Community Economic Development:

A Case Study from Austin

Lyndon B. Johnson School of Public Affairs
The University of Texas at Austin
Policy Research Project Report

42

Lyndon B. Johnson School of Public Affairs
Policy Research Project Report
Number 42

Community Economic Development:

A Case Study from Austin

A report by
The Community Economic Development Policy Research Project
Lyndon B. Johnson School of Public Affairs
Community and Regional Planning Program
The University of Texas at Austin
1980

Library of Congress Card Number:
ISBN 0-89940-644-0

Printed in the U.S.A.

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 two or three faculty members from different disciplines direct the research of ten to twenty graduate students of diverse backgrounds on a policy issue of concern to an agency of government. 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 on community development planning for East Austin was the result of a Policy Research Project conducted in 1979-80 in response to a request from the East Austin Chicano Development Corporation (CDC). The study outlines strategies and initial program implementation plans for preserving the East Austin neighborhood, stimulating employment, and improving commercial and community services in that area of the city. Funding for the project was provided by the Lyndon Baines Johnson Foundation and the School of Architecture of The University of Texas at Austin.

It is the intention of the LBJ School both to develop men and women with the capacity to perform effectively in public service and 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 former; it is our hope and expectation that the report itself will contribute to the latter.

Elspeth Rostow
Dean

Policy Research Project Participants

Renita Bankhead,
Lyndon B. Johnson School of Public Affairs
Bela Brown,
Graduate Program in Community and Regional Planning
Connie Clark,
Lyndon B. Johnson School of Public Affairs
Phil DeBerardinis,
Lyndon B. Johnson School of Public Affairs
Susan Dirks-Mason,
Lyndon B. Johnson School of Public Affairs
Thomas Flynn,
Lyndon B. Johnson School of Public Affairs
Donald Green,
Lyndon B. Johnson School of Public Affairs
Tom Kauffman,
Graduate Program in Community and Regional Planning
Kathleen Kelly,
Lyndon B. Johnson School of Public Affairs
Alice Kuhn,
Lyndon B. Johnson School of Public Affairs
Ken Levine,
Lyndon B. Johnson School of Public Affairs
Tim Mahoney,
Lyndon B. Johnson School of Public Affairs
Beth Nelson,
Lyndon B. Johnson School of Public Affairs
Renee Oshinski,
Lyndon B. Johnson School of Public Affairs
Jennifer Pfiester,
Lyndon B. Johnson School of Public Affairs
Sandro Pio,
Graduate Program in Community and Regional Planning
Ann Prather,
Lyndon B. Johnson School of Public Affairs
Rodney Rideau,
Lyndon B. Johnson School of Public Affairs
Frank Robbins,
Graduate Program in Community and Regional Planning
Margaret Smith,
Lyndon B. Johnson School of Public Affairs
Craig Stafford,
Graduate Program in Community and Regional Planning
Mike Temple,
Lyndon B. Johnson School of Public Affairs

Project Directors

Dr. Patricia Salinas,
Graduate Program in Community and Regional Planning
Dr. Robert Wilson,
Lyndon B. Johnson School of Public Affairs

Contents

Part II. Programs for Community Economic Development

5. Housing Rehabilitation and New Construction Program

6. Employment and Training Program

Part III. Appendices

List of Tables

Introduction

Like many Sunbelt cities, Austin, Texas, has grown rapidly over the last twenty years, sustaining low unemployment and rising incomes while maintaining a low cost of living. High technology industries have moved into Austin offering what appears to be a source of upwardly mobile stable jobs to complement the already stable employment offered by the state government, the University of Texas, and the military. However, the low-income, segregated inner-city neighborhoods have not shared the growth and economic prosperity benefitting the city as a whole.* The East Austin Chicano community, in particular, has experienced neither population growth nor rising incomes. In addition, the community residents do not appear to be benefitting from the influx of industries into Austin; low wages, high turnover, and low productivity continue to typify the East Austin Chicano worker's job. The low incomes in the neighborhood contribute to the difficulty of maintaining and improving the housing stock; housing values within the neighborhood are well below the city average. Now the neighborhood residents are threatened with displacement as housing speculators and downtown revitalizers eye the underpriced center-city residential locations occupied by the Chicano community.

The Chicano community has tried to make its voice of protest heard in the larger Austin community. Gaining impetus from the Community Action Programs of the 1960s, the East Town Lake Citizens' Association (ETLCA) was formed to provide a cohesive umbrella organization representing the several grass-roots neighborhood organizations. ETLCA was organized in 1974 when the City of Austin displaced several Chicano families in order to expand Fiesta Gardens, a municipal park. The residents did not want the additional park land, which would be used for the most part by people from outside the neighborhood. Nevertheless, ETLCA was unsuccessful in stopping the park expansion.

After this failure, ETLCA reorganized around the issue of the park's prime use, the annual speedboat races on Town Lake. ETLCA charged that the races intruded upon neighborhood tranquility because of excessive noise and litter. The ETLCA won this round, and the boat races have been defunct since 1977.

*See Appendix A for a fuller description of the growth in Austin and the contrasting lag in the East Austin Chicano neighborhood.

The community again entered the political arena to protect its interests in 1978 when the City Council initiated a downtown revitalization program. The program called for public sector assistance to private investors wanting to build hotels, convention centers, and office complexes in Austin's central business district. Austin's City Manager proposed spending $2 million of Community Development Block Grant (CDBG) funds on downtown revitalization projects; CDBG funds, up to that time, were primarily targeted to the low-income neighborhoods. Thus, the East Austin neighborhood groups felt the City Manager's proposal, if approved, would take away money which had previously been targeted for the East Austin area. ETLCA joined in an administrative complaint to the HUD regional office, which ruled against the City's proposal.

Then in the spring of 1979 the City Council unveiled a plan to revitalize downtown Austin, prepared by the American Cities Corporation (a large out-of-state consulting firm). This plan called for the clearance of a large tract of downtown land adjacent to the East Austin neighborhood, and the construction of office buildings, convention hotels, condominiums, and townhouses. ETLCA, along with other groups, vehemently opposed this plan, arguing that such a development would cause land prices and taxes to increase in adjacent neighborhoods, resulting in displacement. Additionally, American Cities Corporation did not respond to the neighborhood's need for suitable employment opportunities. The neighborhood groups could see that the hotel, convention center, and office jobs promised by the proposed urban renewal would mean only more low-paid, "dead-end" jobs for the Chicano community. The threat posed by the American Cities plan caused a rejuvenation of the ETLCA. Through public hearings, protest marches, and contacting members of city commissions, the ETLCA became a leader in the successful fight against the American Cities plan.

Finally, the ETLCA protested an Overall Economic Development Plan (OEDP) prepared during the summer of 1979 by a committee of private citizens appointed by the City Council. This plan would have made the city eligible to receive planning grant funds from the federal government for use in depressed areas of the city. ETLCA opposed the OEDP, as did some other community groups, because it had not been prepared according to federal guidelines for community participation; East Austin residents had not been involved in developing the OEDP even though their community was one of the targeted areas. The City Council rejected the OEDP.

These effective political campaigns against city development projects has made the ETLCA a significant political force in Austin. Since those victories, its leaders have been consulted by the Austin business establishment, and the city government is much more sensitive to community desires.

To consolidate its political gains and to take a more active, positive role in preserving the neighborhood and improving employment, housing, and commercial and community servies, the ETLCA established a community development corporation in the fall of 1979, shortly after the defeat of the OEDP. This private nonprofit corporation has the legal capacity to set up profit or nonprofit enterprises, receive public funds, and participate in joint ventures with the City. Its board of directors has a majority of community residents representing the member grass-roots groups, complemented by representatives of the banking community, private business, organized labor, and the public sector.

To develop strategies and initial program implementation plans, the new East Austin Chicano Development Corporation (CDC) asked for technical assistance from The University of Texas at Austin. Two professors at the University—one from the LBJ School of Public Affairs and the other from the Graduate Program in Community and Regional Planning—organized a year-long field course with twenty-three students to provide the technical assistance to ETLCA and the CDC in preparing development strategies. The class worked with a resource committee of concerned minority professionals that acted as liaison with the neighborhood group. The following report on strategies and resources for the East Austin Chicano community is a result of this cooperative endeavor. However, the report should not be construed as representing the position of ETLCA.

While the analysis and information are directed toward the East Austin Chicano community, it is hoped that many of the ideas and resources described will also be useful to low-income communities in other cities.

In Part I of this volume, various community development concerns articulated by ETLCA are analyzed and appropriate strategies identified. Two of these concerns are (1) the displacement of neighborhood residents resulting from government actions and investment in the neighborhood by outside interests and individuals, and (2) the depleting housing stock. The first chapter of this section briefly summarizes the dynamics of the neighborhood's housing market and the causes of displacement of neighborhood residents from their homes. Following this background information, the chapter presents housing and antidisplacement goals and the specific strategies developed to address each of these goals.

The community group expressed concern that the neighborhood residents were not participating in the expanding employment opportunities and rising incomes enjoyed by Austin residents as a whole. Chapter 2 investigates the unemployment and underemployment problem in the East Austin Chicano neighborhood and specifically focuses on potential causes of this problem, such as lack of education, training, and transportation. Several strategies to expand employment opportunities for neighborhood residents are then outlined. These include the development of renewable energy or conservation equipment enterprises and the development of links between the CDC and the City of Austin to increase the access of community residents to future job opportunities with new firms locating in Austin.

Another concern expressed by the community group was the need for better utilization of available community resources to build an economic base and promote economic growth within the neighborhood. Chapter 3 presents the results of an assessment of current commerical activity in the neighborhood and an analysis of the neighborhood retail market for the purpose of identifying the types of commerical activities which are lacking in the neighborhood and those which would have the greatest probability of success. To supplement the quantitative analysis, a survey of business owners was conducted to investigate the views of local merchants with respect to the commercial possibilities and problems of the East Austin neighborhood. The chapter concludes by outlining a number of strategies the CDC could pursue to assist commercial development within the neighborhood, and identifying a number of specific commercial activities the CDC could establish or encourage.

Institutional development is central to the success of community economic development. The final chapter of Part I discusses the institutions, both inside and outside the neighborhood, through which the planning, financing, and administering of the actual programs will take place. The chapter examines several institutions, including CDCs, financial institutions (banks, savings and loans, and credit unions), and cooperatives, and outlines the potential role of each in community development within the neighborhood.

Among the strategies presented in Part I, ETLCA indicated particular interest in housing rehabilitation, a new construction program, and an employment program. Programs and implementation procedures for each of these strategies are presented in Part II. Both implementation plans outline the program goals, the sequence of activities, the relevant actors, and funding sources.

Postscript

The East Austin Chicano Development Corporation was successful in its first bid to the City of Austin for funding. The CDC received $250,000 in Community Development Block Grant funds in the spring of 1980 to be used for staff training and institutional capacity building. The CDC is now gearing up to implement a number of the proposals discussed in this report.

I Strategies for Community Economic Development

1 Housing and Displacement

The revitalization of neighborhood housing is an important component in the overall economic development of the East Austin client community. Housing is an easily identifiable characteristic of any neighborhood; the provision of decent, habitable housing not only produces neighborhood pride but also eliminates unsafe and unsanitary living conditions.

The current housing problems in the neighborhood can be characterized by a shrinking and deteriorating supply of homes, residential displacement (due to an inadequate supply of housing), and the absence of city housing programs that address all the needs of the East Austin neighborhood. The primary objective in addressing these problems is to maintain the East Austin community as a desirable residential neighborhood by providing habitable and standard housing. The goals are:

- to develop expertise in the Community Development Corporation (CDC) for planning and implementing housing programs;
- to rehabilitate existing housing units;
- to construct new low- and moderate-income housing;
- to control the displacement of neighborhood residents.

In this chapter, the existing housing conditions are first discussed and then strategies for achieving the above goals are presented. This is followed by an extended discussion of existing displacement forces and a presentation of several antidisplacement strategies.

CONDITION OF THE NEIGHBORHOOD HOUSING STOCK

The 1978 Building Standards Commission Survey reported a total of 3,959 housing units in the neighborhood. While 4.5 percent of the total Austin population resides in this neighborhood, these housing units represent only 3.4 percent of the total housing stock. Seventy-four percent of the housing units in the neighborhood are single-family units, and an additional 7 percent are duplexes. The remaining 19 percent are contained in structures with three or more units. The majority (57 percent) of these units are renter-occupied, and the remaining 43 percent are owner-occupied.

An unsettling force in the East Austin neighborhood is the loss of housing units which has occurred in the past decade. A comparison of the Building Standards Surveys of 1971 and 1978 indicates that 334 units were lost from the housing inventory—an average of 48 units each year.

The median value of housing in Austin in 1975 was $28,742, while the comparable figures for the two census tracts included in the client neighborhood community were only $11,005 and $12,857. These two tracts have the lowest median housing values in Austin.

According to the 1978 Building Standards Survey, 16 percent of all neighborhood units were dilapidated (in violation of the Austin Housing Code). These units were found to have inadequate plumbing, faulty electrical wiring, and/or structural defects. The same survey reported that 32 percent of the neighborhood housing units were deteriorated, although some of these units may require only minor repairs. Prior to the establishment of a housing project, the CDC needs to assess carefully the Building Standards Commission Survey and identify those units that are most in need of housing rehabilitation.

CITY OF AUSTIN HOUSING PROGRAMS

Efforts to redevelop neighborhood housing should complement existing city housing programs. The City of Austin offers two major housing rehabilitation programs for home owners: (1) a rehabilitation program intended to help owners bring housing units up to minimum code standards; and (2) a program administered under Section 312 of the National Housing Act by providing low-interest loans. These are discussed in more detail in the last section of this volume. There are no programs, however, that address the needs of *tenants* living in substandard units.

The CDC and its client neighborhood cannot, therefore, depend solely on the existing City program to alleviate housing problems. Under new HUD regulations, community-based organizations are eligible to receive Community Development Block Grant funds to carry out housing projects within neighborhoods.

HOUSING STRATEGIES

The following short-term goals and options address the problem of establishing the necessary administrative track record before larger-scale housing rehabilitation and new construction programs are undertaken.

Goal One

To develop CDC expertise in the planning and implementing of housing programs.

Option One

The CDC could act quickly to designate a preliminary, temporary staff for housing. This staff would then choose among the initial projects that might be undertaken until a full-time staff can be arranged.

Feasibility

It could be initiated immediately. Two sources of organizational expertise have been identified:

1. The Neighborhood Information Sharing Exchange (NISE) is a program of the Department of Housing and Urban Development's Office of Neighborhoods. This is a data bank and referral system for activist neighborhood groups.
2. The National Economic Development Law Project (NEDLP) provides legal and planning assistance to CDCs and to Legal Services Corporation-funded Attorneys. NEDLP will provide assistance and on-location advisors for newly formed CDCs as they initiate projects.

   Valuable publications are free of charge.

Applicability

While initial (modest) rehabilitation projects are being planned, this strategy is aimed at beginning the educational process within the CDC to organize and develop financial packaging expertise.

Most new CDCs have been found to lack technical expertise in these areas:

- identifying potential properties, making site analyses, and planning;
- providing architectural and engineering services;
- conducting market surveys;
- performing cost analyses.

Accordingly, a training program for the CDC staff that will be responsible for any housing programs undertaken must address these areas of expertise that are frequently stumbling blocks.

Option Two

The CDC could organize a neighborhood-wide inventory of housing conditions and ownership.

Feasibility

It could be initiated immediately. Information that could be gathered by this inventory of housing is vitally needed by the CDC in developing an overall housing strategy. It would also help in identifying the first target properties for rehabilitation projects.

Applicability

The inventory gathering should be designed to assist the CDC in achieving both the short-term and long-term goals. The inventory should include:

- delineation of housing project boundaries;
- examination of property tax roles for tenure patterns;
- identification of vacant lots;
- estimation of the number of residences requiring rehabilitation by classification:
  (1) standard;
  (2) standard, but requiring repairs;
  (3) deteriorated, including any house that is substandard but that can be rehabilitated;
  (4) dilapidated, including all substandard units containing structural damage that would make rehabilitation very difficult, too expensive, or impossible;
  (5) terminal, requiring condemnation and demolition;
- tenure classification:
  (1) owner-occupied;
  (2) investor-owned;
  (3) single-family or multi-family designation for the first two forms of tenure;
- mapping of the information gathered;
- provision for the continual updating of the inventory data, so that the CDC may always make project decisions on the basis of the most current information available.

Goal Two

To improve the housing stock in the community.

Option One

The CDC could begin a housing rehabilitation project. A discussion of housing rehabilitation and new construction program proposal to accomplish this goal makes up a major portion of the last section of this volume. For this reason, the rehabilitation option is not discussed further at this point. (See also Appendix B for some examples of Housing Rehabilitation Programs.)

Goal Three

To determine a set of options for housing ownership in the client neighborhoods.

Option One

The existing pattern of ownership could be continued.

Feasibility

Because this perpetuates the "status quo" situation in ownership, it is the simplest of the options to pursue.

Applicability

The private system of ownership in the client neighborhoods would be retained. Administratively, the CDC would encounter relatively few problems with this option.

However, adoption of this option would mean that neighborhood residents would still be vulnerable to rising property values, rising rents, and probable displacement of area residents who are unable to meet these costs in the future. (See discussion of displacement below.)

Additionally, the CDC would lose control over the future maintenance and upkeep of properties which they help to develop. There is no assurance that the CDC's activities would have the long-range effect of improving the quality of life in East Austin.

Option Two

The CDC could become the manager and the owner of a portion of the client neighborhood housing.

Feasibility

This option requires substantial financial resources and is, therefore, more complicated than the first option.

Applicability

There are numerous examples from across the country in which CDCs have assumed a landlord role. This approach offers these advantages:

- The CDC could act to control rising rents.
- Because the CDC is a nonprofit corporation, if it chose to become a landlord and property manager it might be better equipped to buffer rising property values.
- As the property owner, the CDC could act to keep its properties well-maintained. By its example, the CDC could influence the larger community in pursuing neighborhood upkeep.
- Acting as a property manager would afford the CDC the opportunity to develop management expertise and may lead to a role in training programs for construction trade workers.

Option Three

The CDC could investigate the possibility of introducing housing cooperatives in the client neighborhoods.

Definition: A cooperative is a form of home ownership in which the member owners purchase shares in the cooperative, and in which a board of directors is elected by the members to govern the co-op. A cooperative differs from a condominium form of ownership. The major difference is that in condominium ownership each owner actually owns a unit within the condominium property; in a cooperative, each member owns a share in the venture, but does not own a housing unit privately.

Feasibility

The CDC could include any of its properties in a cooperative. The cooperative itself would probably be separate from the CDC, since cooperative members alone decide how the co-op is governed and managed. However, the CDC could assume a role in promoting cooperatives by providing both technical and financial assistance to new cooperatives.

Applicability

This option offers some of the advantages mentioned in the second option. A cooperative might also open up a form of housing ownership to area residents who have not been able to move past rental tenure.

A cooperative would also meet, in part, the goal of retaining neighborhood control in the housing area. It might also be affected by rising property values. However, the cooperative mechanism would permit greater flexibility in controlling the costs that would normally be incurred by residents due to property value increases.

Goal Four

To determine ways to finance the acquisition of properties in the client neighborhoods for new construction.

Option One

The CDC could work more closely with the City of Austin, which has the powers of eminent domain and the authority to undertake urban renewal. If the City acquires properties in this manner, the CDC could then acquire such properties through an agreement with the City.

Option Two

The CDC could establish itself as a private development firm. It would then purchase structures and land to meet development objectives. Financing would depend on securing local bank backing.

Option Three

The CDC could seek City Council approval to use Community Development Block Grant funds to purchase properties for development.

Option Four

The CDC could use the Neighborhood Self-Help Development Program grants (Department of Housing and Urban Development) to make property purchases.

Option Five

The CDC could purchase properties that have reverted to the City because of delinquent taxes. The City should be encouraged to adopt a policy that would give CDCs first options on buying lands that the City has acquired in this manner.

Option Six

The CDC could lobby the City of Austin or Travis County officials to establish a bond issuance authority that complies with the new Texas Housing Finance Corporation Act (THFCA) mortgage-subsidy bond program.

Feasibility

It would depend on the action of the City Council to use the authority extended to local governments by Housing Finance Corporation Act.

Applicability

The purpose of the Act is to subsidize the mortgage market—especially mortgages for low- and moderate-income housing—through the issuance of tax-exempt bonds. Enacted in June 1979, this revenue-raising tool (THFCA) seems to have attracted the eager attention of many major Texas cities. The legislation enables local governments to issue tax-free bonds for many of the same activities contemplated by the CDC, such as income housing rehabilitation and multifamily unit construction ventures, both public and private.

