

# *the economy of the urban ethnic enclave*



A study sponsored by the Tomás Rivera Center

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

97





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A report by the Policy Research Project on  
The Economy of the Urban Ethnic Enclave  
The University of Texas at Austin  
1991

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## **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 a government agency. This "client orientation" brings the students face to face with administrators, legislators, and other officials active in the policy process, and demonstrates that research in a policy environment demands special talents. It also illuminates the occasional difficulties of relating research findings to the world of political realities.

The Tomás Rivera Center is a national institute for policy studies whose mission is to improve the development of public policies and programs affecting the Mexican-origin and greater Latino population of the United States. Since its inception in 1985 in Claremont, California, under the direction of its president, Dr. Arturo Madrid, the center has been principally concerned with those issues that affect the educational, economic, and social status of Hispanics in American Society. The Texas office, under the direction of Dr. Ricardo Romo, has focused on Texas by organizing seminars, compiling and distributing information, and promoting discussion of vital issues addressed by this policy research project (PRP), *The Economy of the Urban Ethnic Enclave*.

In the Spring of 1989, the Tomás Rivera Center, with the support of the Rockefeller Foundation, provided funding for the PRP on the Economy of the Urban Ethnic Enclave. Under the direction of Professor Jorge Chapa from the LBJ School of Public Affairs and Professor Gilberto Cardenas from the Sociology Department, the PRP strived to determine the correlates of the economic prospects for urban enclaves of the city of San Antonio. In addition to Dr. Romo, Leo Gomez and Belinda De La Rosa from the Tomás Rivera Center have been instrumental in the completion of this PRP.

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

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

Max Sherman  
Dean





## Preface

Small businesses have traditionally been a strong part of the city of San Antonio's economy. In 1988, 29,000 small businesses, those with fewer than 100 employees, were located in Bexar County.<sup>1</sup> Nationally, small businesses generate over 48 percent of all new jobs. Moreover, they are more likely than larger firms to employ less skilled and less experienced workers. Although over 60 percent of San Antonio's population is African-American or Mexican-American, these groups account for only 25 percent of all business ownerships.<sup>2</sup> Moreover, over one-third of these minority-owned businesses have only one employee. Finally, less than 10 percent of San Antonio's sales volume is from minority-owned businesses. Any comprehensive economic development plan undertaken by San Antonio must focus on small businesses. Moreover, emphasis on minority-owned businesses must occur because the potential economic development of this area has been underutilized. Developing these types of businesses will increase both employment and the tax base, two priorities of any economic development plan.

Several researchers have suggested that the immigrant groups that have the greatest degree of economic mobility and success are those that have formed ethnic economic enclaves. Jews, Japanese, Koreans, and Cubans are often mentioned as groups that have used enclaves as a means of economic mobility. Enclave economies consist of small businesses owned and managed by ethnic immigrants as well as by nonimmigrant ethnic groups. The conceptualizations of ethnic economy has more recently gone beyond ethnic ownership and management and may also include operations that are nonethnically controlled but that have all other characteristics normally associated with ethnic establishments such as principal product, labor force, clientele, major competitors, and location that is dominantly ethnic. Characteristic of these enclave businesses is that they tend to hire members of the dominant ethnic group at all job levels.

The Economy of the Urban Ethnic Enclave PRP studied characteristics of businesses within selected commercial districts in predominantly Mexican-American neighborhoods and the nature of their links with the larger economies of San Antonio, the region, and the nation. The PRP also investigated Mexican immigration and the effects of the establishment of enterprise zones to the economy of the Mexican-American enclave in San Antonio. The PRP designed and implemented a detailed survey of the businesses in the Mexican-American enclave of San Antonio known as the West Side. In addition, other methodologies such as participant observation and interviews with city officials, members of the media, and community leaders were also used. This research provides an empirical data base that allows future measurement and assessment of crucial indicators of the economic status of the ethnic enclave, including rates of demographic change, industrialization, home ownership, occupational mobility, unemployment, poverty, underclass formation, and informal economic activity. This information is vitally needed in the formation of public policy that will greatly affect this enclave as well as all the residents of the city of San Antonio.



## **Chapter 1. Business Survey**

A business survey of San Antonio's West Side was carried out in the spring of 1990 as a key part of the Policy Research Project, *The Economy of the Urban Ethnic Enclave*. This survey was conducted to determine the condition of minority and disadvantaged firms in the area -- which has long been characterized by poverty and great economic hardship -- and to ascertain how much the city government and other organizations have assisted economic development in the area. This chapter will briefly provide an overview of the survey and highlight some of the basic findings.

Although the survey of business firms was conducted primarily in the West Side, the survey also included a small number of firms from a contiguous portion of the South Side (a predominantly Mexican-American neighborhood). The West Side includes a number of housing projects, the Union Stock Yards, Our Lady of the Lake University, the San Antonio Produce Market and is criss-crossed by a handful of teeming commercial streets (appendix A). The West Side is home to some 155,000 people, approximately 90 percent of whom are Hispanic. The standard of living there is well below the rest of San Antonio and Bexar County, as evidenced by a doubled poverty rate as well as substantially lower household income levels and home values. The economic growth experienced in San Antonio during the 1980s was centered in northern areas of the city, and as such, largely skipped the West Side. It is hoped that the survey results and subsequent reports will help provide a basis for enlightened policy proposals and initiatives leading to a more successful future for both West Side residents and the city.

### **ETHNIC ENCLAVES**

Until recently, little research had been done on Mexican-American business communities. However, a rich literature on ethnic business communities in general has emerged over the past two decades. Gradually, a model of an ethnic enclave economy has evolved based on the experiences of numerous ethnic and immigrant groups in establishing their own businesses. One of the most influential ethnic enclave economy models was developed by Alejandro Portes and his associates. This model is especially relevant to this study because it is the only one based on the experiences of a particular Latino community in the United States, specifically the Cuban-American community in Miami. Portes and his associates present a particularly optimistic elaboration of the ethnic enclave economy. They stress occupational mobility, as well as overall ethnic economic integration and diversity on levels comparable to the primary sector of the larger economy.

The authors take issue with the generalizability of this model on a number of grounds. First and foremost, the generalizability of the Cuban immigrant experience is limited by a number of factors, primary among them being the prominent role played by beneficial U.S. government policy toward Cuban exiles. In addition, Miami has been a financial center for Latin American investment and trade (a process in which the Miami Cuban community has played a leading role). Such factors bear so heavily on the formation and evolution of the Cuban enclave economy as to render the Cuban case atypical of U.S.-based ethnic enclaves. The Portes model is overly oriented toward internal dynamics and fails to consider the fact that the Cuban enclave is integrated into the surrounding larger economy on favorable terms, while many other ethnic and racial business

communities are integrated on less favorable or negative terms. In contrast, the authors' understanding of ethnic enclave economy, while acknowledging the importance of internal dynamics in the creation of a viable enclave economy, also includes the dimension of linkage to the larger economy.

On the basis of the authors' critique of the Portes model of ethnic economies, they propose the following characteristics as being germane to the study of the Mexican- American ethnic enclave economy. First, in general terms, an ethnic enclave is a specific residential-business area where the majority of the merchants and residents are ethnically similar. The ethnic economy is the sum of all economic activity in an ethnically specific territory. Further, numerous measurable factors are of specific importance in characterizing ethnic enclave business activity. The descriptive variables used in this study include:

- ethnicity of the owner, proprietor and/or manager,
- ethnicity of employees,
- ethnicity of clientele,
- ethnicity of other businesses in the area and of major competitors,
- product/ethnic service orientation,
- language(s) used in business transactions,
- profitability as being linked to the immediate area,
- owners/managers born in a foreign country,
- owners/managers and employees living in the immediate area,
- owners who obtain their business from family members who previously owned it,
- owners/managers who assist former employees in starting their own small business,
- firms employing foreign-born workers,
- business service networking among ethnically similar businesses.

It is not necessary for a business community to include all of the criteria listed above in order to be considered an ethnic enclave economy. Rather, a community may be considered as such if the ethnicity or location being studied meets most of the above criteria -- particularly those on the upper half of the list. The West Side clearly fits this characterization of ethnic enclave economy, as shall be shown.

## METHODOLOGY AND COVERAGE

For the purposes of this survey, business was defined as any private or government establishment offering services to the public -- ranging from a large corporation to a small firm run out of a residence. However, schools and post offices were not included. On the basis of that definition, 1,588 businesses were located in the survey area. This number was specifically determined by employing the city crisscross directory of major streets and on-site inspection of side streets. On the basis of on-site inspections, it was estimated that some 20 percent (318) of these businesses were no longer operating or improperly listed. This reduced the total number of available firms to 1,270. Of these 1,270 businesses, 591 (47 percent) were contacted. Final completed interviews were obtained for 314 (53 percent) of all firms contacted. In addition, interviewers noted at least some basic information (e.g., business physical appearance and clientele) on the remaining 277 noncomplete respondents. Two reasons stand out for those 277 incomplete interviews: in 51 percent (141) of those cases the owner or manager was unavailable and there was a 39 percent (108) refusal rate.

Thus, the survey response rate was 53 percent (314/591), 47 percent of all businesses in the area were contacted, and 25 percent (314/1270) of the businesses completed interviews. Such high response and overall completed interview rates are especially significant given the length of the survey, which contained 84 items and took approximately 40 minutes to complete. The survey was carried out in face-to-face interviews by bilingual students. The survey was available in both English and Spanish, and the respondent determined which language was used.

The questionnaire was designed to elicit information concerning business history characteristics, including operations and procedures such as ownership, gross sales, principal product or service, clientele, multiplier effects, and enclave ethnicity. A battery of questions also solicited information about the contact or impact of city and other public agency programs and initiatives including program participation and perceptions concerning the business environment. Further questions were asked to ascertain the interaction between firms and financial institutions, advertising, labor force relations, the impact of immigration, and the ideologies of firm operators.

The broad coverage noted above adds credibility to the report's analysis of the data and reduces potential sample biases. Testing for potential bias in the sample population was conducted by comparing basic business characteristics (e.g., location; business type; ethnicity of owner, employees, and clientele; size; language spoken; etc.) of three survey population groups: the sample population (completed interviews), the contacted population (noncomplete interviews), and the entire contacted population (completed and noncompleted interviews). Comparisons for 17 variables showed few biases.

However, one significant bias did stand out. Firms which appeared to conduct business entirely in English had a much higher noncompleted interview/refusal rate (60 percent) than bilingual firms (35 percent) or Spanish language businesses (52 percent). In contrast, there was no similar variable bias concerning either the language(s) used on the business signs or the probable ethnic origin of the owner variable. Thus, English dominant firms may be underrepresented in the survey sample, due to noncooperation, but Anglo-owned firms are not. However, only very minimal or no bias existed for the other 16 business characteristics tested. Therefore, the survey sample appears to be representative of the West Side business community as a whole, given that over 45 percent of all firms were contacted and only one internal bias was found.

### **Characteristics of the Survey Sample Population**

Business characteristics included the individual respondent's role in the business, the business type, business age, gross receipts, number of employees, as well as respondent ethnicity, age, gender, education, and place of birth. In general, West Side businesses were found to be small, service-sector oriented, relatively young, and Mexican-American owned. Respondents tended to be Mexican-American, male, middle-aged, owners, U.S.-born, and high-school graduates or less educated.

The survey was administered primarily to business owners and managers. Of the 309 completed surveys analyzed (five arrived too late to be included in the analysis), the owners were interviewed 64 percent of the time, managers were interviewed 27 percent of the time, and other people (usually a member of the owner's family) answered the survey 9 percent of the time. Thus, the survey results represent a variety of structural perspectives from within the businesses.



The distribution of business types found among the West Side businesses contacted in the survey process clearly illustrates a heavy concentration in the least profitable service sector areas of the economy. Fully 81.3 percent of the businesses contacted were from retail trade (53.7 percent), repair service (15.2 percent), personnel service (7.8 percent), and entertainment (4.6 percent) sectors. Meanwhile, the more lucrative economic categories account for just 13.3 percent of the businesses, with just 3.8 percent in manufacturing and 9.5 percent in the more profitable services, including finance, communications, transportation, business services, insurance, real estate, professional services, and public administration (table 1).

**Table 1. Type of Business (Industrial Categories)**

<u>Category</u>	<u>Frequency</u>	<u>Percent</u>
Manufacturing (Durable and Nondurable)	24	3.8
Wholesale Trade	26	4.1
Retail Trade	342	53.7
Finance, Insurance, & Real Estate	17	2.7
Repair Services	97	15.2
Personnel Services	50	7.8
Entertainment & Recreation	29	4.6
Professional Services	28	4.4
Other	<u>24</u>	<u>3.7</u>
Total	637	100.0

In addition to being concentrated in the less profitable service sectors of the economy, West Side businesses tend to be small in terms of gross receipts. For example, of the 200 respondents who identified the range of their 1989 business receipts, over 50 percent grossed less than \$45,000, and the median gross receipts were just \$40,335. Further, nearly one-third of the firms surveyed reported grosses of less than \$15,000 (table 2).

Interestingly, a significant relationship was found between gross receipts and business type. For example, over 70 percent of the firms within each of the three largest business categories (i.e., retail trade, repair services, and personnel services) gross less than \$100,000 per year. Further, among the firms earning less than \$100,000 annually in those three largest business categories, well over one-half (from 52 to 80 percent) grossed less than \$30,000 per year.

**Table 2. Reported Gross Receipts for 1989**

<u>Amount</u>	<u>Frequency</u>	<u>Percent</u>	<u>Cumulative Percent</u>
< 15,000	61	30.5	30.5
15,000 - 30,000	26	13.0	43.5
30,000 - 45,000	18	8.9	52.4
45,000 - 60,000	18	8.9	61.3
60,000 - 75,000	10	5.0	66.3
75,000 - 100,000	7	3.5	69.8
100,000 - 250,000	28	14.1	83.9
250,000 - 500,000	10	5.1	89.0
500,000 - 750,000	5	2.5	91.5
750,000 - 1 million	7	3.5	95.0
+ 1 million	<u>10</u>	<u>5.0</u>	100.0
	200	100.0	

West Side businesses tend to employ few persons. Three-quarters of those businesses surveyed (n=491), employed three or fewer employees, while only 11.8 percent employed more than five people. The median number of employees was 1.6 (table 3).

**Table 3. Reported Number of Employees**

<u>No. of employees</u>	<u>Frequency</u>	<u>Percent</u>	<u>Cumulative Percent</u>
0	37	7.5	7.5
1	139	28.3	35.8
2	122	24.8	60.6
3	74	15.1	75.7
4	44	9.0	84.7
5	17	3.5	88.2
6	17	3.5	91.7
7	7	1.4	93.1
8	6	1.2	94.3
9	1	0.2	94.5
10	2	0.4	94.9
10+	<u>25</u>	<u>5.1</u>	100.0
Total	491	100.0	

Note: Unpaid family members were not counted as employees. Thus, the overall labor used by West Side firms is somewhat understated in the above employment figures.

The median age of businesses on the West Side was 12.8 years, although the results were somewhat polarized. Over 44 percent of the respondents' businesses were ten years old or less, while 31.9 percent were over 20 years old. However, firms that were less lucrative and less "professional" types of businesses -- such as retail trade, repair services, personnel services, and entertainment -- were, in general, the least likely to have survived more than 10 years.

The age range of the respondents themselves was fairly evenly distributed, with the largest proportion of them falling between 36-45 years old. The median respondent age was 42.3 years. Further, the respondents tended to be male (72 percent) and the majority (56 percent) had a high-school education or less.

Respondent ethnicity tended to be overwhelmingly of Mexican heritage (self-identified). In conjunction, 74 percent of the respondents were born in the U.S., while 23 percent were born in Mexico. Based on the above, it is possible to outline a summary composite of the "typical" respondent and business (table 4).

**Table 4. Summary Characteristics of the Typical Respondent and Business**

Respondent:	Median Age	42.3 years
	Sex	Male
	Ethnicity	Mexican-American
	Education	High School Graduate
	Position	Owner
	Place of Birth	United States
Business:	Median Gross Receipts	\$40,335
	Median Business Age	12.8 years
	Type	Retail Trade

### **General Findings**

The picture which emerges is one of a complex and unique urban ethnic enclave economy, which is in many ways quite distinct from other previously studied ethnic enclave economies (e.g., Cuban-Americans in Miami, Japanese-Americans and Korean-Americans in California, etc.). This survey has helped outline the essential characteristics and distinctive nature of the Mexican-American enclave economy.

Mexican-American employees made up from 75 to 100 percent of the employees in 78.4 percent of the businesses, while both Mexican national and Anglo employees accounted for less than one-quarter of the employees in over 90 percent of the businesses. Additionally, 59 percent of the respondents reported that most of their firm's employees were West Side community residents, suggesting a high degree of linkage between work and residence.

Both English and Spanish were spoken in just over one-half of the businesses, while only English was spoken in one-third of the businesses and only Spanish was spoken in less than 15

percent of the businesses. Ethnicity was a prominent factor in terms of West Side firms' clientele. Of the businesses surveyed some 72 percent of the clientele was of Mexican heritage (table 5).

**Table 5. Ethnicity of Clientele**

<u>Ethnicity</u>	<u>Frequency</u>	<u>Percent</u>
Mexican-American	201	70.1
Mexican National	5	1.8
Anglo	4	1.5
Other	1	0.4
Mixed	40	14.0
Unknown	<u>35</u>	<u>12.2</u>
Total	286	100.0

Business ethnicity proved to be highly significant when compared with business size. Mexican-American-owned firms were overwhelmingly smaller, while, inversely, Anglo-owned businesses were mostly large (table 6).

**Table 6. Business Size Distribution by Ethnicity**

<u>Ethnicity</u>	<u>Percent of Firms &lt; \$100,000</u>	<u>Percent of Firms &gt; \$100,000</u>
Mexican-American	77.4	22.6
Anglo	30.4	69.6

Further evidence of this ethnic economic polarization was found in the fact that 65.3 percent of all Mexican-American businesses grossed less than \$30,000, while no Anglo businesses fell into this category. Meanwhile, at the other extreme, six of the nine firms claiming gross receipts over \$1 million were Anglo businesses, while only two Mexican-American firms fell into this category. Thus, a strong relationship exists between income generation and ethnicity.

Ethnicity also was strongly related to business type, as Anglos and Mexican-Americans were concentrated in different business categories.

**Table 7. Top Five Business Types by Ethnicity**

<u>Anglo</u>		<u>Mexican American</u>	
Retail Trade	30%	Retail Trade	54%
Repair Services	26%	Repair Services	18%
Wholesale Trade	11%	Personnel Service	9%
Manufacturing, Durable	7%	Entertainment	4%
Finance	7%	Manufacturing, Nondurable	3%

Anglo businesses are more likely to operate in high-income fields (e.g., wholesale trade and finance), while Mexican-American businesses are more likely to operate lower-income-generating businesses (e.g., personnel service and entertainment). Nonetheless, both were concentrated in retail trade and repair services, but Mexican-Americans were much more so (table 7).

West Side businesses appear to have few market linkages to the rest of the San Antonio economy, as internal market self-sufficiency was dominant. Some 65 percent of the respondents reported that neighborhood residents and businesses were their most frequent customers. Moreover, 41 percent of the West Side business owners felt they were very dependent on neighborhood income, and 35 percent felt they were at least somewhat dependent on neighborhood earnings. Further internal focus is evidenced by the fact that the majority of business respondents viewed other West Side businesses as their primary competition.

West Side business linkages to formal financial institutions also appear to be minimal. In terms of start-up capital, over 59 percent of the respondents reported that they used personal savings; 12 percent received funds from their families or friends; 8.5 percent used funds from commercial lenders; and 1.3 percent found access to government funds.

Analysis of commercial loan practices found only one-half of the respondents had ever applied for a loan, although of those who had, some 75 percent received a loan. Numerous cross-tab analyses revealed that very few business characteristics significantly affected whether or not a business received a loan, with a few exceptions. Business size (in terms of gross receipts) was found to be significantly related, i.e., larger firms were more likely (82 percent) to receive loans if they applied, than smaller ones (72 percent). Further, the relationship between ethnicity and loan receipt was strong, as 94 percent of all Anglos who applied for loans were granted them, in contrast to a 72 percent success rate for Mexican-Americans who applied. Despite high loan receipt rates for those who apply, it is paramount to keep in mind that one-half of all West Side firms have never applied for a loan. Therefore, an important task remains in seeking out explanations and potential remedies for this weak linkage with commercial lenders.

Further lack of institutional linkages was found in the fact that most businesses had not contacted a Chamber of Commerce or any government agencies providing business assistance to local businessmen (table 8). These results held for each ethnicity.

**Table 8. Organizations Contacted for Assistance**

<u>Organization</u>	<u>Percent Yes</u>
San Antonio Chamber of Commerce	13.8
Hispanic Chamber of Commerce	9.3
Small Business Administration	19.9
Texas Department of Commerce	6.3
University of Texas - S. A. Business School	5.5
San Antonio Small Business Advocacy Program	4.5
Department of Employment and Economic Development	6.6
One-Stop Business Shop	4.9

Of the assistance programs listed above, few of them have had any contact with West Side businesses. Informal observations indicated that most West Side business people surveyed were unaware of resources and services available in San Antonio. There appears to be a serious lapse in city program outreach to the largely minority-owned, low-income small businesses that predominate on the West Side. For example, despite the availability of technical assistance to increase minority business utilization in the awarding of city contracts, 92 percent of West Side Mexican-American-owned firms surveyed had not placed any bids for city work. Moreover, three city-initiated programs to assist and facilitate West Side growth are largely unknown or unused by the West Side business community (specifically, the West Side Enterprise Zone, Target 90, and West Side Si).

Furthermore, the city has a mixed track record with West Side business people including the provision of basic city services. A large portion of the Mexican-American respondents (42 percent) felt the city was not very helpful in providing basic services such as roads, sewer, lighting, etc. This negative sentiment was much more widely expressed by the total respondent population with regard to more substantive city services for businesses. Over 70 percent of the respondents found the city not very helpful in obtaining loans and other funding, while over 60 percent found the city not very helpful in providing technical assistance. Notably, these latter services are the type for which the capital-poor, under-educated West Side business community exhibits the greatest need. Thus, the overwhelmingly Mexican-American West Side business community appears to be largely self-reliant in terms of markets, financing, and assistance.

