews with 10 manufacturing and wholesale trade business owners and managers help illuminate their experience.

The firms interviewed were diverse in size, ranging from firms with 100 employees to proprietary businesses operated solely by the owner. Out of the 10 firms interviewed, a total of six comparatively larger firms with greater than 14 employees focused on a combination of manufacturing and wholesale trade. However, the remaining four smaller firms focused mostly on wholesale trade. Furthermore, most of the large firms focus on serving a wide range of customers in various areas, while smaller firms rely on visibility to passing traffic.

Key Themes

Importance of Location

Several of the small-scale manufacturing and wholesale trade businesses interviewed have had a long history of operating in East Austin because the current owners inherited their businesses. These firms choose to stay in the same location because they have often become local landmarks and this visibility allows customers to easily locate the firms. On the other hand, large operations often choose to locate in East Austin due to its accessibility to major highways, such as I-35 and its proximity to downtown.

For manufacturers and wholesale traders of all sizes, location appears to be one of the most important factors of their business. For large firms, whose manufacturing facilities consume a lot of space, it would be very difficult to move the plant elsewhere. Smaller firms have benefited from locating in East Austin as they could pay a lower rent than locating elsewhere would allow.

Another important aspect of location is proximity to employees. Large manufacturing and wholesale trade firms originally located in East Austin to be near their employee base and firms have continued to hire local employees, thus solidifying the importance of their existing locations.

Targeting Consumers

The large manufacturing and wholesale trade businesses have customer bases that extend far beyond the consumers in Central East Austin. These firms target customers throughout Austin and in some cases, throughout Texas. Because trucking is the primary mode of transportation for these firms, locating near highways such as I-35 reduces the time and costs of shipping.

Similar to large firms, smaller companies do not confine themselves to serving solely the East Austin community and anticipate more business as downtown consumers pass through East Austin.

Current Issues

Perception of Change

Given that so many of the firms have a long history of providing services from their Central East Austin location, it is not surprising that all interviewees perceived economic and demographic changes in recent years. Although some owners and managers had difficulty elaborating on its effects, each confirmed that change was occurring. Some interviewees identified such effects of change as increases in property taxes, redevelopment occurring throughout the area, and a changing consumer base.

Staying in the Area

The longevity of the businesses interviewed also affected the extent to which the identity of the business was associated with a longstanding commitment to its location in Central East Austin. For instance, in the case of small wholesale trade firms, even with changes in business owners over time, the new owners have kept the same business name. The company name provides the customers with trust and maintaining the same location even after a change in ownership offers consumers a greater familiarity in the firm. The firms have a longstanding presence in the area, so the customer naturally goes to the company when in need.

Effects of City Policy

The majority of large manufacturing and wholesale trade companies own their property, while small businesses tend to rent or lease space. The five firms that commented on the issue were concerned with recent increases in property taxes. Business owners or managers expressed concern that rising property tax bill were limiting business expansion opportunities and might affect their ability to remain in their current location. One business owner, however, indicated a reason other than property taxes for a recent relocation of his factory. Although in operation since 1970, the firm experienced increases in its activities and wanted to increase the size of its warehouse. However, the combination of zoning restrictions on the land and a homeowners association that lobbied the city to rezone the location residential led the owner to lease its factory building in Central East Austin and relocate to northwest Austin.

Industry Projections

The majority of manufacturing and wholesale trade business owners and managers agree that there will be stable or modest growth in the future. The majority of businesses have seen their operations continue to increase in recent years and expect that this trend will continue in coming years. Most large manufacturing and wholesale trade companies see their business growing as they increasingly target customers outside of Austin. On the other hand, small businesses focusing on local consumers express their concern about increasing competition and property taxes.

Financial Services

The financial services industry is comprised of mainstream banks that provide loans, credit, and other financial services and products, as well as insurance companies. In addition to banks and insurance companies, however, there are also several types of businesses in the finance sector that operate at the fringe of the mainstream economy. They include payday lenders, check cashers, pawn shops, and sub-prime home mortgage lenders that offer low-income people without good credit access to financial resources, albeit at extremely high interest rates.^{xcviii} The fringe economy is a highly profitable industry. Payday lenders, check cashers, and pawn shops generate revenues in excess of \$125 billion per year. If one considers sub-prime home mortgage lenders, this figure more than doubles.^{xcix} For the most part, these are not small, “mom and pop” operations; multinational corporations own these businesses and they are financed by mainstream banks.

The finance sector in Central East Austin includes 37 businesses primarily located along three corridors: Cesar Chavez, East 7th Street, and Airport Boulevard.

Payday lenders, check cashers, and pawn shops outnumber mainstream financial institutions in Central East Austin, an area that has historically been home to a disproportionate number of the city’s low-income residents. According to the list of businesses sampled for this report, the ratio of payday lenders and check cashers to banks in Central East Austin is three to two. However, the observed ratio differs. On just one block of East 7th Street, for example, there are four payday lenders and check cashers that were not included in the list of businesses from CAPCOG.

For the “un-banked” population, one viable alternative to payday lenders and check cashers is credit union membership. Credit unions utilize cooperative ownership and exist as nonprofit organizations that typically charge lower fees and interest rates than banks while offering similar financial services and products. The following analysis begins with a closer look at one of the two credit unions located in Central East Austin, and then turns to interview data obtained from two insurance companies, one bank, one pawn shop, and one payday lender/check casher.

Key Themes

Bridging Old and New East Austin

If any financial institution in East Austin is poised to attract the business of new, higher income residents moving into the area while continuing to serve longtime low-income residents, it is the credit union.

In the late 1990s, a well-established statewide credit union opened a branch in East Austin. According to the current branch manager, the organization made this decision because it wanted to provide financial services to an underserved community. The benefits to being in East Austin are many, according to the branch manager. First, there is the opportunity to reach out to un-banked residents—those who have never even had basic checking accounts—and offer them financial independence from check cashers and payday lenders. The credit union offers ongoing financial workshops and seminars specifically designed for this population. It also offers low-cost wire transfer service to Central and South American countries for workers who send money

to families back home on a regular basis. In addition to these opportunities for serving pressing community needs, the branch manager pointed out the benefit of developing relationships and business partnerships with like-minded organizations such as nonprofits, churches, and other associations that reflect the credit union's philosophy. The credit union has reached out to the community in other ways as well. For example, it sponsors events for a community college in East Austin, and provides a \$1,000 athletic scholarship to one of its students every year.

While committed to longtime East Austin residents, the branch manager is aware of the demographic, housing, and economic changes occurring in the area. She is poised to take advantage of the business opportunities that new, higher-income residents may provide without abandoning the credit union's philosophy of reaching underserved populations. She believes the credit union can increase its longtime resident membership and attract new residents at the same time.

The branch manager views economic growth as positive. However, she is concerned that it may lead to the displacement of people who have lived in East Austin for years. She thinks city government ought to "step in and offer provisions" such as affordable housing and workforce development for longtime residents who are no longer able to afford the area and pointed to the need for longtime community residents to organize themselves and voice their concerns.

In addition to these recommendations, the credit union branch manager identified a need for more coffee shops in East Austin, wireless meeting spaces, grocery stores, parks, a gym, more restaurant options, and shops. She expects that these amenities will begin to appear as higher income residents move into new condominium developments and believes this will be good for East Austin, provided longtime low-income residents will be able to stay and enjoy these amenities, too.

Current Issues

The effect of demographic, housing, and economic shifts east of I-35 on the finance sector varies depending on the population each business was designed to serve.

Struggling Against Change: Firms that Serve Residents Moving Out of East Austin

Financial businesses designed to serve a specific population, such as low-income Hispanic families, rather than the wider East Austin community, are struggling. For example, the small insurance company interviewed has been losing its customer base recently. In fact, branch revenues decreased by 60 percent from 2006 to 2007. The business manager blames the new condominium developments for "pushing our clientele out" to Montopolis, Bastrop, or Del Valle. The manager views change in East Austin warily, noting that larger insurance companies are initiating operations in the area. In addition, the firm's monthly rent increased by \$600 in February 2006, when the previous lease ended and the property owner proposed a new agreement. The business manager attributes the increase to "all the changes going on around here." This insurance company is not a member of any formal or informal business, trade, or networking association.

Unaffected by Change: Firms that Serve Un-Banked East Austin Residents

The two businesses operating on the fringe of the mainstream economy, both owned by large corporations, seem unaffected by the wider forces of change occurring in the area. They continue to serve low-income and un-banked residents of East Austin. The pawn shop has been in business for more than 30 years, while the payday lender/check casher opened a branch in Central East Austin in March 2007. Clearly, there is a niche for their services. If the population demographics change significantly over time, however, they may lose their customer base. Until then, their businesses remain viable. The pawn shop's primary customers are local residents who live within walking distance and come in nearly every day. The new branch manager at the payday-lending/check-cashing station believes most of her customers will be "repeat customers" who need to access payday loans every 30 days or so because their paychecks do not meet their monthly needs.^c

Embracing Change: Firms that Serve New East Austin Residents

Interview respondents at two mainstream financial institutions are looking forward to their businesses thriving because of new residents moving into East Austin. In fact, they located in Central East Austin in order to capitalize on the business opportunities connected with demographic change.

The owner of one insurance company says his business's parent corporation decided it "needed a presence on the east side of town. We knew East Austin would become very diverse." The owner pointed to a new condominium development one block west of his office as an illustration of the kind of community change they had anticipated. The owner looks forward to the new business that such change will bring and welcomes the real estate businesses and mortgage lenders moving into the neighborhood: "I think it brings more strength and diversity to the area and helps it become sustainable." The owner belongs to several formal Austin business networks.

In 2005, a large mainstream bank moved into Central East Austin because it "needed a presence in the community," according to the branch manager, but not necessarily to serve longtime residents. The owner says corporate headquarters anticipated development east of I-35 and wanted to serve new residents. The bank also serves people who work in the area, as well as former neighborhood residents who return to attend church. The manager, a member of the local chamber of commerce, believes the wider changes occurring in East Austin are affecting the business "in a positive way."

Industry Projections

Out of the six businesses interviewed in the finance sector, two seem poised to thrive because of the changing dynamics in East Austin—the bank and one of the insurance companies, both mainstream financial institutions that located in Central East Austin in order to capitalize on the business opportunities afforded by new residents moving into the area. The corporate-owned pawn shop and payday lender/check casher have remained solvent, but if the population in East Austin shifts significantly over time from low-income to high-income residents, these businesses on the fringe of the mainstream economy may no longer have a solid customer base in the area. Only one business, the insurance company designed to serve low-income Hispanic families,

seems to be on the verge of demise as this particular population is moving further east. The credit union, having served underserved residents of East Austin for nearly ten years, seems poised to expand its reach to longtime residents, while also benefiting from the wider forces of change. It just may be able to bridge the old and the new in East Austin.

Other Services

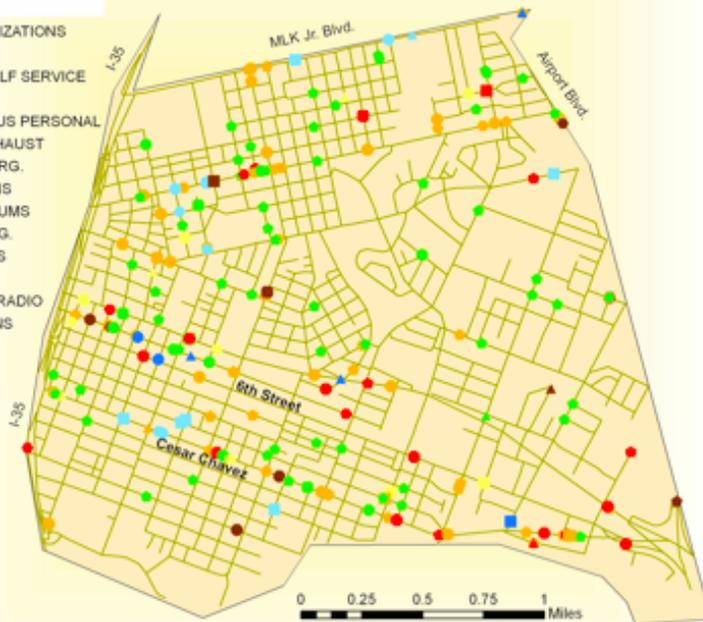
The other services sector consists of three main subcategories: repair and maintenance; personal and laundry services; and religious, civic, professional, and similar organizations.^{ci} In East Austin, this sector consists of a large assortment of sub-industries. There are at least 16 distinct classifications and many more sub-classifications.