The CDC could form a subsidiary corporation which would be able to funnel financing subsidies to CDC housing projects. However, the local government would designate one of the local corporations as the bond issuer; success in obtaining this designation would depend on the ability of the CDC to persuade Council members. Furthermore, the City is able to approve or to disapprove any and all of the projects that might use this fund.

If the THFCA financing route is elected by the CDC, it will entail applying pressure to local governmental officials. If the City elects to participate under this Act, the CDC should be prepared to present a program for rehabilitation and new housing construction.

DISPLACEMENT IN EAST AUSTIN

Displacement of East Austin residents has been identified as one of the major problems confronting that community. This section provides an overview of the displacement problem and then outlines two strategies with the following goals: (1) to monitor governmentally caused displacement, and (2) to promote and manage private reinvestment in the client neighborhoods.

Displacement has been frequently associated with the eviction of persons by government-sponsored activities, such as urban renewal. However, the term can also be applied to the situation in which high- or middle-income households compete for housing in neighborhoods that have traditionally been dominated by lower-income groups. The following definition applies to both forms:

> Displacement occurs when any household is forced to move from its residence by conditions which affect the dwelling or its immediate surroundings, and which:
> (1) Are beyond the household's reasonable ability to control or prevent;
> (2) Occur despite the household's having met all previously imposed conditions of occupancy; and
> (3) Make continued occupancy impossible; hazardous, or unaffordable.[2]

Many questions exist concerning the extent and seriousness of all types of displacement. Displacement due to reinvestment must be viewed in the context of a mobile society. Twenty percent of all Americans move in a given year.[2] Detached single-family dwellings are resold on the average of once each eight years.[3] Even where considerable displacement has taken place, as in Washington, D.C., Seattle, and San Francisco, reliable data to determine the degree of voluntary displacement does not exist. It is therefore difficult to determine, in any given area, the extent of displacement due to various causes, such as: (1) lease agreement violations, (2) defaults on rents, (3) mortgages or taxes, (4) relocation of employment, and (5) the simple desire to find more suitable housing voluntarily.[4]

Displacement caused by public policy was most prevalent during the late sixties and early seventies, as a result of urban renewal and extensive highway construction activity. Private reinvestment, however, is a relatively new phenomenon in the arena of central city housing and commercial development. This was a response to such market considerations as:

- a widespread lack of affordable housing at all income levels;
- the good quality and large size of much of the older, inner-city housing stock;
- the proximity of employment and recreational opportunities, particularly in view of rising gasoline costs;
- the housing "restoration ethic" and the rediscovery

by young, middle-class households of the benefits of urban living;

- the sociological changes in the makeup of families—particularly families with fewer children, or couples that have postponed child-bearing, and whose higher disposable incomes have given them a competitive advantage in inner-city housing markets.[5]

The "filtering down" theory has been advanced to explain how low- and moderate-income housing becomes available to poorer households. According to this theory, older housing usually depreciates to a relatively low value (compared to new construction), and is therefore made available to households with lower incomes as the former occupants "move up" to better and more recently constructed units. While the filtering process may be operating for the more mobile residents of East Austin, for the lower-income residents there are no real alternatives in the city for home ownership at existing market prices. The Travis County/City of Austin housing stock has been growing at a rapid rate—from 100,702 dwellings in 1970 to 147,963 units in 1976—and the median cost of owner-occupied dwellings increased from $27,500 to $33,000, measured in constant 1978 dollars. This rate of increase in housing value is considerably higher than the rate found in the decade of the sixties. The greatest increases in the number of housing units have been concentrated in the more expensive brackets. By 1978, the average value of new construction, per unit, rose to over $50,000.

Computations of the Austin Board of Realtors in February 1980 showed that the average cost of that month's newly constructed units was $59,100. Since mortgage lenders compute monthly payments—as a "rule of thumb"—at 25 percent of income, an 80 percent mortgage for the average new home in Austin is now available only to those families making more than $22,000 annually.[6] As a result, low- and moderate-income households have been excluded from traditional financing, and are unable to compete for housing with higher-income households. The last decade of rapid growth in the Austin market has meant that the percentage of units available to low- and moderate-income individuals has declined, and that, in some cases, higher percentages of annual income must be allotted to housing.[7]

Another important trend in the Austin housing market is the changing ratio of single-family to multifamily housing. Multifamily units, which represented 29 percent of the housing inventory in 1970, accounted for approximately 36 percent of all units in 1976, and owner occupancy rates fell from 55 percent to 50 percent of all units. Recent estimates have placed the percentage of owner-occupied units in Austin at about 45 percent of all units.[8]

Losing residents through displacement is recognized by the East Austin community as a serious problem. The area encompassed by the East Austin Chicano CDC lost approximately forty-eight households per year between 1971 and 1978. The East First Street Neighborhood Advisory Council has described the following areas as "target areas for displacement prevention":[9]

- the French Legation-Guadalupe Street area, bounded by IH-35, East 11th Street, Navasota, and East 7th Street;
- the East First Street area, bounded by IH-35, East 4th Street, Comal, and Town Lake (the Colorado River);
- the Rainey Street area, between IH-35 and Town Lake south of East 1st Street.

Most of the housing construction that has occurred in the Austin area has been located in the northwest and southwest parts of the city and in the adjacent areas of Travis County. The two most important factors in locating development in these areas have been the relatively lower cost of land and its availability in large tracts that are amenable to development.

However, there are indications that a shift has been occurring in the location of new construction. More construction is occurring near the center of the city. The case of Clarksville, a historic enclave of Blacks, dating back to just after the Civil War, has become a celebrated illustration of this change. Following the efforts of the neighborhood residents to have the city pave and gutter their streets, the area experienced a boom of new construction and real estate speculation that threatens to force the long-time residents out of their neighborhood.

Displacement by federally subsidized urban renewal programs has ended. However, neighborhood groups must now be concerned with the reinvestment advantages—and probable displacement pressures—that are inherent in any expenditure for capital improvements in East Austin. Strategies to prevent or to minimize displacement need to be developed jointly among neighborhood organizations, government agencies, and private sector actors involved in development.

Philip L. Clay describes three stages of urban reinvestment related to the issue of neighborhood control[10] The first stage (represented by the Clarksville situation) occurs when it becomes increasingly difficult to avoid displacement resulting from public expenditures that have created speculative pressures. The second stage is characterized by a situation in which neighborhood groups still have the opportunity to reshape the reinvestment process—before the investment and displacement have begun. This second situation is exemplified by both the Rainey Street and French Legation-Guadalupe Street areas.

A third stage exists when there is little evidence of reinvestment initiative, as is the case in the East 1st Street area. In this situation, there is more "breathing room" to develop longer range plans to alleviate the threat of future displacement activity.

It should be noted that these stages are most important in conceptualizing displacement threats. However, neighborhoods are dynamic units and there is a constant movement or transition between stages. Much of East Austin is tending toward the second stage and is feeling pressure from reinvestment activity. The displacement threat is most severely felt in the French Legation-Guadalupe Street and Rainey Street areas, the "target areas" identified earlier.

Clay describes a four-part process that the CDC or any other association might employ to promote additional reinvestment in such a way that it benefits a broad range of income groups.[11] These steps are adapted to the East Austin situation and presented below, and then specific antidisplacement strategies are identified.

Step. I. *Classify neighborhood.*—Neighborhood subareas within the CDC's responsibility should be classified according to the type of reinvestment activity which has occurred to date.

Step II. *Analyze the subareas relative to the residents' reinvestment and antidisplacement needs.*—An analysis of the neighborhood and regional housing market should be completed. The study of the neighborhood market should include an inventory of land uses and ownership patterns, a demographic analysis, a description of the type and degree of reinvestment in different parts of the neighborhood, and a historical analysis of the city's support of private ventures through its past capital improvement investments.

Step III. *Establish positive antidisplacement goals for each neighborhood subarea.*—This step has already been initiated in the East Austin area. During the last ten years at least seven neighborhood-generated residential organizations have been formed. These organizations not only indicate relevant submarkets in the East Austin vicinity, but also provide a mechanism for resisting the kinds of development which are not responsive to neighborhood needs. Even more importantly, these organizations can provide a mechanism for residents to determine development options that are neighborhood oriented.

Among the goals already identified by the neighborhood groups are the rollback of zoning from industrial to residential use, target rehabilitation and rental assistance in the most threatened areas, the formation of a community-based development corporation to facilitate and coordinate reinvestment strategies, and the creation of new organizations such as Neighborhood Zoning Advisory Councils which can more effectively guide and control neighborhood reinvestment.

Although neighborhood-based development can never hope to achieve the financial resources available to city-wide investors, there are many other means available to neighborhoods for controlling development. In seriously threatened areas, reinvestment can be slowed by promoting zoning which supports the neighborhood residential market rather than major office or commerical development. In certain cases, the courts might provide some relief. Even organized protests by residents and other market disruptions serve the purpose of increasing financial risk and expense and therefore tend to lessen reinvestment activity. But these approaches alone will not stop reinvestment that is unfavorable to the neighborhood market. A serious effort must be made to develop and implement a comprehensive neighborhood-oriented plan.

As a practical first step, the CDC could initiate a tenant/homeowner counseling service. The information gathered through contact with owners and renters could help the CDC policymakers in their twin goals of choosing specific policy goals for each neighborhood and keeping informed about speculators' activities.

Step IV. *Select antidisplacement and reinvestment management tools such as the circuit breaker property tax (a tax which provides relief to low-income property owners), antispeculation tax, and targeted use of any available public funds for housing in accordance with subarea goals.*—Changing property tax policy and influencing housing rehabilitation or other types of housing allocations involve citywide interests. In order to use these tools and realize these goals, intra-city coalitions might be formed to increase access to expertise and financial resources. This may become necessary, as the tools outlined below involve citywide or statewide political and legislative actions. For example, most of the taxation tools which can be used to fight displacement in other areas of the U.S. would require changes in Texas state property tax laws. Until the CDC can form coalitions with other neighborhoods outside of East Austin and acquire a stronger voice in the City Council and the various commissions in pursuit of these changes, city endorsement of harmful displacing reinvestment will continue.

ANTIDISPLACEMENT STRATEGIES

A. Severely Threatened Neighborhoods: Stages 1-2
(Rainey Street, Guadalupe Street and parts of East 1st Street)

Goals

1. Attempt to establish an understanding in the public and private sectors that development in the East Austin neighborhoods is to be oriented toward neighborhood markets.
2. Stabilize housing stock through targeting of rehabilitation funds, rental assistance, weatherization, etc., into affected areas.
3. Require consent of 75 percent of residents for the planning and implementation of proposals that affect neighborhood development, especially through use of "eminent domain."
4. Require that cost estimation of any proposed resident relocation plan should measure not only costs to the displaced population, but effects on the neighborhood market as well. What additional pressures are generated? Who's next? Can measures be developed to better their chances?
5. Develop draft neighborhood market plans.

Analysis

1. Measure reinvestment activity through developing a data bank on land ownership, financial institution activity, real estate developers, etc.
2. Identify community resources, including communication network, public housing, skills, businesses, churches, etc.

Tools

1. Existing support services of neighborhood centers, City of Austin Human Services Department, Community Development Commission, etc.
2. Market disruption.
3. Coalitions
   - with similarly affected neighborhoods to gain access to relevant experience and to promote development of specific neighborhood needs;
   - with other groups to work against proposals like the French Legation Park, and for more general principles of citizen participation and neighborhood planning.

B. Moderately Threatened Neighborhoods: Stage 3
(General East Austin)

Goals

1. Develop a comprehensive data bank on land ownership, etc.
2. Activate a Community Development Corporation that is community-based, or failing that, at least community-responsive. It should
   - promote cooperative housing, business, food markets, and service delivery;
   - establish systematic counseling, planning, and skill development;
   - direct commercial and industrial development.
3. Make the following changes in zoning practices:
   - initiate zoning rollbacks to maximize influence of neighborhood markets and development, rather than regional markets;
   - strengthen citizen participation in the zoning process through notification of renters as well as homeowners about proposed zoning changes;
   - strengthen citizen influence in the zoning process through the creation of Neighborhood Advisory Zoning Councils (Texas Article 1011K, 1945).
4. Strengthen disclosure requirements on ownership, financing, and third-party contractual agreements.
5. Require the consent of 75 percent of affected residents for "eminent domain" actions.
6. Promote better tenant protection through first-right-to-buy agreements for tenants in condominium conversion and low- and moderate-income targeted assistance.
7. Identify portions of the population most sensitive to increased financial pressures, such as the elderly, those on fixed incomes, the single poor, large families, etc.
8. Provide counseling services for residents and information services to educate developers in new reinvestment areas.
9. Develop neighborhood parks that tend to have a predominately neighborhood clientele, rather than a regional one, through well-planned environmental buffers and locations.

Analysis

1. Identify important resources available to each neighborhood: churches, social organizations, etc.
2. Determine the best use of existing environ-

mental buffers in relation to zoning and land use patterns, and where new buffers might be located in each neighborhood.
3. Measure the positive and negative influences of such existing environmental buffers as the railroad tracks and traffic patterns.

Tools

1. Improve housing stock through (1) tenant protection, (2) continued housing rehabilitation, (3) promotion of housing cooperatives, (4) new low- and moderate-income construction, and (5) conversion of nonresidential structures (unused schools, small warehouses) to housing, especially for the elderly.
2. Implement programs targeted to needs of special groups in the neighborhoods.
3. Encourage coalition work:
   - continue organizing neighborhoods to develop neighborhood plans and join together on their common purpose;
   - increase dialogue with citywide groups on such issues as increased power for neighborhood planning, creation of Neighborhood Advisory Zoning councils, and requiring "urban impact" statements on developments of four or more units;
   - develop statewide coalitions to lobby for taxes like the "circuit breaker";
   - pressure the federal government to strengthen the Uniform Relocation Act and to provide a speculation tax for property tax relief and community-based cooperative funds.

References

1. U.S., Department of Housing and Urban Development (HUD), *Interim Report on Housing Displacement*, February 1979, p. 5.

2. Ibid., p. 8.

3. Urban Consortium/Public Technology, *The Displacement Problem in Revitalized Nieghborhoods*, Washington, D.C., September 1977, p. 4.

4. U.S., HUD, *Interim Report*, p. 8.

5. *Urban Consortium, Displacement Problem*, p. 5.

6. *Austin-American Statesman*, March 4, 1980.

7. City of Austin Planning Department, *Austin Housing Study*, 1979.

8. Ibid., p. 3.

9. East 1st Street Neighborhood Advisory Council, *Goals and Objectives*, Austin, March 1980, Map V.

10. Philip L. Clay, "Managing the Urban Reinvestment Process," *Journal of Housing* 36 (October 1979): 453-58.

11. Ibid., p. 453.

2 Employment and Training

This chapter addresses unemployment and underemployment in the neighborhoods of East Austin. While the fundamental causes of these problems lie in the structure of the labor market and private sector employment needs, several secondary factors can more easily be addressed by the community. These factors include lack of education, training, and transportation. Following a discussion of these factors, several strategies for employment and training for members of the community are identified. The strategies are followed by an example of creating local employment opportunities through developing renewable energy enterprises.

THE EMPLOYMENT PROBLEMS OF THE EAST AUSTIN CHICANO COMMUNITY

Census data indicate that the residents in the study area have lower salaries and higher unemployment levels than elsewhere in the city. The 1970 Census reported an unemployment rate for the study area of 6.2 percent, double that of the city (3.1 percent); the 1976 census stated that median family income in the study area was $6,587, less than half the median family income of the city ($13,540); and 39 percent of the neighborhood's population had incomes below the poverty level, as compared with 18 percent for the entire city.[1]

In general, East Austin residents are employed in relatively low-paying occupations which offer little job security, such as craftsman, operative laborer, and private household worker. Occupations less prevalent in the study area include those of professional and technical worker, sales person, clerical worker, and skilled laborer. (See Appendices C and D.)

Austin's rapid economic growth offers numerous employment opportunities for the city's residents, with the most rapid growth in employment expected to be in the manufacturing area (20.1 percent from 1978 to 1980). Specifically, growth should occur in the fabricated metal products industry (26 percent growth or 250 workers), instruments production (20.3 percent growth or 500 workers), machinery (23 percent growth or 1,500 workers), and electronics (41.4 percent growth or 2,050 workers). However, these new jobs require skills and education which few people in the study area possess.

The construction industry is a rapidly expanding sector of employment which could provide jobs for study area residents. While this growth may reduce short-term unemployment in the neighborhoods, the cyclical nature of construction industry production provides for little stability in long-term employment. In addition, construction labor pays relatively low wages in Austin.[2]

There is constant demand in Austin for persons to fill certain kinds of jobs. These jobs remain unfilled either because they offer low pay (e.g., housekeepers, waiters, waitresses, cooks) or because they require special training (e.g., accountants, secretaries, sheet-metal workers).

Specifically, East Austin residents face lower wages and higher unemployment due to a lack of education, insufficient training, inadequate transportation, and a limited number of day care facilities.

EDUCATION AND TRAINING

The lack of education is one factor limiting the occupations of residents in the study area. As of 1970, 11.8 percent of neighborhood residents over age 25 had high school diplomas, while the median education level in the neighborhood was 7.0 years. In comparison, in the same year 62 percent of those over age 25 in Austin had high school diplomas, and the median education level was 12.5 years. With more jobs requiring at least a high school diploma, low educational attainment hinders opportunities for members of the neighborhood to join the work force.[3]

The lack of adequate training directly relates to the limited occupations available to area residents. While Austin's training programs have high placement rates, the requirements for a high school diploma or G.E.D. eliminate those who need employment and training most, the high school dropouts. In addition, the costs of attending such training programs are prohibitive for many individuals. The need to train high school dropouts is evidenced by their high unemployment rates. It is also notable that high school students in the neighborhood with access to Austin Independent School District (AISD) vocational training programs do not concentrate in those areas with the highest skill and earning potentials.[4]

Citizens can gain leverage in vocational program decisions by encouraging the involvement of business leaders in the neighborhoods. Citizens can themselves affect policy decisions through appeals to the Career Development Advisory Committee (CDAC), which is composed of community members. Alterations to vocational programs must be approved by this committee before any recommendations are sent to the Texas Education Agency. However, the Austin Independent School District tends to accept all the recommendations of the CDAC. Organized effort would allow East Austin members to have a greater voice on this committee.

TRANSPORTATION

Lack of adequate transportation also limits access to employment opportunities. Current bus routes in the community only lead to the downtown area and major shopping malls. Direct access to several large Austin industries or other major non-downtown employment is nonexistent for most East Austin residents.[5] Further study must be made of the transporation needs of the neighborhood and the route planning of Austin Transit in order to get a more complete picture of the problem.

Austin Transit System personnel indicated that there is no set procedure for requesting changes in transit routes. The most effective method is for a neighborhood group to submit a comprehensive plan for desired transit changes to the Urban Transportation Department and/or the Austin Transit System. It was stressed that the plan should be as complete as possible, including roadways, sidewalks, and bicycle routes.

Buses in the city are in full use at this time; there is an eighteen-month waiting period for new buses. Currently, two bus routes cross Highway 183 and three more are proposed for the future which should improve access to industrial areas. The proposed routes are not yet in the Capital Improvements Program (CIP), and therefore will not likely be placed in service for at least five years.

Because transit changes take a great deal of time to become effective, it is important that the CDC begin to work on obtaining public transportation to the existing or proposed industrial areas as quickly as possible. In the interim, carpool arrangements, perhaps through a centralized information center, should be encouraged so that East Austin residents can reach industrial locations.

DAY CARE

Another problem in East Austin is the unavailability of day care services. Today, there are twenty-nine facilities in the study area registered to care for children, with an average capacity of fifty-six children.[6] Most of the centers operate on a contract basis, making it difficult for those looking for jobs to place children temporarily. Many offer rates scaled to income, so that those with low incomes can take advantage of the facilities. However, an informal survey indicated that most day care facilities in the community are near or at full capacity.

EMPLOYMENT AND TRAINING STRATEGIES

The following long-term goals and options could be undertaken by the community as a means of attacking local problems relating to employment and training.

Goal One

To relieve the unemployment problem in the neighborhoods served by the East Town Lake Citizens Association. The high rate of unemployment in the area has been linked to low educational attainment and poor vocational skills of neighborhood residents. The following options attempt to increase training and employment opportunities of ETLCA community residents:

Options

1. A skills assessment of the East Austin community could be undertaken at the earliest possible date. This assessment would be an important tool for use in future attempts to increase employment opportunities for East Austin residents.
2. The CDC could propose to use CETA funds to train neighborhood youths.
3. The CDC could target some of its CETA funding to a program that combines training and education for those without high school diplomas.
4. Neighborhood leaders could develop links with the existing vocational schools and the Career Development Advisory Council.
5. The Community Development Corporation could begin to investigate renewable energy enterprise, especially solar energy, as a means of increasing the employment and skills of community residents.