Numerous relationships exist within the West Side, such as those mentioned above, including the extensive reliance on internal community labor, income, and markets, as well as strong self-reliance for finance and assistance. These relationships are core reasons why the West Side remains a vital ethnic enclave economy, rather than a blighted, stagnant urban poverty zone devoid of formal economic activity and associated with secondary labor markets. Numerous other relationships exist as well, which help maintain the West Side as a vibrant ethnic enclave economy.

One important indicator of both the degree of self-containment of the ethnic economic enclave as well as external linkages to the greater urban economy are multiplier effects, or the economic ripples that go on throughout the economic community as money circulates back and forth among businesses, consumers, owners, and labor within and outside the community. Previous discussion suggested a high degree of money circulating between West Side owners, workers, and consumers, as the latter two categories overlap to some extent. In addition, some of the most measurable evidence of economic ripple effects in the West Side is manifest in the number and type of business services that neighborhood businesses employ. West Side firms' use of business services appears to be quite varied, yet they appear to make the greatest use of those which are more commonly thought of as "professional" services (e.g., accounting, insurance) than the more manual, yet skilled "blue-collar" services (e.g., maintenance, contracting), though this tendency is far from decisive (table 9).

**Table 9. Types of Business Services Used by West Side Businesses**

<u>Type</u>	<u>Percentage</u>
Accounting	71.9
Insurance	63.9
Wholesaling	61.4
Printing	54.4
Repair	46.0
Legal	38.8
Maintenance	25.9
Transportation	20.8
Contracting	14.9

Of particular importance to this study was the geographic location (i.e., West Side versus non-West Side) of the business service providers and the ethnicity of the service providers. In this regard, the West Side economic multiplier effects appear to have both an internal and external impact. For example, the location and type of services tend to be clustered around two poles. In general, the more highly used, lucrative "professional" services tend to be provided by non-West Side firms. Meanwhile, the less frequently used, "blue-collar" services tend to be provided by firms from the West Side (table 10).

**Table 10. Location of Service Provider**

<u>Service</u>	<u>Percent West Side</u>	<u>Percent Non-West Side</u>	<u>Percent Both</u>
Accounting	32.8	66.2	0.6
Legal	19.5	78.8	0.9
Insurance	22.8	75.0	1.7
Transportation	48.3	39.7	10.3
Contracting	54.3	26.1	17.4
Wholesaling	29.2	45.5	25.3
Repair	52.7	27.1	19.4
Maintenance	57.0	25.3	16.5
Printing	53.8	41.7	3.8

Such data indicate that a significant portion of business inputs come from outside the West Side economy (i.e., the presence of backward linkages to the greater San Antonio economy), especially among such heavily used services as accounting, insurance, wholesaling, and printing. Thus, by no means is all West Side money circulation purely internal; significant amounts leave the West Side to purchase key business services.

While economic ripple effects of West Side businesses are felt outside the enclave, most often those ripples are between different ethnic groups. The ethnicity of business service providers is another key consideration for measuring the extent of an ethnic economic enclave. In this regard, the West Side more clearly resembles a model ethnic enclave, as Hispanics provide a



(usually large) majority of all but two business services. Hispanic concentration is particularly great in the more "blue-collar" services, although the accounting category provides a striking contrast to this trend (table 11).

**Table 11. Ethnicity of Service Provider**

<u>Service</u>	<u>Percent Hispanic</u>	<u>Percent Black</u>	<u>Percent Other</u>	<u>Percent Anglo</u>
Accounting	67.8	28.7	0.0	2.6
Legal	51.4	44.8	1.0	2.9
Insurance	37.2	56.7	1.8	4.3
Transportation	64.0	32.0	0.0	4.0
Contracting	75.6	17.1	2.4	2.4
Wholesaling	42.0	46.3	1.2	10.5
Repair	73.9	18.5	1.7	5.9
Maintenance	80.3	14.1	1.4	4.2
Printing	67.7	27.3	0.0	4.3

Two exceptions stand out -- insurance and wholesaling -- both of which are widely used, tend not to be located on the West Side, and are lucrative or of strategic importance to the maintenance and development of the West Side economy, or both. Thus, despite strong numerical support for Hispanic domination among business service providers, crucial relations exist with more Anglo dominated (mostly non-West Side) services. Once again, the data suggests that the West Side is not an entirely self-contained enclave economy, lacking in articulation with the greater San Antonio economy.

Further evidence of the West Side's articulation with the larger San Antonio economy is found in the fact that West Side residents provide labor to firms, institutions, and homes throughout the city. Thus, while the West Side business community has a high degree of internal reliance, cohesion, and articulation in a variety of areas, it is nonetheless linked to the greater San Antonio economy through the labor market.

The survey attempted to evaluate labor-owner relations on the West Side among Mexican-American businesses by comparing them to Anglo firms on the West Side. The reports from Mexican-American owners and managers indicate that they provide employees better opportunities in three areas: promotion, interesting work, and assistance to former employees who start their own businesses. However, the responses from Anglo business people show that they provide employees better conditions in four categories: pay, job stability, training opportunities, and fringe benefits. In addition, both types of firms were approximately equal in three areas: work hours, supervision, and working conditions. Overall, the Anglo firms had slightly better labor relations than the Mexican-American firms. However, the degree of difference was not great in most categories.

Mexican-American firms resemble ethnic economic enclaves in some areas and secondary labor market firms in other areas. The large disparity in financial resources between Mexican-American firms does much to explain these mixed results. For example, 60 percent of the Anglo

firms grossed more than \$100,000 per year, while 61 percent of Mexican-American firms earned less than \$45,000 annually (and 38 percent less than \$15,000).

Thus, enclave theories emphasizing the importance of ethnic solidarity offer the most plausible explanations for the relatively high levels of benefits Mexican-American firms offer their employees. The survey found significant indicators of such ethnic solidarity in that Mexican-American business people were more likely to be ethnically loyal in their hiring practices, and they felt a stronger obligation to the West Side community. For instance, 89 percent of the Mexican-American respondents reported a desire "to serve the needs of the community," and over 80 percent responded that they opened their businesses, at least in part, "to employ residents of the West Side."

The relationship between the business community and the consumer is an important indicator of the success and prosperity of a community and another aspect of an ethnic economic enclave. Earlier, it was noted that West Side businesses are largely focused on internal markets and Mexican-American clientele and that 16.2 percent of the firms offered principally ethnic-oriented goods and services. Significant market differences were found among this latter category, as 76 percent of the ethnic-product businesses relied on the neighborhood for the majority of their customers, while just 57 percent of the nonethnic-oriented businesses were as reliant on the neighborhood market. Still, the survey found that 98.7 percent of the West Side business persons responding said that their business did not specifically target the Mexican-American community. Some two-thirds of the respondents said that they provided a needed product when they began their business, one-half of which are targeted just to the West Side market. Personnel services, professional services, retail trade, entertainment, and repair services were the most likely types of businesses to provide needed goods and services to the West Side community.

The survey also measured the economic and political affiliation of West Side business owners and managers on the basis of their economic actions and political attitudes. It was found that the West Side does not fully fit the ethnic enclave model, possibly indicating a lack of the economic attitudes found in more classically defined (and more economically successful) ethnic economic enclaves, such as the Cuban community in Miami. In accordance with the enclave model, West Side businesses evidenced strong reliance on internal, noninstitutional sources for start-up capital, and they showed significant diversification in the sense that only a small minority promoted mainly ethnic-oriented goods and services. However, West Side business behavior diverged from the ethnic enclave model in that occupational mobility was largely lacking and in that Mexican-American business people almost entirely failed to participate in business-related ethnic organizations. Thus, on the basis of these actions, economic attitudes among West Side business people are somewhat mixed and do not appear to fully fit previously constructed ethnic enclave economy models.

A significant degree of diversity was also found among West Side business people with regard to political affiliation. The proportion of Mexican-American respondents registered to vote is 77 percent. Moreover, Mexican-American party identification is Democratic (52 percent), while "no preference" and "independent" identification both outnumber Republican (8 percent). Mexican-American ideological identification was almost evenly split between liberal (23 percent), conservative (22 percent), moderate (29 percent), and no preference (26 percent). Rather, more immediate, material concerns appear to be of political saliency. For instance, West Side politics have taken more direct, grassroots forms, such as Communities Organized for Public Service (COPS), which has been very successful in organizing residents around specific community needs and forcing the city to respond.

The survey also covered in depth one political topic of particular relevance to the Mexican-American community, namely Mexican immigration and immigrants. In general, West Side business people appeared to hold contradictory views regarding Mexican immigration and immigrants. For instance, they overwhelmingly held positive opinions towards the role and effects of Mexican immigrants. Some 73 percent of the respondents believe Mexican immigrants are a help to the local economy, over 75 percent believe that Mexican immigrants take jobs that no else wants, and over 82 percent think they are important consumers for Mexican-American businesses. However, West Side business people also saw immigration in negative terms, as shown by the following: over 60 percent of the respondents felt that too many Mexicans are entering the country, 65 percent felt that employer sanctions against those hiring undocumented immigrants should continue, and over 71 percent stated that they avoid hiring undocumented immigrants. These two apparently contradictory response patterns may be the result of West Side businesses having an interest in maintaining the status quo with regard to immigration and their access to immigrant labor and consumers. Whereas, they perceive that a substantial increase in Mexican immigration would perhaps alter their circumstances from somewhat favorable to nonviable.

A series of comparisons were done in order to see which, if any, of six factors had potential explanatory power for the respondents' attitudes toward immigration. Ethnicity, education, and income were found to have little, if any, explanatory power (i.e., response patterns broken down along ethnic, education, and income lines were quite similar to general response patterns to the same question). In contrast, place of birth, ethnicity of clientele, and one's weighting of the importance of retaining Mexican cultural values have greater explanatory power, in that response patterns broken down along those three variables did vary significantly from general response patterns to the same questions. Thus, more traditional socioeconomic variables such as income, education, and ethnicity do not appear to explain respondents' attitudes toward Mexican immigration and immigrants as well as the more culturally and economically specific variables. Overall, West Side business people appear to have ambivalent sentiments regarding Mexican immigration and immigrants.

## CONCLUSION

This analysis of business owners and managers on the West Side of San Antonio was carried out in order to identify the condition and viability of firms located there. Further, it sought to determine the existence and viability of several economic levels, including the linkage and articulation between the enclave economy and the larger economy of San Antonio, as well as the role, function, and relative importance of the enclave economy to the West Side community. Moreover, this survey strove to determine the potential for economic growth and expansion of the West Side and the role and function of government entities in developing enhanced prospects for enclave firms.

The survey itself had a number of central focus areas in order to elicit the specific information relevant to the aforementioned research purposes. These focus areas included

- background characteristics of the firms;
- owner/manager contact with public agencies and participation in their programs;
- participation in institutional programs and initiatives;
- perceptions and views of owners;
- managers' problems;
- immigration;

contact and experience between firms;  
experience with banks and lending institutions;  
a number of ethnicity indices (e.g., owners' attitudes, employees, product orientation, clientele, competitors, etc.).

The findings indicate that a viable, deeply rooted, and experienced commercial sector exists on the West Side. It is a sector that displays a high level of entrepreneurial spirit and motivation, and by virtue of its proximity to the downtown center, potentially enjoys a strong competitive advantage. Evidence of this viability is demonstrated through the ethnic and cultural basis of economic networks, which in some cases appears to be monopolistic. Given the limited presence of competitors, this may be an asset that could be organized to further assist economic development of the West Side, and it is one area that is completely missed by current intervention and assistance initiatives, such as enterprise zone policies and minority small business contracting -- as currently structured.

Further evidence from the findings suggests that the firms located on the West Side generate a substantial number of jobs for the residents and serve as important sources of income for minority firm operators -- all told, some 2,000 jobs in the 314 firms surveyed, including self-employment opportunities for some 200 owners. This finding is consistent with the fact that most jobs in the area are created by small businesses. Moreover, our findings indicate that the firms surveyed provide significant levels of opportunity for self-employment for former employees who have gained experience and assistance from their previous employers in establishing new firms and business operations, either in the West Side or beyond. The collective evidence suggests that entrepreneurial activity (whether at the level of informal activity or in formal organized business) is an important route of social mobility for Mexican-Americans in the West Side enclave economy.

Overall, the survey found evidence of substantial enclave economic activity, but in contrast to other enclaves it is not economically prosperous. Nevertheless, the West Side, Mexican-American enclave provides an important role and function in maintaining the economic base of San Antonio's West Side. The following is a brief summary of the findings:

- 80.5 percent of the respondents were Mexican-American,
- 16 percent produce or render an ethnic-specific product or service,
- 72 percent of the clients were Mexican-American,
- 60 percent of the major competitors were Mexican-American,
- 77 percent of the competitors were from the West Side,
- 76 percent of the firms reported that their profitability was linked to the West Side community,
- 85 percent of the labor force were Mexican-American,
- 50 percent of the firms employed one or more workers who were born in Mexico,
- 23 percent of the owners or managers were born in Mexico,
- 64 percent of the firms were owner operated,
- 66 percent of the firms utilized both English and Spanish on a daily basis,
- 60 percent of the employees lived on the West Side,
- 55 percent of the owners or managers live on the West Side,
- 32 percent of the respondents indicated that they had former employers who had subsequently opened their own businesses (50 percent of those respondents reported they have assisted former employees in establishing new firms),
- 72 percent of the firms were inherited or purchased from a family member or via personal savings,

81.3 percent of the firms were in retail trade (53.7 percent), repair service (15.2 percent), personnel service (7.8 percent), and entertainment (4.6 percent).

On the whole, the results of this survey contrasted with many of the previously constructed theories of ethnic enclave economies, which have largely been based on immigrant experiences, as opposed to long-established ethnic communities not consisting solely or mainly of immigrants. Thus, for the study of the Mexican-American enclave economy, the authors propose several important variations to previously constructed theoretical models. Specifically, greater attention must be given to the nonimmigrant experience of the ethnic enclave and to the array of economic relations in U.S. society affecting ethnic enclave economies and entrepreneurs. Further, a stronger emphasis on ethnic identity and its ideological elements is in order, for those factors do influence economic and political views among enclave entrepreneurs (e.g., in the survey the respondent's Mexican cultural values affected his or her views on Mexican immigration issues). Moreover, a greater recognition of internal economic and class structure is warranted. While this survey indeed found heterogeneity (a characteristic emphasized in other models) regarding such issues, we also found that the Mexican-American enclave economy tended to be clustered around specific economic poles. Finally, more attention is merited with regard to ethnic enclave economy linkage to the larger economy -- in terms of degree, form, and articulation. In today's increasingly integrated world economy, virtually no community remains an isolated island unto itself. Thus, determining linkages is vital, especially in the case of historically subordinated communities.

This survey has laid the groundwork for the development of an ethnic enclave economy model for examining Mexican-American enclave economies, as well as those of other long-standing, nonimmigrant-exclusive minority communities. The survey can be used in framing and in forming future research. Furthermore, it is the authors' intention that their enclave model, as well as the numerous specific findings of this survey, should serve as valuable resources for informed public policy formation that will have a positive effect on Mexican-American enclave communities.





## **Chapter 2. City of San Antonio Contracts: The Minority Community and the West Side**

Small businesses have traditionally been a strong part of the city of San Antonio's economy. In 1988, 29,000 businesses, those with fewer than 100 employees, were located in Bexar County.<sup>3</sup> Nationally, small businesses generate over 48 percent of all new jobs. Moreover, they are more likely than larger firms to employ less skilled and less experienced workers. Although over 60 percent of San Antonio's population is African-American or Mexican-American, these groups account for only 25 percent of all business ownerships. Moreover, over one-third of these minority-owned businesses have only one employee. Finally, less than 10 percent of San Antonio's sales volume is from minority-owned businesses.<sup>4</sup> Any comprehensive economic development plan undertaken by San Antonio must focus on small businesses. Moreover, emphasis on minority-owned businesses must occur because the potential economic development of this area has been underutilized. Developing these types of businesses will increase both employment and the tax base, two priorities of any economic development plan.

### **THE IMPORTANCE OF CITY CONTRACTS TO SMALL MINORITY-OWNED FIRMS**

Local government spending is a vital part of a city's economy. The dollars spent through contracts can be used as an economic development program. Although restricted by state law, cities do have some discretion over who receives contracts. City councils can promote economic development in the minority communities by giving a fair portion of the city's contract dollars to firms located in these communities. Equity in contracting signals a city's commitment to equal participation. Moreover, it places the city in a leadership position to encourage private firms to establish their own equal opportunity contracting plans.

Minority-owned firms face several disadvantages when bidding on city contracts. Most minority-owned firms are small, often employing only family members. All small firms share common problems, but minority-owned businesses face even more challenges than Anglo-owned firms. Minority-owned businesses traditionally have three major problems. First, these firms often have financial difficulties as a result of poor management skills. Due to low revenue levels, they are unable to hire outside financial consultants to assist them and their problems worsen. Second, minority business owners have difficulty establishing professional contacts through networks. Often, the Chamber of Commerce's membership fees are so high that minority business owners are unable to join this type of organization. Without these professional networks, businesses have a difficult time learning about contracting jobs and bidding procedures. Third, since they are small and have relatively low output levels, their costs tend to be higher than larger firms. Thus, they are unable to bid competitively against these larger firms.<sup>5</sup> Additionally, the results of the business survey presented in the previous chapter also indicated that the minority owned firms of the West Side did not have easy access to capital.

The bidding process can be very confusing to business owners not familiar with it. Since small, minority firms lack networks to assist them, they must rely on city agencies to help them understand the process. A city's willingness to establish such a program demonstrates its



commitment to reach out to minority contractors and assist them in successfully winning city contracts.

As the poverty level of the minority community increases, its need for city contract dollars increases. Here, the problems faced by business owners are magnified. In these areas, the city can encourage economic development directly by putting money into actual development projects or indirectly through money paid to local business owners for products or services. Both types of development increase employment and wealth in the community. When the city supports these businesses through contracts, it will receive two benefits for the price of one; the city can expand economic development into a disadvantaged area while getting the products and services needed.

## **THE CREATION OF SAN ANTONIO'S SMALL AND MINORITY BUSINESS ADVOCACY PROGRAM**

In 1987, the City of San Antonio realized that only a small proportion of the city's contracting dollars went to businesses located in the city. Even more distressing, only 2 percent of San Antonio's \$245 million budget for fiscal year 1987 went to minority or women-owned businesses.<sup>6</sup> Former Mayor Henry Cisneros had a national reputation as a strong supporter of racial and ethnic equity in government. This low number was an embarrassment to both the mayor and city. Moreover, the loss of dollars to the community hurt everyone economically. For economic and equity considerations, the city had to take a hard look at its contracting policy.

To address economic development issues for small businesses, including minority contracting, Mayor Cisneros formed a City Council Committee on Small Business Development. This committee's final proposal includes 11 categories of targeted development. Regarding the contracting issue, the committee proposed the development of the SMBA program as a division of the Department of Economic and Employment Development (DEED). This program was designed to aggressively monitor city contracting and to increase minority and women's participation in contracting.

At about the same time, the mayor formed a citizen task force to determine how the city should establish a minority contracting program and what its goals should be. This task force was comprised of representatives from the six local chambers of commerce, with the Hispanic Chamber of Commerce taking the leadership role. Council Member Walter Martinez later became the chairperson. The committee developed nine different proposals to present to the City Council. After intense lobbying by the Hispanic Chamber of Commerce, the City Council established a program of minority targets for making awards. At this time the Supreme Court had not decided the constitutionality of minority quotas. Sensing the possibility that they may be found unconstitutional, the council decided targets would be a way to avoid a number of legal issues.

The contract goals were established by looking at the current number of minority contractors in each area and assessing how much growth was possible. The goals were set for the 1989 fiscal year as follows: 25 percent construction, 25 percent subcontracting on construction if the contract were greater than \$200,000, 35 percent professional services, and 15 percent purchases in minority-owned firms, and 10 percent for women-owned firms in all areas.<sup>7</sup>

When the City Council established the SMBA program in November 1988, it also established a citizen's advocacy committee. This committee monitors the program's actions, assists

with policy decisions and supervises the actions of the City Council. This committee is composed of representatives from each of the six area chambers of commerce as well as three members selected from the community at large.

#### **The Purpose and Function of San Antonio's Small Minority Business Advocacy Program Division**

Within the city's DEED division, the SMBA program was established with the goal of providing an equal opportunity for all contractors. The SMBA program defines a minority business enterprise as an

enterprise which is at least 51 percent owned by one or more minority individuals, or in the case of any publicly owned business, at least 51 percent of the stock of which is owned by one or more minority individuals, and whose management and daily business operations are controlled by one or more minority individuals who own it. Minority person(s) shall collectively own, operate and share in payment from such an enterprise.<sup>8</sup>

The SMBA program division is "responsible for program coordination, certification of minority and women business enterprises, monitoring and soliciting the cooperation of city operational staff as necessary for effective implementation of the program."<sup>9</sup> The program staff also verifies that "good faith efforts" are taken by contractors. They publish a monthly newsletter sent to all certified businesses to inform them about upcoming bids and workshops for business owners.

One of the important roles that the SMBA program shares with other divisions in DEED is to simplify the city's contracting process. The bidding procedure differs depending on the type of contract, its amount, and the city agency that is responsible for the contract. All contracts for construction and purchases are awarded to the lowest bidder. To improve minority competition for these types of contracts, the SMBA program shows firms how to go about filing a complete bid and assists them in getting the financial help they may need to become competitive.

Professional service contracts are awarded on the basis of the lowest responsible bidder. The word responsible gives the awarding agency more discretion as to who receives the contract. Hence, they have more control over awarding it to minority-owned businesses. The SMBA program assists these businesses with proposal writing and meeting the necessary requirements to be considered responsible.

According to the charter of the City of San Antonio, the City Council can authorize city officials to approve contracts if the amount is less than \$3,000 and is awarded to the lowest qualified bidder. The majority of the contracts are awarded by the City Council. However, the Purchasing and General Services Department provides centralized acquisition of supplies, services, and equipment used by all city departments and these contracts are not awarded by the City Council. All of the Purchases and General Services Department's contracts are for smaller amounts, so small business should be able to aggressively compete for them.