Other Services in 78702

211 Total Establishments

Legend

- | | |
|-----------------------------|--------------------------|
| ● ABORTION ALTERNATIVES | ● LABOR ORGANIZATIONS |
| ■ ALCOHOLISM INFO | ● LAUNDRIES |
| ▲ ANTIQUES-REPAIRING & | ● LAUNDRIES-SELF SERVICE |
| ● APPLIANCES-HOUSEHOLD | ● MANICURING |
| ● ASSOCIATIONS | ● MISCELLANEOUS PERSONAL |
| ● AUTOMOBILE BODY-REPAIR | ● MUFFLERS/EXHAUST |
| ● AUTOMOBILE DETAIL | ▲ NON-PROFIT ORG. |
| ● AUTOMOBILE GLASS | ● ORGANIZATIONS |
| ● AUTOMOBILE INSPECTION | ● PSYCHIC MEDIUMS |
| ▲ AUTOMOBILE SHOP | ● RELIGIOUS ORG. |
| ● AUTOMOBILE REPAIRING | ● SCHOLARSHIPS |
| ● BARBERS | ● TATTOOING |
| ● BEAUTY SALONS | ■ TELEVISION & RADIO |
| ● CAR WASH/POLISH | ▲ TRANSMISSIONS |
| ● CEMETERIES | |
| ■ CHARITABLE INSTITUTION | |
| ▲ CHURCH ORGANIZATIONS | |
| ● CHURCHES | |
| ● CLEANERS | |
| ● CLUBS | |
| ● COMMUNITY ORGANIZATIONS | |
| ● CREMATORIES | |
| ■ DRUG ABUSE & ADDICTION | |
| ▲ EDUCATIONAL ASSOCIATION | |
| ● FRATERNAL ORGANIZATION | |
| ● FRATERNITIES & SORORITIES | |
| ● FUNERAL DIRECTORS | |
| ● FUNERAL PLANS | |
| ● FURNITURE-REPAIRING | |
| ■ HISTORICAL ORGANIZATION | |
| ▲ HUMAN SERVICES ORG. | |



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

For this study, only two classifications of businesses were interviewed—auto body repair/service centers and barbers/beauty salons. Of the 130 other services sector businesses listed in Central East Austin, auto body repair was the second most populous industry behind churches, with 47 business listings, while there were 42 barbers/beauty salons. Seven interviews were conducted with four auto body repair owners, two barbers, and one beautician.

Because these firms primarily provide personal and consumer services at their place of business, most are located on corridors to maximize visibility. With this in mind, this industry sector as a whole should benefit from East Austin's growing population.

Key Themes

Two distinct stories are taking place in East Austin’s “other services” sector. With auto body repair and service centers, as well as barbershops and beauty salons, the different storylines reveal two different attitudes toward the changes occurring east of I-35. On the one hand, businesses that own their land are less affected by rising property taxes, able to realize increasing profits from more residents, and expect large returns when they close the doors and sell the property. On the other hand, rising property values are forcing some renters or those who recently purchased their land to adjust their business models, with taxes and rising rents cutting into slim profit margins and making businesses difficult to operate.

Businesses Negatively Affected by Economic Improvements in East Austin

An owner of an auto-body repair business has been operating in East Austin since 1988, but only recently purchased the land upon which the shop sits. Mortgage and other overhead costs are increasing while revenue has remained modest, so rising tax bills are straining the business’s bottom line. The insurance companies continue to depress revenues, refusing to pay what shop owners believe to be fair prices. Meanwhile, the biggest challenge for this firm is attracting quality employees, as the perception of East Austin as a low-income area with high crime, as well as the firm’s inability to provide benefits, makes it difficult to compete with body shops in other parts of town.

The financial difficulty arising from limited revenue and rising overhead is causing the owner to worry about rising taxes. Unfortunately, this owner has found little relief, as the system to pay the firm’s taxes has changed from a 12-month to a six-month payment plan. Increasingly involved in the local business community, this owner is hoping to secure the city’s attention to help this and neighboring firms with tax relief—before it is too late.

The owner of a neighboring auto repair shop has similar concerns about the changing business climate in East Austin. Though this firm has always rented, the owner is not concerned with rising taxes, but rather is feeling the crunch from increased competition. The new shops in town, with large, attractive buildings, have significant overhead and charge their customers high prices just to stay in business. This firm has been in business at the same location for 30 years and the owner is proud to say the firm charges just enough to enable the owner to make a living—most customers have been coming back for years and the return business keeps the firm in operation. Nevertheless, the owner comments, “Business is hard in East Austin, and is only getting harder.”

Businesses Benefiting from Economic Improvements

In the same part of town, but blocks from some of the businesses negatively affected by economic change, an entirely different story is unfolding. Those business owners that own their properties free and clear, or are not reliant on their business for family income, seem much less concerned about rising property taxes and more accepting of economic changes to their neighborhoods. These businesses are at ease with the current situation and are even welcoming the new residents and the higher incomes they bring. Strikingly different from the other group, nearly all of these business owners stated that change was inevitable, and believe that only better

days are ahead. While not all of them saw their businesses growing or continuing well into the future, they saw positive value in the changes occurring around them.

The two barbers and one beautician interviewed were entirely unconcerned with the changes. All three had been in business for decades, and were ready to retire when the time was right. One interviewee, the owner of a very busy barbershop, employs two sons and daughter who expect to operate the business in the future. The owner's doors are open at seven o'clock every morning, and his chairs are full all day. Neighborhood change has brought the owner prosperity, and the owner believes that when construction is complete on mixed-use development across the street, the business will continue to thrive.

The other barber and the beauty shop owner, both approaching 80, are still in business purely for the social aspect and are ready to quit whenever the time is right. They both have had the same clients for years; the beautician has not accepted new clients for more than a decade. The beautician owns her beauty shop, which is situated in a prime location on the corner of a busy intersection. The business has been for sale for over a year, and when an acceptable offer appears, the owner will retire. The older barber rents space, but retired from the military with a full pension and benefits and therefore will stay open as long as the firm's revenue covers the rent. The only difference between these two business owners is their clientele. The beautician exclusively serves African-American women, and over the years has seen clients move from East Austin. They still return for their beauty needs, but otherwise no longer call East Austin home. The barber serves anyone who walks in, primarily Hispanics, but has seen a rise in Anglo customers in recent years.

Two auto body repair owners own the land upon which their shops operate. They both inherited the shops from their fathers, and have been in the business their entire lives. The first has not seen any difference in the level of business activity due to the recent changes, but has watched the value of land rapidly increase as construction on a large project directly across the street begins. The owner plans to sell the property and retire as soon as the value is sufficient to support the owner's family in retirement. If the firm were paying rent, the owner would have to work much harder to make ends meet due to the rising taxes. However, the increasing tax bill is not a concern to the owner since it reflects increasing property value. The owner of the other repair shop operates two locations close to downtown, and business has never been better. This owner is excited about the changes and the new clientele bringing higher incomes into the neighborhood in which this owner was born and raised. This owner now lives outside of East Austin, but loves doing business with longtime residents as well as the newer neighbors.

Current Issues

Municipal Services

The business owners who are negatively affected by the changes occurring in East Austin indicate feeling disconnected from City Hall. One observation shared is that while taxes were increasing, quality of services did not seem to change. In fact, many of these businesses are on corridors that lead from the airport to downtown, and city officials have strongly encouraged them to upgrade storefronts but have been unable to help with the costs of such work. There

appears to be a distinct wariness of the city's motives, as well as a concern for these businesses' very future.

Limited Firm Collaboration

Contrarily, the businesses benefiting from the economic growth are accepting, if not welcoming of the changes in East Austin. They are not interested in being involved in groups wishing to mitigate the changes, feel ambivalent toward the city government, and are willing to wait and see what tomorrow will bring.

Property Values

Overall, for businesses in this industry sector, property value matters. The auto body repair centers are capital intensive, which often translates into high overhead costs, and therefore adjustments to rent or property tax bills can create serious cash flow concerns. The barbers and beauty shops, while less capital intensive, can certainly benefit from the increase in value of the property they own. The interviews conducted indicate that those who do not have rent or mortgage payments consider themselves more fortunate than those that do, particularly because of the rapidly increasing property values.

Industry Projections

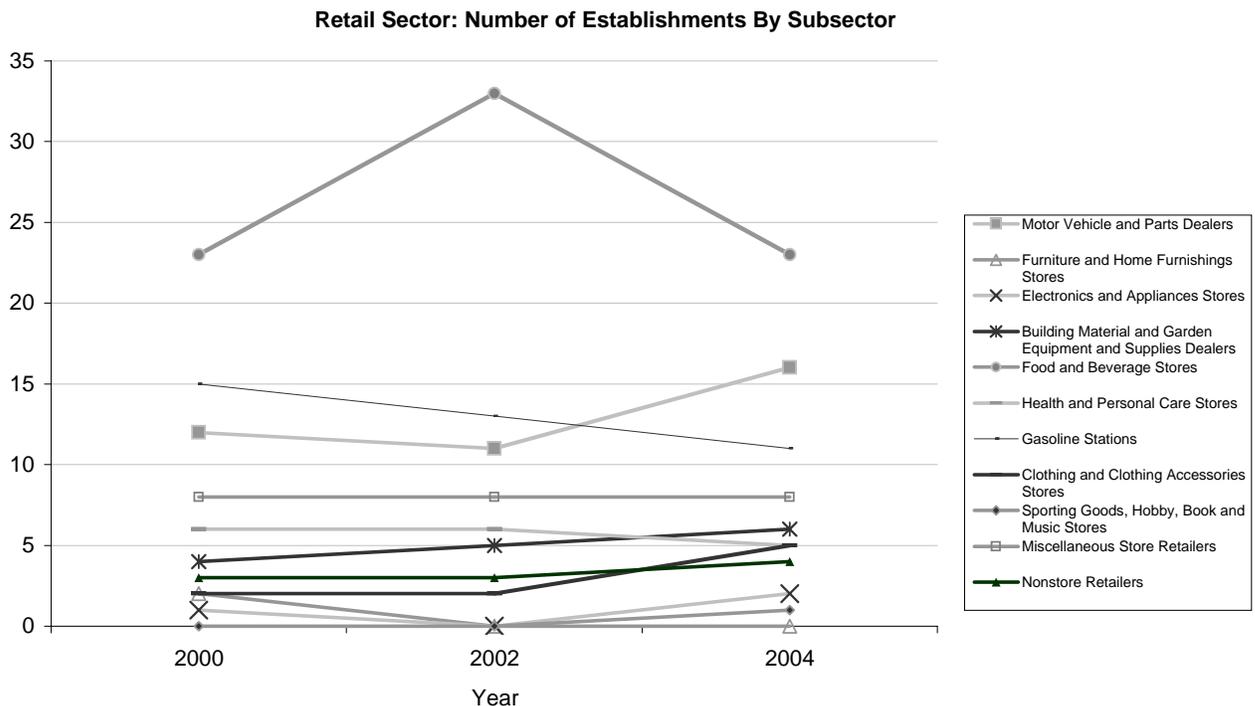
Overall, this industry sector has a mixed outlook in East Austin. There will always be a need for auto repair and barber shops where there are people and cars. Local firms that stay competitive and develop loyal clientele can buffer themselves against competition from national firms. Auto body and repair centers, because of their inability to raise prices sufficiently to meet increasing costs, will be sensitive to costs associated with land values.

Business owners in this sector will certainly experience more pressure as changes continue in East Austin. Those that can absorb the pressures of rising property values and adjust to the demographic change—or those who can rally enough business support around them to produce aid from city hall—will continue to thrive. Those who cannot do these things will ultimately suffer.

Retail Trade

According to the Bureau of Labor and Statistics, the retail trade sector is the last stage in distributing small amounts of merchandise to the public. This sector is composed of two types of retailers: store and non-store retailers.^{cii} From tiny “mom and pop” shops to huge shopping malls, retail centers provide consumers with several necessities and specialty products. Retail trade is a significant component of the national economy as it is responsible for 12 percent of national employment and composes 12 percent of all business establishments. The BLS expects retail to grow 11 percent in the United States by the year 2014.^{ciii} In 2002, Austin retail trade constituted 14 percent of business establishments in the Austin MSA, which included over 4,700 retail establishments.^{civ} Central East Austin showed very similar trends, with 15 percent of businesses belonging to the retail sector.