Goal Two

To increase opportunities for industrial employment that is easily accessible to ETLCA community residents. Encouragement of industrial development which utilizes the citizens of the ETLCA community as the primary labor force has been absent or misdirected.

Options

These remedial options are available:

1. The CDC could initiate discussions with the City of Austin and the Austin Chamber of Commerce to encourage the location of labor-intensive industries in the area east of Highway 183 (Ed Bluestein Boulevard), south of Highway 290, and north of Highway 71.
2. The CDC could begin to work on transportation arrangements that would enable East Austin residents to reach the industrial area.
3. The CDC could encourage the Austin City Council to create a Department of Economic Development for the city.
4. Light manufacturing facilities in growth industries could be developed.

Feasibility

In general, the experience of other CDCs suggests that commerical, retail, service, and real estate will be more successful projects for a CDC to undertake than the development of light industrial or manufacturing enterprises. These enterprises are often difficult to start and to operate successfully, but the potential payoff is high. Light manufacturing, especially the production and assembly of durable goods such as electric machinery and semiconductors, is a high-growth sector in the Austin economy. The CDC should examine carefully the possibilities of entering this sector over the long term. Financing and expertise are major problems in starting such an enterprise. Many CDCs have therefore obtained various forms of assistance (money, technical expertise, guaranteed purchases of the merchandise) from large established corporations. Another problem is the opposition within the community to building any sort of manufacturing facility within the boundaries of the residential community. Land adjacent to the residential areas (east of Highway 183) may be too expensive or unsuitable for development. Some vacant lots or abandoned warehouses are available within the predominantly residential areas.

Applicability:

There are several advantages to the development of an industrial facility by a CDC. It could employ up to several hundred area residents in highly skilled jobs which are valued in the urban economy at large. An industrial concern can be profitable for the CDC itself, as well.

The list of CDC manufacturing enterprises is long and varied. The Chinese Economic Development Council in Boston owns an electronics company that employs fifty-five people. Progress Enterprises in Philadelphia, with major assistance from General Electric, operates an aerospace electronics plant employing over one hundred people. The Hough Area Development Corporation in Cleveland employs at least thirty-five persons in its molded rubber parts and plastic bags manufacturing facility. FIGHT in Rochester, New York, operates an electronics subcontracting plant where transformers and metal stampings are assembled; it has Xerox Corporation as a partner. Operation Bootstrap in Watts has established the Shindana Toy Factory with the help of Mattel Company. The Harlem Commonwealth Council has purchased several manufacturing facilities, among them a display and counter facilities (for supermarkets) company.

LOCAL EMPLOYMENT CREATION INITIATIVES

One of the options under Goal One suggested that the local community create job opportunities through the formation of community-based enterprise in energy-related industries. While this is but one example of employment creation through local enterprise, it is illustrative to sketch out this initiative to indicate the type of action communities might undertake. In chapter 6 of this report another example of an employment and training initiative in the form of a proposal is discussed in detail.

Many communities are considering energy-related industries as catalysts for neighborhood renewal for the following reasons:

- Community residents who are less dependent on outside sources for their energy have more income to spend in their local economy.
- These businesses are small and easy to start.
- These businesses provide excellent training opportunities.
- The achievement of self-reliance in the field of energy can instill a sense of self-confidence in the community.
- Government grants to develop industry make it appealing to the neighborhood organizations with limited budgets.

Several examples of community enterprises in the energy business are discussed below.

Retrofit Analysis Service

Retrofitting refers to the modification or improvement of buildings already in existence. In this case, the improvements are geared toward making the building more energy-efficient through the use of such measures as increased insulation or the addition of storm windows and doors. An analysis service would inspect homes and then recommend various cost-saving actions to conserve energy. Community people trained in retrofitting analysis could provide a service to the community by inspecting buildings at a lower price than often charged by outside inspectors, and by saving the clients money through more efficient use of energy.

The Institute for Local Self-Reliance suggests that such a business begin with a small staff of eight to ten workers, at least five of whom would be trained as retrofit analysts. Informal training can be received from a publication by the Department of Housing and Urban Development/Federal Energy Administration. Local trade organizations, such as the Association of Plumbing, Associated Builders and Contractors, or the Association of Insulation Contractors, can provide additional training.

Storm Windows and Doors

The installation of storm windows and doors can reduce heat loss in buildings. The CDC can aid residents by providing reasonably priced installation services, and, in some cases, can begin to manufacture the doors and windows.

The CDC should become established in the installation business, because of the low initial investment involved, before initiating a manufacturing industry. However, the Institute for Local Self-Reliance suggests organizing as manufacturer/installer from the start, because this could substantially reduce shipping and handling costs. For such a business, a minimum staff of twenty-two, including four office workers, is desirable. The field work would require installation training, and the staff would need training in making estimates and improving entrepreneurial skills in general.

Cellulose Insulation

The use of cellulose to insulate buildings has recently become popular because it is relatively inexpensive and does not crack walls. However, the initial capital investment for a firm manufacturing cellulose can be between $300,000 and $500,000. Therefore, it may be best for a community enterprise to begin only with the installation of cellulose.

An initial staff of approximately twenty persons would be needed to carry out both the office and installation functions. The necessary training is often provided by cellulose manufacturers and can be taught in a short period of time.

Solar Energy

Community involvement in the solar energy field is becoming increasingly popular. Employment is generally divided into four categories in this field:

1. Collector manufacturing, which is relatively material-intensive and requires unskilled labor.
2. Component manufacturing, which involves some simple tasks such as manufacturing of storage tanks and some more complicated work such as manufacturing sophisticated electronic controls.
3. Installation, which provides the greatest number of jobs. The process is carried out by three different firms: solar firms which assemble their own solar systems; solar firms which specialize in marketing solar systems produced elsewhere; and, nonsolar specialists, which install other firms' products.
4. Distribution, which includes sales and design personnel and often requires more personnel than the task of installing the collectors.

Of the total time required, about 20 percent involves design, 70 percent installation, and 10 percent maintenance.

A community enterprise would be best advised to begin in the installation phase. The Institute for Local Self-Reliance advocates the installation of domestic hot water systems as an initial step. This could be expanded to assembling collectors, or possibly even manufacturing collectors.

While acting only as an enterprise to install hot water systems, a staff of seven would be adequate. A fully licensed ("master") plumber is required to supervise all the installation work. The easiest approach would be to locate a retired master plumber willing to come back to work, or to make arrangements for a joint venture with a small contracting firm.

GRANTS AVAILABLE TO COMMUNITIES PARTICIPATING IN ENERGY PROJECTS

Small-Scale Technological Grants

The Department of Energy Office of Small-Scale Technology last year funded $8 million in grants to small-scale energy projects. To be eligible for these grants, proposals must be for projects costing under $50,000 for two years. The potential recipients must demonstrate efficient use of renewable energy resources, such as solar energy. Over 13,000 proposals were received last year with only a limited number acquiring funding.

National Center for Appropriate Technology

This center develops and supports locally oriented technologies geared to the needs and resources of low-income people and communities. It also supports scientific experiments and demonstrations on a community level.

Economic Unemployment Area Assistance

The Economic Development Administration is authorized to make grants to communities with severe unemployment problems for the purpose of stimulating employment. These funds might be used for solar projects. Each project is considered on its own merit.

Low-Income Community Grants

This program is funded through the Community Services Administration for community action projects across the country engaged in building, designing, and installing solar energy systems for low-income homes. Grants of $25,000 per project are available.

In addition, a *Compendium of Federal Programs Related to Community Energy Conservation* briefly describes two dozen federal resources available to community groups. A single copy is available free from: Publications, Department of Housing and Urban Development, Washington, D.C. 20410. Examples of community-based projects are included in Appendix E of this report.

REFERENCES

1. U.S., Department of Commerce, Bureau of the Census, *1970 Census* (Washington, D.C., 1970), Table P-3.

2. "Annual Planning Information Report" (Austin: Texas Employment Commission, May 1979), p. 18.

3. "Occupational Shortages," report by the Texas Employment Commission, Austin, October 1978, January 1978 and 1979, April 1978 and 1979, July 1978 and 1979.

4. The information in this paragraph was derived from interviews conducted during the fall of 1979 with Frank J. Foster, Jr., owner of Durham Nixon-Clay Business College of Austin; Nella Trisdale, Director of the Southwest School of Electronics; G.C. Stuart of Capital City Trade and Technical School; and Nelda Brock, owner of Jacki Nell Executive Secretary School.

5. "Austin Bus Routes," report by the City of Austin Transit System, 1979.

6. Department of Human Resources, Austin, 1979.

3 Commercial Development

Commercial development attempts to utilize the available resources of a community to build an economic base and promote neighborhood growth. Commercial development in East Austin seeks, specifically, to address the problems and opportunities in the community. The following chapter sets forth the community's commercial goals and objectives, analyzes available quantitative data concerning the neighborhood's economic conditions, and suggests alternative strategies for commercial development.

COMMERCIAL DEVELOPMENT GOALS FOR EAST AUSTIN

The principal goal in elaborating strategies for commercial development in East Austin is to develop a self-sustaining economic system. A well-planned self-contained community, however, must recognize its interdependency with the city as a whole and use this factor to its best advantage.

One method by which the community can reach this goal is to determine the economic needs of the area. After such an evaluation, East Austin will be better able to develop commercial enterprises in a manner most likely to balance retail supply and demand while providing reasonable profits for entrepreneurs. Accommodation of the profit motive is an essential ingredient in economic stability.

With the eventual goal of maintaining a realistic economic independence, it will be important to reduce cash flow leakages from the neighborhood. The easiest method of reducing leakages is to foster greater business ownership by East Austin residents. However, merely improving management skills within the neighborhood is insufficient. The community must create an atmosphere conducive to business to prevent capital flight and retain existing concerns.

To provide the East Austin community with an opportunity to defeat the dual problems of high unemployment and underemployment, it is necessary to encourage the development of appropriate industrial and commercial enterprises. Firms committed to hiring local residents should be solicited. At the same time, industries which present environmental or aesthetic threats to the area should be discouraged. East Austin's interest in preserving cultural uniqueness dictates that residential displacement be avoided at all costs. A fine balance of local benefits and costs must be assessed so that commercial growth will not destroy community harmony.

Finally, if the community can utilize proper planning to maximize its economic power, it will be better suited to gain access into the city's overall decision-making process. The needs of East Austin have often been neglected by the municipality simply because the community is in a poor bargaining position. Commercial development strategies to be presented on the following pages are designed to allow East Austin to become an integral part of the overall community.

DATA ANALYSIS AND FINDINGS

The purpose of this section is to determine specific problems of and potential for commercial development in the East Austin neighborhood. As a first step in the background analysis, a categorical list of businesses in the neighborhood was developed to estimate the scope of current business activities (see Table 1). The 332 retail and nonretail businesses located within the neighborhood indicate a high level of business activity. The most prevalent type of retail businesses are restaurants (53), auto and home supply stores (21), grocery stores (15), and new and used car dealers (8). The largest categories of nonretail businesses are services, which include automotive repair shops (16) and laundries and cleaners (10); whole sale trade, which includes wholesale groceries (13) and machinery, equipment, and supplies (9); and construction, which includes special trade contractors (18).

A quantitative economic analysis of the neighborhood retail market generated estimates of consumer buying power (how much money consumers in the area could theoretically spend on specific goods and services) and retail sales data. By comparing these two factors, saturated and potential growth markets were identified (see Table 1). The estimates of consumer buying power apply only to neighborhood residents and do not take into account customers from other parts of the city. The data also do not differentiate between goods and services purchased within the community by neighborhood residents and those purchased outside the community. The estimates of sales volumes for many retail businesses are derived from estimates of square footage (see Appendix F).

While the analysis of the retail market presented here is incomplete due to lack of data for some business categories, several important conclusions can be drawn:

1. *There is a lack of certain retail businesses.*—There are no clothing stores in the neighborhood, and retail sales in furniture and appliance stores are below the estimated neighborhood consumer buying power for these goods. A possibility for expansion in these retail markets exists. The "miscellaneous" retail sector is also a market in which buying power exceeds retail sales and in which expansion could take place. This sector includes sporting goods stores, book stores, and gift shops.
2. *Small grocery stores predominate.*—With the exception of two chain grocery stores, food is purchased from smaller grocery and convenience stores in the neighborhood. The market for food stores is saturated.
3. *Restaurants are the main retail "export" activity of the East Austin neighborhood.*—Sales greatly exceed estimated neighborhood spending for food outside the home. Although the neighborhood market for restaurant food is saturated, East Austin restaurants attract customers and money from outside the neighborhood.

In addition to the economic analysis, a visual inspection of the neighborhood indicated that commercial strips along the main streets of the neighborhood (i.e., 6th and 7th Streets) do not appear to be well organized. There is a lack of adequate signs for some of the businesses in the strips, and a problem with deteriorated storefronts. The commercial strips tend to be interrupted by residences located on the major streets. Often, businesses which do not serve similar markets are located together in one strip. This is a potential disadvantage in that customers shopping for a particular good in one store are not likely to browse or shop in an adjoining store.

Another neighborhood business problem is that East Austin businesses suffer from a general lack of capital to finance their opening, expansion, and renovation. Businesses which do become successful often leave the neighborhood for other locations, taking management skills and entrepreneurial talent with them.

To further investigate the business climate, the policy research project developed a business questionnaire and administered it to seven small business operations in the neighborhood to test the methodology. Interviews were conducted with individuals affiliated with the following types of businesses: a restaurant, two convenience stores, a dry cleaning store, a trophy shop, a furniture building store, and a tortilla wholesale and retail operation. Each of these businesses has been in operation at its current location at least three years, and one for more than twenty years. Most of the owners started the business or obtained ownership from family, and none of those interviewed had previous managerial experience. The number of employees ranged from one to ten, with four of the businesses employing only family members. The most commonly cited method for finding employees was by word of mouth, placing minimal reliance on newspapers, radio, and the Texas Employment Commission. Employers favored on-the-job training as opposed to training programs provided outside the business.

All owners claimed their businesses were growing due to good customer relations and superior service. Few complained of inadequate parking, but several mentioned that problems were encountered in obtaining initial capital, finding needed employees, preventing employee turnover, and obtaining commercial insurance. Three businesses are affiliated with various business organizations, such as the Retail Grocers Association and Restaurant Association, but stated that their membership offered little assistance.

Various problems were encountered with both the questionnaire and its administration, and as a consequence a new survey was developed. Since some of the problems revealed characteristics of the business climate, it is useful to discuss these briefly. Several of the questions dealth with the turnover rate of businesses—both physical movement and changes in management. Judging by the minimal consideration given these issues by the respondents, it seems that this problem does not warrant much attention. However, the test was limited, and it is possible that those interviewed were the more successful entrepreneurs who are not as aware of this problem.

One problem with the administration of the survey was the skepticism on the part of the respondents concerning its objective. The small business operator's most limited resource is time; consequently, even when arrangements had been made for an interview, the owner often allocated only a short period for the interview or designated a substitute respondent. The revised questionnaire, to be administered by the community group, is designed to be usable as a personal interview, telephone, or mail-out survey (see Appendix G). The survey is designed to take about ten to fifteen minutes to complete. The questions are numbered and ordered in a manner easily manipulated for quantitative analysis. There are a few open-ended questions giving the respondent the opportunity to provide the community group with answers not considered during questionnaire construction.

In conjunction with the business survey, a consumer (shopper) opinion survey might be employed for obtaining opinions of area shoppers about consumer needs in the East Austin community. The questionnaire should elicit information from both area residents and non-residents concerning the areas where persons shop, the type of items purchased, and what problems they encounter when doing business in the East Austin area.

STRATEGIES FOR COMMERCIAL DEVELOPMENT

The strategies for commercial development in East Austin are drawn from the experiences and activities of successful community development corporations across the nation as well as the results of the preceding data analysis. Each of the options attempts to accomplishh at least one of the following goals: (1) stimulate the area economy and limit the outflow of funds from the area; (2) improve the managerial and entrepreneurial skills within the neighborhood; and (3) provide services to the community.

Basically, two general types of strategies are discussed: those to assist existing area businesses and those to develop new business enterprises in the area. (See Appendix H for potential sources of funding.)

Short-term options

The first two options are short term in nature—that is, available for implementation within a year.

Option One

Complete a more thorough market analysis of the area.

Feasibility

A mail-out survey has been prepared. The CDC should administer the survey in order to gain the support and advice of the area's business community. Cost of postage and reprinting would be minimal. See Appendix G.

Applicability

Such a market analysis would help the CDC to obtain a more accurate picture of the strengths, weaknesses, and problems of the area's businesses, and to gain the input and support of business people in the community for the commercial development programs that the CDC undertakes.

Option Two

Organize a retailer's purchasing cooperative for the area's small grocercy stores.

Feasibility

This strategy would require little funding and would offer fairly rapid results. A great deal of information is available about co-ops, so that details of this strategy can be easily researched. This is a project which would give the CDC visibility in the community.

Applicability

The many small grocery stores that are scattered throughout the residential community provide a valuable service to the area. There is probably a neighborhood grocery within walking distance of nearly every home in the area. However, prices in these stores are often quite high. If these retailers could buy their merchandise in bulk, expenses could be reduced. Retailers could also share accounting, shipping, and warehousing activities.

Long-term options

The remaining options are long term in nature. The CDC would have to develop funding and expertise before undertaking these alternatives.

Option Three

Provide technical assistance to existing area businesses.

Feasibility

Implementing this strategy would require good contacts with the local business community, as well as some good organizing tactics on the part of the CDC.

Applicability

Developing entrepreneurial and managerial talents in the area is important to the community's commercial and general economic development. As a first step, successful business persons from the community can share their knowledge with others in sessions organized by the CDC. Eventually, the CDC may wish to hire community business experts to act as consultants.

Funding

At least one specific federal government program may be helpful:

Office of Minority Business Enterprise
Department of Commerce
14th and Constitution Avenue, N.W.
Washington, D.C. 20230 (202) 377-3024

This office provides funds to local organizations for the purpose of hiring staff and consultants to give technical assistance in planning and administration to minority business persons.

Option Four

Organize a physical improvements program for existing business strips.

Feasibility

This strategy would involve the organizational talents of the CDC, and some funding from either the area businesses, the business association, or the City's Capital Improvements Program. The

Table 1

Comparison of Estimated Sales Volume and Estimated Buying Power in East Austin

SIC Code	*Short Title*	*Number*	*Estimated Sales Volume in $*	*Estimated Buying Power in $*
	Building Materials & Garden Supplies:			
521	Lumber & building materials	2	332,500	n/a
523	Paint, glass, & wallpaper	1	29,000	n/a
525	Hardware stores	1	43,750	n/a
526	Retail nurseries & garden	3	270,000	n/a
527	Mobile home dealers	0	0	n/a
	General Merchandise Stores:			
531	Department stores	0	0	n/a
533	Variety stores	0	0	n/a
	Food Stores:			
541	Grocery stores‡	15	5,935,700	4,750,521
542	Meat markets	0	0	n/a
543	Fruits & vegetables	0	0	n/a
544	Candy & nuts	0	0	n/a
545	Dairy products	0	0	n/a
546	Retail bakeries	4	328,250	n/a
	Auto Dealers & Service Stations:			
551 & 552	New and/or used car dealers	12	n/a	2,151,345
553	Auto and home supply	21	2,644,321*	n/a
554	Gasoline service stations	7	n/a	1,138,603

Table 1 (continued)

SIC Code	*Short Title*	*Number*	*Estimated Sales Volume in $*	*Estimated Buying Power in $*
555	Boat dealers†	0	0	128,788
556	Trailer dealers†	0	0	11,708
557	Motorcycle dealers	1	n/a	n/a
	Apparel & Accessory Stores:			
561	Men's & boys' clothing†	0	0	497,590
562	Women's clothing†	0	0	901,516
564	Children's wear stores†	0	0	43,905
565	Family clothing stores†	0	0	1,899,623
566	Shoe stores	2	80,000	n/a
	Furniture & Home Furnishings:			
571	Furniture & home furnishings†	6	1,474,710	1,917,185
572	Household appliances†	3	229,075	336,605
573	Radio & TV‡	3	227,240	199,036
	Eating & Drinking Places:			
581	Eating & drinking places	53	2,550,440	1,044,939
	Miscellaneous Retail:			
591	Drug stores‡	6	356,000§	345,386
592	Liquor stores†	2	200,000	203,671
593	Used merchandise stores	0	0	n/a
594 &599	Miscellaneous retail†	11	246,000‖	623,232

Source: *Criss-Cross Service Directory* (Lincoln, Neb.: Cole Publications, 1978).