## **The Small and Minority Business Advocacy Clause**

Since many of the minority-owned businesses are small, they are unable to bid on large contracts. However, they are capable of subcontracting for larger firms who have won city contracts. To encourage the use of minority subcontractors, the City Council adopted a SMBA clause. This clause applies to all city construction or professional contracts of \$10,000 or more and to vendor contracts of \$3,000 or more. As a part of the bidding process, contractors must acknowledge a "good faith effort" to involve or try to involve qualified minority firms in subcontracting and procurement positions while they are working on the city's project.

If a firm violates this clause by providing false information about subcontractors, it can be barred from bidding on any more city contracts. This is the only circumstance in which the SMBA program can take a police action against a business. This clause is enforced by City Ordinance 69403, which prohibits discrimination based upon race, color, national origin, religion, sex, age, or handicap when awarding subcontracts funded in part by the city.

## **CITY CONTRACTS AWARDED TO MINORITY-OWNED BUSINESSES**

After discovering the low number of contracts that the City of San Antonio awarded to its minority community, the city established a series of minority contracting goals through the Small and Minority Business Advocacy (SMBA) program. Most of the goals were met in its first year, and it is considered a successful program. However, the SMBA program did not include one segment of minority-owned businesses, those located on the West Side. As one of the poorest areas in San Antonio, this community is in desperate need of economic development. The city would further its economic development plan by focusing on revitalizing this area. Through contract opportunities, the city can encourage business development, which will then improve the entire neighborhood.

After analyzing the city's listing of certified small and minority businesses, it was obvious that only a small number of West Side businesses participate in this program. Moreover, for fiscal year 1989, the city awarded \$112 million in contracts (appendix B). Of this, \$9 million, or 8.4 percent of the contracting dollars went to minority-owned firms. Of this \$9 million, only 3.1 percent, or \$300,000, went to firms located on the West Side. This accounts for less than 3 percent of the City Council's approved expenditures. Only five businesses in the West Side received contracts from the council in that fiscal year (1989). Thus, the SMBA program may be successful citywide, but it is having minimal effect on the West Side.<sup>10</sup>

### **First-Year Evaluation of the Small Minority Business Advocacy Program**

At the end of fiscal year 1989 the city evaluated the first year of the SMBA program. Of the five goals set by the SMBA task force, three were achieved at the end of that year and one goal was short by only 1 percent<sup>11</sup> (appendix C). For construction contracts, minority-owned firms received 5 percent of the contract dollars while the goal was 20 percent. Minority-owned firms received 30 percent of the construction subcontract dollars and the goal was 25 percent. For

procurement, minority-owned firms received 14 percent of the contract dollars and the goal was 15 percent. Minority-owned firms received 33 percent of the professional services contract dollars and the goal was 32 percent. Finally, for architects and engineers, minority-owned firms received 34 percent of the contract dollars and the goal was 32 percent. The overall total of minority contract awards was 13 percent or approximately \$23 million of the \$179 million awarded. This figure increased by 27 percent over the prior year.<sup>12</sup>

Using these goals as a measurement of achievement, the SMBA program was successful in its first year. These goals were achieved for two main reasons. Until 1987, minority contracting for city projects was not considered a tool for economic development. When the low participation rate of minority firms was discovered, it stimulated discussion and general public awareness of the issue. These created a more favorable condition for minority-owned businesses to compete for contracts. Also, the SMBA program and DEED actively encouraged minority contractors to become a part of the city's contracting process. Overall, the minority community has benefitted from this program. However, some segments of this community may have benefitted more than others.

#### **The Effect of the Small Minority Business Advocacy Program on the West Side**

As mentioned earlier, city contracting can play a vital role in the economic development of economically disadvantaged minority neighborhoods. In order to assess the true success of the SMBA program as a tool for economic development, its impact on such an area must also be examined. One such area is the predominately Hispanic West Side. The West Side has no defined boundaries. However, for the purpose of locating minority-owned businesses, borders are established by IH-35 to the east, Culebra Road to the north, Callaghan Road to the west, and US-90 to the south.

The SMBA program maintains a list of certified minority contractors. This list is given to all city agencies to assist them in the bidding process, and all listed firms receive a monthly newsletter. Therefore, these listed businesses are more involved in the city contracting process and should be in a better position to compete for bids. The list is broken into two groups, general and professional services, and these lists are further broken down by type of business. For general services, 156 firms are listed and 13, or 8 percent, are located in the West Side<sup>13</sup> (appendix B). For professional services, 50 firms are listed and only 2, or 4 percent, are located in the West Side. As shown by these low percentages, few firms on the West Side are taking advantage of the SMBA program.

As previously mentioned, the City Council must approve the majority of city contracts. These awards are recorded in the council's agenda by the name of the business, the amount of the award, and minority or women ownership. In October 1989, general contracts and subcontracts awarded by the City Council totaled a little over \$3 million.<sup>14</sup> Of this total, 83.4 percent went to nonminority-owned firms, 16.6 percent went to minority-owned firms outside of the West Side and none, or 0 percent, went to firms located in the West Side. During the same month (October 1989), professional contract awards totaled \$175,000. Of this, 71 percent went to nonminority-owned firms, 29 percent went to minority-owned firms outside of the West Side and once again none (0 percent) went to firms located in the West Side.

The SMBA program does not keep any of its information by area, and staff were unable to respond to questions regarding the program's impact on the West Side. After looking at the figures, it is obvious that the impact is minimal at best. If this is so, the SMBA program is not a development mechanism for the city at large, but only for comparatively affluent areas. If an economic development program does not target the poorest community, perhaps a reevaluation of its goals is necessary.

Although the SMBA program has worked diligently to increase the number of minority contracts, the reasons for these low numbers must be explored. The first and foremost issue is if there are any firms located on the West Side that can actually participate in city contracting. If these businesses do not exist, the area could not receive substantial contract dollars from the city. Until the existence of businesses on the West Side is demonstrated, the small number of businesses will be used to justify the lack of contracts in the area. The already planned availability study is the best mechanism for demonstrating the existence of businesses. As long as an address, a phone number, or a zip code is included, the location of almost any of the minority-owned firms can be identified. This study would demonstrate what is available and give an accurate idea of what part of the total contracting dollars the West Side should be receiving. A new type of business development program may be needed to encourage indigenous businesses. However, the chance that only 3 percent of the city's businesses are located on the West Side is unlikely.

If more firms are located on the West Side than either the SMBA program certification list or the City Council awards indicate, then the reason for this difference must be explained. The main problem may be lack of information. Businesses on the West Side may not know about the SMBA program or the opportunities available to them through city contracting. Since these businesses lack professional contacts, especially outside of their area, they may not know anyone who has received a city contract and be completely unfamiliar with the process. Education through Spanish-language media and direct mailing could demonstrate to business owners that the city is interested in contracting with them.

If businesses on the West Side are aware of the program, they may have some major misconceptions about it or about city contracting that prevents them from participating. They may feel their firm is too small to compete for contracts. This may be true for large contracts, but the City Council heavily encourages the use of minority subcontractors on large projects, and many opportunities exist for these smaller firms.

Another problem is that these businesses may not meet the necessary requirements to bid. Perhaps they are not licensed or do not have enough money for the bonding required to bid. Overcoming these barriers may seem to be burdensome if they do not believe they will win the bid. This is discussed in greater detail in chapter 3.

The reason behind the low participation rates of the West Side in city contracting is probably a combination of the lack of businesses in the area and the lack of good information about the SMBA program. Addressing these issues needs to start now, but the education process would be more effective after the availability study has located businesses in the West Side. Since the SMBA program has come close to achieving most of its goals, it may be time to think not only about fair representation of minorities, but fair representation from different areas of the city. This approach would target communities like the West Side. Fiscal year 1989 demonstrated that there are a number of minority-owned firms that can successfully compete for large contracts. These firms will not need as much assistance from the SMBA program in the future because in a



sense they have already "made it." Those businesses that cannot even compete in the process are those that need assistance from the SMBA program the most.

### **The Richmond Case and Its Impact on San Antonio**

One of the major criticisms of the target program was that the plan lacked any enforcement mechanism. There is no guarantee any of the goals will be met. Other cities had established quotas or set asides so their minority contract goals would be realized. However, the Supreme Court found this type of quota system unconstitutional in the City of Richmond v. J.A. Croson Company decision. In the court's opinion, Justice O'Connor wrote that "cities can enact race-biased preference only if they can prove past or ongoing discrimination: otherwise preference constitutes an illegal 'quota system'."<sup>15</sup>

In order to establish past or ongoing discrimination, cities must do an availability study to show the number of minority-owned businesses in each industry. This would be a worthwhile venture because it would literally count all the businesses in an area, even in an economically disadvantaged area. If San Antonio does this study, they may find, for example, 100 roofers in the area. Of these businesses, 70 (70 percent) are owned by nonminorities, 20 (20 percent) are owned by Mexican-Americans, and 10 (10 percent) are owned by African-Americans. If Mexican-Americans are currently receiving only 15 percent of the contracting dollars from roofing contracts, then discrimination would be established. The city could then set aside 20 percent of the roofing contracts for Mexican-American roofers, and this would be constitutional. If in the same case, African-American-owned roofing firms received 10 percent of the roofing contract dollars, then no discrimination would be demonstrated, and no quota could be established. In this case, African-American roofers could not receive the benefits of a "minority firm."

The City of San Antonio's 1990 fiscal year budget had appropriated \$200,000 to complete an availability study. However, due to budget constraints, this study was cut and never completed. Moreover, as a result of the Supreme Court's decision, many cities are now undertaking availability studies to maintain their minority set-aside programs. Currently, DEED is negotiating with other city and quasi-government agencies to pool their resources and fund the \$250,000 study.<sup>16</sup> The other agencies, such as the city's hospital districts or the Alamo Dome Project, can then use this information to establish their own minority programs. The prompt completion of an availability study is needed to assure that the City Council's goal of nondiscrimination is met.

### **CONCLUSION**

The SMBA program has come a long way since the committee that formed it started to meet a little over two years ago. With its quick implementation, a number of issues have been raised in the program's first year. In its second year, the SMBA program and its advisory board must resolve these issues. Some are more political than others, and some of them could have an impact on the West Side.

One proposal is to change the definition of an informal bid. Currently, city ordinance stipulates that a contract under \$5,000 can be awarded through an informal bid process. State law allows this level to be raised to \$10,000. Formal bids must be publicized in a certain manner for a certain length of time. For informal bids, the contracting agency calls several firms to solicit their

bids, so the number of firms participating is usually lower. Both informal and formal contracts must be awarded to the lowest bidder. If the ceiling was raised on informal bidding, the city could have more control over who knew about the contract opportunity. A certain number of minority and/or West Side businesses could be included in each informal bid. This system is also susceptible to more abuse. However, with the current emphasis on contracting equity, enough organizations are involved in the process to check any misuses. The Hispanic Chamber of Commerce supports this change because they feel it will help small businesses located in and out of the West Side.<sup>17</sup>

Another problem is a change in the certification process. Until May 1989, minority businesses were certified by the SMBA program through a self-certification process. Now, SMBA staff determines status through verification of ownership and other criteria. This more stringent screening process has reduced the number of firms considered minority owned. Therefore, achieving target goals will be more difficult in subsequent fiscal years.<sup>18</sup> A comparison of the newly certified minority owned businesses and the City Council's list of contracts awarded in fiscal year 1989 revealed that only one-third of the businesses designated as minority owned were currently certified. The other two-thirds were either too large to be certified as small businesses or not considered minority owned under the new guidelines. This may have an indirect, positive effect on the West Side. If the percentage of minority contracts decreases significantly in the 1990 fiscal year over the previous one, the city may be forced to look more deeply in the minority community for other firms so they can achieve their targets. A more aggressive presence in the West Side may be necessary to get these businesses certified.

Another issue is defining what exactly constitutes a "minority-owned" firm.<sup>19</sup> If a national engineering firm locates in San Antonio and its office's top management position is filled by a minority, does this constitute a "minority-owned" business? What if 51 percent of its employees are minorities? What if a company's employees are over 80 percent Mexican-Americans with most living on the West Side? Can this firm be given "minority-owned" status? In all of these cases, the success of the particular firm would benefit the minority community by increasing wages and employment opportunities. In some cases a redefinition of "minority owned" would help the West Side and in other cases it would not. However, any change in definition to include these types of firms would cloud the SMBA program's purpose and create a paperwork nightmare. Moreover, these definitions would not be consistent with the goal of the SMBA program to assist those who take the risk of business ownership.

Finally, the most important issue to the West Side is also the most political. This problem calls for redefining what is meant by a "small business." This problem is unlikely to be solved in the near future, as it is extremely political and is too controversial for current debate.<sup>20</sup> Currently, a small business is defined as a business that makes less than \$1 million a year in revenue or employs less than 100 people. This definition has been criticized because it allows too many large, successful firms to be included in the SMBA program.

Three different options are available for changing the definition. The Hispanic Chamber of Commerce supports altering the definition to read under \$1 million in revenue and under 100 employees.<sup>21</sup> This change would tighten the requirements regarding who can receive special consideration. The SMBA program prefers changing the definition to the one currently used by the Small Business Administration (SBA).<sup>22</sup> This definition differs by each industry, acknowledging that size is a relative matter. For example, a print shop with under \$1 million in revenues and 100 employees may still be a very successful business. On the other hand a concrete firm with the same number of employees and amount of revenues may be very "small" and could use special consideration. This definition would eliminate some comparatively successful

businesses but monitoring the program would be much more difficult. The Hispanic Chamber of Commerce feels the SBA guidelines are too vague and would not solve the problem.<sup>23</sup>

The best solution for the West Side is one that has not been discussed. This is to change the scope of the program from small and minority businesses to disadvantaged businesses. This solution would require a shift in the thinking at City Hall but not a radical change in the program. Disadvantaged businesses is the term being used by the federal government in its attempt to reach out to small, minority, women, or handicapped business owners for its contracts. This definition cuts across racial and ethnic lines. It eliminates the problem of defining what exactly is minority ownership. It recognizes that small businesses can have financial difficulty and that those having trouble should receive equal assistance through contract opportunities regardless of the racial or ethnic background of the owner. However, it is more likely that minority-owned firms will qualify for assistance.

The problems facing the businesses of the West Side are economic, and these problems are exacerbated by ethnic barriers. If the city targets not just minority firms but disadvantaged firms, it cannot avoid addressing the problems facing the West Side business owners, as they are some of the most disadvantaged in the city. Although the SMBA program only works with small businesses, the city considers firms as minority owned no matter what their size.<sup>24</sup> So, right now the city counts a minority-owned firm as such regardless of its size, financial success, or location. In this way it is easy to ignore and dismiss the fact that the poorer part of the minority community is receiving almost no benefits. If 30 percent of contracts go to minority-owned businesses located on the north side of San Antonio, and no other minority-owned firms receive any contracts, then the SMBA program goals will have been met. However, the program will not have helped the businesses, such as those on the West Side, that truly need economic assistance.

The city needs to establish areas, by census tract, that are considered disadvantaged in terms of economic indicators such as unemployment. Small businesses can be defined as either those with both under 100 employees and under \$1 million in revenue or by either criteria. Then the SMBA program should establish target goals for disadvantaged businesses in much the same way they have now for minorities. Essentially, the program would be operated in the same way, but it would force the city to develop the poorest areas, such as the West Side. The majority of these neighborhoods would be minority communities, so the program would still be targeted at minorities but in an indirect way. This way the city could not use the more successful minority firms to reach its quotas, as it is currently doing.

After discovering the low number of contracts the city of San Antonio awarded to its minority community, the city established a series of minority contracting goals through the SMBA program. Most of the goals were met in its first year, and it is considered a success. However, this program did not include at least one segment of minority-owned businesses, those located on the West Side. As one of the poorest areas in San Antonio, this community is in desperate need of economic development. The city would further its citywide economic development plan by focusing on revitalizing this area. Through contract opportunities, the city can encourage business development and thus improve the entire neighborhood. The City of San Antonio has started down the right track in using contract dollars as a positive force in a minority community's economic development. Now this development must directly benefit all segments of that community, not just the wealthier portions.





### **Chapter 3. San Antonio Bonding Requirements as a Barrier to Hispanic Contractors**

#### **INTRODUCTION**

The City of San Antonio is currently undergoing a review of its bonding requirements for city contractors. In an effort to increase the number of minority firms awarded city contracts, a bonding committee was convened to consider changes to the present system. The specific project goal of the committee was to develop and implement strategies to assist small, minority- and women-owned businesses in obtaining insurance and bonding to improve their ability to bid on city construction contracts. Ten different alternatives to current San Antonio bonding policy were examined. In addition, a survey was sent to other cities in an effort to identify other procedures that localities have implemented in contracting for city projects.

At this time, no clear solution has come from the committee. Because each of the alternatives has its critics within the group, there is the possibility that the more feasible of the choices will be presented to the City Council without a specific recommendation. The City Council would then either choose one of the alternatives or reject any change in current practice.

#### **DESCRIPTION OF TYPES OF BONDS**

There are four basic contract bonds within the construction industry. They are surety bonds, bid bonds, performance bonds, and payments bonds. A surety bond is a financial guarantee that a contractor gives to a client that the job will be completed by them or a surety company will provide the funds to complete the job. A bid bond guarantees that the construction company will enter into the contract if it is offered. A performance bond guarantees completion of a job. A payment bond guarantees that all subcontractors and suppliers for the job will be paid. In all of these cases, if the contractor cannot meet the terms of the bond, a surety company will make the funds available to complete the job.

These bonds are in some ways similar to insurance policies, but unlike insurance they involve different groups of people. The first of these is the principal, otherwise known as the person whose performance is guaranteed by the bond. Next, is the obligee, or the public entity to whom that guarantee is made, and finally the surety, which will take over the debt of the principal in case of default.<sup>25</sup>

Once a surety takes on a firm as a client, that surety financially guarantees all contracts undertaken by the company. This places the surety in a position of risk, forcing it to closely scrutinize all firms which apply for its protection. The information sought by the surety is commonly known as the three C's:

Capacity -- the ability of the contractor to do the work.

Capital -- the financial ability of the contractor to undertake the work.

Character -- the track record of the company and its owners to complete work.

The bonding process is a complex and taxing one for the construction companies. Many agencies make bonding a requirement in order to limit the number of bidders and to be assured that their project will be completed by the contractor selected.

## **CITY AND LEGAL BONDING REQUIREMENTS**

The City of San Antonio operates under two state statutes regarding bonding requirements for city projects. Article 5160, the McGregor Act, and Local Government Code Chapter 252. The McGregor Act states:

Public contracts in excess of \$25,000 require the execution of performance and payment bonds by any prime contractor entering into a contract in excess of \$25,000 with a public body. These bonds must be executed between the prime contractor and a corporate surety authorized to do business in Texas. They must be made payable to the governmental authority awarding the contract, and the form of the bonds must be approved by that authority.<sup>26</sup>

The Local Government Code Chapter 252 states:

...the City in making any contract calling for or requiring the expenditure or payment of less than \$100,000 may, in lieu of the bond requirement, provide in the contract that no money be paid to the contractor until the completion and acceptance of the work by the City.<sup>27</sup>

San Antonio, in practice, follows the McGregor Act for projects over \$25,000. The bond requirement waiver for projects less than \$100,000 is rarely used because of the city's emphasis on an operating procedure which "[affords] the optimum protection of the public welfare; in this case, public monies."<sup>28</sup> Bonding places the responsibility for payment in the case of default upon the surety company. By contrast, the \$100,000 waiver option places that risk on the city and its taxpayers.

## **Bonding Problems**

San Antonio mandates that its operating procedure provide a reasonable number of contractors the opportunity to bid on city contracts. Statutes which mandate that a contractor be bonded for projects of \$25,000 and over decreases the number of bidders. This is due to the fact that many firms have difficulty being bonded, even though they may be able to do the work.

New firms, for example, rarely have the capital or equity required by a surety company. Small companies are seen as riskier than larger, experienced contractors. Sureties must go to the same expense in order to investigate a small firm for bonding as a large one. As a result, many of the sureties avoid dealing with smaller construction firms by setting minimum experience or financial requirements in order to focus on those companies seen as less risky.<sup>29</sup>

Minority- and women-owned contracting firms also have difficulty in finding a surety company that will bond them. Most of these firms suffer the problems of a small organization,

such as low liquidity and equity. In addition, surety companies tend to have a negative image of them because such firms tend to be undercapitalized. This lack of capital results in unorganized financial statements which the surety has difficulty in evaluating. Also, the need for working capital often induces such firms to ask for jobs which are beyond their ability to handle. Above all else, contractors must have a certified public accountant to organize financial statements and a good relationship with a bank. Most minority- and/or women-owned firms lack these essential ingredients in obtaining bonds.<sup>30</sup>

The existing city practice of requiring bonds for projects of over \$25,000 drastically reduces the number of minority firms able to bid on those projects. Currently, the city does not utilize the \$100,000 waiver policy. However, the waiver would probably not increase the number of minority contractors because of the stipulation that no money be paid until the project is completed. Thus, the contractor would need sufficient capital for labor, equipment, etc., throughout the project. Since lack of capital is a primary problem for most minority-owned contracting firms, the waiver would be of little benefit to them. The City of San Antonio has formed a committee to look at possible changes in its bonding procedures as a means of increasing minority participation in city contracts.

### **Bonding Alternatives**

Strategies for including more minorities in city bidding can be divided into two distinct categories. First, the city requirements can change so that fewer projects require bonded contractors. Altering these requirements would involve a change in Texas statute, the Local Government Code, and the City Charter. Making these changes would require legislative position papers and lengthy legislative battles. These are not changes that could occur in San Antonio immediately.

An alternative would be to help minority- and women-owned firms in their efforts to be bonded. The city would need to look at methods of funding for these changes but the benefits of such programs could doubtlessly be reaped sooner than those requiring legislative change. The following are alternatives presented to the city's bonding committee.

The committee has focused on the possibility of waiving bonds for contracts under \$100,000 but still paying the contractor throughout the project in a traditional manner. This proposal would have the benefit of allowing all firms, bonded or not, to bid on a project. This would increase access to a large number of city contracts by minority- and women-owned firms. The disadvantage of such a plan is that the city is placed in a risky position should the firm default over the course of the project. The city would then be forced to find another contractor, adding both cost and time to the contract.<sup>31</sup>

Another proposal considered is similar to the previous one except that the bond waiver would be available for projects up to \$250,000. The primary impact of this increase would be to free up even more city contracts to unbonded firms. The potential cost to the city should these unbonded firms default would, correspondingly, be higher.