Little change occurred in most retail subsectors in Central East Austin between 2000 and 2004. Food and beverage stores continue to make up the largest retail trade subsector in Central East Austin. The smallest subsectors include furniture and sporting goods. Declining subsectors include food and beverage, gasoline stations, health and personal care and furniture businesses. Growing subsectors of the retail industry include motor vehicles and parts, electronics, building and garden supplies, clothing, sporting goods and other non-store retailers.^{cv}



Source: US Census Bureau, Zip Code Business Patterns, 2000, 2002, 2004.

One economic factor that helps determine business location for the retail industry is labor market pooling, a process where firms congregate in order to attract and draw from a larger labor pool. Usually this pooling benefit is a result of locating a retail firm in a large city and in a corridor

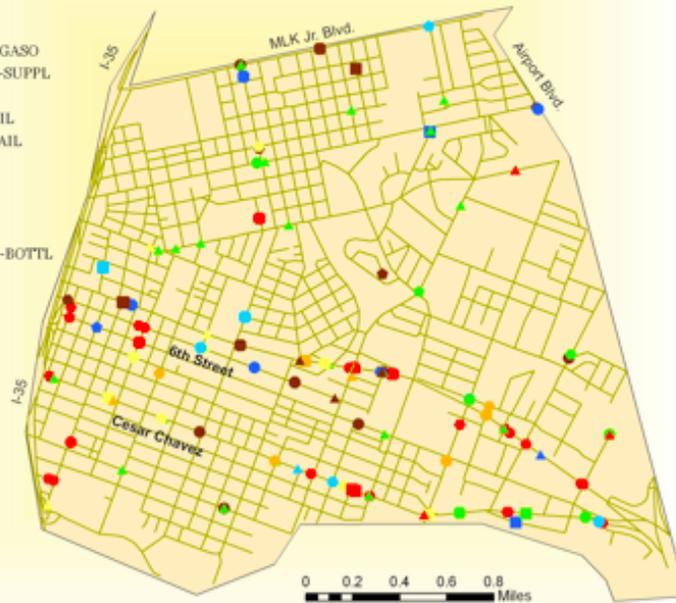
near downtown.^{cvi} However, access to customers can also affect retail trade location. Many retail businesses will locate on a corridor or in a strip mall in close proximity to each other to take advantage of the spillover from their neighboring firms' customer base. Many Central East Austin retail businesses are located along major thoroughfares, corridors and in shopping centers and strip malls (see map).

Retail in 78702

127 Total Establishments

Legend

- | | |
|-------------------------|-------------------------|
| ● ALL TERRAIN VEHICLES | ● MEAT-RETAIL |
| ■ ALTERATIONS-CLOTHING | ● MOTORCYCLES & MOTOR S |
| ▲ APPLIANCES-HOUSEHOLD- | ● PAINT-RETAIL |
| ● AUDIO-VISUAL EQUIPMEN | ▲ PHARMACIES |
| ● AUTOMOBILE DEALERS-US | ● SEAFOOD-RETAIL |
| ● AUTOMOBILE PARTS & SU | ● SERVICE STATIONS-GASO |
| ● AUTOMOBILE RACING CAR | ● SEWING MACHINES-SUPPL |
| ■ BEER & ALE-RETAIL | ● SHOES-RETAIL |
| ▲ BOUTIQUE ITEMS-RETAIL | ● SPORTSWEAR-RETAIL |
| ● BRIDAL SHOPS | ■ TIRE-DEALERS-RETAIL |
| ● BUILDING MATERIALS | ▲ TRUCK-DEALERS |
| ● CARPET & RUG DEALERS- | ● TYPEWRITERS |
| ● CELLULAR TELEPHONES-E | ● UNIFORMS |
| ● CLOTHING-RETAIL | ● VINYL-DEALERS |
| ■ COMPUTER & EQUIPMENT | ● WATER COMPANIES-BOTTL |
| ▲ CONVENIENCE STORES | |
| ● COSMETICS & PERFUMES- | |
| ● COSTUMES-MASQUERADE & | |
| ● DOOR & GATE OPERATING | |
| ● DOORS | |
| ● DOORS-GARAGE | |
| ■ DRAPERIES & CURTAINS- | |
| ▲ ELECTRONIC EQUIPMENT | |
| ● FOOD MARKETS | |
| ● GLASS-AUTO PLATE & WI | |
| ● GLASS-STAINED & LEADE | |
| ● GOURMET SHOPS | |
| ● GROCERS-RETAIL | |
| ■ HERBS | |
| ▲ JEWELERS-RETAIL | |
| ● LINGERIE | |
| ● LIQUORS-RETAIL | |
| ● LUMBER-RETAIL | |



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

This study examines only two retail trade subsectors in Central East Austin: food and beverage (which contains the largest number of firms) and clothing (which has the highest growth rate in the number of firms). According to a 2005 survey, there were 54 food and beverage and 21 clothing retailers in Central East Austin.^{cvii}

Key Themes

Location

Some retail business owners interviewed have been in business for decades, while others are relatively new to the industry. The majority of the small business owners interviewed either inherited their business from family members or employed family members in their stores. The many examples of familial relationships in business practices led to an observation that many of the business owners did not choose their location; rather, the family business had been located

there for generations. The fact that four of the nine businesses surveyed (both food and clothing stores) had two employees—the owner and one of the owner’s relatives—illustrates the familial nature of retail in East Austin. One food/beverage store on Airport Boulevard reported that the owner’s father had bought the store and four other stores more than 40 years ago. The owner had sold the other businesses, but planned to keep working until finding someone else to maintain the business in its current location.

Lack of Access to Capital

Ability to access capital and other financing is one of the major challenges faced by business owners in East Austin. The majority of interviewees were minorities and several alluded to their race or ethnicity as a barrier to securing loans. The perception that business income from low-income neighborhoods and racial/ethnic minority status are obstacles is not new. Financial investment discrimination was not outlawed until 1977, when the Federal Community Reinvestment Act was passed, requiring banks to invest in and offer credit to the entire markets where they exist.^{cviii}

Many business owners had applied for loans through City of Austin programs, but none received a loan. Others chose not to apply for loans, saying there was too much bureaucracy involved. “When you hook up with the city, you’ve got a partner,” replied one interviewee. “I didn’t want a partner.” Several of the business owners interviewed were similarly reluctant to involve outside entities in their operations or decision-making process.

The clothing-store owner in the new mixed-use development complex said that loans for multi-use space and commercial loans are difficult to acquire. The owner, who is white, was “lucky enough to get private funding,” the only instance of private funding discussed in an interview.

Current Issues

Customer Base and Retention During Change

Retail stores devise different strategies for generating a customer base, from attempting to attract local passers-by to online patrons. An auto store with specialty items will likely generate a wider customer base than a local pharmacy.

Local residents generally patronize local food and beverage stores. Every major corridor in East Austin has at least one convenience store. A resident of East 8th Street is not likely to travel to Cesar Chavez to buy a soda when there is a convenience store on East 7th Street. Most of the food/beverage retailers reported that their clientele was roughly half local and half drive-by traffic. Many reported customers from towns to the east of Austin such as Manor and Bastrop or people driving to and from the airport. The types and levels of traffic tend to show that food/beverage stores in East Austin are deeply rooted in the area and will be only minimally affected by community change. In fact, the business activity of food and beverage retailers seems to be increasing due to increases in disposable income of new residents.

The clothing stores and boutiques, on the other hand, are very small and tend to carry a specific clothing type, such as traditional African or Mexican clothing, high-end women’s apparel, or

“hip-hop” street wear. The clothing stores reported more local and less non-local clientele. While many of the clothing-store owners report increasing sales, their dependence on local clientele may create higher risk than that of the food and beverage retailers, which have a more diversified customer base. The African clothing store may experience a loss in business due to the decreasing number of African Americans in East Austin. On the other hand, as the Hispanic population continues to increase, the traditional Mexican dress store interviewed may benefit from higher sales.

Industry Projections

Compared with other industries in the area, retail businesses seem to be able to adjust effectively to the changes in East Austin. Socioeconomic trends show a younger, wealthier population moving into the area (see Part I), which can be a positive development for retail businesses. The adequate expansion of supply, however, seems to be one of the challenges some small East Austin businesses face.^{cix}

None of the interviewees in this study mentioned competition as a concern. Two firms, in fact, had survived while competing neighbor stores had closed. If more chain retailers decide to open stores in East Austin in response to changing demand, small businesses will likely face more competition. Local convenience stores, for example, may face intense competition from 7-Eleven.

Although rising land and property values might mean that some businesses will be unable to continue to afford commercial space, none of the interviewees reported this as a concern. Many own their land and believe that their business is increasing in a way that will cover any costs. One interviewee spoke of a property owner who is “very fair and not greedy,” leaving the business owner to worry about other things besides rising rent. If East Austin is at a tipping point, these values and subsequent rises in costs may become a challenge to business owners.^{cx}

On the other hand, there is considerable discussion in East Austin about ways to preserve its culture. Part of that culture is the support of small and locally owned business. Many new and longtime residents enjoy homegrown businesses and will support them irrespective of new development.

Ultimately, retail business in East Austin is trending toward growth. Most East Austin businesses are either stable or growing, and many owners expect more businesses to locate in the area as the population and income increases. Yet, whether new chain-retailers or small businesses prevail during this time of growth is yet to be seen. The outcome will, in a significant way, contribute to shaping the future business culture of East Austin.

Health Care and Social Services

An examination of the health care and social assistance sector in Central East Austin suggests that the area, in many ways, is taking advantage of projected national growth in the health care sector while experiencing many difficult transitions in the social assistance sector. As one of the largest sectors in the national economy in 2004, health care provided 13.1 million jobs. The Bureau of Labor Statistics projects that health care will continue to grow due to a combination of an aging population, improved technology, and rising life expectancy rates. Eight of the 20 occupations in the U.S. projected to grow the fastest are in health care.^{cx1} In the social services sector, the Bureau of Labor Statistics expects the number of social and human service assistants to grow 46 percent and predicts that personal and home health care aides will increase 44 percent—two of the highest projected job growth rates in the country.^{cxii}

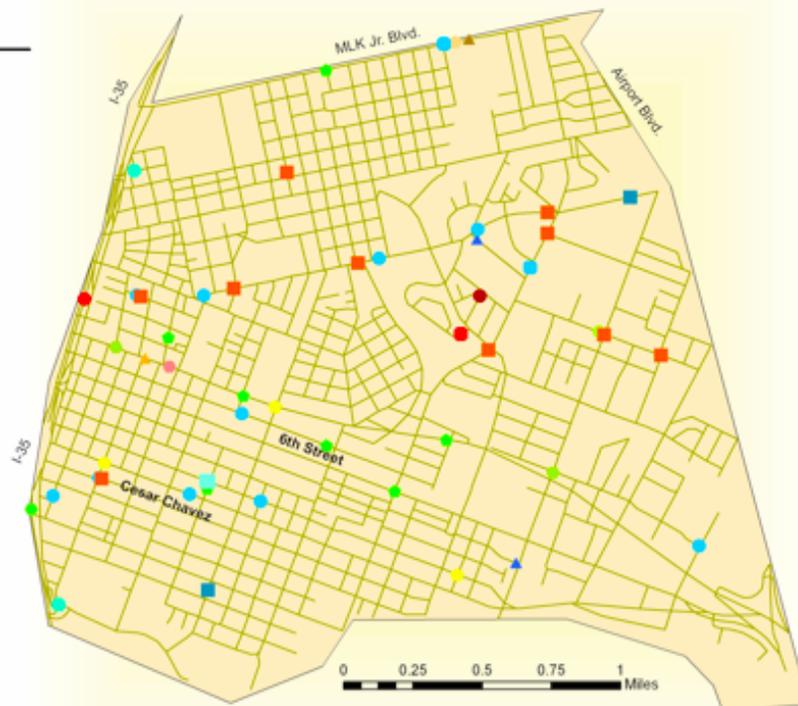
In 2004, there were 32 health care-related and 24 social assistance firms in Central East Austin.^{cxiii} The health care and social assistance sector in Central East Austin, while clustered in the Cesar Chavez and Rosewood neighborhoods, exhibits variation between sub-sectors. For instance, many social assistance firms are located in the Cesar Chavez neighborhood, while several health care firms are clustered on 7th Street, 2nd Street, and MLK. The majority of childcare centers are located either along Rosewood Avenue or in the Rosewood neighborhood.^{cxiv}

Health Care and Social Services in 78702

57 Total Establishments

Legend

- ABORTION INFORMATION
- CHILD CARE SERVICE
- ▲ CHIROPRACTORS DC
- CLINICS
- CONVALESCENT HOMES
- COUNSELING SERVICES
- DENTISTS
- GOVERNMENT-JOB TRAINI
- HEALTH & WELFARE AGEN
- ▲ HOMES-MENTAL RETARDAT
- HOSPICES
- LABORATORIES-MEDICAL
- MEDICAL EMERGENCY TRA
- MENTAL HEALTH SERVICE
- ▲ PAIN CONTROL
- PHYSICIANS & SURGEONS
- PSYCHOTHERAPISTS
- SENIOR CITIZENS SERVI
- SOCIAL SERVICE & WELF
- ▲ YOUTH ORGANIZATIONS &



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

Researchers conducted seven interviews to examine the state of the health care and social assistance sector in Central East Austin. These firms included two physicians who own private practices, a home health care agency, a childcare center, a housing advocacy nonprofit organization, a nonprofit family planning clinic and a nonprofit mental health agency.