*Estimates obtained for only 20 of 21 businesses
†Potential growth categories
‡Saturated categories
§Estimates obtained for only 5 of 6 businesses
‖Estimates obtained for only 6 of 11 businesses

strategy would be relatively easy for the CDC to develop, but would take time, organization, and lobbying efforts.

Applicability

As outlined elsewhere in this report, the several commercial strips located in the neighborhood are characterized by physical deterioration and minimal parking facilities. The CDC could provide a useful service to the area businesses by assisting them with physical improvements (general cleanup, facade improvements, traffic and parking improvements) in two ways: (1) lobby for the appropriation of funds to be spent within the area of specific projects suggested by the local business persons (here the CDC would be an intermediary between the area merchants and the City); and (2) help the area businesses organize a merchants' association that would promote physical improvements in members shops (assist each other with facade improvement and sign painting, collectively buy repair materials, etc.).

Option Five

Provide equity capital and loans for area businesses.

Feasibility

The CDC has three alternatives in this area. First, it can "package" loans for area businesses. This service is a relatively common CDC activity, and there is a quantity of information available on the subject. Second, the CDC could have as a subsidiary an investment corporation, which would actually provide the capital to area businesses, rather than aiding them in acquiring loans from other sources. This second alternative will only be possible after the CDC has developed a track record and has obtained substantial funds. Third, the CDC can work with local banks to start a local credit union or savings and loan.

Applicability

Access to loans is essential for small businesses. Many CDCs help area businesses to obtain loans. Several others provide direct financing to area firms: (1) Bedford-Stuyvesant Restoration Corporation provides loans with no interest payable for the first four to five years and will forgive the loan entirely in return for on-the-job training of the previously unemployed; (2) FIGHT, in Rochester, New York, established the Rochester Business Opportunity Corporation, a coalition of established businesses that aided in the formation of sixty-three businesses in three years' time; and (3) the Mexican-American Unity Council in San Antonio has established a joint venture group, composed of the local CDC, private businesses, and local banks, that invests in small businesses with the assistance of leverage monies (matching funds) from the Small Business Administration.

Funding

The following Small Business Administration programs may be helpful.

1. 7(a) Loan-Guaranty Program
   Office of Neighborhood Business Revitalization, SBA
   1441 L Street, N.W.
   Washington, D.C. 20416 (202) 653-6375
   Most SBA financing is done under the 7(a) Loan-Guaranty Program, wherein a bank makes a loan to a small business with a 90 percent guarantee. These direct loans are for capital investment such as new construction conversion, building expansion, or working capital. The loans extend from five to seven years.
2. Section 502 Local Development Company Program
   Office of Neighborhood Business Revitalization, SBA
   1441 L Street, N.W.
   Washington, D.C. 20416 (202) 653-6375
   Section 502 offers loans and guarantees to qualifying local development corporations (either profit or nonprofit corporations authorized to promote and assist small business growth and development in the communities where they operate). Loans are available for purchase or renovation of fixed assets (including store buildings and facades) by small businesses.
3. Equal Opportunity Loan Program
   Office of Neighborhood Business Revitalization, SBA
   1441 L Street, N.W.
   Washington, D.C. 20416 (202) 653-6375
   Both prospective and established business persons may receive assistance under this program, which provides direct long-term loans to minority-owned or other disadvantaged small businesses. The maximum amount of an EOL is $100,000 for up to fifteen years.

Option Six

Promote the development of those types of businesses that the area now lacks.

Feasibility

It would be difficult for the CDC to undertake this task immediately. However, this strategy is one that the CDC will need to undertake if it hopes to realize greater neighborhood economic self-sufficiency. It can combine other options providing equity, loans, and technical assistance) to work toward this goal.

Applicability

Preliminary market analysis points out several types of businesses that the community lacks in sufficient quantity: clothing stores, household appliance stores, liquor stores, hardware stores, variety stores, department stores, and gasoline service stations. While the CDC may not wish to encourage the development of all of these types of retail outlets, it is apparent that the community now makes expenditures for these goods outside the area. The CDC could assist local entrepreneurs in obtaining financing to open these types of stores; develop these businesses as a for-profit subsidiary of the CDC; or create community-controllled cooperatives in these business sectors.

Funding

At least one EDA program may be of assistance (note that it will be necessary to be a designated "special impact area" before being considered for this program):

Business Development Loans
Office of Special Projects
Economic Development Administration
Department of Commerce
Washington, D.C. 20236 (202) 377-5113

Provides long-term low-interest loans or loan guarantees to approved local development groups, individuals, or state and local governments to help establish new businesses or expand existing firms in designated economic development centers.

Option Seven

Promote the development of a local extermination/maintenance service.

Feasibility

This would be a highly visible activity for the CEC. It would coordinate well with the CDC's action in housing rehabilitation. Franchises may be available which would simplify the start-up process. However, although providing a necessary community service, this type of business would not provide jobs of a very high skill level, would offer only limited training for higher level job opportunities, and would not provide very many jobs.

Applicability

Once rehabilitation is completed on area residences, they will need to be maintained. A maintenance and extermination business would serve this purpose.

The Hough Area Development Corporation in Cleveland runs the Handyman's Maintenance Service, which does repair, cleaning, exterminating, and landscaping maintenance work. The Roxbury Action program in Boston owns an extermination business.

Option Eight

Promote local food production in solar greenhouses, backyards, and vacant lots.

Feasibility

This strategy would take little money, but would require the CDC's organizational skills. If solar greenhouses are added to houses as a part of the CDC's rehabilitation program, these greenhouses can also be used for gardens throughout the year.

Applicability

Promoting the use of vacant lots, backyards, and community plots for gardens would assist residents in reducing their food bills. (Other CDCs have used this strategy successfully. For example, the Roxbury Action Program in Boston has organized community gardens on unused city land. The Christian Action Ministry, operating in a ghetto area in Chicago, has instigated a program of hydroponic greenhouse gardening (a method that uses an enriched soil/water potting soil and therefore is less expensive). The Austin YMCA and other groups have run a community garden for University of Texas students on unused University land for several years.

Option Nine

Encourage franchising.

Feasibility

In many ways, owning a franchise reduces the risks of starting a small business, since many of the procedures and products have already been proven successful. It does require a substantial amount of funding to purchase a franchise, and the CDC may not wish to encourage some undesirable franchised businesses in the neighborhood. The operation would have to be chosen carefully and is not likely to employ many people or offer those employees much opportunity to increase their job skills.

Option Ten

Promote a "tourist" area of retail businesses that would draw consumer dollars from other parts of Austin into the neighborhood economy.

Feasibility

A project of this scope should probably not be undertaken by the CDC until it has some experience. Likewise, the community may not wish to be "commercialized" in this manner. The influx of shoppers may create traffic, noise, and other problems in what is now essentially a residential community. In addition, the types of jobs created by this strategy may not be desirable.

Applicability

Once convenient commercial areas are developed in the community, one of these could be aimed at attracting consumers from other parts of Austin to purchase goods in the area. The East Town Lake community already exports much of its restaurant business; new businesses might have similar success selling local craft and artworks, bakery goods, and other such items. The shopping area could be designed as a traditional "mercado."

Funding

There are several grant programs that support projects related to cultural affairs and neighborhood revitalization. If the arts and crafts side of this strategy is emphasized, these may be applicable:

1. Livable Cities Program
   Office of Neighborhood Development, HUD
   451 Seventh Street, S.W.
   Washington, D.C. 20410 (202) 755-7940
   Provides grants and other forms of assistance to neighborhood-based organizations, units of government, and arts councils to support projects connecting urban design, cultural affairs, and other art initiatives with neighborhood revitalization.
2. Livable Cities Program
   National Endowment for the Arts
   2401 E Street, N.W.
   Washington, D.C. 20506 (202) 634-4276
   Provides matching grants to promote design excellence in research, planning, and conceptualization of community projects. Eligible activities include planning for neighborhood conservation and enhancement; development of design controls for historic preservation and new construction in old areas; and planning and design for commercial district revitalization.

Option Eleven

Create more consumer-oriented, convenient shopping strips.

Feasibility

This is a complex strategy which should not be attempted until the CDC has won the support and confidence of the local business community. Creating more convenient shopping areas will be a difficult task. A high priority of the community is to avoid displacement of any businesses or homes; however, promoting a more cohesive shopping strip may lead to the movement of some businesses or homes. There are not many abandoned stores located in the existing commercial strips that could be reopened, and few vacant lots are available for development near existing commercial areas.

Applicability

The current arrangement of the commercial strips is not convenient for the consumer and does not encourage the patronage of the community's businesses. Since this will remain a chronic problem, the CDC may wish to assist the local community in solving it. It appears that other CDCs have seldom addressed the specific problem of redesigning an entire commercial strip. The usual solution to retail development has been to build a new shopping mall or plaza in the neighborhood.

Option Twelve

Promote the development of a new shopping center, possibly with housing, community activities, and offices in the same building.

Feasibility

This strategy would be very expensive. It is an option only for the future, but one that has been very successful for other CDCs. Progress Enterprises of Philadelphia built a sixteen-store shopping center, in which six stores were rented by white corporate tenants who had to guarantee that they would use local personnel for management and would provide entrepreneurial training programs. FIGHT in Rochester, New York has built FIGHT Square, which combines housing, medical and day care facilities, a theater, and small retail and service shops in one area. Other CDCs with similar projects are Hough Area Development Corporation (Cleveland), the Harlem Commonwealth Council, the Bedford-Stuyvesant Restoration Corporation, the Pyramidwest Development Corporation in Chicago, and the Roxbury Action Program in Boston.

Applicability

There is only one traditional shopping center (rather than strip) in the East Town Lake area: the Pleasant Valley Center located in the northeast corner of the area. An alternative to developing the commercial strips along East 1st, 6th, and 7th might be to build a multi-use shopping center, which could incorporate housing on the second levels and other community services (such as day care) throughout. Vacant land is probably not available for such a development in the central area of the community. The project could be very expensive, costing in the millions of dollars.

Option Thirteen

Develop an industrial park.

Feasibility

This strategy would require much experience and funding. It is an important option to be considered in the future.

Applicability

The light industrial strip along the railroad tracks near East 5th could conceivably be developed into an industrial park for light manufacturing. Other areas near but not in the community could possibly be developed as industrial parks. By promoting the development of an industrial park near the community, the CDC would provide residents with access to higher-paying, skilled jobs; the CDC could partially own the industrial park as a real estate venture. The ownership of light industrial parks has been profitable for several other CDCs, including Pyramidwest in Chicago and the East Los Angeles Community Union.

4 Institutional Development

Institutional development is the process of establishing structures which will serve to organize and to coordinate programs and projects intended to improve the economic and social bases of a community. The institutions act as mechanisms through which planning, financing, and administering of actual programs can be implemented. The creation of these kinds of institutions signifies a commitment by the neighborhood to the long-term development of an area.

This chapter examines the institutions considered most conducive to promoting community development. The Community Development Corporation (CDC) and financial institutions (such as banks, savings and loans, and credit unions) represent the two primary structures which foster economic development. Cooperatives are also considered.

The CDC is explored as a community-centered corporation with many ties to outside entities and funding sources. Through a wide range of programs, the CDC can improve the community's economic base and hopefully, the quality of life of residents. Financial institutions aid in this development process through the creation of a resource base to support new programs and ventures to benefit the community and its residents. Cooperatives are a more specific type of activity lacking the overall development capability of the two other types of institutions. In fact, cooperatives may be operated out of a CDC as part of commercial or housing programs.

This chapter is divided into four sections. The first three sections discuss the background, problems, and available strategies for financial institutions, CDCs, and cooperatives. The last section discusses potential funding sources.

FINANCIAL INSTITUTIONS

Financial institutions are designed to increase the availability of capital, primarily through loans and investments, within a particular area. These are more commonly identified as banks, savings and loans, and credit unions. However, financial institutions often act to draw money from low- and moderate-income communities, with the result that this capital is reinvested in more developed neighborhoods. This behavior can be attributed to the profit orientation of financial institutions, their limited experience in low-income neighborhoods, and investors' misconceptions concerning minority business practices. As a result, investment institutions associate unreasonable risk and low profit potential with the credit needs of the disadvantaged community.

The retention of the community's capital can be encouraged by (1) persuading existing financial institutions to change their policies, and (2) developing community-controlled financial institutions. Both approaches are necessary for strengthening the economic base on which to build community development.

As an example of the first approach, communities can take advantage of the Community Reinvestment Act of 1977, which was Congress's response to redlining practices of banks and home lending institutions. Basically the Act states:

- Regulated financial institutions are required to show that deposit facilities meet the need and convenience of their communities.
- Communities have a need for credit as well as deposit services.
- Therefore, institutions have an affirmative obligation to meet the credit needs of their communities.

The Community Reinvestment Act should be seen by the ETLCA as a tool for establishing working relationships between the banks and community economic development efforts. The community can use information it receives from CRA data to determine which banks have been more responsive to the neighborhood's economic needs, and to reward those institutions with its deposits and savings.

The development of a new bank in the community would be difficult. Initial start-up expenses, stock ownership, and insurance requirements eliminate the possibility for area residents to establish successfully a federal- or state-chartered bank in the area. However, two other alternatives can be considered by the community: a savings and loan institution and a credit union.

Savings and Loan Associations

Mutual savings and loan (S&L) associations are federally chartered institutions which are member owned, rather than stock owned. Depositors make up the entire membership. The membership generally elects the directors of the association at an annual meeting on a one-vote-per-depositor basis. Net profits are usually used for expansion.

The types of investments a savings and loan association can make are severely restricted by law, since S&L associations are basically considered home-financing institutions. They can provide home mortgage loans, home improvement loans, construction financing loans, or passbook loans secured by passbook accounts. Additionally, savings and loans are allowed to invest in very liquid assets such as cash in checking accounts and overnight federal bonds. The only stocks they can buy are those of the Federal Home Loan Bank Board.

Savings and loans have proven simple to operate and are regarded as low-risk operations because their investments are well secured by buildings and passbook accounts. They rarely lose large sums of money. Additionally, relatively little capital is required to start a mutual savings association. Achieving the legal minimum amount of withdrawal deposits is often the largest obstacle. After receiving a charter, the association must have 100 percent of the required deposits in cash on hand.

The process is lengthy—on the average one-and-one-half to three years in start-up time—but not overly difficult. The minimum level of withdrawal accounts and pledged deposits required to organize appears large (around $500,000 plus 20 percent of that amount, and a minimum of 350 subscribers to withdrawal accounts), but an effective community outreach program could satisfy these requirements.

A community-based savings and loan association would not solve all or even a substantial number of the neighborhood's housing problems. The S&L would not significantly change home ownership patterns. However, it could contribute significantly to alleviating redlining.

Good management is crucial to the success of the savings and loan institution. An association can become a stable and relatively trouble-free entity once it enters an established profit pattern, which can take anywhere from six months to three years.

Credit Unions

Credit unions provide another alternative for improving capital availability in the community. Credit unions are cooperative institutions which make small loans to members at low interest rates. In addition to small loans for consumer purchases, credit unions can offer thirty-year home mortgages, fifteen-year mobile home loans, and fifteen-year home improvement loans, and can extend lines of credit. The cost of membership is usually $1.00 and the minimum deposit is generally $5.00. The board of directors is usually chartered with the provision that the majority of its members live or work in the targeted area.

Federally chartered credit unions are more profitable than state-chartered institutions, primarily due to the availability of federal funds. In a small survey of the credit unions, only one, the Watts United Credit Union, Inc., was found to be owned by a CDC. It, like the majority of the others, was established during President Johnson's "War on Poverty" and received most of its initial funds from federal sources. Although these sources have since disappeared, other funding sources are available to communities interested in establishing credit unions.

According to the National Federation of Community Development Credit Unions, the Whitney Foundation and the Campaign for Human Development provide funds for initiating credit unions. The Ford Foundation made monies available for the spring of 1980 for initial costs, and Congress has appropriated $6 million for loans and technical assistance. Comprehensive Employment and Training Act (CETA) funds are also available, as well as some monies from the National Federation of Community Development Credit Unions.

Funding is normally contingent on a detailed organizational plan for the credit union. The plan would include a market analysis of the service area, the benefits to be provided to the service community, and the ability to meet various federal guidelines. The University of California at Berkeley publishes a comprehensive manual on organizing a community development credit union, and the National Credit Union Association in Washington, D.C. has additional information available.

The biggest problem in establishing a credit union is membership recruitment. The building of a solid membership requires work on a one-to-one basis, but is often quite successful. A credit union located in San Juan, Texas, became self-sufficient in approximately six years, boasting assets in excess of $2 million and seven thousand members.

Credit unions in low-income areas have not been highly successful. Moreover, the profits of community development credit unions are restricted to interest on loans and interest on government bonds. The advantage of a credit union, however, can be profound in terms of strengthening capital availability to community residents. The organization will not satisfy all local capital needs, but like the savings and loan, can significantly contribute to the alleviation of some of the problems experienced with local banks.

STRATEGIES FOR INCREASING FINANCIAL RESOURCES

Goal One

To persuade existing banks to reinvest capital in the ETLCA area.

Option One

The CDC could monitor that credit which is extended to the community by banks.

Applicability

The financial institutions must list the specific types of credit that the lenders are prepared to extend within the community and must publish a CRA Statement demonstrating that they are actively trying to meet affirmative obligations to the community.

Option Two

The CDC could use the public file to record the community's needs.

Applicability

Financial institutions are required to maintain a public file as a vehicle for community input in the assessment process. The file is open to the public and reviewed by agency examiners in their periodic evaluation of an institution's performance. The public file should be used by the ETLCA to file a community analysis of the area's credit needs and opinions on meeting these needs.

Option Three

The CDC could work with banks in defining guidelines for credit worthiness.

Applicability

If a person's credit record indicates repayment is highly probable, then security can be given less weight. The CDC could aid banks in developing reasonable and appropriate operating procedures for individuals of high credit rating but inadequate collateral. Such procedures would benefit the community as well as reduce the need for secondary financing. If any of these strategies fail, the CDC should inform the regulatory agency and place a statement in the Community Reinvestment Act file of the bank.

Option Four

The CDC could encourage the establishment of a mortgage review board, similar to the Dallas consortium.

Applicability

A consortium of fourteen savings and loan associations in Dallas has organized a mortgage review board which reviews loan applications of residents who suspect that they were improperly denied loans. If the board finds a resident's suspicion justified, but the original lender still refuses, one of the savings and loans in the consortium makes the loan.

Goal Two

To develop alternative financial institutions in the ETLCA community which will stimulate capital reinvestment in the target area.

Option One

The CDC could conduct an economic survey of the target area to determine the feasibility of establishing either a mutual savings bank or a credit union in the neighborhood.

Applicability

Capital reinvestment is significantly absent in the ETLCA community. This option, if exercised, could help begin to alleviate the reinvestment problem in East Austin.

Community Development Corporations

Another major institution for community development is the community development corporation (CDC). As mentioned previously in this report, the CDC is a community-controlled organization involved in economic development at the local level. It can provide the resources, in terms of permanent staff and organizational structure, to support such activities as:

- Application for private and public grants;
- Financial assistance to existing and potential business establishments in the form of loans and/or venture capital;
- Technical assistance and training.

CDCs were first funded at the federal level as a demonstration project in 1968. Since 1972, funding for CDCs has stabilized at about $30 million per year. Typically, a first planning grant for a few thousand dollars is awarded and upon completion of the plan, venture capital funds are made available in the amount of about $1 million for a two-year period. The Community Services Administration presently administers the program, financing approximately forty CDCs throughout the U.S. It is unlikely that this program will be expanded to include new CDCs.

CDCs can also be created outside this federal structure. In this case they normally derive their financial resources from federal grant funds, foundation money, private enterprise financing and assistance, and bank loans.

A CDC has both a staff (responsible for day-to-day operation and management) and a board of directors (responsible for more long-range decisionmaking and policy setting), and possibly an assembly of voting members. It is usually a central organization with several affiliates or subsidiaries in specific fields which it controls through stock ownership or representation on the board of directors. Either the CDC or one of the subsidiaries usually has nonprofit status to be eligible for certain grant programs and federal income tax exemption. At the same time, at least one of the CDC's subsidiaries is usually for-profit in order to qualify for assistance available only to for-profit corporations (e.g., Small Business Administration guaranteed loans). This arrangement allows for the CDC or its subsidiaries to be involved in various business ventures, including real estate, retail, finance, manufacturing, and commercial services, while being simultaneously involved in public projects, such as housing.