Another alternative would be for the city to accept personal surety, cash equivalents, or letters of credit. Each of these guarantees could be used as alternatives to surety bonding. The McGregor Act prohibits the use of personal surety for government projects. These sureties are highly dependent upon the financial stability of the contractor. Cash equivalents insure that the

city will be paid in the case of a default but do not guarantee that the work will be completed by the contractor. Letters of credit are very risky because they can be revoked at any time and the city would be liable for the cost of the project.<sup>32</sup>

The committee is considering allowing the city to act as its own bonding agent and procure all materials needed for a project. If this were the case, it would eliminate the need for surety companies and as a result more minority- and women-owned firms would have an opportunity to bid for city contracts. However, the city would be put at great risk for the sake of this benefit. Also, if the city were to acquire all the materials needed for a project, it could incur the higher cost of procuring and monitoring these materials (i.e., purchasing, storage, security, delivery, etc.). This would benefit contractors, who could then use their capital on the actual labor or equipment required for the job, thus reducing the direct cost of the project to the city.

Incremental surety bonding, the process of breaking one large project into many small ones, is also under consideration by the committee. Supporters argue that small contractors would be better able to bid for smaller phases within a large project. The problem with this approach is that due to the inclusion of many contractors on the same project it would require that all these contractors be bonded and this would increase the overall cost of the project.

## CONCLUSION

Each of the alternatives above would require changes in San Antonio's current operation policy. Each, with the exception of incremental bonding, would require changes in Texas statutes and local codes. The following are alternatives that would not require legislative change and, while not current operating procedures, could be implemented without major changes to city policy.

1. Financial Management Training Program -- a program that would inform small minority- and women-owned firms of the types of financial material which they need to bring to the surety company to procure a bond. In addition, these firms could be linked to a certified public accountant who might be willing to perform services at a reduced rate.<sup>33</sup>
2. Mentoring Program -- a program that would provide assistance to minority contractors by linking them with large, established prime contractors. The large contractor can help the small one with training managers, obtaining working capital for securing a bond, writing business plans, accounting, purchasing equipment, etc. The larger contractor would have the benefit of satisfying minority subcontracting goals and have the option of becoming part owner of the smaller company.
3. Use of CDBG Funds -- Community Development Block Grant money is used for social services and infrastructure development and maintenance in San Antonio. Some of the funds that are currently spent on infrastructure could be used to support minority and women contractors. These funds would be loaned to these contractors at a low rate in order to allow them the opportunity to meet bonding requirements.
4. Bond Trust Program -- this program would provide security to surety companies if they provide performance bonds to firms that would not otherwise qualify. The monies would be used as collateral for the surety providing the bond in case of default. This

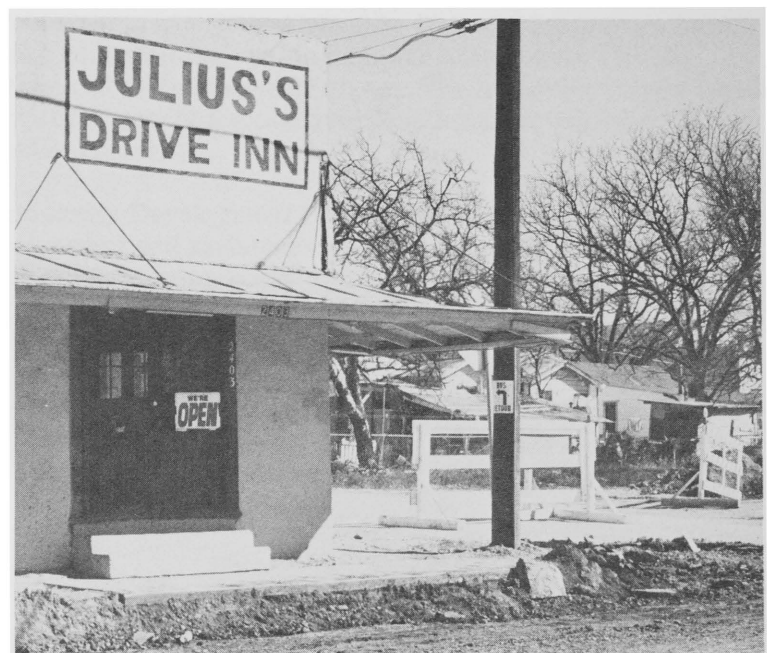
would allow minority and women firms to establish a track record and make it easier for them to get bonded in the future.

All of the options discussed above have been considered by the city's Bonding Committee. The committee will submit without recommendation all of these options to the City Council for discussion.



This family-owned, formal business is part of the informal-formal network within the ethnic enclave. Customers stated that the *ambiente* of this specific network is more personal, understanding, and responsive to the needs of the community and its members.

Infrastructure development, specifically road repairs, has negatively affected small enclave businesses by making it difficult, time consuming, and sometimes even impossible for customers to frequent the store. Smaller businesses which rely on consistent daily sales have been most affected by these lengthy city development projects.





Typical shoppers browse at a local, family-owned, formal business within the ethnic enclave. This store specializes in traditional Mexican food products, as do other stores within the enclave.



This used clothing business is part of the formal sector that services particularly the poor sector of the low-income West Side community. The business owner adjusted his business to the depressed economic conditions of the surrounding neighborhood by practicing a variety of informal business activities (e.g., barter, trade, and credit) and working through informal networks.





This man shines shoes at El Mercado during the day and is a freelance photographer at night. He buys most of his shoe shining materials in Mexico, where the prices are 60 percent cheaper.

Three years ago this business was located on a commercial site at the corner of Navidad and Guadalupe streets. Because the landlord wanted to sell the property, the owner moved the business to his home, where it has not done well.





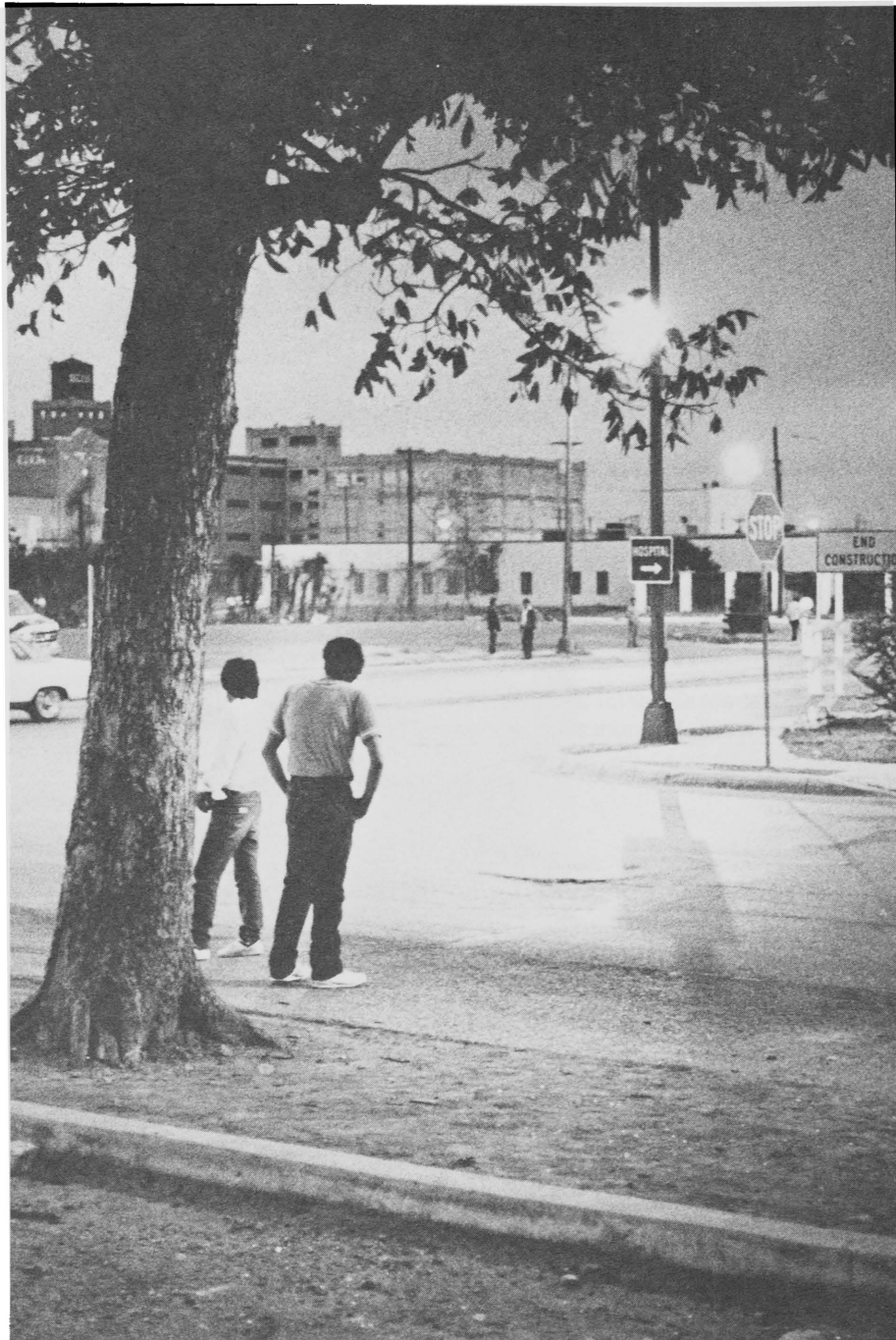
**This 23-year-old woman and her daughter live in the housing courts. She makes and sells cupcakes every now and then when she needs money. She uses the money to buy food; on this day she needed milk.**

**This gentleman has been a street singer for 30 years. He sings at El Mercado seven days a week, 12 hours a day and earns \$20-\$25 on a good day.**



**The woman selling these snowcones, the cheapest in the neighborhood at 25 cents, uses the money earned to pay bills for her family.**





At 5:30 a.m. approximately 50 to 60 men gather at the corner of Frio and Salinas streets in San Antonio. On a good day they may earn \$50 laying cement; on a bad day they don't get a job.



This is the "official" day-laborer assembly site. None of the day-laborers interviewed gather in this area.

The Mexican cop, "Pelon," comes by every morning between 8 and 10 a.m.







**A mural adorns a housing court in the West Side.**



**A resident of the housing courts said she didn't like the neighborhood. "Too many drug sales" (e.g., coke and pot). She will stay until she finds a job and can afford to move.**

## **Chapter 4. The Informal Sector**

The relevance of studying the informal economy of the ethnic enclave is related to the extreme cases of poverty found in San Antonio. A total of 161,300 people live in poverty in San Antonio, including 32,900 families and 72,200 children. Nearly as many people in San Antonio live in poverty as in Houston, a city with more than twice the population (appendix D). In a comparison with eleven other American cities, San Antonio ranked third in its severity of poverty for all persons and specifically the Mexican-American population (appendix D). In 1980, more than 160,000 individuals in San Antonio lived in neighborhoods in which the poverty rate was 40 percent or higher. Of the 161,300 individuals, 73 percent were Mexican-American although they composed only 54 percent of the total population; 10 percent were African-Americans who made up only 7 percent of the population; and 45 percent were children under 18 years of age even though children only represented 32 percent of the total population.<sup>34</sup>

A history of exclusionary policies including "restrictive covenants" has led to the development of a spatial organization that concentrates ethnic groups in well-defined neighborhoods such as the West Side. It is perhaps these same attitudes which have contributed to the disproportionate allocation and distribution of resources. In a case study from 1968 to 1978, the Texas Advisory Committee to the United States Commission on Civil Rights found that African-Americans, Mexican-Americans, and women are underrepresented in every economic sector and hold a disproportionate share of low-paying, menial jobs. Even in military-related employment, ethnic minorities are "concentrated in the lowest paying jobs." This finding led the advisory committee to "...the inescapable conclusion that equal employment opportunity for minorities and women had not been fulfilled."<sup>35</sup>

The high level of poverty among Latinos in San Antonio correlates with the existence of an informal sector. Personal and informal economic networks allow people to explore their needs and seek to meet them in their own way. In this respect the informal economy might be understood as containing the very foundation of all other economic activity and as necessary to the functioning of any social arrangement.<sup>36</sup> In addition to the economic aspect of the informal sector, research indicates that the informal activities also provide a necessary part of the force of social cohesion, important in the definitions of family and community.<sup>37</sup> Within such networks a social ethic often operates whereby members are protected from total and abject economic failure. This is particularly evident in disadvantaged communities where very scarce resources must be shared in order to ensure the survival of the network.<sup>38</sup> Thus, in the case of the ethnic enclave in San Antonio, the informal economy may play a vital role economically as well as socially in the community.

### **PURPOSE OF THIS STUDY**

This analysis focuses on aspects related to the informal economy of the urban ethnic enclave of San Antonio (appendix E). The purpose of this analysis is to define the nature of the informal business sector as it relates to the urban ethnic enclave, determine its level of activity, and analyze its impact on the ethnic enclave.

The focus group was divided into two subgroups, which worked independently on different case studies. Each group relied on qualitative analysis, including face-to-face interviews with individuals participating in informal economic activities, observations, photographic documentation, and library research. Case study number 1 investigates the publicly visible male-oriented contract or "day" labor network. Case study number 2 investigates the publicly invisible, domestic, female-oriented informal activities, which occur in and around a housing project primarily inhabited by single mothers and their children.

This study found that most people in the informal sector in San Antonio participated in it as a means of survival rather than as a calculated move to avoid paying taxes or licensing themselves with the city. A downturn in the economy of San Antonio and the state of Texas in general has meant a much more restricted job market. Another reason that was frequently mentioned for participating in the informal sector has to do with a vague notion of lifestyle preferences. The informal sector affords its participants a certain amount of freedom and control over their work that a job in the regular market would not provide. For the women in the housing projects, selling their own goods also gives them a sense of pride in their work and helps to build self-esteem.

## DEFINITIONS

A micro-level analysis emphasizing the human component of the informal sector was adopted. The informal economy was approached from the participants' points-of-view, maintaining a bottom-up rather than top-down perspective. Due to the complexities and interrelatedness of the informal and formal sectors, the informal sector is viewed as lying on a continuum. On one end of the continuum lie more cash-based activities. Such activities tend to have more direct and obvious connections with the formal economy. These exchanges usually have higher capital investment, employ more people, are more profit motivated, and tend to be full-time and to yield higher income. This research found that the day labor network falls on this end of the spectrum. On the other end of the spectrum lie those activities which are more closely aligned with the social economy than with the formal economy. These activities are often based on noncash exchanges such as bartering and exchanges of services. Outputs for these activities are not exclusively material, tend toward lower capital investment, are highly family based, use less formal contracts, and tend to generate less income. The economic activities of the women and children of the housing project fall on this end of the continuum. The study of the full continuum will allow thorough exploration of the informal sector of the West Side and its function and significance for individuals, households, and the community at large.

It was found that negative social perceptions affected the personal attitudes of the participants in the sector. Although the participants felt their ethnic community supported as well as encouraged informal activities, they sometimes made apologies for their type of work. In one specific case, a man who worked at two "informal" jobs, seven days a week, 12 hours a day, belittled his tremendous efforts with phrases such as "it gives me something to do; its better than being at home and being a bum." Other individuals referring to their work made remarks such as "it's not a real job," or "it's not a regular job." Still other individuals felt a need to justify their participation with statements like, "when you're hungry, you've got to do something." Thus, it became problematic for the participants in that they felt good about their jobs and themselves; yet, recognized the negative image associated with informal activities by society.

A holistic perspective of the sector which integrates its activities with the recognized formal sector is needed. The focus on the informal sector explores a different aspect of the economy, which is "mainstream" for those populations that benefit from "self-employment" when "labor market employment" is closed to them. In addition, a value-free definition of the informal sector, without negative terminology or subjugation of the informal to the formal sector is also recommended.

## REVENUES AND PARTICIPATION LEVELS

Broad empirical work is often imprecise; nevertheless, the Internal Revenue Service (IRS) has attempted to provide estimates of the revenue generated by the informal sector. The IRS reported an estimated \$14 billion worth of income was underreported by small entrepreneurs in 1981. This estimate was derived from interviews with 50,000 randomly selected taxpayers and reexamination of selected tax returns. In a second report, the IRS combined the Taxpayer Compliance Measurement Program (TCMP) figures with estimates of underreported income and estimated that 5 million people are believed to make no tax declaration of additional income.

In 1987, the IRS commissioned a study by the University of Michigan in which 2,000 American households were surveyed on spending patterns. Members of households were trained to detect when suppliers were likely to be operating "off the books." When the costs of household purchases from these vendors and suppliers were combined, a total of \$42 billion dollars was estimated to have been spent by American households on informal goods and services in 1981. The single largest category was \$12 billion dollars for house repairs.<sup>39</sup>

## CASE STUDIES

This study of the informal sector focused at the micro level; therefore, the estimates of informal revenue are based on an individual level. Estimated revenue generated is presented by case studies.

Due to the high level of variance in the number of days worked by individual day laborers, the monthly income level is difficult to calculate. Working eight hours per day for four days per month at a minimum scale of \$3.35 per hour or working ten hours per day for sixteen days per month at \$5.00 per hour, day laborers could earn between \$107 - \$800 per month. Based on the 20 men interviewed, an average monthly income range would be between \$112 per month (four days per month of 8 hours per day at \$3.50 an hour) to \$432 per month (twelve days per month of 8 hours per day at \$4.50 an hour).

These figures are in the same range as those generated by Dr. Eliot L. Grossman in a study of day laborers in Los Angeles. Through similar interviews, he estimated that day laborers earn an average of \$245.70 per month. He based his numbers on an average hourly rate of \$4.87 per hour. Although their hourly rate is above minimum wage, he discovered that day laborers are only able to secure work an average of 6.3 days per month. Thus, they earn less per month than does a person who works full time on minimum wage.

Participation levels in the day labor network seem rather substantial. Observations made during the week in the early morning and mid-morning and on Saturday morning revealed a distinctly different pool of men looking for work at each of those times. Based on this



information, it seems likely that as many as 150 different men may participate in this network on a daily basis.

The monthly income generated by women in informal activity is approximately \$10.00 to \$100.00 in cash and \$50.00 to \$200.00 in other value generated through exchanges involving clothing, food, babysitting, etc. The importance of this supplemental income through informal work for the women is great. While the money involved seems to be very minimal, this income is substantial in terms of the women's survival and well-being when compared to their total income. Most of the women interviewed had an average income of \$200.00 a month, therefore an additional \$50.00 through informal work is significant. For many of the women studied, the money earned from informal work was enough to pay for rent, electricity, cable TV, or clothing for their children.

The participation level in the informal sector is exceptionally high among women. Of 38 individuals (men, women, and children) approached, 25 of which were interviewed, virtually all (36 out of 38) were involved in some kind of informal activity which generated either cash or in-kind services. Informal activity is a necessity for perhaps the majority of the residents in the housing projects, which includes a population of approximately 3,000 individuals, primarily single mothers and their children.<sup>40</sup> It is more difficult to estimate the participants in the informal sector of the ethnic enclave outside the courts. However, in a one-block area of residential housing, approximately seven out of fourteen households were participating in informal activities. Three of these households were openly engaged in informal economic activities, including a tire repair shop, body and paint shop, and flower arranging for special occasions. Due to insufficient data, it is difficult to speculate whether this is a common occurrence within every neighborhood. We also identified individuals engaged in informal work who were not residents of the ethnic enclave themselves. Thus, there is reason to believe that the informal sector extends to other areas of San Antonio.

#### **Case Study Number 1: Day Laborers**

Methodology. The criteria for selecting day laborers was based in part on their visibility within the community and their accessibility for interviews. The size of the day-labor work force and the degree to which they interact with the formal sector also makes this group especially relevant for study. The largest concentration of day-labor activity takes place on the West Side of San Antonio along Frio Road and Commerce Street. Approximately 20 individuals were interviewed during three separate trips to the day labor area. In addition, two subcontractors, formerly day laborers themselves, were also interviewed.

The day laborers were approached in a casual manner with interviewers making small talk with a group before beginning the questionnaire. Sometimes groups of three to five would participate in the questioning together, although individual interviews were encouraged as much as possible since there were certain topics that the men would not discuss in a group.

Interviews were conducted at three different times: early morning (6:30 a.m. - 8:00 a.m.), mid-morning (8:00 a.m. - 9:30 a.m.), and late morning (9:30 a.m. - 11:00 a.m.). Different groups of men were observed at the corners each of these times. One group of interviews was performed on a Saturday and again few, if any, of the men already seen were there. Thus, the same men were seldom encountered more than once.

A total of 20 individuals were interviewed out of approximately 80 who were encountered. The individuals were interviewed on four primary areas of interest: personal data, work data, attitudes about day-labor work, and problems associated with this type of work. They openly disclosed information of interest while continuing to solicit work as it became available. Several times interviews could not be completed because men were successful in obtaining work. The majority of the interviews (18 out of 20) were conducted in Spanish.

**Survey Results.** All of the men interviewed (20 out of 20) were of Mexican descent. The majority of the workers (16 out of 20) were born in Mexico. Only four men were born in San Antonio. Of those who were foreign born, the length of residency in San Antonio ranged from 4 months to over 35 years. The age range of these individuals was from 18 to 55 years, with the majority of the men in the range between the ages of 25 and 35. Subgroups of older men (greater than 40 years) often waited for work in areas apart from the relatively younger men. Three men had completed high school; one of them had attended some college in Mexico. The other men had only completed some elementary school with the average number finishing fifth or sixth grade.

Most of the men (16 out of 20) resided in the West Side of San Antonio, and two men resided on the southwest side. Another two men were homeless and stayed in shelters near the pick-up area. When asked about their future plans, most of the men reported that they were staying in the area and would continue day labor until regular work became available. Two men who owned a car travelled seasonally looking for work. They had plans to go to Florida for the winter to harvest seafood.