Key Themes

Operational Constraints for East Austin Nonprofit Organizations

A reduction in public funding and increased cost of living has decreased nonprofit agencies' ability to retain employees. The national hourly average wage for non-supervisory workers in the health care field in 2004 was \$15.76 per hour for 34 hours per week, or roughly \$25,000 per year.^{cxv} The home-health agency director reported that some employees have asked for a wage advance in order to pay for mortgages and rising property taxes. In addition, a few employees of the family planning clinic in East Austin attempted to obtain apartments that met the city's definition of affordable, but soon discovered that the apartments were not affordable enough. While the family planning agency is able to provide health insurance to its employees (as well as family planning services for half-price), its employees are often forced to commute long distances due to rising housing prices close to their place of work. Many of the workers must use public transportation because they cannot afford automobiles. The director of the home-health agency, whose employees must travel to and from clients' homes, fears that the quality of East Austin bus service may decline because new residents do not use the bus as often as current residents

The nonprofit agencies interviewed depend on public funding and report that clients have experienced increased costs that make it more difficult to pay for health services. While national family planning funding reductions have been significant, the reductions in Texas have been especially dramatic. According to the director of the family planning clinic, while the demand for their services increases every year, their clients' ability to pay for them has not improved much. At one time, the City of Austin and nonprofit family planning clinics in East Austin competed to determine which entity could most efficiently spend family planning funds. Now, the funding barely exists.

Shifting Clientele

The family planning agency discontinued its popular walk-in service, which greatly reduced both its hours of operation and its ability to serve low-income clients. The family planning clinic in East Austin was forced to inform 6,000 uninsured patients that it was no longer able to serve them and now cannot afford to serve anyone over 24 years of age. The federal government diverted funding to federally qualified health centers, which used the funds for general health care for indigent clients.^{cxvi} To balance the budget, the director of the family planning clinic has commented that the agency has started to serve new, more affluent clients who have moved into East Austin and are able to pay for their services. In another interview, the director of a childcare center in East Austin also noted that it is beginning to attract new, higher income clients.

Unique Experience of Private Physicians

Not all health care employers seem negatively affected by these economic forces. Private physicians, for example, differ from community health care clinics in that doctors' offices are for-profit businesses. The doctors interviewed in East Austin serve many low-income clients, and thus rely on government health insurance programs such as Medicaid and Medicare for reimbursement. The two physicians interviewed do not perceive economic change in the neighborhood to be a threat to future business. Nor do the physicians perceive a demographic change in their clientele. Their offices serve as a central location for the clients they target throughout Central Texas (one doctor targets the African-American population, while the other came to Austin to serve Hispanics). Therefore, neither doctor depends too heavily on East Austin for patients. In general, while located in East Austin, the health care and social assistance firms interviewed were concerned with serving all of Central Texas rather than East Austin exclusively. For instance, most networking or coalition groups of which the nonprofits were members focus on serving at-risk individuals in Austin rather than East Austin specifically.

Current Issues

Need for Funding

Not surprisingly, nonprofit agencies mentioned funding as their top resource need. In addition, the childcare center, home health care agency and family planning center reported that their clients need more generous government benefits to be able to afford services. Every social service agency interviewed was facing funding cuts while simultaneously feeling pressure to retain their employees.

Rent Difficulties

The director of the nonprofit housing advocacy group said that it recently relocated to space leased by the Austin Housing Authority because its former location of thirty years became too expensive. The City of Austin has been very generous to the family planning agency regarding its monthly rent, and the agency is not concerned about displacement from their current location. Two other agencies also leased office space in city-owned properties at a lower cost than at their previous locations.

Access to Capital

Only two agencies mentioned access to capital as an issue. The childcare center works with a local nonprofit lending agency that has helped it establish credit with mainstream banks and relies on revenues for expansion. The home health agency was interested in obtaining a loan in order to purchase its own building.

Municipal Services

Many directors/business owners were concerned with municipal services. Almost every agency mentioned that both their clients and employees depend on public transportation to interact with the agency and that the service was, at times, inefficient and unpredictable. In addition to

nonprofits' concerns about transportation mentioned above, one physician was concerned about the homeless people who congregate near his business during the day and requested that the city resolve the problem.

Building Owner's Concerns

Only one business interviewed, the childcare agency, owned its building. According to the owner, ownership of the building provides some flexibility in addressing other financial issues. The agency was able to open a new downtown/West Austin location, which the director reported was thriving and earning higher revenues than the center in Central East Austin. Owning a second, profitable building seems to allow the director more flexibility to keep the East Austin agency open despite its unpredictable profits.

Changing Client Base

Several of the nonprofit agency directors plan to expand services to paying clients in order to increase revenues. Nonetheless, they said the agencies would prefer to be able to serve targeted clientele with increased government and/or private funding rather than make clients pay for services. Despite recent economic pressures for nonprofits in East Austin, it remains a good location to provide social services/advocacy to clients throughout Central Texas.

Based on the interviews, it is evident that the health care and social assistance sector in Central East Austin is in need of additional operating funds, rental support, improved and affordable transportation for clients and employees, a more diverse client base that can pay for services, and improved municipal services.

Industry Projections

Health care and Economic Development

According to a 2005 study, there is currently little research regarding the impact of economic development on community health care facilities.^{cxvii} Another study reported that health care providers receive substantially less profit for caring for uninsured patients. In an economically depressed area, the demand for hospital services decreases while the demand for charity services increases. "An increase in the uninsured rate should lower and flatten the demand for hospital services in a geographic market."^{cxviii}

Unprecedented Health Care Shifts in East Austin

Some of the recent health care plans and reorganization efforts seem to suggest a future increase in insured individuals in Central East Austin. For instance, the Mueller Airport development includes the construction of a 170-bed children's hospital sponsored by Dell and Seton Health Care, the largest health system in Central Texas. Although the Dell Children's Hospital is a specialized hospital, its construction seems to suggest that the area may be ripe for expanded health care infrastructure.

Seton also plans to relocate its administrative offices to the Robert Mueller Municipal Airport Redevelopment. With the Seton facilities reorganizing around the Mueller site, combined with new residents with higher than average incomes, East Austin may see its stock of private medical providers expand in the neighborhood to take advantage of the new customer base. After all, one of the doctors interviewed moved to the Cesar Chavez neighborhood in the 1990s in order to target the expanding Hispanic population. It is not unreasonable to predict that doctors and other private health care providers will move to East Austin in order to target the expanding population of young, urban professionals and the new population base at Mueller Airport.

Predictions: Profits versus Target Efficiency

The challenge for existing providers in this changing context is to adapt business practices to increase their profit margins while at the same time serving their target population. Thus, while experts predict the health care industry will continue growing due to a combination of an aging population, improved technology, and rising life expectancies, the changing dynamics in East Austin may spur unique health care developments.^{cxix} One can reasonably expect that physician practices that thrive on close proximity to patients (e.g., family practice) will target new, insured residents. The family planning clinic, as noted above, is starting to serve higher income condominium dwellers and the home health care agency in East Austin is planning to integrate more non-Medicare clients to ensure financial stability. Yet the director of the home health care agency remarked that the agency is already planning for the day when it will need to move its office farther east (past Airport toward Weberville) to better serve its clientele, who are being pushed east by economic forces.

Health care and social assistance firms face the multiple pressures of a shifting client base, increased economic costs of operation, and employee retention. While no health care and social assistance agency interviewed had a shortage of clients, economic and demographic changes have altered their ability to serve their target population. For a mission-based nonprofit, one result of economic change in East Austin may be the decision that it can best serve at-risk Central Texans by changing locations. Moreover, the farther employees must commute to work, the more difficult it is for these traditionally low-paying firms to retain employees.

Arts and Entertainment Industry

According to the Bureau of Labor Statistics, “the arts, entertainment, and recreation sector includes a wide range of establishments that operate facilities or provide services to meet varied cultural, entertainment, and recreational interests of their patrons.”^{cxx} Both nationally and locally, firm sizes are relatively small, with most establishments having fewer than five full-time employees. In addition, the number of firms accounted for by the census and BLS include only taxable entities and do not include studio artists or performing artists who work for cash. In Travis County 1.5 percent of the workforce is employed in the arts, entertainment, and recreation, which mirrors the national average. As with the national industry, between 1997 and 2000, the arts, entertainment, and recreation industry saw significant growth locally, with increases of 49 percent in the number of establishments, 66 percent in revenue, 79 percent in payroll growth, and 48 percent in the number of employees.^{cxxi}

In Central East Austin, there are 19 establishments, including dance companies, live theater, theater and performing arts organizations, studio artists, and musicians. In addition to these establishments, there are many individual studio artists in East Austin who operate solely on profits from artwork sales. In 2006, 86 studios representing such artists participated in the East Austin Studio Tour, an annual event designed to call attention to the work of East Austin artists. The economic and demographic changes in East Austin are affecting each of these firms, which are located throughout the community, usually away from corridors, where rents are more affordable.

The six interviewed business owners tell the same story: the arts and entertainment industry in East Austin faces a crossroads: to grow, decline, or relocate. Rents are increasing, burdening arts groups, many with limited access to capital, but at the same time business is increasing as more people become aware of and are supporting the arts in East Austin. Whether the arts continue to grow and flourish in a community is dependant upon the level of public and private support and the amount of publicity that groups and programs receive.

Traditionally a minority community, East Austin has for many decades been home to African American musicians and artists. An African American performing arts nonprofit organization incorporated in 1993 with the mission of supporting arts in the African American community. Other culturally based arts groups, such as the Ballet Folklorico, thrive in East Austin as well. However, some interviewees indicated that culturally based arts groups, typically small in scope and scale, are declining in numbers as East Austin becomes more heterogeneous. The director of a prolific cultural art nonprofit suggests many African Americans do not support the arts or the arts community. As many African Americans have moved into the suburbs, the director finds they have lost touch with Afro-centric culture.

Hispanic arts groups are comprised primarily of dance companies and performing artists, though these artists are not represented in the six interviews conducted. Some of these groups have flourished in recent years, but because they serve primarily an Hispanic population, some of these groups may also face decline as demographics continue to shift.

There are many East Austin arts groups, some culturally based and some not, that are determined to remain despite rent increases. These groups are all deeply embedded in the local community.

The directors of the six groups interviewed are all East Austin residents, as are their partners and much of their staff. Arts-related businesses generally support other local businesses and feel a deep concern for the future of East Austin. Researchers interviewed two nonprofit performing arts companies, one nonprofit theater support group, one cultural arts nonprofit, one commercial and industrial art business, and one studio artist and promoter in order to gauge their reactions to the changes in East Austin and to research how such changes affect the arts.

Key Themes

Embeddedness

The arts are an essential part of every growing and flourishing community. They are also a source of economic development. Creativity and innovation will be the foundation for success and growth as our country moves toward a more creative economy in which a community is more attractive to an educated and creative workforce because of its cultural opportunities.^{cxxii}

Accordingly, East Austin artists are typically longtime residents of 10 to 20 years who frequent local businesses and feel ties to their community. The sales made by these artists bring revenue into the community and the owners use at least some of these revenues within the community. Some of these businesses, such as the cultural arts nonprofit and the African American performing arts nonprofit, describe their missions as preserving the East Austin arts culture; others simply like the community and want to remain there.