The establishment of a community development corporation by ETLCA in November 1979 is perceived to be the best institutional strategy for accomplishing the most community economic development goals in the East Austin neighborhood. The existence of the CDC demonstrates that community interests are to be addressed in an organized manner and that the various problems confronting the community will be integrated into an overall plan. Five components of this CDC which warrant thoughtful consideration are community involvement, the board of directors, the executive staff, external relations, and activities.

Community involvement is the single most important aspect of the CDC's role in generating economic development. CDC responsiveness to community goals and policies necessitates direct community participation within the internal structure of the CDC. The board of directors offers the most accessible avenue for community involvement in CDC operations. The majority of members on these boards generally represent the target community. A smaller proportion of board members are often selected to promote interaction between city government and the CDC and/or stimulate capital investments in CDC development projects. The problems of community economic development are best resolved by the board of directors when members have work experience in business-related fields and are actively involved in community projects.

A study of CDCs, by Rita Mae Kelly, correlated the success of CDCs to the composition of their boards of directors.* This study found CDCs to be most successful when board members have business-related work experience, previous experience as board members, and carefully defined roles and responsibilities. The executive staff of the CDC most often consists of an executive director, who coordinates staff operations, and area specialists dedicated to specific programs or functions, such as housing or employment. Optimally, the board of directors' involvement in the day-to-day operations of the executive staff is minimal. Consequently, staff members must usually rely on their own expertise, rather than that embodied in the board of directors. The possibility of instituting staff training programs has been explored.

The following conclusions concerning the board of directors and the executive staff are based on the 1973 Kelly analysis.

1. The greater the participation of the board members in board activities, the greater the success of the CDC.
2. The more the board members are motivated by community and CDC needs, rather than personal needs and status, the greater the likelihood of CDC success.
3. CDC success will be greatest when there is less, not more, intimate involvement with the staff.
4. CDC success is greater when the board members explicitly recognize their limitations in the technical and professional areas and rely on those who do have that knowledge.
5. When the board's important decisions concern the setting of specific operational goals and policies, the CDC is more likely to be successful than when the board is concerned either with broader, long-term strategy or with structural-functional (e.g., choosing the executive director) implementation and operation.
6. Board member participation in policy-related review and control functions is more critical to CDC success than their exercising the public leadership functions of mediating between the CDC and other organizations, acting as the CDC's representative, or engaging in the implementation of CDC policies.
7. The greater the involvement of the board in the review and control functions, the greater the success of the CDC.

While the internal structure of the CDC is essential to its success, the matters requiring the greatest amount of time are the relations of the CDC to its political and economic environment. The options for dealing with these external factors are numerous and depend upon basic decisions made by the CDC.

The city government can be an important resource for the CDC. Many federal programs (HUD's Community Development Block Grants, CSA's funds from Title II and Title VII of the Economic Opportunity Act, EDA's funds for Special Impact Areas) can be administered by a CDC and are channeled through the City. Even if funds are not administered by the City, a

Community Participation in Directing Economic Development (Cambridge, Mass.: Center for Community Economic Development, 1976).

negative recommendation by the City will adversely effect the federal funding agency's decision. Finally, the local government has its own financial and technical resources, some of which may be made available to the CDC. A good working relationship with the local government appears to be an important factor for success.

Austin also contains a large number of private resources and organizations which can be contacted for cooperation on specific issues. For example, in the field of assistance to small businesses, SCORE (Service Corps of Retired Executives, affiliated with the SBA) and the University of Texas School of Business both offer their consulting services to small business persons. The use of these external resources may allow the CDC to increase its operations without increasing the permanent staff. Cooperation with the business community can also provide useful contacts and expertise.

Participation of the area residents in the activities promoted by the CDC is essential to guarantee a strong grass-roots base and continuous feedback. Existing efforts in this direction can be expanded with financial support from ACTION, a federal agency which sponsors programs involving volunteers in poverty areas. ACTION programs are normally operated under the supervision of the staff members of the neighborhood organization applying for the grant. Funds are available for staff salaries and fringe benefits, staff travel, equipment, space costs and related expenses, and volunteers' out-of-pocket expenses. A number of ACTION programs are described in the funding section of this chapter.

STRATEGIES FOR ESTABLISHING COMMUNITY DEVELOPMENT CORPORATIONS

Goal One

To ensure the selection of a board of directors which offers the highest possible guarantee of the CDC's success.

Option One

Board members should be selected using the following criteria:

- business-related work experience;
- previous membership on a board of directors;
- availability to serve for a period greater than three years;
- knowledge of the target community;
- availability of time to devote to board matters.

Applicability

The board of directors is one of the most essential components of the CDC. Characteristics attributed to the board members of successful CDCs should not be overlooked.

Goal Two

To ensure the executive staff is qualified to implement CDC development projects with effective utilization of manpower and capital.

Option One

Executive staff could be hired according to the following criteria:

- An executive director should have at least three to five years of managerial experience in a supervisory capacity. Such experience should have been acquired in the field of business or public service.
- The executive staff for the areas of housing, employment, and commercial development should have been employed in the area for which he/she is hired for a period of no less than eighteen months, with at least one year's experience at the administrative level.
- Staff members for the areas of community services and institutional development should be selected from within the community served by CDC. These individuals will undergo a training process which links community needs to CDC operations.

Goal Three

To make such resources available to the area residents in a manner which will increase their decisionmaking power.

Option One

A strategy of cooperation with the city government would make the resources mentioned earlier more readily available. Two cooperative lines of action could be followed.

1. Encourage the City to designate Community Development Block Grant funds for the CDC to undertake developmental activities. As a result, part of the budget can support CDC staff involved in the implementation of CDBG programs, and the CDC will establish a "track record" which will be very helpful when applying for federal or other grants.
2. Participate in the preparation of an Overall Economic Development Plan (OEDP) to obtain designation as a Special Impact Area (SIA) from the EDA. Once the designation has been achieved, applications can be made for both planning/technical assistance and program funds. Since other neighborhoods and groups in the city will have to be a part of the SIA, coordination must be established with their representatives and a common strategy agreed upon. This process can become rather lengthy, as it may require the mediation of contrasting interests.

Applicability

If a strategy of cooperation cannot be achieved or is not seen as acceptable by the residents of the study area, legal action can be considered as a way to liberate the Block Grant money which the city has failed to use in the past. Two sources of help in this respect are:

- the National Economic Development Law Project in Berkeley, California;
- the National Citizens' Monitoring Project on Community Development Block Grants in Washington, D.C.

Technical assistance and planning funds are available from EDA through the Office of Special Projects. Funds are made directly available to the Local Development Corporation, which proceeds to prepare an OEDP. The process is very similar to the designation of an SIA, but does not require the involvement of the City. Funds are quite limited and the competition intense.

Goal Four

To maximize the use of external resources for the development of the area, if such use can be achieved without a significant loss of control on the part of the residents.

Option One

Appointment of a few selected representatives of the business community to the CDC's board of directors could help in enlisting business support. Attention must be paid not to create a situation in which the board members elected by the neighborhood organizations feel intimidated by the expertise of outsiders.

An inventory of all the existing local institutions and associations, which relate to all CDC's fields of operation, could be prepared. This would include a list of organizations, their fields of activity, the potential for cooperation, and the name of a contact person in the organization.

Joint activities could be sponsored. The support and/or technical assistance of the Chamber of Commerce could be sought in the market analysis proposed under the section on commercial development or in the investigation of possible industrial locations.

Goal Five

To use funds available through ACTION programs to encourage and facilitate the involvement of area residents.

Option One

A periodic newsletter about the neighborhood and CDC activities could be prepared by area high school and university students and other residents. By providing general news, agendas of meetings, and inquiries into specific neighborhood problems, the newsletter would open new channels of communication and encourage involvement. The students would gain understanding of and attachment to the area. The CDC could obtain mimeographing equipment which could also be used for other communication purposes. Start-up costs may be available through an ACTION mini-grant.

Option Two

A VISTA volunteer (or more, if the amount of funding at the national and regional levels allows for them) could expand and supplement the CDC staff.

Option Three

Projects could be undertaken which involve area residents over sixty years of age in CDC activities, such as organization of neighborhood meetings and activities, part-time staffing of programs, etc. Such projects would benefit from the experience of the elderly and could be financed through an RSVP grant.

Goal Six

To determine the kinds of enterprises that will be of the most benefit to community residents and to establish these programs and ventures to encourage development.

Option One

In establishing commercial ventures, the support of existing businesses is one means of promoting economic development.

Applicability

If this option is chosen, the major duties of the CDC will be to provide loans and technical assistance to these entrepreneurs. This may be done either directly by CDC personnel, or by others acting through a CDC clearinghouse. The support of existing ventures would allow the CDC to take advantage of existing clientele, experienced managers, inventory, and capital. However, the support of existing ventures limits the kinds of enterprises to be sponsored to those already in existence. These may not represent the location or the character of businesses that the CDC wishes to encourage. Overall, the financing of existing ventures is an easier task than beginning new ones, but the strength of the CDC in terms of direction and planning may be lessened.

Option Two

The CDC could support new business ventures. This could be accomplished through several means: buying out existing businesses, starting up new businesses, or starting a new kind of venture, such as a cooperative. The major disadvantage to this direction is the need for a large amount of initial capital. Such a policy would, however, enable more members of the community to get involved in business operations and the revitalization of the community. A greater emphasis on education would be necessary to train people to manage these new businesses.

In starting a new business, there are three options for ownership: by the CDC, by stockholders, and by a group of residents (a cooperative). Ownership by the CDC brings to mind several legal questions. If the CDC is to own and operate profit-making corporations, what kinds of legal restrictions must be met aside from investing profits into neighborhood development projects? This issue requires further exploration. Ownership by stockholders is hampered by their desire to make a profit out of stockholding. Therefore, they may be extremely selective when deciding in which ventures to participate. Cooperative ownership will be explored in the following section.

COOPERATIVES

One type of structure that may be used in conjunction with a CDC is a cooperative. A cooperative is a joint enterprise among a group of investors with a common interest or talent. Cooperative participants are members of a corporation which can provide such diverse goods and services as housing, maintenance, food, and furniture.

Residents become members of a co-op by buying stock in the initial venture. Membership enables a person to participate in its governance through the one-member, one-vote principle, regardless of differences in initial capital investments. Management of this entity is conducted through a board of directors elected from the membership. This board sets the goals and policies of the cooperative and may hire a manager to supervise daily affairs.

One of the characteristics of a cooperative corporation is the control which spreads ownership evenly among all members. This feature prohibits ownership of cooperatives by CDCs and limits the types of assistance a cooperative may be given. The assistance rendered by CDCs to cooperatives usually takes the form of pre- and post-incorporation technical assistance and financial assistance through loans and preferred stock purchases. The latter type of financial aid is preferable because it maintains a positive balance sheet (the capital infusion is thus shown as shareholders' equity and not as a liability) while CDC loans may make other forms of debt financing untenable. Due to limitations on the number of memberships or common shares a member may purchase, CDC financial assistance rarely, if ever, takes the form of a common stock purchase.

Another question concerning financing must be addressed when a cooperative is formed. Since a cooperative makes shareholders jointly liable for all debts incurred, the solvency of each shareholder must be assessed before lending institutions will award a loan. One loan option is closed to cooperatives: the Small Business Administration does not consider cooperatives eligible for its loans due to the way profits are distributed. These standards and practices have reduced the effective market for cooperatives of any kind, and their numbers are increasing only at a moderate rate.

One advantage of a cooperative structure is the opportunity for a greater number of community residents to be involved. The experience of participating in the decisionmaking and management of a full-scale enterprise is a unique educational experience for community residents. The degree of community involvement in this process is a primary component of success. Additionally, the pooling of resources makes it easier to raise the initial capital.

Housing is the major field in which a cooperative form has been used. In a housing cooperative, newly constructed or converted housing projects have joint owners who share the equity of the structure. Tenants buy into the cooperative entity and are given a share of the property and mortgage. Unlike a condominium arrangement, the member does not own a specific part of a project; rather, he or she owns a share of the entire project and is assigned the right of tenancy in a defined space within that project. A blanket mortgage is split among the members and payments are structured to be comparable to standard rental amounts.

Housing cooperatives are superior to rental units in terms of maintenance activities. Studies indicate that when rental units are converted to cooperative ownership, vandalism decreases and maintenance improves. Pride of ownership is one important reason for this trend, as well as the cooperative's more organized methods of dealing with problems and complaints. Since the management reports to a board elected by the tenants, it is more responsive than most landlords in a rental situation. In addition, low-income cooperative housing usually increases the value of the units, since more extensive repairs are possible due to the pooling of capital by the owners.

The current trend seems to be away from cooperative housing. One reason is the investment's relative lack of liquidity. The shares are not considered real property by financial institutions, and the amount of a participant's mortgage is limited by the blanket mortgage on the building. This may make resale difficult because many older co-ops appreciate in value. The difference between the current (appreciated) value of the unit and the pro rata share of the mortgage must be paid in cash, or borrowed through a personal rather than a mortgage loan, because of the limitation on the participant's mortgage loan.

Goal Seven

To ensure that the institutions created to promote development are beneficial to residents and that such ventures can be handled within the framework of the CDC.

Option One

The CDC could sponsor a cooperative venture in lieu of more traditional kinds of organizations.

Applicability

Many of the commercial strategies discussed earlier can be established under the cooperative form. This kind of cooperative venture affords more community residents the opportunity to become involved in all phases of business development. Cooperatives may enable business persons to profit from economies of scale, since a joint venture allows a greater capital investment and a larger scale of operations. However, finances are a limiting factor in the establishment of cooperatives. Initial capital may be difficult to raise, particularly in low-income areas. As mentioned earlier, CDC financing is limited to loans, purchase of preferred stock, and technical assistance (of which a great deal will be needed). There is also the problem of securing the support of financial institutions to finance the initial stock purchases and to see the enterprise through the difficult beginning phases of implementation.

FUNDING

Sources for funding for the CDC's activities can be divided into three broad categories: federal funds, foundation grants, and private investors. These resources can be used to carry out planning and technical assistance, manage specific programs, or encourage the development of business ventures.

Most of these sources and their possible uses are discussed in greater detail in other parts of this chapter. The purpose of this section is to provide a brief review that can help set priorities and chart a course of action.

Federal programs may be administered either directly at the national level, by regional offices, or through the City. Planning and technical assistance funds can be obtained through:

1. the Community Services Administration, under Title VII of the Economic Opportunity Act;
2. HUD programs—such as those of the Office of Neighborhoods, Voluntary Associations, and Consumer Protection—or the CDBG;
3. the Economic Development Administration, as a consequence of the area's designation as a Special Impact Area, in the form of both planning grants and specialized staff assistance;
4. Department of Labor CETA funds, which can be used to pay staff members (this has been done in San Francisco);
5. ACTION programs, which provide staff support in the form of VISTA volunteers.

All of these sources, either individually or in combination, were used by the CDCs examined in the course of this study.

Funds for venture development were made available to the various CDCs by the Community Services Administration (CSA) under Title VII mentioned above. The typical outlay was $1 million over a two-year period. At present these outright grants are practically confined to CDCs already funded by CSA. Loans and smaller amounts to be used for the establishment of programs of assistance to businesses can be obtained through the Office of Minority Business Enterprise. The Small Business Administration can be involved in the guarantee of loans to small businesses.

Private foundations have provided financial assistance for many types of institutional development in communities. Some of them, such as the Ford Foundation, have in fact been among the first to finance CDCs.

There are several advantages of dealing with foundations: there is often less "red tape" involved than through federal programs; there are no requirements of cooperation with the local government (although a good working relationship with it can give the proposal a better chance of being accepted); and there is no specific program guideline to follow. A proposal that is unique and creative and can be convincingly supported has a good chance for success.

The disadvantages of working with foundations are that they are often more difficult to reach and often have fewer financial resources than federal programs. Competition for funds from the largest and most prestigious foundations is quite intense.

Private investors can be considered a source of venture capital or debt financing in the establishment or continuation of business enterprises. Venture capitalists (either partnerships or investment corporations) buy stock of promising enterprises from which they expect high returns after a period of a few years. They also occasionally engage in debt financing.

Traditional sources of credit are banks and other financial institutions. The loans obtained through them can be guaranteed by federal programs.

The approach to each of the funding sources is very similar. A preliminary inquiry is usually made, accompanied by a very concise description of the project for which assistance is sought. If the initial contact is successful, a more detailed proposal which includes an estimated budget is submitted. Negotiations through telephone, correspondence, and possible on-site visits follow, as a means for the funding source to complete information gathering. The whole process can take up to several months.

The following information on ACTION grants is provided to help the CDC's initial staff requirements.

1. Mini-grants for $5,000 are available to support the organization of specific projects which will involve a large number of volunteers. Applications can be made to the regional ACTION office in Austin. The application deadline is the end of January, and funds are made available after approximately three months. Competition for these grants is not intense.
2. RSVP (Retired Senior Volunteer Program) provides funding (starting at $10,000, with an average of $29,000 in 1978) to develop community service opportunities for elderly persons through development of community oriented, cost-shared projects. Applications are made to the ACTION regional office. No specific deadlines are set, and the grant is renewable.
3. VISTA volunteers are normally persons with college degrees and/or relevant practical experience. They can come from the community, be chosen by the requesting organization (in this case the CDC), or be assigned by ACTION from a pool of nationwide applicants. A volunteer receives a food and lodging allowance of $260 per month for a year, and an additional $75 per month is saved in a separate account and made available to him or her at the end of the year.
4. University Year for Action is a program which provides university resources to impoverished communities. Funds are made available to a university, which in turn provides volunteer students (supervised by faculty) to the community for work/study on projects of common interest. (In Austin, St. Edwards University was part of such a program during 1979-80.)

II Programs for Community Economic Development

5 Housing Rehabilitation and New Construction Program

INTRODUCTION

The private housing market has failed to provide adequate housing for low- and moderate-income families. The federal government and local governments have long recognized this market failure; since the 1930s, they have attempted in various ways to fill the basic human need for shelter for disadvantaged families. But past and present programs have been unable to satisfy the housing needs of the East Town Lake Citizens Association (ETLCA). This chapter, after first describing the housing problem, proposes a housing program intended to upgrade and increase the housing stock for the Chicano neighborhoods of East Austin.

As noted in Chapter 1, the 1978 Building Standards Commission Survey found that 16 percent or 633 housing units in the ETLCA neighborhoods were in violation of the Austin Housing Code. These homes, categorized as "dilapidated," failed to meet minimum standards for plumbing facilities, electrical wiring, and/or structure. The 1978 Survey also found that 32 percent of the homes, or about 1,267 of 3,959 housing units, required minor repairs and were categorized as "deteriorated." According to the Survey, then, almost half the housing in the ETLCA's area must be repaired or reconstructed in order to provide inhabitants with "standard" housing. Added to this is the fact that the building code now has energy efficiency standards, increasing the number of homes classified as substandard. In addition, the housing stock in the community is decreasing by about forty-eight homes per year.

The effective City of Austin housing programs focus on owner-occupied homes, yet only 43 percent of the homes in the ETLCA neighborhood are owner-occupied. Currently, no new construction program exists. City housing programs available for the neighborhood, administered by the Austin Redevelopment Authority (ARA), only deal with rehabilitation.

The ARA programs assisted 155 housing units for all of Austin from October 1978 to September 1979. Because of Austin's rehabilitation grant and loan ceilings ($1,500 to $2,500 in the Emergency Program and $7,500 in the Standard Program) and income constraints, many residents in the area cannot qualify for anything but emergency repairs that may not bring their houses up to Code Standards.

Only 37 percent of the applicants for the Standard Program of ARA received funding for repairs during fiscal year 1979. The ARA Board can increase the $7,500 grant ceiling by combining a $7,500 grant with up to $7,500 in loans at 3 percent interest under the following extenuating circumstances:

- The applicant must be under extreme hardship, not of his/her own creation.
- The rehabilitation of the applicant's property must remove a blighting influence that is not evident elsewhere in the neighborhood. (A substandard home surrounded by homes in standard condition, for example, may qualify for funding.)
- The proposed rehabilitation must be in the public interest.[1]

Standard and "312" housing loans are based on the ability of the applicants to repay. These loans carry 3 percent interest over ten- and twenty-year amortization periods. Loans are usually not approved if more than 25 percent of the applicant's gross income would go for housing costs, including loan repayments.