According to the men interviewed, all had some type of documentation to prove legal status. When questioned if they knew anyone who was undocumented and engaged in day-labor work, they replied that they knew of some Central Americans working illegally but that the Immigration and Naturalization Service (INS) made regular busts in the area keeping the illegal population down. This information conflicts with reports we gathered from business people in the area as well as with one man, "Negro," who was interviewed early in the morning separately from the pool of 20 men. Negro reported that, "Lots of guys [are illegal] 14, 15, 16 years old coming from Mexico. They sleep on the tops of buildings. Maybe 15 to 20 of the men are from Mexico. Half of the men on the corner are undocumented." Negro expressed his displeasure with the undocumented because they would do work that he could do for half the price. He also said that, "People [contractors] are looking for guys who don't have cards." Negro reported that the INS comes by every day at no particular time. During the times that interviews were conducted, mostly in the later morning, no INS visits were made.

One explanation for this conflict may be that the undocumented workers are more desperate for work and will work for lower wages. Thus, they have a tendency to obtain work earlier. The majority of the men interviewed were at the day labor area from mid- to late morning and may not often come into contact with undocumented workers at that time. Also, the undocumented workers may fear reprisal from the INS and want to remain as inconspicuous as possible. Perhaps, if they do not obtain work early in the day they may "hide out" away from the police and the INS.

The number of days worked each week depended largely on the availability of work and on the daily weather conditions. The day laborers could work anywhere from zero to seven days a week. On the average, the men reported finding work two to four days per week. The majority

were willing to seek employment on the weekends as well. The time spent waiting for work also varied a great deal. Some men came to the corners every day, while others came sporadically. The length of time working as a day laborer ranged from one day to 35 years.

Salary range varied according to contractor and complexity of work. Most men avoided jobs that paid minimum wage. However, according to some men, the undocumented workers do take jobs at minimum wage. The majority of the workers required a minimum of four dollars per hour. A higher wage was usually paid if the job was only for half of a day. Semiskilled work paid five to six dollars an hour. For most of the men, day labor work was the primary source of income for their family. A few individuals (6 out of 20) had spouses who earned supplemental income. The kinds of jobs varied a great deal, with most work falling into the general areas of construction, gardening, moving, and general clean up. All of the work generally required some type of physical labor.

Most of the men (18 out of 20) did not like the temporary nature of the work. Two individuals chose working as day laborers even though they had other options for work. Many did not like the constraints placed on them by the community, especially the nearby business owners and the police who regularly checked on their activities. The day laborers were not aware of what impact their work has on the West Side. Most of the workers felt that day labor was a viable means of earning a living when alternatives were not available. The long history of day-labor work in the area (since WWII) has institutionalized the network to a certain degree. The workers as well as the contractors realize that this kind of work will continue to be available regardless of changes made in the surrounding community.

The most common problem identified by the men was lack of work. Some of the day laborers reminisced about the construction boom of the mid-1980s when work was available seven days a week. At the time of the interviews, work was scarce, and many of the men spent the entire day waiting on the corners. Poor wages were also identified by most of the men as a major problem with day labor. According to some of the workers, certain employers had formalized the work of the day laborers by requiring application forms for work. These jobs usually pay minimum wage and only employ the workers for four to six hours per day. This formalization means that federal tax will be reported and withheld from the workers' pay. A group of workers interviewed turned down this type of work. Yet, we witnessed 14 men, who were not interviewed, pile into a van owned by a cleaning company which required job applications. Another problem experienced by some of the workers (6 out of 20), was nonpayment or lower payment than was originally promised for completed work.

An everyday occurrence for the day laborers was visits by the local police. Problems with the police varied, but most men experienced minimal harassment for loitering in inappropriate areas. The men suspected that the reason for the harassment by the local police was a result of pressure by the business owners in that area. The shop owners apparently reacted this way due to the ostensibly negative effect the workers were having on their businesses. Few problems were reported by the men with the INS. All of the foreign born workers interviewed claimed to have documentation. Most of the workers responded to questions concerning the INS by stating that they were not "wetbacks" and thus did not have problems with immigration. It seems likely that the fear of detection by the INS would prevent the men from answering these questions honestly.

Subcontractors. Two subcontractors were interviewed to gain insight into their perceptions and ideas concerning the day-labor network. Understanding the opinions of the subcontractors is essential for developing policy recommendations which will undoubtedly affect them. Telephone

contact was initially made with the subcontractors to arrange the interviews. Both of the individuals were willing to be interviewed as long as the interviews would remain confidential. The interviews were conducted at their place of work allowing them to take breaks and run errands such as transporting needed materials to their crews. A follow-up interview was conducted with one of the subcontractors over the phone.

Both of the subcontractors interviewed were born in Mexico and had been living in the United States for approximately 20 years. Both had some high-school education and could comprehend English. When questioned about other subcontractors, they agreed that most subcontractors are foreign born and that they only know one or two who are U.S. born. The subcontractors were in their late thirties and early forties and thus were older than most of the day laborers. One of them had been working as a subcontractor for three years, the other for seven to eight years.

Both subcontractors began doing general construction work upon arrival to the United States. Both came from families with construction and contracting backgrounds. Today one of them hires approximately ten men depending on the work load. The other subcontractor manages two work crews of about four men each. He receives a 10 percent commission for the completed work and is also responsible for distributing the pay to each of the men on his crew.

Texas Employment Commission Day-Labor Program. Perhaps the greatest indication of the deep-rooted nature of the informal sector and particularly of the day-labor network is the attempt made by the Texas Employment Commission (TEC) to formalize this network by providing the workers with an official day-labor meeting place. Such recognition of the informal sector, especially by a state agency, indicates that day labor is a vital, accepted form of income generation with continued future potential.

The day-labor programs in San Antonio operate in a very informal, unregulated manner. No one person oversees the day-labor programs for San Antonio or for the state. No regulations exist governing institution of the programs for the TEC branches. Records are not kept regarding the number of workers placed, amount of income generated, or the number of contractors using the program. Unfortunately, this inconsistency makes researching the programs and their impact on the economy of San Antonio and the ethnic enclave very difficult.

An average of ten workers a day wait in the Austin Highway TEC office for work. Employers will either call in or drive by to pick up workers. When they call in, they describe the type of work, how many workers they need, and the amount of pay. Often, workers must supply their own transportation to the work sites. Many times contractors will request certain workers. Otherwise, jobs are distributed by talent, pay level, or location. For example, if a job pays less than four dollars an hour, many workers will refuse it. If a job requires special skills, the worker with that skill will be matched with that job. If transportation is required, the worker with a car will get the job and will be able to choose who goes with him if additional workers are required.

The statistics gathered concerning placement, pay levels, and type of work are rough estimates. An average of five to six workers are placed per day. Most jobs pay between four and five dollars an hour. The type of work varies tremendously, but the main areas are construction, painting, landscaping, loading and unloading, and office work. Approximately half of the employers of day laborers are small and large companies. The other half consists of private individuals. Most jobs last for one day; however, some may last for a week. Occasionally a job may even evolve into permanent work.

Unlike the workers at the informal day-labor site, only one-third at the Austin Highway branch were Mexican-Americans, with the other two-thirds being equally divided between Anglos and African-Americans. Few if any of the workers at the Austin Highway branch were undocumented. The TEC branch at Commerce and Frio streets is an extension of the downtown office, and its sole function is to operate the day-labor program. The program was instituted just two and a half years ago. The Commerce Street branch is located in the ethnic enclave in the same area as the informal day-labor network. The Commerce Street program functions similarly to the one at the Austin Highway. Workers come in the morning and sign in with their name, social security number, and whether or not they have a car. Then they wait either in the office or out at the official day-labor corner. When jobs come in, they are distributed on a first-come, first-serve basis. Most jobs require transportation as the employers rarely drive to the office. On the average, only 30 workers are placed per month from this office.

Very few workers congregate at the official work site on Commerce Street. One researcher spent approximately 30 minutes interviewing the coordinator of the Commerce Street program, during which time no jobs were called in and no workers were seen. The coordinator reported that he had not been able to place any workers that day, although he did have a sign-up sheet with approximately 25 names on it. The size of the informal day-labor network in such close proximity to the official TEC program calls attention to a failure on the part of the TEC program to incorporate the informal day laborers and contractors. Since the Austin Highway office is not located on the West Side, it is more difficult to assess its impact on the enclave. More information about the number of workers coming from the West Side to that office would have to be collected before any conclusions could be drawn. The effects of the Commerce Street office are more readily apparent.

The greatest cause for the failure of the TEC to incorporate the informal day-labor sector into its official program is lack of education and communication between the TEC and the workers. The informal workers interviewed lacked accurate information concerning the program. Misinformation is hardly surprising given the absence of structure in the program and the general mistrust the workers feel for government agencies of any sort.

Another problem is the lack of information between the TEC and the contractors. The informal day labor network is well established within the community of the ethnic enclave, and the TEC has made no attempts to establish its program through grassroots methods which would incorporate the opinions of the day laborers themselves. The TEC has also made no attempt to educate the community about the program.

The makeup of the program itself also contributes to its failure. With little or no direction to guide the TEC programs, it seems unlikely that they would accomplish their goal of matching workers with employers. Since no data are kept regarding the number of placements or wages, there can be no way to measure success rates and thus no way to make improvements. With all of these substantial obstacles facing the TEC, it comes as no surprise that the Commerce Street program is so unsuccessful.

Cattleman Square Association. Another group which has concerned itself with the day laborers is the Cattleman Square Association. The association was established around 1985 by Charles Tadouse, the owner of a local grocery wholesale store. The initial group consisted of eight property owners in the Cattleman Square area, which is bordered by Guadalupe on the south, Smith Street on the west, Morales on the north, and IH-35 on the east. Since then, the organization has grown to include 45 of 125 property and business owners in the area. The association's



primary goal concerns urban renewal and rehabilitation of the infrastructure. A list of their top ten priorities includes such projects as reconstruction of the Buena Vista bridge, rehabilitation of Commerce Street between San Marcos and Medina streets, and removing the section of the Southern Pacific railroad track from Comal Street. Other goals include the promotion of community and economic development.

The association encourages development by involving the banking, architecture, retail, and leasing industries in the rehabilitation of existing buildings in the area. They then attract businesses into the neighborhood that will rent office space in or operate businesses from the newly renovated buildings. Along with the promotion of business growth in the area, the association is interested in improving the image of Cattleman Square. Thus, they established their Task Force on Crime Prevention and Code Enforcement. Unfortunately, this information does little to correct the image problem that the association feels their business area has. One group of people that they feel is responsible for the bulk of the image problem is the day laborers.

In order to work through this problem, the association has allied itself with the TEC, the San Antonio Metropolitan Ministry (SAMP) Shelter, representatives from the San Antonio Police Department and the Department of Health and Human Services. This group came up with a series of ideas to relocate the day laborers to the official site and to encourage contractors to pick up workers there as well. One tactic they have used in the past and will continue to use is serving coffee and doughnuts at the official day-labor site in the mornings. A newer idea that they have implemented is to print cards telling the day laborers where the official site is and encouraging them to go there. They plan on distributing the cards through SAMP, TEC, and Health and Human Services employees. Enforcement has been used, but, since the San Antonio police department will not put an officer on a foot patrol there, eight of the businesses in the association recently hired their own private security force to patrol the area.

We would like to suggest that the only manner in which the informal day-labor program could be successfully incorporated into a more formal entity would be from within the community itself. The TEC and the Cattleman Square Association may be useful resources for funding or providing a location, but the structure of the program should be built at a grassroots level. Only in this way can you win the trust of the people and create a program which will benefit the community, the city, and the workers.

Policy Recommendations. Recommendations for the city of San Antonio are based on two specific goals. The first goal is to organize day laborers so they may be joined more efficiently with the contractors. Advertising their services to local companies as well as private individuals would increase job opportunities for the workers. Organizing the workers will also help minimize exploitation and maximize hourly wages. A community liaison person could help to organize the workers, eventually empowering them so that they will see their work as worthwhile and beneficial to the community. In fact, one day laborer asked us during our investigation if we could help the workers find an advocate to write a petition to cut back on police harassment and relocate the official pick-up area. Community education programs could also be sponsored to demonstrate the contributions made by workers in the enclave.

The second goal is to keep the area where the day laborers congregate neat and safe. This includes controlling littering, public drinking of alcohol, congested traffic, and waiting for work in inappropriate areas (such as in front of businesses or on other private property). In San Antonio, most of the corners currently used by the workers do not block businesses. However, the association, as a representative of the businesses in the area, feels that having the workers spread

out over many corners causes traffic problems and is bad for business. A compromise location should be negotiated so that the official day-labor site is promoted by all involved. This would mean that the day laborers would be given some sort of ownership of the official site. They would need to be consulted about what they require to obtain work at the official site. The workers would be given the responsibility of keeping the site neat and making sure that work was not solicited in other areas. The TEC and the Cattleman Square Association for their part would be responsible for ensuring that the contractors and individuals patronize the official site as well. Public service announcements and mailings are two ways in which the corner could be promoted. To their credit the association's idea of sending letters to owners of cars that have stopped at the informal sites is a step in the right direction. Since police harassment is a major concern of the workers, it is to the workers' benefit to formalize the corner system, as this will minimize police intervention and eventually make it unnecessary.

A fringe group to the regular working group seemed to use the corners as more of a place to hang out and drink than as a place to look for work. The fringe element could be responsible for many of the complaints received about the day laborers. In fact, this was confirmed in an interview with Gary Vasquez, executive director of the Cattleman Square Association. Mr. Vasquez, as a representative of businesses in the day labor area, stated that most of the legitimate workers had left the corners by 9:00 a.m. and that most of the problems in the day labor area were caused by this fringe element. The fringe element could also be contributing to some of the misconceptions and common stereotypes about the day laborers. By helping to incorporate the fringe element into the day labor network, the source of complaints possibly would be eliminated and the image of the day laborers would also be improved.

One recommendation is the formation of a coalition of community groups, like the Mexican-American Unity Coalition, to institute these changes with input and possibly funding from the Cattleman Square Association and the TEC. At this time an informal coalition including the TEC, Cattleman Square Association, the SAMM shelter, representatives of the San Antonio Police Department, and Department of Health and Human Services are working together to do just that. Their primary goal is to convince the day laborers and the contractors to use the official day-labor site. The one ingredient missing from this coalition is a representative of the workers. Without worker input, the efforts of this groups are sure to be deterred and prolonged. The success of such a group will be more easily secured if the changes necessary in the day-labor network come from within and are not enforced from the top down.

## **Case Study Number 2: The Informal Sector**

Methodology. The decision to study the involvement of women in the informal sector was determined by several different factors: (1) the low income level of this community suggests that women would be more prone to participate in the informal sector, and (2) the "openness" and availability of this community to researchers due to key informants who were able to furnish a background history of the area as well as ethnographic data on the daily life and interaction in this particular community.<sup>41</sup>

This study on the participation of women in the informal sector focuses on a highly poverty stricken community in housing projects on the West Side of San Antonio and the surrounding residential area within the boundaries of Morales on the north, IH 35 on the east,



Merida on the south, and Zarzamora on the west. Much of the background information for this area was made available through research recently conducted on persistent poverty.

The methods used for this research project consisted of several different stages. First, the research area was defined and mapped out for the case study, focusing on an area where the informal economic activities are concentrated, the courts (between the public housing units), and the surrounding area. Then going door to door allowed the research team to establish contacts with people offering background information on the community and the informal economic activities. Once the women agreed to be interviewed, the snowball technique was used to reach more informants within the community. As familiarity with the West Side area increased, the final stages of the investigation were conducted with individuals that were openly either selling food or offering their services on an informal basis.

Three interviewers collected the data using a questionnaire prepared for this purpose. Each of the women was interviewed separately. The intention is to describe the impact of the informal economy on individuals, the community, and the ethnic enclave from the participants' point of view. In addition to the interviews and field notes, a photographer visually documented the environment and the research in progress.

Thirty-eight individuals were approached on the issue of informal activities and twenty-four directed interviews were completed, thirteen of which were with women, five with men, and six with children. The interviews identified specific demographic and ethnographic information. In order to maintain consistency throughout this entire project, both case studies (day laborers and women) utilized similar questionnaires. The individuals were interviewed on four primary areas of interest: personal data, work data, attitudes about their informal work, and problems associated with this type of work.

**Survey Results.** The majority of the women interviewed (eleven out of thirteen) were born in the United States and had been living the majority of their lives in San Antonio. Only two out of thirteen women interviewed were foreign born (Mexico). Most of the women interviewed (nine out of thirteen) lived in housing projects on the West Side of San Antonio, while the remainder (four out of thirteen women) interviewed lived outside of the courts. The women engaged in informal activities include young women (less than 21 years old) as well as old women (more than 30 years old) up to the age of 75 years. However, another study on this area reported that women up to the age of 88 years participated in informal activities.<sup>42</sup> Approximately half of the women interviewed (seven out of thirteen) were 30 years old or older. Almost all of the women interviewed who lived in the projects (three out of four) were less than 30 years old.

A majority of the women (nine out of thirteen) interviewed received public assistance, primarily Aid to Families with Dependent Children (AFDC). All but one of the women living in the courts received public assistance of some kind. Most of the women we interviewed had less than a high school education (ten out of thirteen) and only three had completed high school or received a Graduate Equivalency Diploma (G.E.D.).

As discussed earlier, an informal activity may involve cash, barter, or the exchange of services. Common informal activities for women were baby sitting, house cleaning, and selling products such as hand-made flowers, embroidered pillow cases, and food (e.g., sodas, tacos, flavored ice cups). Other less-common practices were selling blood and plasma, collecting and recycling aluminum cans, working in bars, and distributing flyers for political campaigns.

The primary source of additional income for women living in the courts is from their families and, to a lesser extent, boyfriends. Help from families ranges from small loans to other resources, such as trading clothes and baby sitting, while the boyfriends' help consists primarily of small loans. The women also rely on their families for assistance during cases of emergency, specifically medical. The degree to which families are utilized varies. Some women rely on their families on a regular basis to pay their bills and for food and emergency loans at the end of every month, while others just use their families as a sort of backup or safety net.

The women believed their informal activities were just a way of learning how to survive or get by financially. For women on public assistance, informal work provided a way to get around the laws and regulations (e.g., housing authority or welfare agencies) which maintain strict limits on additional income. The women felt that any effort which was necessary to support a family was justified and, therefore, should not be reported to the public service agencies. The majority of the women openly admitted their participation in informal activities once they were convinced that the interviewers were not associated with any of the social service agencies. In general, those women involved in informal activities knew of other women supplementing their income in various other ways and commented freely on informal activities going on in the community. Many regarded participation in informal activities as a common practice. There was actually a history of involvement in informal activities; many of the women had been engaged in informal activities over several years. Women stated that they have relied and will continue to rely on this "extra" income to support their families on a continuous basis.

The women stated they received personal satisfaction from their work, primarily because it helped the family with financial problems. All of the women who engaged in informal activities used the extra income to purchase basic necessities such as food or clothing for their children. Many women felt personal pride in their initiative, creativity, and ability to provide for their family and themselves. They also enjoyed the reputation they gained for helping others through their exchange of services. An older woman, approximately 73 years old, liked to work because it kept her preoccupied when she felt sick or lonely. The women also believe the informal activities are good for the community in that everyone helps each other to create more caring, communication, and camaraderie. They also believe informal activities, primarily in-kind services, build their social ties and reinforce community bonds.

The most common problem identified by the women concerns the restrictions placed on them by the public assistance agencies (e.g., housing authority and welfare services). Public assistance regulations require recipients to report additional sources of income, which would result in a deduction in benefits. According to the women living in the courts, the housing regulations stipulated that a resident is violating a lease if she does not report earnings above \$10.00. All of the women we spoke to believed that the amount of cash assistance received was insufficient to meet all of their living expenses; most of the women required extra money for basic necessities such as food and clothing for their children. Several of the women stated that they felt they were being forced to deceive the public service agencies in order to support themselves and their families.

The women felt they were unable to address the social agencies regarding these problems because of the insensitivity of the agencies. One woman stated, "they don't care about people. As long as they get their 8:00 to 5:00 pay, they don't care. People don't care anymore." Another woman stated, "they [social services] think you owe them something, as if they are giving you the money out of their own pockets." When referring to the housing authority the women stated that the agency had no consideration for family emergencies (e.g., accidents, school trips, illness)

which caused them to be late with rent. The women expressed feelings of not being treated fairly by the housing authority. For example, although payment was expected to be timely, the housing authority did not respond to maintenance needs (e.g., a leaky faucet) in a timely manner.

Another type of problem expressed by some women was not being paid consistently by friends or family members. Some family members took advantage of the women, assuming that their work was for free because they were relatives. A few of the women, although not complaining in a direct way, indicated that they feel their work is hindered by the traditional gender roles placed on them by their husbands. One husband felt the wife's services should be for free and did not allow her to insist on payment. Policy

Recommendations. In consideration of the aforementioned findings, the following policy recommendations are proposed. Although political bodies for the city of San Antonio do not have the authority to determine policy for federal agencies, it is within the city's jurisdiction to intervene on behalf of its residents in matters which constitute an extreme burden on their lives.

In addition, the ordinances, federal as well as city, for the housing projects must take into consideration the residents' economic and psychological well being. Current housing ordinances restrict the residents' ability to provide a satisfactory living environment for themselves and their families. First, regulations are based on unrealistic assumptions about the costs of living. If families had sufficient incomes to meet even the basic needs of food and clothing, they would not be forced to violate housing ordinances limiting additional income and special activities such as rummage sales. Secondly, housing ordinances also do not consider the residents' personal and psychological needs for private space. Although housing ordinances allow for some freedom, they should become more flexible in the sense of giving room for individual improvement (i.e., house and garden decorations, fences). Furthermore, reciprocal benefits should accrue for both the housing authority as well as the residents in the exchange of services between the two. The residents, for example, should expect their requests for maintenance to be met responsibly, while the housing authority should expect equal cooperation by the residents for the maintenance of the grounds. Another arrangement, perhaps, is for the housing authority to pay the residents for work and services that they are asked to do voluntarily (i.e., cleaning the streets and yards, helping other residents to interact with the housing agency). The Residents' Association is a possible vehicle to bring about these policy changes if communication and cooperation is fostered among the residents, the housing authority, and the city.