Perceptions of Change

“I’m on the fence about gentrification,” said the director of the cultural arts nonprofit. The incoming population with a disposable income tends to be arts patrons and helps the sector to grow. Overall, the artists interviewed feel that the demographic and economic changes in East Austin are good for business and for the community as a whole. Most like the idea of the community becoming more heterogeneous and they accept market-driven change, which includes increasing rents. However, most artists, culturally based or not, share a common interest in preserving cultural heritage in East Austin. One director expressed disappointment that there was no cultural preservation district created on East 11th Street before the Austin Revitalization Authority began construction of the commercial buildings along the corridor. As a result, the director said, businesses along that corridor are not receiving the support needed to continue operating and remain part of the community. Entrepreneurial residents, making the neighborhood bars into hangouts for young urban professionals, have purchased many of the bars and music venues along East 11th Street and have begun to renovate these establishments to suit the incoming population. While most arts groups do not see themselves being priced out of East Austin any time soon, some expressed concern about the fates of their neighbors at nearby restaurants, bakeries, and auto repair shops.

Every artist interviewed also gave the same account of the “gentrification cycle.” In this cycle, artists move into a location first because of its cheap rent and ample studio space, which allow them to live and work inexpensively and inconspicuously for several years. With the influx of artists to a previously blighted area, culture and entertainment make the area more desirable to live. Many residents of wealthier parts of the city soon find themselves venturing into an

unfamiliar part of town and realize that the neighborhood no longer conforms to their negative perception. The scene then begins to change and higher income people begin to move in, fixing up older homes and building new ones, thus raising the property values. Consequently, rising costs may force the initial group of artists responsible for the change to relocate, where the cycle continues.

Current Issues

Access to Capital

Many of East Austin's art and entertainment businesses are nonprofit organizations, all of which compete for city funding. While the City of Austin does have a program that subsidizes the arts, many believe that it is inadequately funded. Most businesses rely on the National Endowment for the Arts, the Rockefeller Foundation, or other private grants. Consequently, many artists are thrust into the unfamiliar role of grant writer, while others ignore funding opportunities that require an application. Due to inexperience or ignorance, some groups are not seeking existing sources of available funding. Many believe that there should be a better system for approaching private philanthropy in the arts.

Exposure and Visibility

As the arts grow in East Austin, the new exposure comes with increasing visibility and vulnerability. Several interviewees expressed concern that their groups' facilities do not comply with city land use and building codes. Arts establishments fear that this exposure will draw the attention of regulators to their business practices, perhaps bringing about the end of the era of artists residing in East Austin.

Networking and Support

Every group interviewed expressed interest in networking opportunities. All groups are struggling with the same issues—exposure, cost, cultural change—and could benefit from organizing to implement necessary changes. The firms need an umbrella arts advocacy group to address funding issues. Furthermore, artists could benefit from support organizations that provide assistance in marketing, publicity and management. One source of networking and collaboration appeared several years ago, with the inception of the East Austin Studio Tour. The tour annually draws arts patrons from the Austin area to view the work of more than 120 artists, thus bringing publicity to East Austin studios. Perhaps performing artists and musicians could benefit from a similar event.

Industry Projections

Grow, Fade, or Relocate

While most do not see their work as a reflection of East Austin, local artists are typically embedded in the community. The majority of business owners live in East Austin and started their business there. As a result, they feel connected to the East Austin community. For those businesses with a mission of serving the East Austin ethnic community, rapid growth is

necessary to counteract increasing property values. African American and Hispanic arts organizations will experience greater difficulty than those organizations serving a less specific population as demographic shifts in East Austin continue. The latter group is more adaptable to change and its work serves a broader audience. However, African American and Hispanic arts organizations must reach out to a more heterogeneous population if they are to remain in East Austin.

While none of these businesses anticipate relocation, it is inevitable that some artists will have to relocate as property values escalate. One East Austin arts organization has already been displaced from its former facility and is now renting space from other companies. Those businesses able to adapt to the changing demography and appeal to a heterogeneous population have the greatest chance for growth; those who can continue to produce the same product from a less expensive part of town will most likely relocate; and those whose art does not engage the transitioning community may die.

Food Services

The accommodation and food services sector is comprised of establishments that provide customers with lodging or prepare meals, snacks, and beverages for immediate consumption. The sector includes both accommodation establishments and food services establishments because the two activities are often combined in one location.^{cxxiii} The largely population-based food services sector should continue to grow as the Central East Austin population increases and incomes rise in the neighborhood.

Accommodation and food services accounts for about 8 percent of all U.S. employment and 7 percent of all U.S. establishments and is the nation's third largest employer. It is also Travis County's third largest employer, representing 11 percent of all employment and accounting for close to 8 percent of its establishments. The industry grew significantly from 1998 to 2004. In 2004, the industry was the area's second largest sector in employment, representing 12 percent of Central East Austin's employment. As downtown Austin continues to grow, the accommodation and food services industry in Central East Austin is positioned for future growth.

The growth of this industry bodes well for the local economy. Every dollar spent by consumers in restaurants generates an additional \$2.34 spent in other industries allied with the restaurant industry. Every additional \$1 million in restaurant sales generates an additional 37 jobs for the nation's economy. Yet, eating and drinking places are very labor-intensive. Sales per full-time-equivalent employee were \$57,032 in 2005, notably lower than other industries.^{cxxiv}

As a subsector within the accommodation and food services sector, restaurants comprise an overwhelming majority of employment and establishments both nationwide and in East Austin. Of the 85 establishments in this industry in Central East Austin, 68 establishments, or 80 percent, are related to the restaurant industry; twelve are bars or nightclubs; and five are related to lodging. This report focuses on the restaurant subsector within East Austin because of its importance to the accommodation and food service sector and to the economy of East Austin. Researchers interviewed nine restaurant owners in East Austin.

As an industry, establishments tend to cluster along major transportation corridors and areas with retail development or office locations. The food services industry generally clusters to achieve economies of scale in attracting customers, parking utilization, and building construction costs. Establishments also cluster in transportation corridors to take advantage of access to houses and firms and also look for office buildings and hospitals around the area.^{cxxv}

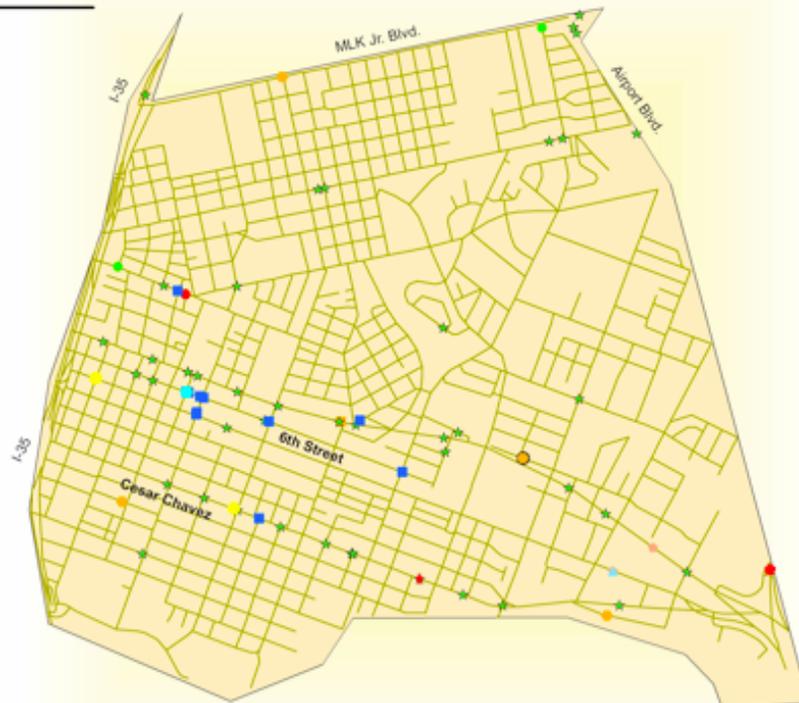
In Central East Austin, establishments cluster around transportation corridors that run east to west, especially in the southern area of 78702. Establishments are predominantly located in the southern area of this neighborhood, with the significant majority located on the Cesar Chavez and 7th Street Corridors. As a result, it is possible that there is unfulfilled demand in the northern corridors of the area.

Accommodation and Food in 78702

74 Total Establishments

Legend

- BARBECUE
- BARS
- ▲ BEVERAGES-NON-ALCOHOL
- CAMPGROUNDS
- CATERERS
- COFFEE SHOPS
- COOKIES & CRACKERS
- DELICATESSENS
- FOODS-CARRY OUT
- ▲ HOTELS & MOTELS
- ICE CREAM PARLORS
- ◆ NIGHT CLUBS
- ★ RESTAURANTS



Map created by Lewis Leff
January 29, 2007
Source: CapCOG, infoUSA

Key Themes

Entrepreneurship

All of the restaurant owners are entrepreneurs hoping to realize a personal vision. Some of the new owners mentioned previously working for a corporation, taking severance pay or retirement, and risking it to realize their dreams. Yet, restaurant owners are a different breed of entrepreneurs. A high percentage of restaurants do not survive past seven years. Industry-wide, the relatively low financial return on restaurant operations generally does not justify the risks of such a large personal equity investment. Thus, the returns cannot be purely financial. Their personal vision must emanate from a deeper sense of personal expression and community engagement.

Some owners come to East Austin because they see change, while others locate here because they like the lower rents and proximity to downtown. Another population, minority-owned restaurants, located in East Austin at a time when there was “nowhere else to go.” Because most corporate establishments have not entered the East Austin market, there is still a perception of opportunity for small, independent entrepreneurs. Most owners mentioned that they like East Austin because it is still primarily composed of “mom and pop” establishments, where the

owners are directly involved in their business. Almost all of the owners reported awareness of the extreme risks involved in starting a restaurant.

Unstable Revenues

Unfortunately, most of the new businesses report that they have not yet maintained stable revenues to meet their expenses on a monthly basis. Two significant factors have emerged in explaining the problems with new full-service restaurants in East Austin: (1) they cannot obtain loans to stabilize operations and grow, and (2) there is limited demand for dinner service. These factors limit their growth and increase risk. Thus, for most owners, the current reality has not yet fulfilled their dreams for the future.

New versus Old Businesses

The owners generally fall within two mutually exclusive categories: established, traditional businesses and new, start-up businesses. The established, traditional businesses do not want loans from the banks or to get involved with the city, and are satisfied with the direction that their businesses have taken. They also believe that recent changes in East Austin are positive, and look forward to more people moving in with more income to spend. Within the new start-up category, owners either focus on the existing market, comprised of the downtown lunch crowd and limited residential service, or on the emerging market, comprised of new residents with higher incomes. All of the new owners are very concerned with access to capital and also seek help from the city and landlords. They see the new residents as a means of survival, rather than growth. Of all the restaurant owners interviewed, only one owns the land on which the business operates, and this owner has been in East Austin for over forty years. As the extent of their investment in East Austin is limited, so are the potential gains from increasing property values. Yet, so are the increasing costs of property taxes.

Economic Embeddedness in East Austin

Many businesses reported moving to East Austin to be closer to their customers and for lower rents, while a few others reported that they saw new opportunities as the community changes. Yet, none of the owners interviewed reported that the majority of their customers reside in East Austin or that more than 50 percent of their employees reside in East Austin. Considering that this industry employs low-wage, young workers, it is surprising that so many employees commute from other parts of the city. Only two owners reported being a part of neighborhood or industry associations. Most new owners complained that the associations charge a membership fee that they cannot afford without stable positive cash flows. One owner aptly summarized the dilemma, “I can’t afford to think about the industry as a whole, when I’m trying to make it to next month.” For the established restaurants, the associations never appeared to help them become successful. Therefore, they did not perceive increased benefit from the costs of joining an association.

Economically, most businesses have strong links to other businesses in East Austin. The overwhelming majority of businesses—78 percent—reported that their main suppliers were in East Austin. East Austin contains a preponderance of large-scale food suppliers, which were patronized by all of the owners interviewed.

Sense of Community in Central East Austin

Most firms are content to provide a service for the surrounding community rather than simply make a large financial return. None of the owners reported plans to expand their business beyond East Austin, stating that they generally just want to survive, live within reasonable means, and be a part of the surrounding community. The greatest concern for East Austin food service business owners is the emergence of large-scale real estate developers who are focused on maximizing profits and whose existence alters community character.