It appears unlikely that a home that requires more than $14,000 in repairs would be fully funded under existing programs. Although rehabilitation may be more expensive than constructing a new house, the ARA does not have any programs for new construction. While the "312" Program offers loans up to $27,000, most of the East Austin residents cannot qualify. The ARA administered only nineteen "312" Program loans in all of fiscal year 1979. The average income of those applicants who received funding was $13,990.

Under Austin's housing programs, some people in need of better housing are not covered. The housing program proposed here is designed for part of the population not currently covered. The proposal is consistent with the City of Austin goal to provide standard housing for all residents. It is designed particularly to meet the housing needs of the citizens in the ETLCA neighborhood.

A PROPOSAL

The proposed housing program operates through two components: (1) a revolving loan fund for rehabilitation, and (2) a new home building program. The revolving loan fund is targeted at owner-occupied houses in need of rehabilitation whose owners do not qualify under the existing rehabilitation loan programs. It is proposed that a loan ceiling be established at $15,000. Loan terms would include a 3 percent interest rate repayable over a maximum period of twenty years. The fund would be managed by the ARA. The CDC would be responsible for finding participants, filing loan applications, and contracting for rehabilitation work. The fund would be replenished as loans are repaid.

The new home building program is targeted at those homeowners whose homes are beyond rehabilitation, but who are unable to afford new houses through the private market because of low incomes. This program would operate on a per lot basis rather than on a whole block clearance basis. The ARA would acquire homes at fair market value from willing participants, and would then clear the acquired sites. Money collected from the sales of houses would be added to relocation grants. The sum would be placed in escrow, to be used for payment on the new housing to be constructed. A mortgage would then be arranged through a private bank for the difference between the price of the new home and the amount placed in escrow for each participant. The CDC would build the new house, using neighborhood contractors. Participants would then move into new houses constructed at the same locations where they had lived before.

Temporary relocation may be necessary under the new home building program. The CDC could employ either of two options to assist participants when relocation is necessary. The first is to acquire a vacant house that would be suitable for rehabilitation. A family could live in this house while its new home is being constructed. Another option is to build one new house on vacant land in the neighborhood before participants are involved. When this house is ready, a participating family could then be moved into the home permanently. The site where this family previously lived would then be used to construct another new home.

Actors and Functions in the Program

East Austin Chicano Community Development Corporation (CDC)

The following steps should be taken by the CDC for the revolving loan fund program:

1. Conduct a housing survey of the neighborhood to identify potential participants.
2. Inform potential participants about the program.
3. Determine eligibility of the house and the homeowner.
4. Prepare a description and cost estimate of the necessary rehabilitation work.
5. Assist in finalizing the loan and repayment schedule.
6. Secure building permits as necessary.
7. As a general contractor, solicit bids from neighborhood subcontractors and award the contract.
8. Make periodic inspections of work and make progress payments to subcontractors.
9. Counsel homeowners and represent them before the ARA Board.

The following steps should be taken by the CDC for the new home building program:

1. Complete steps 1-3 of the revolving rehabilitation loan fund program, to determine the applicant's eligibility for that program.
2. Determine eligibility of the house and homeowner for the new construction program.
3. Determine the cost of the new house, acquisition cost of the old house, amount of the relocation grant, and, if necessary, amount of the loan.
4. Aid the homeowner in securing a bank loan for the amount specified in 3 above.
5. Contract with the homeowner for construction of the new house.
6. Secure a building permit.
7. Aid in the temporary relocation of the homeowner.
8. As a general contractor, solicit bids from neighborhood subcontractors and award the contract.
9. Make periodic inspections of the work and make progress payments to subcontractor.
10. Upon completion of the new home, participate in closing and receive payment from escrow.

Austin Redevelopment Authority (ARA)

The following steps should be taken by the ARA for the revolving rehabilitation loan fund:

1. Review and give final approval to the homeowner's application and repayment schedule.
2. Award bid to general contractor, i.e., the CDC.
3. Perform final inspections on rehabilitation work.
4. Make payment to the contractor, i.e., the CDC.
5. Collect loan payments.
6. Assume accounting and managing responsibilities of the loan fund.

The following steps should be taken by the ARA for the new home building program:

1. Review and give final approval to the homeowner's application.
2. Acquire the property.
3. Place the amount of the acquisition price plus the relocation grant into escrow.
4. Temporarily relocate the homeowner.
5. Make progress or "interim" payments to the general contractor.
6. Make a final inspection of the completed new house.
7. Remove money from escrow.
8. Transfer the title to the homeowner.

Private Lending Institutions

The private lending institutions participate in the new housing construction program in two ways:

1. Grant mortgages for the difference between the cost of the new house and the amount in escrow.
2. Collect mortgage payments.

Minority Building Contractors

Minority building contractors perform the same functions for both programs:

1. Submit bids to the CDC for construction projects.
2. Enter into a contract with the CDC as construction subcontractor.
3. Receive progress or "interim" payments from the CDC as the work progresses.
4. Receive final payment from the CDC upon completion and final inspection of the work.

Implementation Steps

Survey of the neighborhood. The CDC will carry out a detailed survey of the housing stock in the neighborhood, determining those structures which are (1) vacant and unrehabilitable, (2) owner-occupied and unrehabilitable, or (3) owner-occupied and rehabilitable. The survey will also note those unrehabilitable structures, both owner-occupied and vacant, which are located upon substandard lots.

Identification of potential participants. The CDC will disseminate information about the program to a select group of the owner-occupants indentified in the survey, and will initiate the program with those owner-occupants who wish to participate. Eligibility for the program will be determined by the following criteria:

1. The applicant's income, when computed in accordance with the provisions of Appendix I, will meet the maximum limits set forth in Table 2. Eligibility can be expanded by the CDC on a case-by-case basis to approve applicants with incomes exceeding those listed above.
2. The applicant must own or be purchasing, through a mortgage or contract-of-sale, a home that is located within the neighborhood. The applicant must have resided in the home at least six months. In the case of abandoned property, the applicant must commit to occupy the housing as the principal resident upon completion of the rehabilitation or new construction.
3. The applicant must not owe back taxes to the City of Austin unless satisfactory arrangements for payment are made. Arrangements will be considered satisfactory if all back taxes are paid at the end of the loan term.
4. The applicant must establish an acceptable credit rating. In those cases where the applicant is in the process of purchasing his/her home, a poor payment history on the mortgage or contract of sale may be a disqualifying factor.

Identification of potential subcontractors. The CDC will identify the minority subcontractors within the neighborhood and inform them about the program.

Eligibility Determination and Procedure for Rehabilitation. The identification of potential structures for rehabilitation and the preparation of loans involve a number of steps.

1. *Structural and economic feasibility*—A structure will normally be considered reparable if the rehabilitation cost necessary to bring it in compliance with the Minimum Housing Code will not exceed the as-if-rehabilitated value of the structure. The CDC may deviate from the structural feasibility standards in order to select the most cost-effective way of providing a family with standard housing. For example, the CDC may authorize the rehabilitation of a structure that fails to meet the exact structural rehabilitation criterion if rehabilitation costs were less than the costs of constructing a new house.
2. *Preparation by CDC appraiser of description of work to be performed and cost write-up for each project.*—The following repairs will be considered under this program:

Table 2

Maximum Annual Income for Eligibility

Family Size	*Maximum Eligible Income*
1	9,050
2	10,350
3	11,650
4	12,950
5	13,750
6	14,600
7	15,400
8	16,200

Source: Based upon HUD Section 8 eligibility table for the Austin area.

a. Removal of all space or structural violations of the Minimum Housing Code in the existing structure. In addition, at the homeowner's option, loan funds can also be used to effect other general property improvements up to an amount not to exceed 40 percent of the total loan. Room additions are permissible only when necessary to meet Minimum Housing Code requirements. In those cases where the owner is eligible for a loan only, but cannot borrow the total amount necessary to abate all code violations, an order of priority for repairs may be established by the CDC in conjunction with the homeowner.
b. Installation of energy conservation measures and devices such as insulation, weatherstripping, attic venting units (including powered units), attic fans, ceiling fans, solar water heaters, window awnings, and devices to improve the energy conservation features on existing windows. When roof replacement is included, the reflectivity of roofing materials should be one of the main considerations.

3. *Preparation of the loan or grant.*—The CDC will carry out the first review of the application, determining the amount of loan/grant required and the applicant's ability to pay. Procedures are as follows:
   a. *Loan provisions.*—The maximum loan will be $15,000. However, the ARA may approve larger loans whenever circumstances warrant it. The loan will be repaid over a twenty-year period at 3 percent simple interest. In the case of abandoned property being rehabilitated with the new owner's commitment to occupy upon completion of repairs, the loan document will contain a provision that the entire balance will become due if the owner fails to occupy the residence or moves out of the residence before the term of the loan is completed. The ARA will place the loan funds into an escrow account; payment to the CDC will be made according to the ARA guidelines for payments to contractors. After payment to the CDC, the ARA will secure appropriate liens on the property.
   b. *Ability to pay computation.*—Once it is determined that an applicant is eligible for assistance, the applicant's ability to pay for the cost of repairs must be determined. Using the formula shown below, the maximum amount of repairs that the applicant can finance is determined. Indirectly this computation also has a bearing on the financial feasibility of the applicant, since the cost of repairs may exceed the applicant's ability to pay, thereby rendering the rehabilitation economically infeasible. The ability to pay will be computed using the following formula:

      Ability to Pay = 25% Gross Monthly Income[2] - Present Housing Expense

      Present housing expense will include all expenses associated with providing shelter for the applicant's family, including: (1) payments on any encumbrance which will not be refinanced as part of the loan, (2) real estate taxes, (3) cost of utilities and maintenance, and (4) home insurance.
   c. *Encumbered property.*—In the event that an eligible borrower has outstanding liens or other obligations on his/her property, the ARA will make an effort to purhcase all liens, consolidate them, and combine them with the rehabilitation loan. Rehabilitation loans may be made to eligible borrowers living in contract-of-sale homes, provided the contract can be bought and the contract balance plus the rehabilitation loan can be included in one payment, or provided the seller will provide a warranty deed on the property. In cases where the ARA will accept a subordinate lien position, loans will be made only in an amount equal to the difference between the outstanding balance due to the lien holder(s) and the as-if rehabilitated value of the property.
   d. *Provisions for sale of loans.*— Upon completion of the initial twelve months of the loan repayment period, negotiable loans with a satisfactory payment history will be offered for sale to local financial institutions by the ARA. The loans will be discounted to permit the financial institutions to derive the market interest rate for home improvement loans. In addition, 10 percent of the discounted loan price will be placed in escrow as a loan guarantee fund to the initial purchaser only. In the event of default, the financial institution, if it was the initial purchaser, will be reimbursed a negotiated amount and the loan returned to the ARA for review or other necessary action.
   e. *Paint grants.*— Exterior painting grants are available, since it is considered essential to give some outward manifestation of rehabilitation in order to establish the proper climate for neighborhood revitalization. All eligible

applicants for rehabilitation loans and specialized rehabilitation loans are eligible for exterior painting grants, if needed. In the case of loan-only cases, the paint grant cannot exceed one-third of the total cost of all repairs, including paint. The paint grant will cover the cost of the painting only and will not include the cost of replacing deteriorated material on the structure's exterior. In the event the owner has a home needing exterior painting, but desires to add an acceptable siding material not requiring painting, equivalent dollar credit may be given in lieu of painting. The credit will be computed by determining the cost of the exterior painting job using current per square foot cost. This amount, in the form of a grant, may then be applied to offset the cost of the new siding.

f. *Default counseling.*—Each month the ARA will provide the CDC with a list of the accounts which are in arrears. The CDC will contact each homeowner to determine if any justifiable reason exists for the failure to pay. The CDC will help the homeowner represent his/her case to the ARA, which will evaluate the case and take appropriate action. For example, if there is a justifiable reason for failure to pay, the ARA may provide the homeowner with some type of relief, such as payment deferments or refinancing. In all cases, the action taken will be recorded in a loan case file.

4. *Contact for Rehabilitation.*—The CDC will be the general contractor on all projects and will attempt to subcontract all work to minority subcontractors in the neighborhood. Since the ARA is not party to the contract, formal bid procedures need not be followed. The individual homeowners will be contracting with the CDC, as general contractor, for the rehabilitation work. In cases where the estimated cost of repairs (prepared by the CDC) is under $15,000, the following steps will be used to select a subcontractor(s):
   a. The CDC will approach potential minority subcontractors.
   b. The subcontractors will submit bids based on the work write-up provided by the CDC.
   c. If several subcontractors submit bids equal to or less than the CDC estimate, the contract will be awarded to the lowest bidder.
   d. If all bids exceed the CDC estimate, negotiations will be initiated with the lowest bidder to bring the bid down to or below the CDC estimate.

   In cases in which the estimated cost of repairs is $15,000 or more, the CDC will seek competitive bids either on the job as a whole or on individual parts. Again, if the lowest bid exceeds the CDC estimate, the CDC will negotiate with the lowest bidder.

4. *Rehabilitation.*—The rehabilitation work will be carried out. (Estimated time 2-6 months depending on the scope of individual projects).

Eligibility Determination and Procedure for New Construction. In cases in which the structure does not meet the criteria of the rehabilitation program, and the homeowner is able to purchase his/her new home rehabilitation program, and the homeowner is able to purchase his/her new home wholly with the acquisition-plus-relocation monies or with these monies plus a bank loan (the method for determining relocation money and ability to repay a bank loan will be outlined below), the homeowner is eligible for the new construction program.

1. *Determine loan repayment ability.*—The amount of the loan necessary to provide the participants with adequate, standard housing under this program will be equal to the difference between the construction cost of the new house and the acquisition-plus-relocation monies:

   Loan = Cost - (Acquisition + Relocation)

   The relocation grant will be calculated in accordance with the Uniform Relocation and Real Acquisition Policies Act of 1970 (see Appendix J for analysis of the Act). The grant will be equal to the price of a standard, comparable replacement home, less the amount of the acquisition for the former home, and cannot exceed $15,000. The cost of a standard replacement will be based upon a schedule of average sales prices of new homes in comparable neighborhoods. After the amount of the loan is established, the participant's ability to pay will be determined according to the same criteria set for the rehabilitation program above.

2. *Identify the lot where the new home will be constructed.*—Aggregrate land to achieve standard size plats by acquiring (through an additional grant from ARA) adjoining vacant or tenant-occupied and unrehabilitable structures. Relocate displaced tenants according to the provisions of the Uniform Relocation Act.

   To initiate the program the ARA will acquire several vacant unrehabilitable properties in the neighborhood and demolish the structures. The first participants will select new lots from among these sites. The first round of new construction will occur on these sites. The ARA will acquire the participants' old lots, providing the sites for the second round of new construction.

An alternative strategy involves the acquisition of a vacant, rehabilitable home in the neighborhood. The house would be rehabilitated minimally to provide temporary housing for program participants awaiting the construction of their new home.

Budget

Austin Redevelopment Authority		
Revolving loan fund @ $15,000 per house 10 houses per year	$150,000	
Acquisition (new home program) @ $11,000 per house 5 houses per year	55,000	
Clearance (new home program) @ $1,500 per house 5 houses per year	7,500	
Relocation grants (new home program) @ $10,000 per house 5 houses per year	50,000	
ARA Subtotal		$262,500
East Austin Chicano Community Development Corporation		
Construction start-up @ $25,000 per house 3 houses at one time	$ 75,000	
Housing Specialist/Financial Counselor	15,000	
Construction Manager & Inspector	20,000	
Expenses	5,000	
Overhead (@ 10% of salaries)	3,500	
CDC Subtotal		$118,500
TOTAL		$381,000

3. *The CDC will assist the participant in getting a loan from a bank.*
4. *The ARA will acquire the participant's substandard property (both land and structure) at market value.*—The money will be placed in an escrow account in the participant's name.
5. *The participant will contract with the CDC for construction of the replacement home.*—The CDC will seek competitive bids on either the job as a whole or on an individual part. The CDC will use its cost estimates for the replacement home as a basis for negotiations.
6. *The new home will be constructed.*—The CDC will inspect the work at several points. The estimated minimum time for construction will be thirty days for demolition, two to three weeks to grade the lot (longer if the site must be surveyed and/or replatted), and six months for construction. The total estimated time for construction will be approximately eight months.
7. *When the house is 95 percent completed, the ARA will carry out the final inspection.*—If the work is satisfactory, the relocation grant (CDBG funds) will be placed in the individual's escrow account.
8. *The funds in the escrow account plus any loan funds will be used to pay the general contractor (the CDC).*—The purchase of the home will be closed. In the case of a loan, the bank will hold the lien or mortgage.

REFERENCES

1. Austin Redevelopment Authority, Recommendations on Housing Program Policies funded by the CDBG Program of the City of Austin, January 1980, p. 7.

2. See Appendix I for determination of gross income.

6 Employment and Training Program

INTRODUCTION

This proposal addresses the need to coordinate employment and training programs for residents in East Austin with those skills demanded by current and future employers in the area. This need requires that the CDC assume a role for linking residents of the neighborhood with existing and potential employment opportunities. Training programs can be coordinated with the demand for labor through the Comprehensive Employment and Training Act (CETA) program. In particular, the new Private Sector Initiatives Program (PSIP), Title VII of CETA, is designed to increase employment possibilities by providing financial incentives to private employers for training disadvantaged individuals. This program requires the establishment of a council to represent small and large businesses, community-based organizations, and key government officials.

Since the CETA program is fundamental to the proposal, the first section of this report presents an overview of CETA and describes the PSIP in more detail. The Private Industry Council (PIC) mandated by this title of CETA is also explained. Finally the current status of this program and the PIC in Austin is summarized.

Following the overview, a proposal for developing the employment and training component of the CDC is outlined. It is recommended that during the first year the CDC is in operation its employment program consist entirely of intake and outreach referral services. This could include referral to existing skills training programs or directly to industry. The second stage would include a continuation of the referral services, as well as a more aggressive effort by the CDC to work with the Austin PIC to link training programs with incoming industries. The last stage emphasizes the use of CETA Title VII funds for innovative training programs. These funds could be applied toward the development of a small business intern program, sponsored by the CDC, which could train community residents to manage small businesses. At the same time a pre-training program could assist those individuals experiencing difficulty in entering the labor force.

CETA AND THE PRIVATE SECTOR INITIATIVE PROGRAM

The original Comprehensive Employment and Training Act (CETA) had six titles. The first two titles authorized job training and public service employment operated by state and local governments. The remaining four titles dealt with federal responsibilities and administrative provisions. The 1978 version of CETA has been expanded to eight titles. All administrative and federal responsibilities were consolidated into Title I.

Title II of CETA has four parts:

1. financial assistance;
2. programs for the long-term structurally unemployed, including on-the-job training, job search assistance (orientation, counseling, and referral), support services (child care, transportation, etc.), and work experience programs;
3. occupational upgrading and retraining of eligible persons;
4. provision for transitional public service employment.

These provisions are designed to enable disadvantaged persons to perform needed public services until training allows them to move into employment not supplemented by CETA.

Title III consists of special federal responsibilities to Indians, migrant farmworkers, veterans, the handicapped, older workers, and persons with limited English speaking ability. Youth programs are in Titles IV and VIII, which establish the Youth Employment Demonstration Program, consisting of the Youth Incentive Entitlement Pilot Projects, the Youth Community Conservation and Improvement Projects (YCCIP), and the Youth Employment and Training Programs (YETP). This title also establishes the Job Corps and the Summer Youth Program. The Young Adult Conservation Corps was established by Title VIII to authorize employment programs for young adults on conservation projects.

Title V establishes the National Commission for Employment Policy to study and report annually on employment and training goals and policies. The problem of countercyclical unemployment is dealt with in Title VI, which sets up public service employment during times of recession. The most innovative title of CETA is Title VII, which establishes the Public Sector Incentives Program (PSIP). The PSIP is an attempt to increase involvement of the business community, including small and minority businesses, in CETA employment and training programs. As far as the PSIP is concerned, jobs in the private sector are preferred to public sector jobs in terms of ability to relieve long-run unemployment problems. Thus, the CETA program has shifted its emphasis away from subsidized public sector employment toward unsubsidized private sector employment.

Any Prime Sponsor that wants to set up a Title VII program must establish a Private Industry Council (PIC), composed of representatives from the private sector (business and industry), labor, education, and community-based organizations. The PIC has two basic purposes: to secure more private sector jobs for the unemployed, and to attract greater private sector participation in all aspects of local employment and training.