As a policy, the public assistance agencies adjust benefits and regulations to reflect the actual needs and living situations of the women and children they serve. Current agency procedures actually punish women, in particular single mothers, for trying to improve their standard of living. For many of the women, the social-service agencies, in effect, prevent them from fulfilling their familial responsibilities. For many of the women on public assistance, engaging in informal activities is but one way to gain a little independence and self respect. Self respect is highly valued and is considered to be a positive energy that is reflected in a person's attitude, which is then transmitted to the children. The children, exposed to an ambitious, innovative mother who tries to manage her own life independently of welfare, will learn to strive for independence from welfare as well. Additional public assistance changes include providing flexible and affordable (free) child-care programs, which will care for children after 5 p.m. and during weekends. Assistance for informal businesses such as tire shops and auto repair, would allow them to achieve a "formal" status.

**Street Vendors.** Additional interviews were conducted with individuals engaging in informal activities which were not directly related to the case studies. Interviews were conducted with six children who were encouraged or told by the female heads of the household to engage in the informal activities. Most of the children lived with their parents and two children lived with relatives, either an aunt or an older sister. A seven-year-old boy stated that his entire family of seven older brothers and several cousins sold candy for the family. Four of the children reported that the money they earned was used to help pay bills.

The children's ages ranged from seven to sixteen years old. A fourteen-year-old girl stated she had been selling candy in her neighborhood since she was eight years old. All the children were in school. Two of the children worked only on weekends and earned \$22.00 a day, while two other children worked every day after school from 4:00 p.m. to 7:00 p.m., earning approximately \$8.00 a day. The remaining two children worked on an irregular basis during cases of financial emergency (mostly toward the end of each month). The children walked approximately 12 blocks each day collecting aluminum cans or selling Mexican candy, snowcones, and cupcakes.

A number of men in the informal sector within the ethnic enclave also completed interviews. Most of the men were native born (four out of five) and only one was foreign born (Mexico). Approximately half of the men were over 30 years of age, had not completed high school, and were on public assistance of some type. Informal activities for the men varied widely from selling snowcones to maintaining an auto body shop at home. Four of the men stated that the informal work was necessary and relied on it as the primary source of family income.

Interviews were also conducted with adults engaged in the informal sector outside the ethnic enclave. One woman and four men were interviewed. The ages ranged from twenty-three to seventy years old. All of these individuals worked in downtown San Antonio, primarily at the Mercado. Most of the men worked at two jobs, either construction or restaurant work, which was considered the primary job, and shining shoes or playing the guitar, which was a secondary source of income. Most of the men had worked at informal jobs for most of their lives. The woman had been working informally for fifteen years selling clothes and hairpins. She relied on the extra money to supplement her husband's social security disability benefits.

## CONCLUSIONS

This section documents the existence and importance of the informal economic sector in the ethnic enclave of San Antonio. The findings are consistent with other studies on the informal economy. The informal sector has a positive effect on individuals, the community, and the economy in general. Informal activities benefit the individual participant financially as well as psychologically. Informal work also strengthens social ties and networks within a family and community. Individuals engaged in informal activities raise their standards of living and also increase their spending ability within the community. Thus, the informal economy indirectly benefits the community and the larger economy.

With respect to the role of women in the informal economy, the findings are also consistent with recent studies which indicate that women form a large portion, and in some studies, the majority of the informal sector workers.<sup>43</sup> The lack of recognition of their significant role is connected to the social definition of appropriate sex roles. Typically men are assigned the role of worker and provider. Thus, many women in the informal sector are engaged in activities such as baby sitting, cleaning, preparing food, etc., that are not recognized as "work"

because they are stereotypical women's tasks. Many of the women themselves did not recognize these tasks as "work" and in some cases, the women were not paid or compensated for these tasks by members of the extended family.

The day-labor network gives men who might otherwise be unemployed an opportunity to work and thus to contribute to the economy of the enclave. Unfortunately, the informal nature of the day-labor network leaves the men vulnerable to exploitation. They face problems of underpayment and underemployment, which they would not be as likely to face if they had permanent jobs in the formal sector. The men must also deal with the development of the day-labor area, which has forced them to move their pick-up sites over the years. The most recent move to the official day-labor site has been encouraged by a coalition of groups that want to improve the image of the area where the men currently congregate. Having a permanent site where work can be more easily and efficiently coordinated between workers and employers could benefit the men. However, they have not been consulted or included in any of the decisions which will affect their future livelihood. This top-down enforcement results in very low use of the official day-labor pick-up site and the continued use of the informal corner system.

Little if any work has been done on studying the extent to which the informal economy contributes to the formal economy of San Antonio. Although more research and analysis is necessary before any definitive answers may be given, it is hoped that this study will offer enough information to encourage others to look into this aspect of the economy of San Antonio. Although concrete numbers concerning participation levels and income generation cannot be offered, it can be stated that the informal economy on the West Side plays an important and integral part in filling the gaps left by the formal economy. The economy of the West Side enclave is distinguished by the substantial role that the informal sector plays within it and by the interrelationship between the informal and formal economies.





## **Chapter 5. Enterprise Zones**

Since 1986, 37 states have enacted enterprise zone programs. Enterprise zones (EZs) are areas designated as "pockets of poverty," in which local governing bodies and taxing entities are allowed to develop a variety of incentives to promote economic development. They are designed to redirect the flow of both new investment and reinvestment toward pockets of high unemployment or scarce development (i.e., attract new business and facilitate local expansion in areas that need it most).<sup>44</sup>

By locating in enterprise zones, businesses are able to make substantial reductions in their start-up and operating costs. Some of the incentives offered to qualifying businesses include tax abatements and deferrals, the waiving of building and inspection fees, provision of low-interest loans, and purchase of land at below-market costs. Often, these incentives last up to five years. For large manufacturers seeking relocation, the savings can easily add up to millions of dollars. Ideally, enterprise zones are supposed to help poor people in depressed urban and rural communities and serve as vehicles of political empowerment for minority businessmen and resource-limited entrepreneurs.

### **THE ROLE OF TAX ABATEMENTS AND INCENTIVES**

There is no consensus regarding the effect of tax abatements and incentives on economic development. Some researchers have argued that taxes are the primary reasons for industrial relocation,<sup>45</sup> while others have indicated that such factors as "quality of life," climate, labor market and land prices, state right-to-work statutes, transportation, and other factors are more important.<sup>46</sup> Some researchers have even reported that the high levels of services associated with higher taxes, including infrastructure improvements, health services, and especially education, tend to foster economic development.<sup>47</sup>

The most convincing analysis emphasizes the fact that the company relocation or expansion decision is a "complex, multistep process that occurs only after the corporation has formulated a strategic plan, devised a forecast of future capacity requirements, and determined the necessity of additional and/or improved facilities."<sup>48</sup> In this context, financial incentives are most useful when a company is deciding between several sites which meet its fundamental needs.<sup>49</sup> Otherwise, as one researcher warns, companies receiving incentives "are rewarded for doing what they would have done even in the absence of the incentive."<sup>50</sup>

The literature which exists on tax abatement and incentives focuses almost entirely on relocation of large firms, rather than creation or expansion of existing businesses. The capture of one relocating large firm may be both more visible to the community and easier to accomplish than assistance to a number of small businesses. Despite their visibility, large firms are few in number: one study found that manufacturing relocation "occurs at a rate of only 3 percent per year in manufacturing establishments of all sizes and less than 1 percent per year in plants employing more than 100 employees."<sup>51</sup>

Small businesses may both entail greater risk (because of their high rate of failure) and have different needs than other kinds of firms. The calls for tax and regulatory relief which are a



regular feature of enterprise zone rhetoric may not be what small businesses need at all. David Maloney argues that tax breaks are of little or no utility to small businesses because of the lost time it takes such firms to become profitable. Small businesses need "carry-over provisions [to] allow for their future use or sales of the [tax] credits" for the credits to be useful, and few zone programs now offer those options.<sup>52</sup>

## **THE TEXAS ENTERPRISE ZONE PROGRAM**

The Texas Legislature originally created the Texas Enterprise Zone Act in 1983. However, that legislation made the Texas program dependent on the passage of federal legislation. As the passage of federal enterprise zone legislation grew more remote and as Texas suffered an economic downturn, the 70th Texas Legislature in 1987 created an array of economic development programs, uniting the state's scattered programs under the umbrella of the new Texas Department of Commerce. In November 1989, the Texas Department of Commerce designated seven enterprise zones, bringing the statewide total to fifty.<sup>53</sup>

Among the economic development legislation which passed during the 70th Legislature was Senate Bill 87, which removed the requirement that federal enterprise legislation be enacted before the Texas statute became operational and housed the new program within the newly created Texas Department of Commerce. The Texas Enterprise Zone Act provides a statement of legislative findings which detail the purpose of the zones. Under the act, an area can be nominated as an enterprise zone by the legislative body of a municipality or county (or a combination of both) as long as it meets certain geographic and economic criteria set forth in statute.

Enterprise zones are given a number of benefits by the state, including permission to use bonds for financing, refunds for state sales taxes, and preference in the awarding of state grants or loans related to economic development if at least half the grant is to be used on the enterprise zones. In addition, the state can designate a number of enterprise projects which are eligible for state sales tax refunds up to \$250,000 per year for a maximum of five years.

Nevertheless, the majority of incentives are those offered by the municipality or county, including the following:

1. refunds of the municipality's share of sales tax;
2. reduction or elimination of various fees and charges;
3. deferral of compliance with local ordinances and building codes (except those regarding streets and water);
4. priority in the distribution of block grant funds and economic development programs;
5. amended zoning requirements;
6. preferences or simplified procedures in permitting;
7. reduced utilities; and,
8. creation of a local enterprise zone fund.<sup>54</sup>

## **The San Antonio Zones: Focus on the West Side**

San Antonio, while under the leadership of nationally recognized Mayor Henry Cisneros, was clearly on the forefront of Texas economic development. Yet, certain areas within the city suffered from severe and persistent poverty. Areas within San Antonio's West Side ethnic enclave and East Side warehouse district were of particular concern, with unemployment levels of 12.4 percent and 13.8 percent respectively. In order to target economic development in these "pockets of poverty," the Texas Department of Commerce approved enterprise zones for each of these areas in October 1988. Both zones are administered by the San Antonio Department of Economic and Employment Development (DEED).<sup>55</sup>

In order to qualify for tax abatement, the minimum guidelines state that a company must either:

<u>Invest</u>	or	<u>Create</u>	<u>To Receive</u>
\$2.2 to \$3.4 million		51-75 jobs	50 percent tax abatement
\$3.4 to \$4.5 million		76-100 jobs	75 percent tax abatement
Over \$4.5 million		100+ jobs	100 percent tax abatement

As of 1990, only two businesses are participating in San Antonio's West Side Enterprise Zone program. Both are large manufacturers with over 100 employees and only one is taking advantage of local tax abatement. However, both receive benefits from the state related to their designation as state enterprise zone projects, including rebates on both state sales tax and use tax on purchase of machinery and equipment. The two businesses are credited with the creation of more than 500 jobs in the West Side zone and plan expansion within the next few years to employ over 1,000.<sup>56</sup>

Bausch and Lomb was the first business to begin operations as an enterprise zone project. A sunglass assembly and distribution center, the firm received designation from the state on January 31, 1989. Presently the business employs 400, 80 percent of which live in the West Side, has a maximum employment projection of 700, and is expected to invest \$5,500,000 in the project.

Canadian sign manufacturer SignTech USA, Inc., received state project zone designation on May 24, 1989, employs 118, and is expected to invest \$7,350,000 toward the San Antonio site. This company manufactures custom sign materials -- flexible vinyl and aluminum components for frames. Seventy percent of current employees live in the West Side, the majority of which are low- and semi-skilled, including warehousemen, inkers, seamers, and salesmen. Long-term employment projections are approximately 300.<sup>57</sup>

## **Evaluation**

The Texas enterprise zone program is still relatively new, and San Antonio's experience in implementing it is newer still. Even so, a number of issues, which are worth considering, are beginning to emerge regarding the effect of zones on the community. There is no consensus regarding the effect of tax abatements and incentives on economic development. Some researchers have argued that taxes are the primary reasons for industrial relocation, while others have

indicated that such factors as "quality of life," climate, labor market, land prices, state right-to-work statutes, transportation, and other factors are more important.<sup>58</sup>

Minimal Concentration on Zone. After just more than one year of operation, little concentrated effort has been targeted specifically toward development of the West Side zone other than the city's clear emphasis on attracting large manufacturers to the area. Marketing efforts are directed toward large employers and are carried out through active cooperation with San Antonio's Economic Development Foundation, a private, nonprofit firm which handles DEED's marketing efforts.<sup>59</sup>

Incentive Package Mixed Bag of Various DEED Programs. San Antonio's enterprise zone incentive package combines a mixed bag of tax abatement, job training, and loan programs administered through DEED. Each business that applies gets a "tailor-made" incentive package depending on its needs and/or situations. However, these programs are not new to San Antonio, and the incentives they offer were not specifically designed to target development within the zones. Instead, these incentive programs are just a small part of a larger, comprehensive economic development and business expansion plan being implemented by the city.<sup>60</sup>

No Coordination with Other Entities. While Texas Department of Commerce zone rules allow and encourage other entities to boost the incentive package by providing additional tax abatement, there is minimal coordination between the city and these other entities. Qualifying businesses must go before each entity's governing body to "cut a deal." There currently is no outreach program toward business in the zone, and current tax abatement incentives do not really apply to small businesses wishing to expand.<sup>61</sup>

Effects on Population/Local Business. The true effects on the local citizenry and economy are difficult to ascertain and for the most part, remain inconclusive. Due to the recent implementation of the zone program, no data are available to make any kind of quantitative analysis. However, we do know that of the approximate 500 jobs created by the two zone projects, a minimum of 25 percent are required to be filled by zone residents. Taking into consideration local multiplier effects and increases in internal market demand, there has to be some positive effect within the area. However, whether or not these presumed economic benefits outweigh revenue lost from abated taxation is anyone's guess.<sup>62</sup>

Effects on Infrastructure. Possibly the most convincing arguments for enterprise zones come from those who point out that infrastructure investments increase as a result of zone activity. In fact, \$18.8 million in street and drainage improvements have occurred in the zone since its designation. Again, there is little evidence to make any kind of firm conclusion on this issue. However, this is a very important issue, and it must be noted that all indications point to the fact that the city has given away a significant portion of its tax base unnecessarily.<sup>63</sup>

## CONCLUSIONS AND RECOMMENDATIONS

Considerable debate remains surrounding the costs and benefits of enterprise zones. Zones have been a significant factor in the economic development of blighted "pockets of poverty" throughout the nation. They have been most effective in the northeast, a region of high corporate taxation where abatements and rebates are indeed significant in the total cost of doing business. In Texas, however, the benefits are not the same. Many have argued, in reviewing the applicable literature, that zones are not needed in the Southwest because those states already provide "low-

cost" inducements. Some claim that providing additional incentives only creates "poorer-than-thou" competitions, which are unnecessary given the current state of economic restructuring.

The original purpose of enterprise zones was to encourage all forms of entrepreneurship within them, including business startups by residents.<sup>64</sup> However, small business development among those who already reside within the zones has generally been neglected in favor of relocating firms. While the presence of new firms from outside the zone provides the benefits of additional employment and some service sector spending in the area, the fact remains that the profits belong to entities outside the zone. If the aim of the enterprise zone is to help redevelop poverty-stricken areas, at least part of its energies should be directed toward the development of businesses owned by residents of the area.

However, the fact remains that Texas currently has fifty enterprise zones and will continue to have them for at least the next five years. Two of these zones are in, and will remain in, San Antonio. Therefore this study, while still very much in a "working" stage, offers the following recommendations.<sup>65</sup>

1. It is suggested that the city clearly state the precise mission and purpose of the San Antonio zones. If they are to target and attract only large manufacturers, so be it. However, if this is so, it should not be promoted as functioning to aid existing businesses or increase small-business expansion.
2. The city should consolidate the various enterprise zone administrative functions. Administration of an enterprise zone, at least in its formative stages, is a full-time job, and at least one person should be assigned to work exclusively on activities related to the zone.
3. If the intent is, in fact, to aid small businesses as well as large firms, then the incentive package must be modified to apply to those businesses. Few ethnic enclave entrepreneurs are able to invest \$2.2 million or create 51 jobs.
4. The city should provide more funding to DEED for marketing to small businesses. Even if the incentive package is not modified, it is vital that small businessmen within the zone receive appropriate information regarding the other services provided. And, this can only be provided with more resources: funding and staff.
5. The city should use options offered by current Texas legislation. All economic players inside the zone should be encouraged to participate. The city should implement an outreach program to advertise zone opportunities and coordinate with other taxing and governmental bodies to offer a more attractive package of rebates and exemptions.
6. In order to properly evaluate the effects of the zone, the city must implement a better system for tracking zone activities. As it stands, the 1989 report on the West Side zone to the Texas Department of Commerce says nothing. If anyone is to prepare a valid cost/benefit analysis of the zone, better records must be kept.



## **Chapter 6. Housing and Economic Development**

Housing and economic development are inextricably linked, especially in the case of a poor neighborhood such as the West Side of San Antonio. First of all, a blighted area with deteriorating housing is not an attractive or safe location for thriving small businesses. Rehabilitating the housing stock and improving the infrastructure is a prerequisite for establishing businesses such as grocery stores or cleaning stores that normally serve residential neighborhoods. Secondly, housing construction and rehabilitation directly affect economic development by creating construction jobs. A 1981 study by the Bureau of Labor Statistics concludes that for each billion dollars of multifamily construction expenditures, 25,400 jobs were created. Finally, housing assistance in the form of mortgage subsidies or rehabilitation loans bolsters economic development by enhancing the wealth of households. Wealthier households pay more in property taxes, enabling the city to fund infrastructure improvements. Also, wealthier households tend to buy more consumer goods, leveraging a business expansion in their community.

This chapter considers both impediments to economic development and city efforts to fuel economic development through housing programs. The impediments examined in the first two sections are redlining (i.e., lending institutions denying loans in specific areas) and ill-conceived zoning programs. The second section discusses various city housing programs that affect the economy of the West Side, including rental and owner-inhabited rehabilitation, tenant management practices, and the Homeownership Improvement Program (HIP).

### **ZONING AND LAND USE HISTORY IN AMERICA**

The idea of segregating land uses started with early American attempts to exclude public nuisances from certain parts of a town. In 1692, for example, Boston dictated that slaughterhouses and other unpleasant structures be situated where they would be least offensive.<sup>66</sup> Likewise, in 1885, Modesto, California -- the city credited with the first zoning ordinance -- restricted wash houses and public laundries to the "bad" part of town.<sup>67</sup> However, while some efforts at land use control were being made, a strong American tradition remained that upheld the right to the free use of one's land. The leap from exclusion of public nuisances to comprehensive land-use control would not take place until social concerns grew to balance private-use arguments.

The necessary social concerns arose from the disorder of land-use patterns established by the industrial expansion of the 19th and early 20th century. In that time period, the industrial and commercial growth of large cities required, in the absence of modern transportation and communications, that workers live in close proximity to the factories, shops, and businesses which employed them. Many of these businesses, in turn, preferred to be near the customers they served. The result was that it was not uncommon to find very mixed land-use patterns in the absence of zoning law.<sup>68</sup> People simply constructed neighborhoods that were convenient for living and working. The modern concern for separating residential areas from industrial and commercial districts was relatively rare among the working-class inhabitants of inner-city neighborhoods.

Middle-class Americans, however, increasingly sought to distance themselves from the industrialism and working-class environment characteristic of these urban land-use patterns. They



did this by moving to the suburbs. The problem, though, was that there was no guarantee that those elements they intended to leave behind would not follow as the suburbs became attractive places for the location of factories and low-income housing.<sup>69</sup> The affluent, therefore, needed some sort of public policy that could keep industrial and commercial activities away from desirable residential areas.

The solution was the comprehensive zoning ordinance. Through the police powers inherent in it, factories and businesses could be prevented from moving into certain areas. It also provided for the exclusion of the lower classes who traditionally live near their workplaces. The ordinances did this both by excluding the businesses for which they worked and by putting controls on where apartments could be constructed. Furthermore, since these working classes frequently comprised racial and ethnic groups, exclusionary zoning had the effect of relegating minorities to inner-city neighborhoods. Thus, the goal of excluding public nuisances was extended to the social sphere: "zoning had much less to do with protecting people from harmful things than with protecting people from other people. The focus of zoning was the social relationships of people, not things."<sup>70</sup>

## **LAND USE PATTERNS ON THE WEST SIDE OF SAN ANTONIO**

This discussion is intended (1) to show that the land-use patterns of the West Side of San Antonio are understandable from a broad historical perspective of zoning in the United States and (2) to suggest that the structure of zoning on the West Side is dependent upon what is desired in terms of economic development. The end sought in making these points is to offer proposals for zoning policy that are conducive to economic growth but do not harm the residents of the West Side. An auxiliary goal is to suggest areas of research that would provide for a better understanding of West Side land use and zoning.

The land use patterns on the West Side of San Antonio seem to reflect a disregard for orderly planning and zoning. Our modern, post-suburban perspective leads to the conclusion that any area in which land uses are not clearly separated from one another -- where a residence is found next to a grocery store, a used car lot, or a junkyard -- is a primitive section of the city. It is thought that such an area offers an environment resistant to economic growth and that the patchwork of land uses is just one more feature of a "depressed inner city" that deters private and public investment. This perspective, however, fails to take into account two important insights (1) that zoning involves not only the separation of land uses, but the separation of social classes as well and (2) that the objectives of land use patterning have changed dramatically over the years as our ideas about neighborhood living and economic development have changed. A review of the history of land use in the United States shows how these two points make West Side land-use patterns much more understandable. Then, it can be shown that zoning practices in San Antonio have reflected the historical tendencies of land use.

### **Zoning on the West Side**

San Antonio implemented its first comprehensive zoning ordinance in 1938. It is peculiar in terms of today's zoning standards because it involves a pyramid shaped ranking of land uses (appendix F). Zoning categories range from A (single family district) to M (second manufacturing district). Each classification permits all the uses in the classifications which precede it. For example, this means that the E office district allows all the resident uses of the classifications A



through D. Similarly, the M manufacturing district is the most inclusive and permits any use whatsoever.

The 1938 ordinance had two results important to land use on the West Side. First, it codified the uses which already existed. Thus, the use patterns developed prior to zoning were given the sanctity of law. Second, some lots zoned for industry and commerce were subsequently used for residential purposes. Two consequences resulted from this latter fact (1) some opportunity for industry and business development may have been lost and (2) the mix of land uses -- with residences in close proximity to industry and commerce -- was greater than would have been the case if a more restrictive zoning ordinance had been implemented.