One new owner who came to East Austin for its emerging market wants to be an active participant in the community. The owner supports many local nonprofit organizations and is a member of industry-wide associations such as Strategic Profits, which helps restaurants with marketing and strategy, and of the East Austin Neighborhood Association. This owner has actively engaged in joint promotions with businesses, both inside and outside of the industry, that serve the restaurant's target market. Some interviewees view neighborhood associations as polarized between two extremes; one contingent focuses on development and profits, while the other focuses on preventing any new development, thus negating any consensus to build effective community policies. There is clearly a demand for leadership that will ensure that the small business community has a voice as the community changes.

Current Issues

No Access to Funds

The capital markets do not support this industry in East Austin operations. For the established restaurants, loans and working capital are not a concern as they currently enjoy stable cash flows. Yet for new or start-up operations, access to loans and working capital is seen as a critical factor in the survival of the business and each of the new restaurants exclusively financed their initial operations with their own equity as they were unable to obtain capital. Each new start-up operation also mentioned the need for working capital to manage operations on a monthly basis, as they have no funds with which to market or grow their business.

Each new owner reported an extensive effort to apply for loans that involved rejection by local bankers. One owner's experience highlights this industry's difficulty in accessing capital for investment in East Austin. The owner had successfully serviced two \$1 million loans at the firm's former location in another city that has experienced extensive gentrification. The owner wanted to set up operations in East Austin because of the similarities between the two areas. Although the owner had established relationships with a national mainstream bank and had adeptly managed larger loans in the firm's former location, the Austin branch of the national bank would not even consider the application, as its lenders were particularly concerned with the choice of location. It was not until the owner established personal relationships through an accountant that a different bank finally offered a revolving credit line. If an applicant with a good credit history and established relationships at a bank cannot get loans for operations in East Austin, it is possible that the area has an unfavorable stigma within the financial market.

Perception of Crime Limits Revenues

None of the owners reported any concerns with either actual crime in East Austin or perception of crime in East Austin. In fact, the most commonly reported change in East Austin was, "A lot more people walking around with dogs and riding bikes everywhere." However, a common theme among most owners was that the neighborhood seems to close down at night. The owners lament that there are not many people who are out and about after dark. As most people stay inside at night, there is a reported absence of nightlife, and therefore, limited demand for dinner service, causing some businesses to close after lunch.

One owner on the 6th Street corridor posited that if the city could implement better lighting on the corridors, it would re-energize the nightlife and allow people to feel more comfortable dining in East Austin. Although crime might not be an explicit issue for owners, there appears to be a subtle and pervasive fear of nighttime activity in East Austin. The absence of a dinner market severely limits restaurants' revenue potential and increases their reliance on the downtown lunch crowd while failing to meet the local demand of neighborhood residents.

Fear of Big Development and National Competitors

None of the owners were concerned with their rents, nor did they envision their rents dramatically increasing in the near future. Yet, they are very concerned with what will happen on neighboring parcels of land. Some owners were very concerned with large-scale commercial development entering the neighborhood and bringing corporate establishments with them. Many owners specifically mentioned "big developers and corporations" and "Wal-Mart types" as one of their greatest concerns about the future. In particular, they fear developers who focus on profit rather than on community will cause East Austin to become "the next Dallas."

With the Capital Metropolitan Transportation Authority's plans for a rail line, business owners want East Austin to be a pedestrian neighborhood. They have already noted increases in the number of people walking around and riding their bikes. They hope the city will preserve the "mom and pop" nature of East Austin businesses. Yet with large-scale public investment, there is a legitimate fear of large-scale private investment. Given the inability of new businesses to obtain working capital, big businesses and large-scale commercial development pose a threat to their survival. Even the established and successful restaurant owners fear they cannot compete with national or regional restaurant chains. The fear of big development is not based on concern about rising rents, but rather about the disparity in access to capital markets.

Ownership Gap

All of the business owners anticipate changes in East Austin and focus on the higher revenue new clientele are expected to provide. Yet very few owners reported concern with the risks of higher rents and property values that new residents will likely spur. Disposable income drives the industry and the median income of area residents is expected to increase. However, over time, much of this increase will be captured in rents and property values. Small business entrepreneurs in this industry take on significant risks and are known for their optimism. It is possible that they are focusing on their hopes for increasing revenue, rather than worrying about increasing expenses. As the neighborhood is still in a period of transition where the current rents have not

adjusted to future expectations, a significant gap exists between the current rents on land and land prices in East Austin. As land appraisals happen annually, the increasing values have begun to affect landowners and though only one restaurant owner actually owns the land on which the business operates, both owners and renters may view rising property values as an impediment to growth as increasing costs begin to take their toll on business owners.

Industry Projections

By all indications, the future is very bright for the food service industry in East Austin. Every owner interviewed eagerly awaits the anticipated changes in East Austin. The primary driver of this industry is disposable income, and the new residential development construction in East Austin is expected to bring more young professionals with higher disposable incomes to the area. The new developments are unanimously viewed as the primary drivers of this growth. For the established restaurant owners, these developments are welcomed as a means of further growth. For the new restaurant owners, the completion of new developments is viewed as a means of survival. Thus, the question is not whether restaurants will benefit from the changes in East Austin, but rather, which type of restaurants will benefit.

For restaurants, research has shown parties, or groups, rather than individuals go to full-service restaurants whereas individual customers generally purchase take-out items. If national demographic trends in consumer demand apply to East Austin, then it appears that most new demand will come from individual customers, not family households. The target customers are mainly workers, students, and non-family households around the neighborhood.^{cxxvi}

Not one of the restaurants with less than five years of operations reported being profitable. In contrast, all of those with more than seven years of operations reported being profitable. Thus, those restaurants with an established history in East Austin appear to be the only restaurants faring well amidst the competition. Yet, it is clear that as the demographics change, there will be new challenges for existing restaurants and new opportunities for others.

Increases in population, income, and dining sophistication should also contribute to job growth. Consumer demand for convenience and ready-to-heat meal options also will offer cooks and other food preparation workers a wider variety of employment settings in which to work. Moderately priced restaurants that offer table service will afford increasing job opportunities as these businesses expand to accommodate the growing demand of a young and mobile population in the area.

Appendix 3: Construction Industry Case Study

Long-Established Construction Materials Retailer

This business is, relative to others in the industry and area, extremely old, as the enterprise is approaching its 80th birthday. The business was founded by the current owner's grandfather, and has been passed down through two generations. For the first 70 years of its existence, the primary focus of this business was consumer construction material retail sales. There was a hardware store in addition to the wood products that were the major staple of the business, generally sold to "do-it-yourselfers" and homeowners.

The advent of the "big-box" construction material retailers—corporations such as Lowe's and Home Depot—dramatically changed the operating environment for this business. Unable to compete on cost, this business owner took a "can't beat 'em, join 'em attitude," and shifted the focus of operations to commercial sales, primarily to major contractors purchasing milled wood products. Two of the major customers for those products are the aforementioned "big boxes," for which this business supplies stores throughout Texas.

Located within the line of sight of the new Pedernales and Saltillo loft developments and with a new neighborhood plan and accompanying zoning overlay, this business owner is very much aware of the changes occurring nearby. Tragedy threatened the survival of this company, as a fire ripped through five of seven buildings on the property. With the original office still intact, however, the owner never missed a day; the fire burned on New Year's Eve two-and-a-half years ago, and the company was open for business the following Monday. Because reputation and word of mouth are so critical for almost every player in the construction industry, the owner believes the business would likely have failed had there been any delay in the company's ability to provide materials to area contractors.

Out of this unfortunate series of events, the owner has seen an opportunity—to shift the focus of the business slightly in order to adapt to the changes that are occurring. Plans are underway to reopen the hardware store that was a centerpiece of the business under the previous two generations, with a slight shift toward a "higher-end" market, selling specialty items such as designer cabinet hardware. In addition, there are plans to replace the current—temporary—structure that houses the millwork. The new structure will be a multi-story building with office space above the mill. This is partially the result of discussion with neighborhood residents, who wanted to rezone the property as a mixed-use plot, including some residential units in the upper floors above the millwork. Through careful negotiation, the business owner was able to maintain the light industrial zoning of the land, but allowing for a slightly more compatible mix of uses. The owner plans to lease the new office spaces to small specialty trade construction companies—plumbers, electricians, and carpenters, for instance.

As a long-term resident, this business is deeply embedded in the community. The current owner's father served as a father figure for many area residents and mentor to many of the area's

businesses. His impact was perhaps most visible at his standing-room-only funeral, where tattoo artists, coffee shop owners, artists, hipsters, a multitude of individuals from various construction companies in the area, friends, and family were in attendance. The company still receives free HVAC services as a result of one of these mentoring relationships, despite the passing of the current owner's father several years ago. The company's commitment to the community did not die with its previous owner, however. Currently, the owner of this business finds time to mentor local high school and elementary school girls to help inform them about the possibilities for women interested in construction careers. These mentoring programs—Construction Gateway and FOCUS (Fundamentals of Construction and Understanding Self)—are administered by Skillpoint Alliance, a local workforce development nonprofit organization.

Commercial and Nonprofit Developers

Interviews were conducted with three commercial developers engaged in commercial and residential construction in East Austin, and two Community Development Corporations (CDCs) focused on creating affordably priced homes in their neighborhoods.

The three commercial developers have been innovators in creating many of the new mixed-use developments throughout East Austin. These three developers indicated that their vision is heavily influenced by the New Urbanist movement to create denser, walkable, and diverse residential communities. The target population in these residential developments has generally been young artists and professionals, as well as empty nesters.

Two of the commercial developers interviewed have utilized the City of Austin's SMART (Safe Mixed-Income Accessible Reasonably Priced and Transit-Oriented) Housing program to help finance housing units at or below 80 percent of the area's median family income (MFI). Commercial developers' communication with the neighborhoods in which the developments are constructed seems to have decreased as mixed-use development has increased in East Austin. All three commercial developers interviewed reported that when they first started developing projects in East Austin, they sought neighborhood's approval of their projects. As demand has increased for the new residences, incentives to utilize the city's SMART housing program and to seek the local community's opinions simply cannot compete financially with selling the housing units at market rates. Additionally, one of the commercial developers indicated that factions of the neighborhood associations have become so radical that the communication process between developers and neighborhoods (at least in that area of Central East Austin) has broken down completely.

The CDCs are nonprofit organizations closely affiliated with their respective neighborhood associations. Both are engaged in building affordable rental housing for residents—all of it affordable to families living on less than 80 percent median family income (MFI) for the area, most is affordable to families under the 60 percent threshold, and there are a number of units affordable to families under 30 percent of MFI. These organizations are extremely protective of their neighborhoods—one referred to their strategy as “treating the neighborhood like a fortress,” the other is associated with a neighborhood association which was born out of a contentious battle between the University and area residents.

These two organizations have both existed for close to 25 years. Both started building homes that were intended for sale, but have since moved almost exclusively into the rental market because they want more money to stay in the neighborhood: owner-occupied units can be turned over to “outsiders” with no say from the CDC. Representatives of these organizations perceive substantial change happening in East Austin. Residents can now obtain many goods and services in the neighborhood that they previously could not. While parts of east Austin remain affordable, others are not, with the effects of higher property values concentrated mostly on renters.

All of the developers had strong opinions on the City of Austin’s policies regarding housing in East Austin. These touched on issues from perverse incentives for “move-ons,”^{cxvii} the high cost of energy for low-income residents and regulations banning solar energy “sharing”, to SMART housing. Until very recently, the city only funneled federal funds—but did not have its own assistance or incentives for the development of affordable housing.

Neither the nonprofit or commercial developers view SMART housing as an effective tool, since developers include affordable units in their developments either because they have a strong personal belief in it, or they do not provide affordable housing at all because of market incentives. While the nonprofit developers recognize the city’s need to grow its tax base through increased property values, they believe the city should identify funding through alternative sources and create new policies to ensure that some portion of the housing stock in East Austin will remain affordable to the families who are long established in their neighborhoods. The commercial developers strongly believe that the City of Austin must provide more leadership in the area of affordable housing rather than depending on the altruism of the individual developer. If the City could provide more financial incentives and flexibility in the building process, they feel that more developers would utilize the program.