Initially, an ad hoc committee may be formed whose function is to identify potential PIC members and to make final recommendations to the elected official that appoints the PIC. (Either the chief elected official or the city council appoints the PIC, depending on local laws.) Representation on the PIC should be the same as that of the ad hoc committee which it eventually replaces. The functions of a PIC are as follows:

- with the Prime Sponsor, to design and develop the Title VII program;
- to assume the role of primary actor for redirecting the thrust of CETA programs away from subsidized public sector to unsubsidized private sector jobs;
- to serve as the contact point for industry and business in local employment training systems;
- to present the private sector view in the development training programs to increase private sector job placement;
- to analyze private sector job opportunities;
- to survey employment demand in private industry;
- to determine training possibilities;
- to review and comment on the CETA annual plans.

After the PIC has been established, agreements may be made with private industry to provide training and eventual placement for CETA participants. In some cases the PIC may actually operate its own training and employment program.

In Austin the PIC should soon be established. An ad hoc executive committee has been formed and the committee is introducing the PSIP to private business and industry and soliciting membership for the PIC. The role of the PIC in Austin has not yet been determined, but it is clear that it will not incorporate and operate its own employment program. The PIC must include some persons who live outside Austin but are members of the Manpower Consortium. There will be only one position open for a person from a community-based organization.

A PROPOSAL FOR A THREE-STAGE EMPLOYMENT PROGRAM

This proposal is designed to enable the CDC to develop its own expertise in providing employment services to the community while also developing a track record that will encourage increased CETA funding for further program development. To qualify for CETA funds the CDC may want to subcontract these funds from the City of Austin.

The City of Austin, as part of the Capital Area Manpower Consortium, is composed of three entities: Austin, Travis County, and the eight surrounding rural areas. CETA in Austin already consists of ten employment programs handled by nine subcontrators, most of which focus on drafting, clerical, or mechanical skills. An agency or community-based group designated by the Prime Sponsor as a subcontractor may also develop training programs funded by CETA.

To become a subcontractor the organization must:

1. register with the Austin Manpower Training Division, the administrative arm of the Capital Area Manpower Consortium, for inclusion on the CETA Request for Proposal list (at this time the CDC will be required to furnish the department with information about its organization, including services it has provided in the past and planned future activities);
2. submit a proposal for CETA funds, specifying which CETA titles it is applying for and including a specific program outline.

The CDC's proposal will then be considered by the Prime Sponsor. In the case of a favorable evaluation, the proposal will be forwarded to Manpower Area Planning Council; a favorable decision there would result in funding of the proposal by the Prime Sector.

CETA funding will facilitate expansion of the employment program as outlined in the following stages.

Intake and Outreach Services

The CDC could establish a referral service for directing members of the community to either existing training programs or current jobs in the Austin area. The CDC would be eligible for Title II B CETA funds if its referral service were involved in one or more of the following activities:

- screening community residents for eligibility;
- disseminating information about its employment services;
- determining appropriate employment and training activities for its clients.

A training referral program could include the following components:

1. recruitment of individuals from the community interested in entering a training or GED program;
2. directing individuals to the Austin Manpower Training Division (MTD) of the Human Services Department, the central intake office for CETA-funded training programs (MTD is responsible for certifying the eligibility of individuals for existing training programs; to become certified an individual must be economically disadvantaged, unemployed or underemployed, and have reached the age of seventeen);
3. discussion with the client and identification of the CETA program that would be most appropriate for the individual's needs and interests.

The CDC could also direct area residents to present job openings in the Austin area through the East Austin office of the Texas Employment Commission (TEC). A job referral program could include the following two components:

1. The CDC could supply information to local residents about job openings. It would have to purchase a microfiche machine, and an individual from the CDC would have to pick up daily microfiche from the TEC office by arrangement with the office manager. Information on the microfiche includes a daily listing of job openings with job descriptions, education or other requirements, and level of entrance salaries.
2. The CDC could assist area residents in registering for jobs with TEC. After individuals find job openings of interest, it would be necessary for them to register with TEC. Initially, the East Austin office would be willing to send a counselor to a CDC community meeting to register applicants. In a continuing registration program the CDC would have to encourage residents to register at the area offices. The East Austin office of TEC presently employs two Spanish-speaking employment counselors for this purpose.

   Employment counselors interview each registrant to determine skills the individual already possesses that could be matched with employee requests made by area businesses. An applicant may either await notification from TEC about appropriate job openings or return periodically to TEC to check new openings. If the CDC enacts component 1 of the job referral system, new job listings could also be obtained from the CDC.

Direct Links between Training Programs and Incoming Industries

Many industries prefer to train employees themselves rather than to recruit from other training programs. Both Title II and Title VII of CETA encourage on-the-job training (OJT) in the private sector. The CDC could facilitate this procedure by contacting representatives of incoming industries, through the PIC, to determine the types of skills required for new jobs. The CDC helps the industry in recruiting potential employees from the East Austin neighborhood, and assists community residents who desire to learn the required skills.

Although the CDC refers community members to the training program, all instructors and equipment are provided by the industry. The CDC, as a CETA subcontractor, reimburses the industry from CETA funds. Funds for OJT under both Title II and Title VII can be used to pay the salaries of instructors from the firm, equipment costs, and costs for classroom space and utilities. They can also be used to pay 50 percent of the wages earned by employees during the training period, with 50 percent contributed by the employer.

Innovative Training Programs

Title VII of CETA encourages the use of funds for innovative programs. An example would be to develop a small business intern program. Special classes for the program could be set up, or existing courses at a community college could be used to provide training in bookkeeping, business management, and tax laws. To complement classroom instruction, participants could be provided with on-the-job training on a part-time basis with local employers.

Another option in using Title VII funds is to develop a self-employment training program. A program of this type would include classroom training in business management skills and financial management. On-the-job training geared to self-employment would have to have a broader scope than the program offered in the small business internship training.

During this stage, the CDC could establish pre-training courses to assist community residents who lack the basic training requirements. Instruction on how to obtain a GED and orientation courses to prepare people not accustomed to steady jobs would be beneficial. Through this type of training, the CDC would enable a large number of community members to take advantage of employment and training opportunities.

These three stages provide only a framework for developing an employment component of the CDC. The first stage could be implemented almost immediately. The latter stages will largely be dependent upon the strength of the CDC, the effectiveness of the PIC, and the ability of the groups to work together.

III Appendices

A An Economic and Demographic Profile of Austin and the East Austin Chicano Community

Austin: A Profile

The city of Austin, Texas is located in Central Texas on the Colorado River approximately 190 miles south of Dallas. It is the largest city in Travis County, accounting for 80 percent of the county population. Austin has experienced growth as many other "Sunbelt" cities have, although to a lesser extent than some, and provides a characteristic example of a growing economy in this region.

Population Growth

From 1950 to 1970 the area within the Austin city limits doubled and the city grew as an expanding ring. During the same period the population doubled (see Table 3). It grew by 68,400 between 1970 and 1977, an increase of approximately 26 percent.

Table 3

Population of Austin 1950-1977

Year	*Population*
1950	132,459
1960	186,454
1970	253,539
1977	321,900

Source: City of Austin, Planning Department, 1978 Statistical Abstract.

Austin's yearly rate of population growth is shown in Table 4. Although the population growth rate in the 1970s is somewhat lower than during earlier periods, it is clear that Austin is still expanding in a period when many cities are not.

Table 4

Average Yearly Rate of Population Growth, City of Austin

1950-1960	4.0%
1960-1970	3.5%
1970-1976	3.8%

Source: Compiled from U.S. Department of Commerce, Bureau of the Census, *Census of the Population,* various years.

Employment

The University of Texas and the state government account for a large share of employment in Austin. As of 1970, 24 percent of all workers in Austin were clerical and kindred workers, with professional workers close behind with 23 percent of the total. The high figures are a result of employment in government sectors and retail outlets. In terms of personal income generation, manufacturing and service account for 19 percent and 10 percent, respectively, of Travis County personal income, according to data from the Texas Department of Water Resources. State and local government employment account for over one-third of total personal income.

Between 1960 and 1970 government-related occupations grew 216 percent.[1] Manufacturing also underwent increases during this period. The durable goods manufacturing sector showed an increase of 831 percent.[2] IBM Corporation and Texas Instruments are two electronics firms that comprise a major percentage of manufacturing employment. Because of this general growth, the unemployment rate for Austin has remained low. Although the unemployment rate in Austin has increased during the past decade, as indicated in Table 5, the 1978 rate was still well below the national average. The low rate can be attributed to the high percentage of government employment which is not subject to cyclical shifts in the economy, as is the case in private employment. The total labor force grew from 73,866 to 108,124 in the ten-year period between 1960 and 1970, a growth of over 34,000.[3] A further increase of over 70,000 was experienced between 1970 and 1978. The increase in the labor force and the low unemployment rate indicate that there is a large degree of economic growth in Austin.

Income

Median family income in Austin was $9,180 in 1969; by 1975 it had increased in real terms to $9,256, an increase of 3.8 percent.[4] In some areas of the city, income in-

Table 5

Civilian Labor Force and Unemployment Rate, Austin SMSA

Year	*Total Labor*	*Unemployed*	*Unemployment Rate*
1970	135,500	3,750	2.8%
1971	147,500	4,000	2.7
1972	164,950	4,200	2.5
1973	170,100	3,950	2.3
1974	180,250	5,600	3.1
1975	185,300	7,850	4.2
1976	193,050	9,300	4.8
1977	199,200	9,000	4.5
1978	206,100	9,300	4.5

Source: City of Austin Department of Planning, "Overall Economic Development Plan," 1979.

creased by as much as 40 percent in that same period. Austin median family income is only about 90 percent of the national average. Consumer prices rose from approximately 150 in 1975 to 178 in 1977, which still placed Austin below other Texas cities in cost of living.

East Austin Chicano Community: A Profile

While Austin is a rapidly growing urban center, not all of its neighborhoods and citizens have shared in the benefits of this overall growth. The East Austin Chicano neighborhood, which is of concern in this report, is one of these areas. The neighborhood is located east of the central business district and is physically separated from it by IH 35. The neighborhood is bounded on the north by East 7th Street, on the east by Ed Bluestein Boulevard, on the south by Town Lake, and on the west by IH 35. Economic data indicate that over the past ten years, changes in the neighborhood have not been parallel to the changes taking place in the city as a whole. To identify neighborhood trends and to compare these with the city-wide trends, the data from the 1970 Regular Census, the 1976 Special Census, and other sources are used.

Unemployment

Unemployment data from the Texas Employment Commission are available by census tracts for 1976 only. Table 6 indicates that the unemployment rate for the neighborhood, in census tracts 9 and 10, was well above the city average.

Table 6

Average Unemployment Rate, 1976

Tracts 9 and 10	9.3%
Entire City of Austin	4.8%

Source: Estimated by the Texas Employment Commission.

Population

The neighborhood has not experienced the growth in population characteristic of the city as a whole. Table 7 indicated that between 1970 and 1976 tracts 9 and 10 experienced a dramatic decline (-11 percent) in population, while the entire city population grew by 22.7 percent.

Table 7

Population Growth

	1970	*1976*	*Change*	*Percent increase or decrease*
Tracts 9 and 10	15,692	14,019	−1,673	−11%
Entire City of Austin	251,808	308,952	+57,144	+22.7%

Source: U.S. Department of Commerce, Bureau of the Census, *Census of the Population*, 1970 and *Special Census*, 1976.

The change in the number of families between 1970 and 1976 is less dramatic than the population change, and indicates that the neighborhood is retaining its "family" character. While the total population in tracts 9 and 10 decreased by 11 percent, the number of families decreased by only 7.5 percent.

The age distribution of the neighborhood differs significantly from that of the rest of the city, according to the 1976 census data; the neighborhood has a higher percentage of children and senior citizens than is characteristic of Austin as a whole. On the average, 11 percent of the population of Austin census tracts is comprised of persons over the age of 65, compared with about 16 percent in tracts 9 and 10. The city-wide average proportion of children in a census tract is 28 percent, compared with 37 percent of the population in

Table 8

Ethnic Characteristics

	White				Black				Spanish Origin			
	1970	*% of Tracts*	*1976*	*% of Tracts*	*1970*	*% of Tracts*	*1976*	*% of Tracts*	*1970*	*% of Tracts*	*1976*	*% of Tracts*
Tracts 9 and 10	1,872	12%	1,397	10%	2,336	15%	1,912	14%	11,304	72%	10,416	74%
Entire City of Austin	180,210	71.6%	213,942	69.2%	29,816	11.8%	37,271	12.1%	39,399	15.6%	52,564	17%

Source: U.S. Department of Commerce, Bureau of the Census, *Census of the Population*, 1970, and *Special Census*, 1976.

tracts 9 and 10. This age distribution data indicate that the East Austin Chicano neighborhood is not an aging area but one that is renewing its population. At the same time, the neighborhood supports a larger than average dependent population.

The racial composition of the neighborhood differs greatly from the city as a whole, as Table 8 illustrates. According to the 1976 census data, tracts 9 and 10 are largely Spanish origin (74 percent), with a minority of Blacks (14 percent) and even fewer whites (10 percent); in the city of Austin, whites are a majority (69.2 percent), and Spanish origin (17 percent) and blacks (12.1 percent) are minorities. In the two tracts, the proportion of whites in the popualtion decreased and the proportion of Spanish-origin persons increased slightly between 1970 and 1975, indicating a racially stable neighborhood.

Income

Median family income, as reported by the 1970 and 1976 censuses and expressed in 1969 dollars, is presented in Table 9. Real median family income for the city as a whole increased very modestly between 1969 and 1975. However, the neighborhood experienced a decline (-9 percent) in real income between 1969 and 1975. In 1975, the median family income in tracts 9 and 10 was 49 percent of the city-wide figure, and the percentage of persons living below the poverty level in the two tracts, 39.5 percent, was dramatically greater than the city average of 18.3 percent.

Housing

Housing values in tracts 9 and 10 have been significantly below the city average during the past ten years (see Table 10). In addition, the increase in neighborhood housing values has not kept pace with the city-wide increase over the past ten years. Therefore, if the present trend continues, the gap between neighborhood housing values and the city average will increase in the future as housing values in the neighborhood fall further below the city average.

Table 9

Median Family Income

	1969	*1975*	*1975 Adjusted**	*Percent Real Change*
Tracts 9 and 10	$5,091	$6,587	$4,643	-9%
Entire City of Austin	$9,180	$13,540	$9,526	+3.8%

Source: U.S. Department of Commerce, Bureau of the Census, *Census of the Population*, 1970 and *Special Census*, 1976.

*Adjusted to 1969 dollars, using the consumer price index for Dallas, Texas. In 1967 base, 1969 = 111.3; 1975 = 158.2

Conclusion

As the discussion above documents, the East Austin Chicano neighborhood is a pocket of poverty within a growing city. The neighborhood has unemployment problems and a serious low-income problem which sharply contrast with the economic conditions and trends in the city as a whole. However the neighborhood's unique "family" character and population of young people are two important resources upon which development efforts can be based.

Table 10

Median Value of Owner-Occupied Units

	1970	*1976*	*Percent Increase*
Tracts 9 and 10	$7,820	$11,746	50%
Entire City of Austin	$15,900	$26,835	68.8%

Source: U.S. Department of Commerce, Bureau of the Census, *Census of the Population,* 1970, and *Special Census,* 1976.

References

1. City of Austin, Department of Planning, "Overall Economic Development Plan," 1979.

2. Ibid.

3. U.S., Department of Commerce, Bureau of the Census, *Census of the Population,* 1960 and 1970.

4. City of Austin, "Strategies for the Economic Revitalization of Central Austin," September 1978.

B Examples of Housing Rehabilitation Programs

Southern Pines, North Carolina

This is an example of a small town that used CETA Title VI Public Service Employee (PSE) funds for its housing rehabilitation program. The program was designed to (1) rehabilitate homes to housing code standards while maintaining low administrative costs, (2) stop deterioration of substandard homes, (3) teach home repair skills to the unemployed and unskilled, (4) provide a work force to carry out repairs, (5) combat displacement, and (6) increase "community pride."

The town used PSE funds to hire an assistant building inspector, who made housing inspections of all homes in the target area. Residents were notified of the inspections and assured that the intention was to improve their living conditions, not displace the residents. The inspector identified the owner-occupied homes that did not meet minimum housing codes and made an income analysis of those families. Families below a certain level were eligible for rehabilitation work at no cost. Families above this level, but below an established poverty level, were required to pay for the cost of materials while the PSE grant covered the labor costs.

The rehabilitation services were provided by a community improvement team composed of a skilled supervisor, one previously unemployed semiskilled worker, and three previously unemployed unskilled people. For one month the group worked to obtain equipment while the workers learned basic housing repair skills.

Emergency Home Repair Project, Portland, Oregon

Portland's Emergency Home Repair Project's success rested on the cooperation of the mayor's office, business and private contractors, the school district, the local housing authority, and the unions. The project employed thirty-one young people, who were trained by the local high school industrial arts staff and journeymen carpenters in skills such as basic carpentry, drywall construction, and elementary repair techniques. After training, the youth provided free home repairs to the poor, elderly, and handicapped homeowners in the city. Journeymen carpenters acted as supervisors for the project.

The federal government provided Title II and Title IV CETA funds to cover the salaries of participants and instructors and some administrative costs. The City used its CDBG funds for building materials, supplies, and tools. The City of Portland was the Prime Sponsor of CETA funds, while the City Development Commission determined which homes were to be repaired and the nature of the repairs.

The union helped to devise the curriculum, recruit journeymen carpenters as instructors, and formulate training competencies.

Chicago United Urban Homesteading, Chicago, Illinois

Chicago United, a coalition of minority business leaders, coordinates a homesteading program which has taught construction skills to several hundred high school dropouts. The youths work on abandoned buildings, obtained through HUD's Urban Homesteading program, under the direction of local school shop teachers and union participants.

A CETA Title IV (Youth Community Conservation and Improvement Project—YCCIP) grant paid the wages of the enrollees, and CDBG funds were used to purchase tools and materials needed for the rehabilitation work.

Austin CDC

In 1971 the Austin Community Development Corporation undertook a home rehabilitation program based on private funds. The CDC financing system was funded by a $1,000 commitment of funds from seventeen area banks. The monies established a revolving fund, supported by private individual credit amounting to one-tenth of the banks' contributions. The CDC collected loan payments from those residents using the funds on a daily, weekly, biweekly, or monthly basis. This form of collection responded to the way the poor are often paid, and aided the residents in managing their own funds.

The original scheme was designed to pool local retired union craftsmen to instruct minority youth in carpentry, roofing, shingling, dry-wall painting, electrical work, plumbing, and floor covering. The union workers were also to guide skilled workers in contracting out for jobs. Funds for salaries and building expenses were supplied by unions and Urban Renewal.

The program did not last through the early 1970s. Some people felt that this was a result of the social climate at the time; retired union members were not ready to dedicate themselves to working with minority youth and there was little government support for a community-based housing rehabilitation program.

C Occupational Structure of Employed Labor Force in 1970 for East Austin and Austin

	*Study Area**		*Austin*	
	#	%	#	%
Professional and technical workers	153	3.1	23,278	22.7
Managers and administrators	199	4.1	9,579	9.3
Sales workers	220	4.5	7,665	7.5
Clerical workers	563	11.5	24,153	23.5
Craftsmen and foremen	713	14.5	10,301	10.0
Operatives, except transport	348	17.3	4,981	4.9
Transport operatives	206	4.2	2,659	2.6
Laborers	679	13.8	4,171	4.1
Service workers	1,111	22.6	13,584	13.2
Private household workers	218	4.4	2,280	2.2
TOTAL	4,910	100.0	102,651	100.0

Source: U.S. Department of Commerce, Bureau of the Census, *Census of the Population*, 1970.

*Includes Census Tracts 9 and 10.

D Industrial Structure of Employed Labor Force in 1970 for East Austin and Austin

	*Study Area**		*Austin*	
	#	%	#	%
Construction	619	12.6	7,927	7.7
Manufacturing	702	14.3	8,951	8.7
Transportation	58	1.2	1,331	1.3
Communications, utilities, & sanitary services	93	1.9	3,092	3.0
Wholesale trade	115	2.3	2,757	2.7
Finance, insurance, & real estate	77	1.6	6,211	6.1
Business and repair services	187	3.8	3,900	3.8
Personal services	755	15.4	6,572	6.4
Health services	214	4.4	6,740	6.6
Educational services	357	7.3	16,355	15.9
Other professional & related services	187	3.8	7,309	7.1
Public administration	278	5.7	13,050	12.7
Other industries	160	3.3	1,704	1.7
Retail trade	1,108	22.6	16,752	16.3
TOTAL	4,910	100.2	102,651	100.0

Source: U.S. Department of Commerce, Bureau of the Census, *Census of the Population,* 1970.

*Includes Census Tracts 9 and 10.