A more restrictive ordinance was adopted in 1965 (appendix G). This zoning law is different from the 1938 law in several respects. First, it is designed so that residential, business, and industrial zoning classifications are mutually exclusive. Second, it is more use-specific than the 1938 ordinance. For example, there are classifications such as R-2A (three- and four-family residences). Similarly, business uses are divided between those which allow alcohol sales and those which do not. Third, the 1965 ordinance makes provision for certain special zoning districts; Planned Unit Development Districts and Business Park Districts are just two examples. Overall, the 1965 law represents a more organized and rational application of zoning principles than its predecessor (the 1938 ordinance).

The 1965 ordinance did not, however, supplant the 1938 ordinance. It provided that the legal use of land in existence on June 28, 1965, could continue as a nonconforming use thereafter.<sup>71</sup> The consequence is that both ordinances apply in areas like the West Side. The zoning maps are, thus, a patchwork of the two land-use controls. The reason for this is probably that the 1965 ordinance was intended more as a means of promoting a thoughtfully organized development of outlying areas of San Antonio than it was as a reform of the 1938 zoning ordinance in the neighborhoods bordering the central city.

Obviously, it is more efficient and less confusing to have one zoning ordinance. This can presumably be achieved by upgrading from the 1938 ordinance to the 1965 zoning structure. A lot zoned according to the older classification would be given a 1965 classification. Since many older uses would still be nonconforming within the structure of the more recent ordinance, the conversion process would be slow and complicated; especially so, given the current resources and manpower available to the San Antonio Department of Planning.<sup>72</sup> Furthermore, it has been noted that there could be a new ordinance by the time such a conversion is carried out.<sup>73</sup>

More attention has been paid to the goal of rezoning older neighborhoods like the West Side. As noted in the 1983 Target '90 report, the objective is to make older zoning classifications more accurately reflect the current land uses.<sup>74</sup> For example, if a single-family residence has been built on a lot zoned E for office use (by 1938 ordinance), the classification would be changed to A to more accurately reflect the actual use. This activity involves, in many instances, what is termed downzoning. As in the above example, it makes the zoning classification more restrictive.

The desirability of downzoning depends upon the goal that is to be sought in zoning an area. It is desirable where there is a need to preserve the character of inner-city neighborhoods. It prevents the haphazard intensification (where intensity increases from residential to commercial to industrial) that might occur in its absence.<sup>75</sup> The property that had previously been classified E for office use, but was developed with a residence on it, could not, once it had been rezoned A, be bought and redeveloped with an office constructed upon it. Of course, from the perspective of

those interested in such use-intensification, downzoning means a loss of areas that could be used for economic development. At any rate, rezoning of the West Side has been slow, and insufficient funding has resulted in an inability to achieve the city-wide Target '90 goals.<sup>76</sup>

## **Conclusions and Policy Recommendations**

The desirability of a given neighborhood land-use structure is determined by one's expectations of economic growth. Since urban renewal has in many instances been synonymous with reshaping inner cities in the image of white middle-class living and modern high-rise business development, it has caused the displacement of the poor people occupying such areas. On the other hand, the mixed land-use pattern of older neighborhoods has been of some utility to those groups which desire to live in, or near, the enterprises they operate or use. This may be especially true of ethnic enclaves like the West Side of San Antonio. Therefore, it is necessary to implement zoning policy that ensures that economic development does not proceed at the expense of the people who live in areas like the West Side.

In terms of the West Side, economic development which protects the interests of people might include the following three conditions. First, rezoning city neighborhoods, specifically the West Side, should continue. Rezoning would achieve the important objective of safeguarding the character of the neighborhoods by preventing indiscriminate redevelopment. A lot that was zoned for manufacturing but developed with a residence could not then be redeveloped with an industrial or commercial use.

Second, inclusionary zoning practices could be implemented in the central city (and even the suburbs). Such zoning regulations stipulate that a developer must build a certain number of low- and moderate-income housing units as part of the larger residential or commercial project that is undertaken. The appeal of this approach is obvious (1) it ensures that revitalization of neighborhoods does not displace the current residents and (2) it may actually reverse the segregating tendencies of exclusionary zoning practices. There are, however, several problems associated with inclusionary zoning. First, the stipulation described above may be viewed as a "tax," the purpose of which is to have a private enterprise bear the costs of public assistance. Second, such a tax may have the effect of a disincentive to development: "Indeed inclusionary zoning ordinances have not generally worked where developers were not sufficiently motivated by an active and prosperous market."<sup>77</sup> The implication of this second point is that the West Side of San Antonio must be an area of economic growth before inclusionary zoning has a chance of working. Let there be no mistake; zoning cannot stimulate economic growth where it would not otherwise take place. Zoning regulations are restrictive and negative by nature. They work well to prevent unwanted development. Thus, in the case of the West Side of San Antonio, rezoning proceedings and inclusionary regulations can at best restrict economic development which would disrupt the community and displace the residents.

The third condition of a zoning process that might successfully temper economic development on the West Side is the active participation of West Side citizens and neighborhood organizations. This point cannot be overstated. It is the residents of an area who best know their own needs and requirements. If they do not express their opinions, the greatest result that they can expect is that development will coincidentally fulfill their needs -- an unlikely event. On the

other hand, active engagement in the process can only make beneficial outcomes in zoning and development more likely.

In conclusion, the above observations are of considerable significance for the study of zoning on the West Side of San Antonio. Analyzing the effects of land-use patterns upon the land values, income levels, or ethnic composition of a neighborhood is problematic in several respects. First, operationalizing a measure of the zoning mix of a neighborhood involves a great deal of work. The simplest method is to determine the proportions of commercial, residential, and industrial zoning (by area) for every zoning map in the city -- a great task for such an inadequate measure. Second, it is not clear that differences in zoning cause differences in the income levels or ethnic composition of neighborhoods. A good argument can be made for the converse relationship -- that socioeconomic characteristics condition the zoning patterns of a city. At any rate, there is probably an interactive relationship between these variables -- a probability that is overlooked in the traditional zoning regression analyses.

It may, then, be worthwhile to concentrate on more qualitative, anecdotal analyses of zoning on the West Side. For example, building contractors could be surveyed to ascertain their degree of satisfaction with the zoning process. Are they subject to lengthy delays in rezoning lots, etc.? This approach would be of limited value, however, if West Side contractors' views could not be compared with their counterparts around the city. The finding of a citywide problem with zoning would be quite different from the finding of a problem localized on the West Side. It is easy to see that this "more qualitative" method could become as involved and difficult as the analyses described previously. For the time being, it seems that we have to settle for a piecemeal, incremental approach to the study of zoning on the West Side of San Antonio.

## **REDLINING**

In recent years there have been numerous claims that mortgage-lending institutions (MLI) regularly redline sections of urban areas.<sup>78</sup> This practice is said to cause the decline and deterioration of areas which would otherwise be vital. Critics of MLI have argued that decisions to direct investment to new suburban housing have had a long-term negative impact on the housing stock in older urban areas. This controlled exclusion of financial resources to neighborhoods is often seen as a critical step in a cycle which assures the deterioration of inner-city neighborhoods.

Proponents of lending institutions argue that such maintained views are unlikely. They point out that the spatial dispersion of American society represents basic economic changes. These policies of MLI might well reflect those changes but hardly have created them. Given that lending institutions are motivated by profit, it could not be expected otherwise. From this point of view redlining and disinvestment will generally represent rational free-market calculations. Loans which by normal criteria seem unsafe should not be made. Given the pervasive economic segregation within our society, one would expect that loans which are not "safe" will form a discriminating spatial pattern.

In the general context of housing issues, specifically for low-income families, several recent articles of federal legislation address directly or indirectly the neighborhood effects of home finance. Following a review of a piece legislation and previous studies, this report will explore the correlates of lending decisions of a major part of the lending industry within a large American city (San Antonio, Texas) for the years 1984, 1986, and 1987.<sup>79</sup> The study compares the number and amount of conventional home purchase loans originated by Bexar county

mortgage lending institutions within the inner 410 highway loop area of the city. Two critical research issues are involved. (1) Are mortgage lending institutions biased against certain urban areas, and, if so, what is the nature and extent of this bias? and (2) If this bias exists, what is its contribution to neighborhood devitalization? If financial institutions are dysfunctioning, policymakers need to know how and why in order to correct the problem. Special attention is given to the role of neighborhood racial composition on the number of mortgage loans allocated and an empirical analysis will be conducted.

## **THE MARKET FOR HOME FINANCE**

The mortgage market, to put it simply, consists of suppliers of mortgage funds and demanders of mortgage funds. Demanders of mortgage funds are those people needing to obtain a loan; suppliers of mortgage funds are those institutions willing to lend money in return for specified interest rates. Since financial institutions, both private and public, provide the greatest portion of mortgage funds, these will be highlighted.

### **Lending Institutions**

The majority of home-mortgage loans made by private lending institutions are provided by commercial banks and savings and loans. Of these, savings and loan associations provide a much greater proportion. Practically all of their deposits and advances from governmental organizations, such as the Federal Home Loan Bank Board, are channeled into mortgages, whereas commercial banks provide only a small portion of their deposits into mortgages.<sup>80</sup>

Federally Sponsored Credit Agencies (FSCAs) are the governmental organizations that provide funds in the mortgage market. Some of the major FSCAs are the Federal Home Loan Bank Board (FHLBB), the Federal National Mortgage Association (FNMA or Fannie Mae), and the Federal Home Loan Mortgage Corporation (FHLMC).<sup>81</sup> These agencies direct all of their funds, acquired through the sale of securities, into the mortgage market.

The Federal Housing Administration (FHA), a governmental organization within HUD, also affects the private mortgage market. Under the FHA's credit insurance and subsidy plans, lending institutions may help owners of homes to make household repairs by granting loans insured by the FHA.<sup>82</sup> The urban mortgage market includes three major players: the government, communities, and lenders. It is the communication, or lack of communication, of these groups which determines the context in which mortgage lending occurs.

### **Federal Policy**

The Home Mortgage Disclosure Act of 1975 (HMDA) was the first federal action aimed at curtailing redlining practices. The act itself, as far as acts go, is relatively simple. The underlying reason for the HMDA, is that some financial institutions were found to have contributed to inner-city decline by their reluctance to provide home financing in older urban neighborhoods to credit-worthy applicants.<sup>83</sup> The language of the act is carefully phrased not to imply that redlining is the cause or even the predominant cause of inner-city disinvestment.<sup>84</sup> However, the connection between redlining and disinvestment was significant enough to warrant federal action.

The heart of the HMDA lies in section 304, which pertains to the maintenance of records and public disclosure of mortgage loans. The act requires that every "depository institution"<sup>85</sup> with total assets above \$10 million, which is located in a Standard Metropolitan Statistical Area (SMSA),<sup>86</sup> must compile and disclose by census tract or zip code, the number and dollar amount of residential mortgage loans and home improvement loans that are made each year within their respective areas.<sup>87</sup> All information required to be disclosed is kept for five years after the initial year. The intended purpose of this regulation was to provide consumers with the means to evaluate the lending patterns of mortgage lending institutions and to determine any discriminatory practices. Secondly, the law was to provide public officials with information regarding whether or not a lender was serving the needs of its respective community.

Because the HMDA affects only federally chartered lending institutions, several states have enacted their own legislation aimed at state-chartered depository institutions. Some states require greater detail in their disclosure requirements than those found in the federal act. Some require disclosure not only of the amount of mortgage loans but the amount of savings deposits by area as well. This action suggests that there should be some fixed relationship between the amount of money that an institution receives from a given community and the amount that it lends in that community.<sup>88</sup>

The law has, apparently, achieved its first goal. In many instances, the disclosures made by financial institutions resulted in "greenlining" efforts on the part of depositors.<sup>89</sup> This amounted to threats by residents of a particular neighborhood to withdraw their deposits in an institution unless that institution provides additional loans for their area. This is precisely the kind of consumer action that the disclosure act anticipated.

Finally, the law exempted mortgage bankers and other nondepository lenders, who are important sources of mortgage loans, from compliance. These lenders account for approximately three-fourths of all mortgages insured by the FHA, and in declining neighborhoods these loans represent about four-fifths of all loans.<sup>90</sup> Therefore, an important part of the mortgage market in declining areas is not being evaluated thoroughly by the government or by consumers.

It has been asserted that the market equilibrium produces different levels of lending among neighborhoods due in part to the variation in demand for home finance. To demonstrate this empirically, a model that predicts the level of lending in a neighborhood as a function of a variety of statistically significant neighborhood characteristics that should be associated with the demand for mortgage loans, such as family income, demographics, and housing characteristics, is required. If such a model demonstrated that the racial composition of a neighborhood also affected the level of mortgage lending, this result would constitute a necessary, but not a sufficient, condition for identifying one type of market failure. In other words, this result would indicate that fewer mortgage loans are made in neighborhoods with high minority populations.

## **LENDING VARIATION MODEL**

The number of loans per housing unit is an appropriate measure of lending variation since the goal is to examine the degree to which loans are available to potential borrowers. However, since this is only a single-equation model, it is not possible to use it to determine whether the low levels of mortgage loans are due to demand (i.e., low levels of property turnover) or supply (i.e., discriminatory practices or lack of information) conditions. To some extent the level of lending is simultaneously determined by these two economic factors.



All variables, with the exception of median family income, have been normalized by taking their percent value in order to correct for bias due to large-sized census tracts. Anglo population data was omitted to avoid multicollinearity.

Variables used in the regression model included

Tract Number - Tract  
Median Family Income - Mdfam  
Total Population - Totpop  
Black Population - BLpop  
Hispanic Population - Spanpop  
Population over 65 - Over 65  
Population under 18 - Under 18  
Median Age, in Years of Housing Structure - Mdhage  
Number of Houses and Duplexes - Hsedup  
Number of Mortgage Loans, 1984, 1986, and 1987 - Mortlms

Normalized Variables are reported in percentages:

Blnorm = blpop/totpop  
Spannorm = spanpop/totpop  
Oagenorm = over65/totpop  
Uagenorm = under18/totpop  
Mortnorm = mortlms/hsedup

### Model Analysis

The model uses as the dependent variable the number of mortgage loans in 1984, 1986, and 1987 divided by the number of houses and duplexes. This number is taken as a function of median family income, percent black population, percent Hispanic population, median age of housing, percent over age 65 and percent under age 18.

The model can be specified in the following equation:

$$Y = B_0 + B_1X_1 + B_2X_2 + B_3X_3 + B_4X_4 + B_5X_5 + B_6X_6$$

The  $R^2$  of 0.51 indicates that this model explains 51 percent of the observed variation in the mortgage loan rate with the variables Mdfam, Blnorm, and Spannorm being statistically insignificant at the 0.05 level. This implies that we can be confident that 95 percent of the time, the coefficients of the variables will accurately indicate their effect on the mortgage loan rate.

The median family income is expected to be positively correlated to the mortgage loan rate, since higher-income families have greater ability and propensity to purchase homes and greater opportunity to obtain mortgage loans. In the model, median family income was indeed positively correlated. The correlation itself was not significant. It might be anticipated that the probability of home ownership and purchase would depend more on permanent than annual income.



The percent black population and percent Hispanic population are the key elements of the hypothesis that race is a critical factor in predicting the number of mortgage loans made in a residential area. As indicated, this variable is expected to be a significant predictor of the number of mortgage loans. The results do not support expectations indicating fairly similar black and Anglo loan rates.

The percent-of-population-over-age-65 variable was significant and positively correlated to the dependent variable. A priori expectations were that this would be a good, positive predictor of owner occupancy and accordingly mortgage loan holders. The results support this expectation.

The percent of population under 18 was one of the most significant variables and was indeed positively correlated with the percent mortgage loans variable. This variable is expected to be a significant predictor of the percentage of mortgage loans as people buy homes when they have children and move when their household increases in size. This variable is also expected to have a positive effect on the dependent variable.

The age of the housing structure has a negative effect on the lending patterns in San Antonio. In previous research this variable has also been found to have a significant negative effect on the dependent variable.

## **Conclusions**

Correlating mortgage loans with census tract characteristics, the results indicate that the equilibrium rate of mortgage lending is characterized by lower rates of lending among tracts with a high percentage of minority population and that the racial composition of a neighborhood affects the level of spending. This study found some patterns that many other studies have found. The age of the housing stock is negatively correlated with loans. The percentage of the population under age 18 is also consistent with past research in demonstrating that this is a good variable in determining the mortgage loan rate. While the analysis indicates an apparent discriminatory effect of mortgage-lending institutions, this result may also reflect factors that cannot be adequately measured and included in the analysis. Thus, although the results are based on the best data available, these are not persuasive due to many questions of interpretation.

## **RENTAL AND OWNER-INHABITED REHABILITATION**

This section analyzes two housing rehabilitation programs in San Antonio; the Owner Occupied Housing Rehabilitation Program and the Rental Housing Rehabilitation Program. This analysis documents the involvement of West Side homeowners, apartment owners, and contractors in the housing programs. The overall economic impact of the programs on the Hispanic enclave would be greatest if there was substantial participation by West Side contractors, landlords, and homeowners. However, this section reveals that the full economic potential of the housing programs is not realized on the West Side because there is minimal involvement of enclave contractors and landlords. There is significant participation of West Side homeowners in the owner rehabilitation program. Thus the West Side does reap some economic benefits from San Antonio's housing programs. Primary data and program guidelines were collected from the City of San Antonio. In addition, interviews were conducted with a number of city officials.

## **Income and Ethnic Groups Served**

The programs were quite successful in serving Mexican-Americans, who were about 78 percent of the total households in each program in fiscal year 1987-1988. While both programs focused most of their assistance to low-income households, SADA's reached 10 percent more low-income households than SAHA's because SADA's was targeted more directly to the low-income population. For example, in the SADA program, low-income homeowners were more likely to qualify for forgivable loans than moderate-income owners.

## **Geographic Areas**

The greatest benefit these programs offered to the West Side was loan assistance to homeowners. In the last two years, the SADA program repaired 77 West Side homes, representing 41 percent of all the homes rehabilitated by the program. Since the average loan of \$16,500 is forgivable in a large number of cases, it dramatically increases household wealth and could heighten household consumption and local business activity. Unfortunately, the West Side landlords did not benefit as much as homeowners from the Rental Rehabilitation Program because the West Side is not a target neighborhood of the rental program.

## **Contractors**

SADA's and SAHA's programs compare favorably to other city programs in terms of hiring minority contractors. For instance, in other citywide programs, only 5 percent of the construction contracts went to minorities and 30 percent of the construction subcontracts went to minorities during fiscal year 1988-1989. In contrast, SADA's owner program awarded about 84 percent of its contracts to minority firms and 42.9 percent of SAHA's contracts went to minorities in fiscal year 1988-1989. For a three year period (86-89), 69 percent of SAHA's rental program contracts went to minorities.

Several factors account for the disparity in minority participation in housing rehabilitation and other citywide contracts. First of all, housing rehabilitation contracts usually involve small-scale jobs. Large Anglo firms are not interested in these types of jobs, so small minority firms almost have a natural monopoly on these jobs. Overall, Anglo firms secure most of the city construction contracts because most of these jobs are massive, requiring the resources of large firms. Minority firms do not have the capital resources of Anglo firms and thus are not equipped to handle the big jobs.<sup>91</sup> Since the housing rehabilitation activity is small scale, it represents a market niche for minority firms.

The selection process also explains the relative minority success in SADA's and SAHA's programs. In the SADA owner program, homeowners select the contractors. Mexican-American homeowners most likely select Mexican-American contractors since the percentages of Mexican-American homeowners and contractors are approximately equal. In fiscal year 1987-1988, 79 percent of SADA-assisted homeowners were Mexican-American and 85 percent of the contracts were secured by Mexican-American businesses.<sup>92</sup>

Like the owner rehabilitation program, the rental program allows the borrower, the apartment owner in this case, to select the contractor. Again, there is a tendency for minority borrowers to select minority contractors. For the years 1986 through 1989, 46.7 percent of the

apartment owners were minority while 52.2 percent of the contractors were minority.<sup>93</sup> The yearly data are more difficult to use because the data on the number of contracts awarded combine minority- (MBE) and women-owned (WBE) businesses into one category. These data do reveal a tendency for minority landlords to prefer minority contractors, but they do not portray this tendency as clearly as the cumulative data covering years 1986 to 1989.

Another advantage of permitting local residents to award contracts is that it may reduce the need for minority set-asides in localities with a high percentage of minorities. Last year, the Supreme Court restricted the practice of reserving a certain percentage of contracts for minorities in the Richmond case. Fearing litigation as a consequence of the Richmond case, cities will be more reluctant to use affirmative action devices like minority set-asides to increase minority contracting. As an alternative, cities could involve minority communities in the process of selecting contractors, when appropriate. Minority communities may choose a large percentage of minority contractors, as is the case in San Antonio. Involving community residents in the contracting process could result in a very fair racial distribution of contract awards.

While minorities win a large percentage of contracts in the housing programs, West Side establishments have not been able to take advantage of the business opportunities arising out of the housing programs. For instance, SADA's list of contractors used during the last two years has twelve contractors. Ten contractors (83 percent) are Mexican-American and the other two are Anglo. However, only one of the Mexican-American contractors is located on the West Side. Less than 1 percent of the SADA owner contracts went to West Side establishments.

The contracting situation for SAHA's Rental Rehabilitation Program is even bleaker as far as the West Side is concerned. During the last three years, SAHA used 23 contractors, but none of them were from the West Side. Six of the contractors (26 percent) were Mexican-American, six were African-American, and twelve were Anglo. For the SAHA and SADA programs combined, there was a total of 35 contractors, 16 of which were Mexican-Americans. Even though 45 percent of the contractors were Mexican-Americans in both programs, the West Side only had one contractor participating in the programs. The West Side, a Mexican-American enclave, was not able to take advantage of the numerous opportunities made available to Mexican-American contractors by the housing programs.