Appendix 4: History of Health Services and Social Assistance in Central East Austin

The City of Austin has always struggled with finding out the best way to serve the historically segregated population of East Austin. Dr. B.E. Conner commented in the early 20th Century that some of the important health and community needs of East Austin were “The need for better housing and medical provision for the aged, the need for a school physician and a school lunch program, the need for slum clearance, and the need for supervised recreational programs at the housing unit.” Dr. Conner also mentioned his approval of the process of training “Negro doctors” in East Austin, who often served the needs of the segregated East Austin community. And, while Dr. Conner remarked that East Austin housing projects (first instituted in 1939) were a “blessing” for the East Austin Community, he remarked, “What we need is a little hospital clinic for these people.”^{cxxviii}

What East Austin residents got was not a small hospital, but rather services in the large, general Brackenridge Hospital, which is closer to East Austin. Yet, on October 1, 1978, the Austin City Council created the Medical Assistance Program (MAP), in which “three Brackenridge Hospital outpatient services, general medicine, general pediatrics and general obstetrics, were transferred to the Austin Travis County Health Department neighborhood clinics to provide a more complete range of services to the community” (Austin City Council Publication). During the Model Cities period, an East Austin community center was opened on East 6th Street (now moved to Comal Street, in a converted Safeway building). These clinics not only were able to provide medical services for individuals who cannot pay, but could also see patients on Medicare and Medicaid. These health care and social assistance centers, for decades, primarily addressed the needs of the at-risk population of the neighborhood. Only recently have events occurred suggesting dramatic, fundamental changes in health care infrastructure in East Austin.

Endnotes

- ⁱ “Texas Bird’s-Eye Views” (exhibit organized by the Amon Carter Museum). Online. Available: http://www.birdseyeviews.org/artist_bios.php#koch. Accessed: January 26, 2007.
- ⁱⁱ Augustus Koch, “Bird’s Eye View of the City of Austin, Travis County, Texas, 1873” (lithograph). Online. Available: http://www.birdseyeviews.org/zoom.php?city=Austin&year=1873&extra_info= Accessed: January 26, 2007.
- ⁱⁱⁱ Augustus Koch, “Austin, State Capital of Texas, 1887” (lithograph). Online. Available: http://www.birdseyeviews.org/zoom.php?city=Austin&year=1887&extra_info= Accessed: January 26, 2007.
- ^{iv} *Handbook of Texas*. Online. Available: <http://www.tsha.utexas.edu/handbook/online/articles/AA/hda3.html>. Accessed November 1, 2006.
- ^v Ibid.
- ^{vi} James William McCarver, “The Blackland Miracle: An analysis of the development of power in an East Austin neighborhood from 1982 to 1994” (Ph.D. Diss., The University of Texas at Austin, 1995, DAI-A 56/10), p. 4021.
- ^{vii} David Humphrey, “Austin: A History of the Capital City,” Texas State Historical Association (1997), p. 47.
- ^{viii} Ibid.
- ^{ix} Ibid., p. 39.
- ^x Ibid., p. 56.
- ^{xi} “Austin’s History.” Online. Available: <http://www.austintexas.org/visitors/heritage>. Accessed: October 28, 2006.
- ^{xii} “The Rosewood Neighborhood Plan,” *The Austin Tomorrow Comprehensive Plan* (November 29, 2001), Chapter 5, Section 5-8, Exhibit A., p. 17.
- ^{xiii} Humphrey, “Austin: A History of the Capital City,” p. 38.
- ^{xiv} “U.S. Census Bureau Fact Finder.” Online. Available: <http://factfinder.census.gov>. Accessed: November 1, 2006.

^{xv} Due to a lack of real 2006 data by census tract, this hypothesis may already be proving true.

^{xvi} Dennis Keating and Janet Smith, "Neighborhoods in Transition," *Revitalizing Urban Neighborhoods* (University of Kansas Press, 1996), p. 29.

^{xvii} "Growth Watch: Annual Edition 1987," City of Austin Planning Department (January 1989), p. 17.

^{xviii} Jeffery Chusid, "Preservation in the Progressive City: Debating History and Gentrification in East Austin," *The Next American City* (Fall 2006).

^{xix} Ibid.

^{xx} "Govalle/Johnston Terrace Combined Planning Area Plan." Online. Available: <http://www.ci.austin.tx.us/zoning/govalle.htm>. Accessed: November 1, 2006.

^{xxi} Capital Area Council of Governments (CAPCOG).

^{xxii} Available 2006/2011 demographic forecast information regarding racial estimates does not distinguish between only White and Hispanic and White. Therefore, this is a hypothesis. However, the numbers still indicate that the White population will be growing.

^{xxiii} Immigration Information. Online. Available: <http://www.immigrationinformation.org>. Accessed: November 1, 2006.

^{xxiv} "U.S. Census Bureau Fact Finder." Online. Available: <http://factfinder.census.gov>. Accessed: November 1, 2006.

^{xxv} United States Department of Agriculture, Food and Nutrition Service, National School Lunch Program Fact Sheet. Online. Available: <http://www.fns.usda.gov/cnd/lunch/AboutLunch/NSLPFactSheet.pdf>. Accessed: October 13, 2006.

^{xxvi} Austin Independent School District, "All Data 2002-2005" (Excel file), provided by CAPCOG.

^{xxvii} There may be confounding variables. Due to school choice programs, not all students who live in East Austin may attend East Austin schools, and those students attending school in East Austin may not necessarily live in East Austin. In addition, schools that have high percentages of free and reduced school lunches receive higher reimbursement rates and reduced school lunch for all students, so the individual income data may not be completely accurate. Furthermore, because it is impossible to sort school lunch rates by census tract, this data is of limited use in a neighborhood-by-neighborhood comparison.

^{xxviii} Families with children (especially single-parent households) are among the poorest demographic groups in CEA. In 2000, the poverty rate for all families was 25.5 percent, but the rate for families with children was 32.6 percent and 38.7 percent for families with children under five. For female-headed households with no husband present, the same rates were 54.7 percent and 69.4 percent, respectively. (U.S. Census Bureau, Census 2000, Census 2000 QT-P35, Poverty Status in 1999 of Families and Nonfamily Householders: 2000 Census 2000 Summary File 3 (SF 3) — Sample Data, Online. Available: factfinder.census.gov. Accessed: January 27, 2007.)

^{xxix} Ronald F. Ferguson and William T. Dickens (eds), *Urban Problems and Community Development* (Washington, D.C.: Brookings Institution Press, 1999), p. 473-520.

^{xxx} *Central Texas Sustainability Indicators Project — 6th Edition* (Austin: Aus-Tex Printing, 2006), p. 36.

^{xxxi} Kirk Ladendorf, “Austin’s Economic Outlook Strong,” *Austin American Statesman* (January 26, 2007).

^{xxxii} Ibid.

^{xxxiii} Paul A. Jargowsky, “Stunning Progress, Hidden Problems: The Dramatic Decline of Concentrated Poverty in the 1990s,” The Brookings Institution (2003). Online. Available: <http://www.brookings.edu/es/urban/publications/jargowskypoverty.htm>. Accessed: February 21, 2007.

^{xxxiv} Weissbourd/Bodini, “Market-Based Community Economic Development.”

^{xxxv} *Staff Task Force on Gentrification in East Austin*, City of Austin. Online. Available: www.ci.austin.tx.us/housing/publications.htm. Accessed: November 14, 2006.

^{xxxvi} Barrios, Greg. “Don’t Go Near the Water,” *RiverCity Sun* (August 4, 1978), p. 8.

^{xxxvii} Ibid.

^{xxxviii} Ibid.

^{xxxix} Austin Housing Finance Corporation. Online. Available: <http://www.ci.austin.tx.us/ahfc/smart.htm>. Accessed: November 29, 2006.

^{xl} Ibid.

^{xli} Percentages derived from Capital Area Council of Governments data.

^{xlii} Patrice Hill, “Speculation likely driving home prices, Fed chief warns,” *The Washington Times* (September 27, 2005), p. A01.

^{xliii} Capital Area Council of Governments, “Census 1990 – 2000 Comparison Tables” database. Online. Available: http://www.capco.state.tx.us/Information_Clearinghouse/Tabular_main.asp#census. Accessed: September 9, 2006.

^{xliv} City of Austin, Neighborhood Housing & Community Development, *2006 Single Family Residential Tax Delinquent Parcels by Geographic Concentration and Neighborhood Planning Area*.

^{xlv} Elliott Beck, Assistant County Attorney. Personal communication, April 24, 2007. This information was confirmed during a May 7 follow-up visit to the County Tax Assessor’s Office: A sampling of foreclosed properties were pulled from the Chief Operating Officer’s database. All were vacant.

^{xlvi} Dick Lavine, “Why are there so many foreclosures?” *Center for Public Policy Priorities*. Online. Available: <http://www.cppp.org/research.php?aid=580>. Accessed: November 9, 2006.

^{xlvii} Dusty Knight, Chief Operating Officer, County Tax Office. Personal communication, April 24, 2007.

^{xlviii} This study did not include permits for residential remodels that did not increase the number of housing units or permits for commercial, office, industrial, civic, and “miscellaneous” building activity.

^{xlix} Center for Housing Policy, “Paycheck to Paycheck.” Online. Available: <http://www.nhc.org/chp/p2p/>. Accessed: October 2006.

¹ From 1976 to 1982 (a 6-year period) more than 755,000 units of affordable housing were built by the federal government. By comparison, from 1982 to 2002 (a 20-year period), only 256,000 units were built (Congress 2000/2004). HUD’s entire budget for building, maintaining, and subsidizing affordable housing was 65 percent more in 1978 than in Fiscal Year 2006 (Office of Management and Budget).

^{li} Housing Authority of the City of Austin. Online. Available: http://www.hacanet.org/about_haca/history.php. Accessed: October 2006.

^{lii} HACA currently houses 19,235 Austin residents, including 7,170 families and 10,355 children. More than 5,000 applicants are on HACA’s waiting list, with an average wait time of several years.

^{liii} City of Austin, Neighborhood Housing & Community Development. *2006-2007 Consolidated Plan*. Online. Available:

[http://www.ci.austin.tx.us/housing/downloads/Action%20Plan%2006-07.pdf](http://www.ci.austin.tx.us/housing/downloads/Action%20Plan%202006-07.pdf). Accessed: January 2007.

^{liv} Austin Tenants Council. “Guide to Affordable Housing in the Greater Austin Area.” Online. Available: <http://www.housing-rights.org/>. Accessed: November 2006.

^{lv} City of Austin, Neighborhood Housing & Community Development. MFI Chart. Available: <http://www.ci.austin.tx.us/housing/mfichart.htm>. Accessed: November 2006.

^{lvi} Foundation Communities owns ten properties citywide and 1,349 total rental units, 25 percent of which are located in East Austin. Blackland Community Development Corporation owns 35 total rental units, all in East Austin, and serves formerly homeless families and seniors living below 60 percent MFI. Guadalupe Neighborhood Development Corporation owns 54 affordable properties, including 42 rental units and 12 owner-occupied homes. All of GNDC’s housing is located in East Austin and is designed to serve people with incomes below 80 percent MFI, but according to Mark Rogers, Executive Director, 74 percent of GNDC tenants actually fall below 50 percent MFI. *Habitat for Humanity* has constructed 186 affordable homes in Austin to date, 82 percent of which are located in East Austin. Habitat sells their homes to families living between 25-50 percent MFI.

^{lvii} Chusid, “Preservation in the Progressive City.”

^{lviii} Humphrey, “Austin: A History of the Capital City,” p. 56.

^{lix} *Ibid.*, p. 57.

^{lx} *Handbook of Texas*. Online. Available: <http://www.tsha.utexas.edu/handbook/online/articles/TT/hct8.html>. Accessed October 25, 2006.

^{lxi} Humphrey, “Austin: A History of the Capital City,” p. 57.

^{lxii} “Austin History.” Online. Available: <http://www.klru.org/austinhistory/history.html>. Accessed: October 28, 2006.

^{lxiii} U.S. Census Bureau, “ZIP Code Business Patterns.” Online. Available: <http://censtats.census.gov/cgi-bin/zbpnaic/zbpsect.pl>. Accessed November 1, 2006.

^{lxiv} Actual employment for 1998 is officially listed at 5,000-9,000. Of the employment data provided by the U.S. Census Bureau and included in this analysis, this is the only statistic for which an exact number is not listed. Actual employment for 2000 is provided and lists total employment at 2,407, the overall number of establishments growing since 1998, and a stable number of large firms. This raises the possibility that the 1998 actual figure is not accurate. Consistent with other sections in the study, this section uses the estimated figure to calculate percentage changes. The estimated figure for 1998 is 2,551.