E Examples of Community-Based Energy Conservation Projects

Anacostia Energy Alliance

Contact: David Cawley
Anacostia Energy Alliance
2027 Martin Luther King Ave.
Washington, D.C. 20020

The Anacostia Energy Alliance is a nonprofit neighborhood-based energy auditing service and a conservation and solar teaching center. Most of the staff are residents of the neighborhood where the Alliance's store-front operation is located. Their services help their neighbors save energy and money and demonstrate the feasibility of solar energy in a low-income urban community. In less than one year they have conducted energy audits of more than two-hundred Anacostia homes. The audits are provided free to Anacostia homeowners, with seed money from the United Planning Organization. Support is also provided by the District of Columbia's Department of Housing and Community Development. In addition to conducting audits, staff members assist homeowners in insulating of their homes.

Crystal City, Texas

Contact: Center for Maximum Potential Building Systems
8604 F.M. 969
Austin, TX 78724

In 1977, this city's natural gas supply was interrupted after a dispute with the supplier, and most of its 8,200 residents had no fuel for cooking or heating. Woodburning stoves were supplied and installed with the help of CETA employees. The community groups continue to work to find integrated solutions to their problems. A solar water heater was designed by the Center for Maximum Potential Building Systems for use in the city.

San Bernadino, California

Contact: Valerie Pope Ludlam
San Bernadino West Side CDC
1736 Highland Ave.
San Bernadino, CA 92411 (714) 887-2546

This case is one of the few energy conservation projects being carried out in low-income neighborhoods which is directed by the community residents. The initial group was composed of several welfare mothers, organized through a community action agency to build solar collectors and install solar heating facilities.

F Methodology for Economic Analysis of the East Austin Neighborhood

Business Activity in the Neighborhood

The first step in the economic analysis involved a determination of the scope of business activity in the East Austin neighborhood. The data for this analysis were obtained from the Austin Criss-Cross Directory. Although this directory is the most comprehensive listing of businesses available, one City of Austin employee has estimated that it fails to include about 20 percent of the businesses in the area. The businesses are categorized according to the Department of Commerce's three-digit Standard Industrial Classifications, and the number of each type of business in the neighborhood was counted. (See Table 11.)

Consumer Buying Power

The estimate of the neighborhood's 1979 consumer buying power within the neighborhood was determined in the following manner. Census tract data for 1970 were used to calculate average family income for the neighborhood. This figure was multiplied by the proper inflator (14.1 percent from the national consumer price index) to reflect 1972 figures, and used to determine family expenditures for various goods and services from the Bureau of Labor Statistics (BLS) Bulletin, *1972-73 Consumer Expenditure Survey*. The average family income figure was used to identify the BLS family characteristics that most closely approximate those of the families in the neighborhood. Then, using the most appropriate chart, estimates of family expenditures for various goods and services were obtained. These estimates were inflated by 55.9 percent to to obtain 1979 estimates of family expenditures. Then the expenditures in each category were multiplied by the number of families in the neighborhood to obtain estimates of the total buying power in the area for each category of good or service (See Table 12).

Retail Sales Volume

Estimates of retail sales volume were calculated from estimates of square footage devoted to various retail categories. Estimates of square footage were obtained from Austin City Planning Department maps depicting property lines. These estimates were multiplied by the median sales volume per square foot figure for neighborhood shopping centers for each category of retail sales. This determined dollar estimates of total available retail trade in the neighborhood. Median sales volume per square foot figures were obtained from the Urban Land Institute's 1978 edition of *Dollars & Cents of Shopping Centers*. (See Table 1 of Chapter 3.)

Table 11

Number of Nonretail Businesses in East Austin

SIC Code	*Short Title*	*Number*
	Agricultural, Forestry and Fishing:	
078	Landscape and horticultural services	1
	Subtotal	1
	Construction:	
152 & 154	General building contractors	7
161 & 162	Heavy construction	3
170	Special trade contractors	18
	Subtotal	28
	Manufacturing:	
201	Meat Products	1
208	Beverages	2
209	Miscellaneous foods (e.g. tortillas)	3
251	Household furniture	1
271	Newspaper printing	1
275	Commercial printing	2
307	Rubber and miscellaneous products	3
311	Leather tanning and finishing	1
325, 327 & 329	Stone, clay and glass products	4
332	Metal forging and stamping	1
342	Cutlery, handtools, and hardware	1
353	Construction and related machinery	1
371	Motor vehicles and equipment	1
399	Miscellaneous manufacturing	4
	Subtotal	26

continued on p. 60

TABLE 11 (continued)

SIC Code	*Short Title*	*Number*
	Transportation, Communication, and Public Utilities:	
401	Railroad	1
411	Local and suburban transit	1
417	Bus terminal and service facilities	1
421	Trucking	4
422	Public warehousing	2
	Subtotal	9
	Wholesale Trade:	
501	Motor vehicle and automotive equipment	3
503	Lumber and construction materials	2
507	Hardware, plumbing and heating equipment	2
508	Machinery equipment and supplies	9
509	Miscellaneous durable goods	5
511	Paper and paper products	2
514	Groceries and related products	13
516	Chemicals and allied products	1
517	Petroleum and petroleum products	7
518	Beer, wine and distilled beverages	4
	Subtotal	48
	Finance, Insurance, and Real Estate:	
641	Insurance agent	1
653	Real estate agents and managers	2
661	Combined real estate, insurance, etc.	1
672	Investment offices	1
	Subtotal	5
	Services:	
701	Hotels and motels	2
721	Laundry, cleaning, and garment services	10
722	Photographic studios	2
723	Beauty shops	5
724	Barber shops	1
726	Funeral services	1
729	Miscellaneous personal services	1
733	Mailing, reproduction, and stenographic	1
739	Miscellaneous business services	1
751	Automotive rentals, without drivers	3
753	Automotive repair shops	16
762	Electrical repair shops	3
764	Reupholstery and furniture repair	4
769	Miscellaneous repair shops	3
799	Miscellaneous amusement and recreational facilities	3
829	Schools and educational services	3
835	Child day care services	3
	Subtotal	62
	TOTAL	179

Source: *Criss-Cross Service Directory* (Lincoln, Neb.: Cole Publications, 1978).

Table 12

Estimates of Buying Power in East Austin for 1979

Expenditure Category	*Average Annual Expenditure for a Family**	*Total Buying Power***
Food at home	$ 1,623	$ 4,750,521
Food away from home (excl. trips)	357	1,044,939
Alchoholic beverages	73	213,671
Tobacco products	170	497,590
Household textiles	52	152,204
Furniture	120	351,240
Floor covering	42	122,934
Major appliances	92	269,284
Small appliances	15	43,905
Housewares	8	23,416
Clothing, total	649	1,899,623
Clothing, male, 2 yrs. & over	170	497,590
Clothing, female, 2 yrs. & over	308	901,516
Clothing, children under 2 yrs.	15	43,905
Dry cleaning, laundry	125	365,875
Materials & service	28	81,956
House furnishings & equipment, total	369	1,080,063
Transportation excl. trips	1,754	5,133,958
Vehicle purchases	735	2,151,345
Vehicle finance charges	93	272,211
Vehicle operations	817	2,391,359

Expenditure Category	*Average Annual Expenditure for a Family**	*Total Buying Power***
Gasoline	389	1,138,603
Other	427	1,250,256
Other transportation	107	313,189
Health care, total	632	1,849,864
Health insurance	266	778,582
Expenses not covered by insurance	365	1,068,355
Personal care	118	345,386
Recreation, total	485	1,419,595
Owned vacation home	4	11,708
Vacation, pleasure trips	170	497,590
Boats, aircraft, etc.	44	128,788
Televisions	68	199,036
Reading materials	46	134,642
Personal insurance & pensions	482	1,410,814
Lodging	21	61,467
TOTAL	$11,239	$32,896,980

*Average family income was calculated from the 1970 *Census of the Population* data; this figure was inflated to reflect 1972 incomes. Then this figure (16,400) was used to obtain expenditure patterns from the BLS *Consumer Expenditure* Survey. Expenditures were inflated to reflect 1979 figures before being placed in this column.

**Based upon a figure of 2,927 families in the East Austin neighborhood for 1979.

G East Austin Commercial Survey

Please neatly circle the appropriate answer for each question:

1. How long have you been in business at this location?	1. 0-1 years 2. 1-3 years 3. 3-5 years 4. Over 5 years
2. Does the owner of this business live in East Austin?	1. Yes 2. No
3. Was this business started by the present owner, or purchased from the previous owner?	1. Started by present owner 2. Purchased from previous owner
4. What type of management exeperience did the owner have before becoming involved in this business? Was it formal management training, learning by experience at a previous business, or was there no previous training?	1. Formal management training 2. Learned by experience 3. No previous training
5. How many people does this business presently employ?	1. 1-5 employees 2. 5-10 employees 3. 10-15 employees 4. 15-20 employees 5. over 20 employees
6. Is there difficulty in obtaining neighborhood people with the skills and/or education to fill available positions in your business?	1. Yes 2. No
7. How many of your employees live in East Austin?	1. All 2. Most 3. About half 4. Few 5. None
8. What is the general procedure of this business in hiring new employees? Do you advertise in the newspaper, use the Texas Employment Commission, place a sign in the window, or find employees by word of mouth?	1. Advertise in newspaper 2. Texas Employment Commission 3. Sign in window 4. Word of mouth 5. Other
9. How long do most employees usually stay with this business? Do they stay six months or less, about a year, several years, or many years?	1. Six months or less 2. About a year 3. Several years 4. Many years
10. Do you feel business activity for this business has been increasing, decreasing, or stable?	1. Increasing 2. Decreasing 3. Stable
11. From what location do customers come to get to this business? Do they come from mainly the immediate neighborhood, from the East Austin area, from all over Austin, or from out of town?	1. From immediate neighborhood 2. From East Austin area 3. From all over Austin 4. From out of town
12. Do you feel most customers can get to this business without much problem?	1. Yes 2. No

13. Do most customers walk, drive, use public transportation, or all of the above to get to this business?
    1. Walk
    2. Drive
    3. Public transportation
    4. All of the above

14. Is there adequate parking for customers of this business?
    1. Yes
    2. No

15. Now we would like you to rate some problems of area business according to the following scale:
    1. Very much a problem
    2. Some problem
    3. Not a problem
    4. Not a problem in this business but may be for other area businesses
    8. Don't know

A. Obtaining loans to start or improve the business	1	2	3	4	8
B. Advertising your products and business	1	2	3	4	8
C. Lack of adequate police protection	1	2	3	4	8
D. Difficulty in obtaining commercial insurance	1	2	3	4	8
E. The high costs of doing business	1	2	3	4	8
F. Hard to "keep up" the building	1	2	3	4	8
G. Poor market location	1	2	3	4	8
H. Unable to compete with larger firms	1	2	3	4	8

16. Have you ever considered moving your business out of East Austin?
    1. Yes
    2. No

17. In reference to question 16, Why or Why not? ______________________________

____

18. Does your business advertise in Spanish, English or both?
    1. Spanish
    2. English
    3. Both
    4. Does not advertise

19. What methods of advertising does this business use? Does it advertise in the newspaper, on television, on the radio, on billboards, or use other methods? (Circle all that apply).
    1. Newspaper
    2. Television
    3. Radio
    4. Billboaords
    5. Other methods
    6. Does not advertise

20. If a neighborhood community group offered to aid your business in developing a more effective advertising program, would you accept it?
    1. Yes
    2. No

21. Do you feel there is a need for the creation of a neighborhood organization to help East Austin business people?
    1. Yes
    2. No

22. If this organization were formed, what services should it provide? (Circle all that apply.)

   1. Aid in obtaining business loans
   2. Aid in obtaining qualified applicants
   3. Aid in managerial training
   4. Aid in making physical improvements to the business buildings
   5. Aid in obtaining better police protection
   6. Aid in obtaining commercial insurance
   7. Other

23. If you thought other services should be provided, what would they be?

____

____

Thank you very much for your time and consideration. Please return this survey in the postage paid-envelope provided.

H Funding Sources for Commercial Development

The best funding strategy may be to link funding from several different sources in order to supply sufficient money for a particular project. The three principal sources of money are government (primarily the federal government), the private sector (foundations, local banks, and savings and loans), and the CDC itself (through the selling of CDC stock to the community and eventually from profitable CDC ventures).

The funding sources listed here are primarily federal. Earlier sections of this report provide information about using banks, savings and loans, and the CDC itself as funding sources.

1. Community Conservation Research, HUD
   Division of Community Conservation Research
   Room 8146
   451 7th Street, S.W.
   Washington, D.C. 20410 (202) 755-7335

This division deals with the process of neighborhood change and the design and testing of intervention techniques which stabilize and preserve neighborhoods. Within its wide range of demonstration and research programs are several programs which relate to commercial revitalization.

2. Office of Neighborhood Development, HUD
   Neighborhood Relations Division
   451 7th Street, S.W.
   Washington, D.C. 20410 (202) 755-7940

This office provides financial and technical assistance to neighborhood-based organizations to increase their capacity to prepare and implement specific housing and neighborhood development projects, which build upon partnerships with local government and the private sector. Some of the organizations which recently received neighborhood development contracts are actively involved with neighborhood commercial revitalization projects. Technical assistance and "how to" manuals are available to neighborhood organizations in program development areas, including commercial revitalization.

3. Community Development Block Grants, HUD
   451 7th street, S.W.
   Washington, D.C. 20410 (202) 755-6587

This division allocates funds to local governments to support a wide range of community development activities. Priorities are determined by the localities. Grants can be made available to neighborhood-based nonprofit groups and local development corporations. Economic development and commercial revitalization projects are eligible activities under this program.

4. Neighborhood Self-Help Development Program, HUD
   Neighborhood Relations Division, Office of Neighborhood Development
   451 7th Street, S.W.
   Washington, D.C. 20410 (202) 755-7940

This program provides grants and other forms of assistance to qualified neighborhood organizations to prepare and implement specific housing, economic, and community development, and other appropriate neighborhood conservation and revitalization projects in low- and moderate-income neighborhoods.

5. Special Projects Program
   Economic Development Administration, DOC
   Washington, D.C. 20230 (202) 377-5751

This program provides direct funding and technical assistance to community-based, nonprofit organizations engaged in a variety of employment- and income-generating economic development activities. Financial assistance is used to: (1) provide grants to pay staff and administrative costs of economic development activities; (2) pay the construction or renovation costs of facilities owned or managed by community groups; or (3) provide loans or loan guarantees to businesses which seek to develop projects intended to create employment opportunities for area residents.

A program administered by this office that is of special interest is the Technical Assistance Program, (202) 377-4115. This program furnishes services and grants to assist in the economic development planning of nonprofit organizations, individuals, and state and local governments. Planning assistance may include resource surveys, feasibility studies, design plans, management and operations consultation, and the identification and planning of specific economic development projects. It is not limited to specially designated areas as are most Economic Development Administration programs.

6. Neighborhood Housing Services Programs
   National Neighborhood Reinvestment Corporation
   1120 19th Street, N.W.
   Washington, D.C. 20036 (202) 634-1907

This private program is designed to reverse neighborhood decline by prompting reinvestment in neighborhoods. Each NHS has a working partnership of neighborhood residents and representatives of local financial institutions and local government. Programs have been developed in ninety-three neighborhoods across the country.

7. National Center for Urban Ethnic Affairs
   1521 16th Street, N.W.
   Washington, D.C. 20036 (202) 232-3600

The NCUEA can assist in the formation and reactivation of merchant associations and other neighborhood-based organizations involved in commercial revitalization. It also assists neighborhood groups in developing frameworks for working partnerships necessary for comprehensive revitalization planning.

8. National Development Council
   1025 Connecticut Ave., N.W.
   Washington, D.C. 20036 (202) 466-3906

The NDC provides technical assistance and training to public officials and neighborhood groups in the following areas: loan packaging, the coordination of federal resources and local government programs, and commercial revitalization planning.

9. National Economic Development Association
   1730 M St., N.W. Suite 707
   Washington, D.C. 20036 (202) 296-7000

The NEDA operates twenty offices in communities across the country. Each of the field offices provides assistance to commercial revitalization programs at the local level. The NEDA offices offer assistance in the following areas: loan packaging, planning, and feasibility studies. In some cities, NEDA staffs have helped neighborhood groups form local development corporations and package loans for individual merchants.

I Determination of Annual Gross Income

Sources of Funds and Amounts Comprising an Applicant's Income

An applicant's gross income is established on an annual basis, at the time of applying for a rehabilitation loan, and includes:

1. The applicant's earnings.
2. Spouse's earnings and earnings of all other members of the family who share the household, if the employment of the spouse or other family member is a definite characteristic of family life. If an adult family member has lived with the applicant for one year or more, all income of that member will be considered as part of the applicant's income. If the adult family member has lived with the applicant less than one year, only 15 percent of his/her gross income will be included with the applicant's income.
3. Other income regularly received by the applicant or his/her family from any source. For example: interest and dividends, Social Security, insurance policies, annuities, retirement funds, and pensions.
4. Net income from real estate, other than the property to be rehabilitated, and any other net business income.

Exclusions and Adjustments to Applicant's Income

1. For purposes of establishing the amount of the applicant's income, there shall be excluded any income of a dependent child as defined by the United State Internal Revenue Service.
2. In the case of elderly applicants over sixty-five years of age, where one spouse is confined to a nursing home, nursing home expenses will be excluded from the applicant's income.

J Uniform Relocation and Real Property Acquisition Policies Act of 1970

Uniform Relocation Act, U.S.P.L. 91-646: Title 42, §§ 3307, 4601, 4602, 4621-4638, 4651-4655; and Title 49, §§ 1606. The purpose of the assistance program was to establish a uniform policy for the fair and equitable treatment of persons displaced as a result of federal and federally assisted programs, so that such persons should not suffer disproportionate injuries as a result of programs designed for the benefit of the public as a whole. The assistance program was designed to ensure that persons displaced by government programs would have access to decent, safe, and sanitary housing in areas generally similar in quality to the location of the former residence, and reasonably accessible to the displacee's place of employment.

For the purposes of this Act, a "displaced person" means any person who moves from real property, or moves his/her personal property from real property as a result of any of the following actions: the acquisition of the property, or a written order of the acquiring agency to vacate the property, for a program undertaken by a federal agency, or with federal assistance. Exceptions to this definition are persons who are required to relocate due to federal acquisition of housing in connection with Title 12, Section 1701 of the National Housing Act; tenants of low-rent public housing projects where the projects are closed down and vacant buildings demolished; persons displaced in federally assisted projects of private entities; persons displaced by the sale of land to a private developer; and persons displaced by locally financed urban renewal programs.

Under the provisions of the Act, the federal agency undertaking the project makes a payment to any displaced person upon proper application by that person for actual reasonable expenses in moving him/her, his/her family, business, farm operation, or other personal property. In addition, the Act allows the federal agency to make an additional payment not in excess of $15,000 to any displaced person who owned and occupied his/her house for not less than 180 days prior to the initiation of negotiations for the acquisition of the property. This additional payment may consist of: (1) the amount over the acquisition cost of the former dwelling which equals the reasonable cost of a comparable replacement dwelling; (2) the amount which will compensate a displaced person for any increased interest costs the person is required to pay for financing the replacement dwelling; and (3) reasonable expenses incurred in closing the sale of the replacement dwelling. These additional payments will be made only to those displaced persons who purchase and occupy a replacement dwelling within a one-year period beginning on the date on which he/she moves from the acquired dwelling or receives final payment of all acquisition costs.

The federal agency may insure any mortgage (including advances during construction) executed by a displaced person on a comparable replacement dwelling. The federal program or federally assisted program cannot proceed if comparable replacement housing is not available. Also, any state or local government agency which displaces persons through acquisition of property, in connection with a federally assisted program, must comply with all requirements of assistance to displaced persons established in this Act.

Relocation will also be paid to displaced tenants who occupied the dwelling at least ninety days prior to acquisition. Such payments shall be either

1. the amount necessary to enable a displaced person to lease or rent, for a period not to exceed four years, a decent, safe, and sanitary dwelling of standards adequate to accommodate such persons in areas not generally less desirable in regard to public utilities and public and commercial facilities, and reasonably accessible to his place of employment, but not to exceed $4,000; or

2. the amount necessary to enable a person to make a down payment on the purchase of a decent, safe, and sanitary dwelling of standards adequate to accommodate such person in areas not generally less desirable in regard to public utilities and public and commercial facilities, but not to exceed $4,000, except that if an amount exceeds $2,000, a person must equally match any amount in excess of $2,000 in making the down payment.

Payments received under the provisions of this Act shall not be considered as income for purposes of federal income taxes or Social Security taxes or benefits.

ISBN 0-89940-644-0