^{lxv} Elsie L. Echiverri-Carrol, “The Regional Economic Impact of New Airport Construction: The Case of Austin-Bergstrom International Airport,” *Texas Business Review* (June 1999).

^{lxvi} RMMA redevelopment. Online. Available: http://www.muelleraustin.com/urban_village.html. Accessed December 5, 2006.

^{lxvii} Restaurants compose the overwhelming majority of the firms in this sector.

^{lxviii} Envision Central Texas. Online. Available: www.envisioncentraltexas.org. Accessed: January 13, 2007.

^{lxix} For example, a function in Microsoft Excel would randomly generate the number 33, and thus the 33rd business on the spreadsheet would be added to the list of targeted firms.

^{lxx} City of Austin, “Smart Growth Initiative.” Online. <http://www.ci.austin.tx.us/smartgrowth/>.

^{lxxi} The research team used “systems analysis” that blends three theoretical approaches: land economies (economic development); network analysis (community development); and professional practice (human ecology and sustainable development). For further sources, see “An Evaluation of the Interaction between Urban Transport and Land Use Systems” by Michael A. Goldberg in *Land Economics*, Vol. 48, No. 4. (Nov., 1972), pp. 338-346; “Distance and Human Interaction: Review and Discussion of a Series of Essays on Geographic Model Building” by Claes-Fredrik Claeson in *Geografiska Annaler, Series B, Human Geography*, Vol. 50, No. 2. (1968), pp. 142-161; “Interaction in an Urban System: Aspects of Trade and Commuting” by John B. Parr in *Economic Geography* Vol. 63, No. 3 (Jul., 1987), pp. 223-240; *Central Place Studies: A Bibliography of Theory and Applications* by Brian Barry and Allen Pred; “Beyond the Ethnic Enclave Economy” by Ivan Light, Georges Sabagh, Mehdi Bozorgmehr, and Claudia Der-Martirosian in *Social Problems*, Vol. 41, No. 1, “Special Issue on Immigration, Race, and Ethnicity in America.” (Feb., 1994), pp. 65-80; and “Culture, Race, and the Economic Assimilation of Ethnic Immigrants” by Jeffrey G. Reitz; Sherrilyn M. Sklar in *Sociological Forum*, Vol. 12, No. 2. (Jun., 1997), pp. 233-277.

^{lxxii} Kristina Shevory, “Square Feet; It’s Also the Capital of Texas Construction,” *New York Times*. February 14, 2007.

^{lxxiii} The North American Industry Classification System (NAICS) defines Other Services as consisting of three main categories: Repair and Maintenance; Personal and Laundry Services; and Religious, Civic, Professional, and Similar Organizations.

^{lxxiv} John J. Macionis and Vincent N. Parillo. *Cities and Urban Life*, Second Edition. New Jersey: Prentice Hall, 2001. 252-253.

^{lxxv} Literature on Land Economies: An Evaluation of the Interaction between Urban Transport and Land Use Systems

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^{lxxvi} City of Austin's SMART Growth Initiative. <http://www.ci.austin.tx.us/smartgrowth/>.

^{lxxvii} Arendt, Randall, et al. Charter of the New Urbanism. New York: McGraw-Hill, 2001.

^{lxxviii} ECCNP

^{lxxix} Interestingly, the issue of crime was not a compelling finding from the interviews conducted this Spring. It is likely that the recent attention to crime and improvement of lighting along the sidewalks reduced the perception of crime, thus it no longer presents an issue for business-owners.

^{lxxx} Data were also provided by Capital Area Council of Governance

^{lxxxii} Information gathered from interviews with 7th Street business owners.

^{lxxxiii} Information gathered from combination of SMART Growth Plan as well as interviews with 7th Street business owners.

^{lxxxiiii} The tables provide information taken from the Travis County Central Appraisal District for the years 2000-2005.

^{lxxxv} City of Austin Corridor Planning Program. "East 7th Street Corridor Concept Plan." Austin, Texas: October 2002

^{lxxxvi} Julian Huerta, Director of Community Services, Foundation Communities; Mark Rogers, Executive Director, Guadalupe Neighborhood Development Corporation; Bo

McCarver, Executive Director, Blackland Community Development Corporation;
Mitchell Gibbs, Communications Director, Habitat for Humanity.

^{lxxxvi} U.S. Census Bureau, “ZIP Code Business Patterns.” Online. Available:
<http://censtats.census.gov/cgi-bin/zbpnaic/zbpsect.pl>. Accessed: November 1, 2006.

^{lxxxvii} U.S. Department of Labor, Bureau of Labor Statistics. Industry-at-a-Glance: NAICS
23: Construction. Online. (<http://www.bls.gov/iag/construction.htm>, Accessed January
24, 2007)

^{lxxxviii} Force account construction (construction performed by the employees of a company
whose primary activities are in some area other than construction) is not included in this
sector. An example would be the maintenance of infrastructure by telecommunications
company employees.

^{lxxxix} NAICS Association. NAICS Code Definition: Sector 23: Construction. Online.
(<http://www.naics.com/censusfiles/NDEF23.HTM#N23>. Accessed January 25, 2007)

^{xc} Capital Area Council of Governments

^{xci} U.S. Census ZIP Code Business Patterns. Online.
(<http://censtats.census.gov/cbnaic/cbnaic.shtml>. Accessed April 15, 2007)

^{xcii} Ladendorf, Kirk. “Austin’s Economic Outlook Strong”. Austin American Statesman.
January 26, 2007.

^{xciii} Austin Convention & Visitors Bureau, Austin’s History. Online.
(<http://www.austintexas.org/visitors/heritage>. Accessed May 4, 2007).

^{xciv} Professional, scientific, and technical services include: legal advice and
representation; accounting, bookkeeping, and payroll services; architectural, engineering,
and specialized design services; computer services; consulting services; research
services; advertising services; photographic services; translation and interpretation
services; veterinary services; and other professional, scientific, and technical services.

^{xcv} US Census Bureau, ZCBP, <http://censtats.census.gov/cgi-bin/zbpnaic/zbpdetl.pl>

^{xcvi} Fall Report - Economy

^{xcvii} U.S. Census Bureau, County Business Patterns for Zip Code 78702. Online.
Available: <http://censtats.census.gov/cbnaic/cbnaic.shtml>. Accessed: December
6, 2006.

^{xcviii} The industry standard on payday loan interest rates in Texas “hovers close to 600
percent APR,” according to the Center for Public Policy Priorities, “As Payday Lending

Spreads Across Texas Can it be Reformed or Regulated?" December 7, 2006. Available online at <http://www.cppp.org/files/2/POP%20275%20payday.pdf>

^{xcix} Howard Karger, "America's Growing Fringe Economy." KPFA radio program: Against the Grain. December 13, 2006. Online. Available: <http://www.kpfa.org/archives/index.php?arch=17632>.

^c According to Howard Karger, author of "America's Growing Fringe Economy," 90% of payday loan business comes from repeat borrowers who cannot pay off their loans when due and take out an average of 10 loans per year.

^{ci} 2007 Colorado Business Economic Outlook; http://leeds.colorado.edu/uploadedFiles/Faculty_and_Research/Research_Centers/Business_Research_Division/Research/BEOF/2007_BEOF_Sector_and_County_pages/BEOF2007_Other_Services.pdf; March 20, 2007.

^{cii} Bureau of Labor and Statistics website, <http://www.bls.gov>. Last viewed January 29, 2007.

^{ciii} *ibid*

^{civ} U.S. Census Bureau, CenStats Databases, County Business Patterns Data. <http://censtats.census.gov/>. Last viewed: April 3, 2007.

^{cv} U.S. Census Bureau, CenStats Databases, County Business Patterns Data. <http://censtats.census.gov/>. Last viewed February 1, 2007.

^{cvi} Krugman, Paul. *Geography and Trade*, Cambridge: The MIT Press, 1991, pp. 35.-67.

^{cvii} Several of the businesses contacted for this study either did not appear in the 2005 survey or were no longer in existence. This could mean these firms are new businesses, identify with a different NCAIS subsector, or are no longer in business. Many of the firms contacted chose not to participate in the interview for reasons ranging from "too busy" to "owner not available" to the Spanish-English communication barrier. Furthermore, interviews attempted and/or conducted include four firms on East Manor Road outside of the Central East Austin area.

^{cviii} FFIEC Community Reinvestment Act. Available online: <http://www.ffiec.gov/cra/>. Last viewed: May 7, 2007.

^{cix} Rayasam, Renuka. *Austin American-Statesman*. "Change takes root; East Austin's cheap land draws hip folks and the retail that follows -- at a cost", November 20, 2005., Pg. A1. Available Online: Lexis-Nexis.

^{cx} Toby Futrell, City of Austin City Manager, Defining Community Change in East Austin Insight Forum, March 21, 2007, University of Texas, Thompson Conference Center.

^{cxⁱ} Bureau of Labor Statistics, U.S. Department of Labor, Career Guide to Industries, 2006-07 Edition, Health Care. Online. Available: www.bls.gov/oco/cg/cgs035.htm. Accessed: April 15, 2007.

^{cxⁱⁱ} Bureau of Labor Statistics, U.S. Department of Labor, Career Guide to Industries, 2006-07 Edition, Social Assistance, Except Child Day Care. Online. Available: <http://www.bls.gov/oco/cg/cgs040.htm>. Accessed: April 15, 2007.

^{cxⁱⁱⁱ} 2002 Economic Census, American Factfinder, US Census (78702). Online: www.factfinder.census.gov. Accessed: April 15, 2007.

^{cx^{iv}} Nationally, medical related industries tend to situate around hospitals (including doctor's offices, medical supply stores, pharmacies and other medical related firms). Similarly, social assistance agencies tend to situate in clusters—with many services located in the same area to reduce transportation costs for low-income clients.

^{cx^v} Bureau of Labor Statistics, Health care

^{cx^{vi}} Smith, Jordan, "The New Texas Family Planning: Slashed budgets and anti-abortion politics undermine women's health care" Austin Chronicle: on the Internet at: <http://www.austinchronicle.com/gyrobase/Issue/story?oid=oid%3A329525> (visited on April 15, 2007)

^{cx^{vii}} Al-Kodmany, Ahlam (2005) "Impact assessment of gentrification on federally qualified health centers in Chicago: 1990—2003", University of Illinois at Chicago.

^{cx^{viii}} Gaskin, D.J. and Needleman, J. (2003) "The Impact of Uninsured Populations on the Availability of Hospital Services and Financial Status of Hospital in Urban Areas" A Shared Destiny: Community Effects of Uninsurance, National Academies Press.

^{cx^{ix}} Bureau of Labor Statistics, Health care

^{cx^x} Bureau of Labor Statistics. 2006. www.bls.gov. Retrieved January 28, 2007.

^{cx^{xi}} U.S. Bureau of the Census, 2000. www.census.gov. Retrieved February 4, 2007.

^{cx^{xii}} Florida, Richard. The Rise of the Creative Class, New York: Basic Books, 2001.

^{cx^{xiii}} U.S. Bureau of Labor Statistics (BLS): Division of Information Services. "NAICS 71 & 72: Leisure & Hospitality"

<http://www.bls.gov/iag/leisurehosp.htm> Accessed: 1/29/07

^{cxxiv} National Restaurant Association: Restaurant Industry Facts, restaurant.org.
http://www.restaurant.org/research/ind_glance.cfm Accessed 1/30/07

^{cxxv} Steve Brooks, “Winning the Real Estate Game”. *Restaurant Business*; Mar2006, Vol. 105 Issue 3, p44-50, 6p, 6c

^{cxxvi} Edith Ho, Hawaii State Department of Business, Economic Development and Tourism, “A Model Study for Establishing a Small Restaurant in Downtown Honolulu”. June 2004. http://www.hawaii.gov/dbedt/info/census/Folder.2005-11-23.1639/ec02-reference/small_diner_condensed_final.doc

^{cxxvii} A “move-on” is a structure which previously stood at a different address and has been literally “moved on” to a vacant lot. Current regulations make it actually cheaper to move a house from inside Austin to outside of the city limits, and then back, rather than moving the house from one Austin address to another.

^{cxxviii} Jack M. Smartout “Negro Doctors” (Physicians P3800 Gen). The researcher gathered this information in the “physicians” section of the miscellaneous documents section of the Austin History Center. It is an undated document from a community historian named Jack M. Smartout, a resident of Austin.