The lack of Mexican-American contractors from the enclave reveals the low level of economic development in the West Side. The rehabilitation work in the SADA and SAHA programs is relatively small scale. The inability of West Side companies to perform this type of work means that there is not a thriving small business community on the West Side, or at least that there is a lack of a licensed small business community. SADA and SAHA require that the contractors carry a license and insurance like worker's compensation and general liability. The licensing and insurance requirements may impede the participation of West Side contractors in the housing programs.

### **Owner Occupied Housing Rehabilitation Program**

The Owner Occupied Housing Rehabilitation Program is administered by the San Antonio Development Agency (SADA). It offers low-interest or forgivable loans to homeowners for rehabilitating their homes.

An owner is eligible for a loan if he/she lives within the San Antonio city limits and has an income which does not exceed 80 percent of the median city income. If an owner lives in an eligible blighted area, he/she qualifies for a loan as long as his/her income is not over 120 percent of the median income.

The city offers a low-interest loan with a 6 percent interest rate. The loan is repaid over a period of five to fifteen years depending on the homeowner's financial status. For those less able to pay, the city provides a deferred payment loan in which monthly payments are forgiven as long as the owner continues to reside in the home. The city will offer a deferred payment loan if household income is below 80 percent of the median and one of the following criteria is met:

1. The homeowner is 65 years or older.
2. A member of the household is handicapped.
3. The homeowner is situated in a designated neighborhood revitalization area.
4. The owner can finance 50 percent of the needed repairs.

Loans are primarily used to eliminate deficiencies which cause the house to be below the standards in San Antonio's building code. Rehabilitation funds can also be used for weatherization, energy conservation, or handicapped modification.

With the assistance of SADA's staff, the owner selects the contractor. The contractor must be licensed by the City of San Antonio and must have insurance such as worker's compensation, general liability, and personal liability. Furthermore, the contractor must provide a one-year warranty of the work.

Like other SADA programs, the Owner Rehabilitation Program devotes a significant amount of its resources to the West Side. However, the program is citywide. Housing rehabilitation programs improve the standard of living in a locality by enhancing the economic status of homeowners, landlords, and contractors. For the homeowner, a rehabilitation program increases the net worth of his house. In addition to increasing the wealth of individual homeowners, a rehabilitation program has many beneficial effects on the community. For example, the property tax base is increased since rehabilitated homes are appraised at a higher value. With more property tax revenue, a local government can make further improvements in infrastructure and local schools. Furthermore, as owners' wealth is heightened through housing rehabilitation, the owners are likely to spend more on consumer products, supporting a higher level of business activity in an ethnic enclave.

### **Rental Rehabilitation Program**

The Rental Rehabilitation Program offers zero-interest loans to owners of single and multifamily rental housing for financing needed repairs. The program is administered by the Community Development Office, with support provided by the San Antonio Housing Authority (SAHA).

After the rehabilitation, the units must be affordable to tenants who meet HUD's Section 8 Housing Income Guidelines. These guidelines stipulate that the tenants are low income (defined as 50 percent or less of median income) and/or moderate income (defined as 80 percent of median income). In addition, the landlord can not discriminate on the basis of race and must comply with

the Fair Housing Act. Furthermore, the owner must finance 50 percent of the total rehabilitation costs.

The city offers a zero-interest, deferred-payment loan. The loan can be repaid over a period of up to ten years.

The loans primarily address substandard conditions violating the city's building codes. Energy conservation improvements and modifications for the handicapped can also be funded with city loans.

The owner can not be the contractor or subcontractor. The contractor must be licensed by the city and carry insurance such as workers' compensation, general liability, and personal liability. The contractor must also provide a one-year warranty on his work.

The Rental Rehabilitation Program targets three neighborhoods -- Tobin Hill, Highland Park, and Fort Sam Houston -- for much of its activity. The program is citywide, but it pays particular attention to these three neighborhoods, none of which are on the West Side.<sup>94</sup> In addition to increasing the wealth of individual homeowners, a rehabilitation program has many beneficial effects on the community, such as increasing the property tax base. The tax revenue can be used to improve infrastructure and local schools.

The Rental Rehabilitation Program has many of the same positive economic effects as the Owner Rehabilitation Program. Landlords' net worths are heightened and the locality's tax base is increased due to higher appraisals on rental property. In addition, as apartment owners become wealthier, they may spend more on business-related goods and thus spur a business expansion in their community. Finally, both the rental and owner rehabilitation program can directly contribute to a region's economic development by involving neighborhood contractors. The economic position of local contractors is improved if they receive a steady stream of jobs from the rehabilitation programs. They gain experience, credibility, and future business prospects through their participation in government programs. A region's tax and economic bases are enlarged if a substantial number of its businesses receive government contracts.

### **Policy Recommendations**

In conclusion, the full economic impact of the rehabilitation programs is not felt on the West Side. A significant number of West Side households benefit from these programs, but few enclave apartment owners or contractors are involved in the programs. Policy should address the minimal participation of West Side landlords and contractors.

Targeting low and moderate income groups. The SADA owner rehabilitation program served a greater percentage of moderate and low-income groups than the SAHA rental rehabilitation program. The difference was greatest for the low-income households; SADA assisted 10 percent more low-income households. As noted previously SADA's eligibility criteria for loans were more directly targeted to low- and moderate-income groups than SAHA's. Furthermore, SADA provided low-income groups with an additional incentive to apply -- they were offered forgivable loans. SAHA could restructure its loan eligibility criteria to resemble SADA's. For instance, it could make all or part of the loan forgivable if the landlord guaranteed that a certain percentage of tenants would be low and moderate income.



Community involvement in contracting. As mentioned previously, community involvement in choosing contractors may be as effective in achieving affirmative action goals as minority set-asides. In light of the Richmond Supreme Court decision, the city should consider adopting SADA's and SAHA's grassroots selection process of contractors to other programs.

Increasing the number of minority landlords. There was a greater percentage of minority households than apartment owners participating in the housing programs. The city should increase the number of minority landlords by extending the urban homesteading program to apartment owners. Under the urban homesteading program, homeowners purchase foreclosed homes for one dollar if they agree to rehabilitate them. Potential apartment owners could be offered the same deal on abandoned or foreclosed multi-unit dwellings. If this program was successful in increasing the number of minority landlords, the number of minority contractors could also climb since minority landlords tend to hire minority contractors.

Overcoming licensing and insurance barriers. A potential impediment to West Side contractors could be licensing and insurance requirements. The city's Department of Economic and Employment Development should step up efforts in assisting West Side contractors with obtaining licenses and insurance.

Economic development. SADA's and SAHA's housing rehabilitation programs represent a steady demand for construction activity year after year. If the city trained community residents to be small-scale construction contractors, the city could guarantee that they would receive work from the housing rehabilitation programs. Unlike past failures, this job training program would be training people for jobs that would exist in the future.

## **THE HOMEOWNER INCENTIVE PROGRAM**

Home ownership is just out of reach for many low- and moderate-income families. Many families have the income to maintain a mortgage on a home, but lack the savings to cover the down payment and closing costs to purchase one. Until recently there was little these families could do to achieve status as homeowners. In 1988, the City of San Antonio introduced an innovative down payment assistance program to help these families. This program is called the Homeownership Incentive Program (HIP).

The program has two main objectives: (1) to provide homeownership opportunities for low and moderate income families and (2) to encourage private investment in the inner-city neighborhoods.<sup>95</sup> In addition, HIP offers the additional benefits of helping to improve the city's housing stock and provides the potential for other development in the areas where homes are purchased.

Since its inception, HIP has provided down payment assistance to approximately 461 families. This section provides detailed information concerning 318 families on whom complete data were available and evaluates the program's performance in light of its stated objectives. Particular attention is given to the participation of a 20-census-tract area, which has been identified as a Mexican-American urban ethnic enclave located in the city's West Side. The clients and the number of homes purchased there are specifically analyzed.

Information concerning the program was obtained through interviews with SADA staff, who administer the program. Additional supporting documentation came from their offices and



the offices of the City of San Antonio. All primary data on HIP were collected from SADA, and the anonymity of each client was maintained. Only the clients' old and new census tract and City Council District were revealed. Additional data on the income, race and family status (two-parent and single-parent homes) of clients were taken from the city's published Community Development Block Grant (CDBG) Grantee Reports for fiscal years 1987 and 1988.

The data on each of the 318 clients were coded to reveal if the client was from the enclave, moved to the enclave, or moved out of the enclave. The Mexican-American enclave is defined as an area covering 20 census tracts in San Antonio's West Side; occupying part of city Council Districts 1, 5, 6, and 7; and composing 10 percent of the city's total census tracts. Each of the tracts in the enclave has a Mexican-American population of at least 75 percent.

### **A Description of the Program**

HIP is one of only two down-payment assistance programs in the country. The first was conceived and piloted in Baltimore, Maryland, in the early 1980s. After it proved to be a success in the initial stages, SADA modeled HIP after the Baltimore program and proposed it for the city in late 1986. HIP was initiated in San Antonio in 1986. It continued on an experimental basis through early 1988 with approximately \$250,000 in CDBG funds set aside by City Council districts 1 and 5.<sup>96</sup> Since that time, the amount of public funds committed as of April 15, 1989, was \$564,690 from all City Council districts eligible for CDBG funds.

Eligibility. To be eligible for HIP assistance, clients must meet certain income criteria established by the U.S. Department of Housing and Urban Development (HUD). In general those criteria are that

the family's gross annual household income cannot exceed 80 percent of the San Antonio median income, adjusted for family size;

if the house to be purchased is located within any of the designated Selected Housing Target Areas (SHTAs) or Neighborhood Revitalization Areas, the family's gross annual household income may not exceed 120 percent of the city's median income;

participants cannot currently own any residential property;

the house to be purchased must be located within the San Antonio city limits and the family must live in the purchased home as their homestead during the term of program assistance;

participants must qualify for an FHA-insured 203b, 203k, or a conventional mortgage loan from a bona fide institutional lender. The interest rate charged on the mortgage loan cannot exceed the current market rate as set by the Veterans Administration;

the maximum sales price of the house to be purchased shall not exceed \$50,000. If the land is already owned by the applicant or obtained through some other source, the appraised value of the land will be added to the cost of the house to determine the total sales price;

participants must enter into a \$200 Earnest Money Contract with the seller of the house;

participants may not hold more than \$500 in a savings or another account such as a C.D. or money market account. Any money in such an account must be put toward closing costs and prepaids.

**Loan Assistance.** HIP payment is provided as a forgivable loan at zero-percent interest for a five-year term. The loan, as a second mortgage, will be secured by a second lien on the property. HIP is originated as a mortgage on the property running concurrently with the first mortgage; if the client owns, occupies, and maintains the property for the five year term, the entire amount of the loan is forgiven, and the second lien is released; if the property is sold at any time during the five year term, the loan must be repaid at the prorated amount of 1/30 of the total amount for each month remaining to complete the five year term. HIP assistance will not exceed a maximum of \$8,000 and shall be the minimum required for closing, following deduction of costs covered by family participation (appendix H).

During the five-year loan term, the participant will be in default requiring the entire loan to become immediately due if he/she

fails to occupy the house and claim it as his/her homestead;

fails to maintain the property in a safe, sanitary, and decent condition in accordance with San Antonio's building codes;

fails to pay all current property taxes and assessments when due; or

fails to maintain adequate insurance on the property, including at minimum fire and extended coverage for the combined first- and second-mortgage loans.<sup>97</sup>

Other program requirements include an inspection of the property for an environmental review, for a lead paint analysis of the home, and for assurance that occupancy standards are being met as well. In general, any person or family who wishes to participate in HIP must find a home to purchase, enter into a \$200 Earnest Money Contract with the seller, complete the necessary loan applications, and ask the realtor to arrange for an appointment to apply for HIP assistance through the Urban Progress Corporation.<sup>98</sup>

**Funding.** Funding for HIP comes from the federal government in the form of a Community Development Block Grant (CDBG). The city must apply for CDBG money every year. Whatever amount San Antonio receives is divided up by the City Council. All but one City Council District receive at least a portion of the grant money. Some Council Districts, such as District 5, receive a substantial portion of the grant because they are poorer areas of the city and CDBG funds can only be used on approved housing and urban development programs where there is a demonstrated need for them.

Once the grant is divided among the eligible Council Districts the division of funds among the different programs in each district is left solely for the individual council member to decide. For fiscal year 1989-90 (CDBG Yr. 15), housing programs constituted \$6,493,417, or 41 percent of the total \$15,847,885 CDBG budget for the city. Of the housing money, HIP garners \$1,007,000, or 15.5 percent, second only to Select Housing Target Areas (SHTAs).

It was found that 93 percent of the HIP clients were Mexican-American, 4 percent were Anglo, and 3 percent were African-American. Eighty-seven percent of the clients had an income

which did not exceed 80 percent of the city's median income. Thirteen percent of the clients had an income up to 120 percent of the city's median income. These clients qualified for program assistance because they chose to purchase homes in SHTAs. Also, 33 percent of the clients qualified as low-income participants and received a deep subsidy including down-payment assistance and closing costs. HIP data indicates that the average client has a household size of 3.5 persons, the average income is \$19,000 or 62 percent of the city's median income, and the average borrower is 33 years old. After being approved for participation in the program, the average down-payment assistance was \$1,512 and the average home cost \$32,000.

It was found that the enclave had an excellent participation in the program (approximately 23 percent of the clients were from the enclave) and had purchased homes there as well (19 percent of all homes purchased with program assistance were located in the enclave). About 46 percent of the HIP clients who purchased homes in the enclave were already enclave residents, and 44 percent of the HIP homes were purchased by clients not originally from the enclave.

This analysis of HIP clients in terms of ethnic background, income group, location of origin, and location of home purchased reveals that both the city and the enclave have benefitted from the program. HIP has been equally successful in fulfilling its second objective of encouraging private investment in the inner city. The most obvious example of such investment is in the private loan made to the client. As of April 15, 1989, \$564,690 in public funds leveraged \$10,422,623 in private loans. This means that for each dollar loaned in public assistance, mortgage companies loaned \$20 in private funds, a ratio of \$1 to \$20.<sup>99</sup> Other investment includes the multiplier effect from the repairs to the home prior to purchase and from the increase in the net worth of the new homeowner.

### **Conclusions and Policy Recommendations**

This evaluation of the Homeownership Incentive Program of San Antonio has taken into account the program's stated objectives of providing home ownership opportunities for low- and moderate-income families and encouraging investment in the inner-city neighborhoods. HIP has been very successful in achieving both objectives. As of September 30, 1989, HIP has provided assistance to 461 families. When the program first started it was funded in only two of ten City Council Districts. Now all eligible districts set aside part of their CDBG funding for HIP.

The program is structured to help only low- and moderate-income families with the exception of families who move into SHTAs whose income can be up to 120 percent of the city's median income. It also promotes private investment in the inner city through providing down-payment assistance to these families and inducing private mortgage companies to make loans to them. Additionally, the inner city benefits from the multiplier effects involved both before and after the purchase of a home.

HIP is an outstanding example of problem analysis, policy creation, and successful implementation. San Antonio's HIP provides a modern example of how a government program (CDBG dollars) can be put to work successfully at very little cost. It is recommended that other cities follow San Antonio's model and create a HIP program of their own and help their citizens realize the dream of home ownership and promote the development of their inner cities at the same time.

**Outreach.** Currently HIP offers little outreach to potential clients. Potential homeowners generally learn of the program through a realtor after they have investigated the possibility of home ownership. There are probably many low- and moderate-income families who have not investigated purchasing a home because they know they cannot afford the initial costs and hence have not contacted a realtor. Therefore, increased outreach through public service announcements on the radio and television are suggested.

**Race.** HIP has done an outstanding job of helping the Mexican-American community in San Antonio. Since they constitute the majority, it makes sense that they should be overrepresented in their participation in the program. The planning office at SADA even provides a bilingual pamphlet to aid Mexican-Americans who do not read English. While the figures for Mexican-Americans are disproportionately high, the participation of African-Americans is disproportionately low. They represent approximately 7-8 percent of the population in San Antonio but constitute only 3 percent of HIP participants. Since families with low and moderate incomes are often disproportionately Mexican-American and African-American, their numbers should be higher still. It is therefore recommended that outreach efforts be specifically targeted to the African-American community.

**HIP's 120 Percent Income Policy.** If a home is located in a SHTA, the income regulations allow an increase from 80 percent of the city's median income to allow for families with up to 120 percent of the median to receive a HIP subsidy. This policy is aimed at promoting the movement of families into SHTAs. Out of the 461 families, only 58 chose this option. Additionally, it seems that it is a difficult task to induce families with incomes 120 percent above the city's median to move there. It is therefore recommended that this policy be maintained but that some other incentive be attached to induce families of this income level to consider moving into these areas, especially those who are originally from the enclave. Also, it is recommended that an additional deep subsidy be offered to low-income families that purchase homes in these areas, especially those that are from the area.

**FHA loans.** HIP offers a combined HIP/owner rehabilitation subsidy for families that wish to purchase homes in need of a significant amount of repairs. According to SADA, however, there have been only a very small number of clients who have chosen this option. An avenue to explore is to emphasize this aspect of the program more to help promote the improvement of the city's housing stock.

**Council District 2 Plan.** The deep subsidy program provides that in order to qualify a family's income may not exceed 80 percent of the median income of all residents in the city. This provision is only available to the residents of City Council District 2. It is recommended that the program be expanded to include other Council Districts.

## **PUBLIC HOUSING**

This section will perform three functions: (1) provide a history of tenant management as a public housing resident empowerment issue; (2) describe the status of San Antonio resident leaders' interest in the issue; and (3) recommend ways in which San Antonio's resident leaders might emulate the achievements of the past.

## **Tenant Self-Management**

The concept of tenant management was put forward in St. Louis in 1968. St. Louis Legal Aid Society lawyer Richard Baron's original goal was not to encourage tenant self-management as we know it today. Rather, he sought to force the St. Louis Housing Authority to change what the residents perceived as needlessly draconian policies. They did not set out to change overall public housing policy either in St. Louis or the nation. In the event, however, Mr. Baron and residents of St. Louis's public housing projects changed the way residents interacted with city housing officials and, in the process, lent credibility to tenant self-management as a means by which residents of public housing may come to exercise autonomy over their living situation.

Initially, St. Louis residents organized a rent strike to protest a seemingly endless series of rent increases. When this proved successful, Mr. Baron and the resident leader began to put into place the organization needed to translate residents' newfound rights into meaningful, comprehensive reform. Mr. Baron approached the U.S. Department of Housing and Urban Development (HUD) and elicited a positive response and some aid. Eventually, this HUD involvement helped to produce the National Tenant Management Demonstration project (NTMD), designed to test the effectiveness of the concept.

The St. Louis initiative came to be viewed in three broad ways: as an employment opportunity, as a badly needed housing management opportunity, and as promoting community stability. In June 1975, HUD and the Ford Foundation designated the Manpower Demonstration Research Corporation (MDRC) as manager of the nascent program. They charged it with the responsibility of determining feasibility, selecting participating cities, conducting training, providing technical assistance, monitoring site operations, and evaluating the results. MDRC chose six demonstration sites: Oklahoma City, Oklahoma; New Orleans, Louisiana; Louisville, Kentucky; Jersey City, New Jersey; Rochester, New York; and New Haven, Connecticut. Each city was to establish a Tenant Management Corporation (TMC), which was to sign a management contract with the local public housing authority. The contract would call for the implementation of the tenant management concept and the delegation of progressively larger amounts of management responsibility to the TMC through the completion of a series of steps:

Step #1: The Planning Phase: interested residents fashion preliminary distribution of management functions, outline scope of TMC training, and assess amount and kind of technical assistance;

Step #2: The Election of a Board of Directors:

Step #3: The Incorporation of the TMC: residents and the housing authority take legal steps to make the board a nonprofit corporation and to allow it legally to solicit funds;

Step #4: Board Training: residents and the housing authority familiarize the board with the policies and practices of the local public housing authority, present real estate management principles, and establish procedures for recruitment and hiring of TMC staff;

Step #5: Recruitment, Hiring, and Training of TMC Staff;



**Step #6: Negotiation and Signing of Management Contract:** legal specification of the responsibilities of the TMC and the local public housing authority and gradual delegation of increasing management responsibility to the TMC;

**Step #7: TMC Assumption of Management Responsibility:** TMC's full assumption of day-to-day project operation and the TMC board's full assumption of policymaking and community relations functions.

Several lessons can be learned from the success of these endeavors. First, a basis for mutual trust must be established early in the process. Second, concrete results must be achieved quickly to achieve good faith efforts on both sides. Third, the organizing effort must take place around issues of mutual self-interest. At the A. Harry Moore housing project, for example, an improved security system was of benefit to the residents and the housing authority. Finally, organizational efforts must develop and sustain the participation of community-based groups.<sup>100</sup>

Since that time, tenant management has come to be regarded as a credible means by which residents of public housing may come to exercise autonomy over their living situation. It is not a solution imposed from the outside. Rather, tenants manage all aspects of the project in which they live. Self-management, in turn, engenders the willingness and ability to implement specific programs of great benefit to all the residents. When residents decide to implement a security system, for example, it is far likelier to be effective in deterring crime than one imposed upon them from outside. The reason for this is clear: the residents know best where, why, and how crimes are committed in their project. Likewise, when residents decide upon a day-care program, it is with the unique employment and demographic characteristics of their own project in mind.

### **The Initial Stages of a Tenant Management Initiative**

The Our Casas Resident Council is an informal association of resident leaders from eleven housing projects. Its president is Mary Lou Casillas of the Villa Tranchese project. A former member of the San Antonio Housing Authority (SAHA), Lupe Torres-Venema, serves as an informal consultant. The group is currently registered as a nonprofit organization and plans to incorporate into a management corporation. San Antonio's Our Casas group public housing resident association will soon be awarded an \$88,000 HUD grant to determine the feasibility of a tenant management initiative.

The \$88,000 will be used primarily to hire two outside consultants -- a housing management specialist and a community development specialist. These two professionals will develop an implementation plan -- a blueprint -- for an eventual resident management scheme. Our Casas hopes to attract VISTA volunteers to help upgrade project buildings and grounds and to provide training to residents when needed and requested. Finally, Our Casas proposes to create two advisory boards -- one to be composed of social service agency representatives and one to offer professional advice (e.g., on legal matters, architectural matters, etc.). "The key to successful self-management," argues staff from the National Housing Law Project, "seems to be the establishment of strict systems of accountability, performance review, and internal controls. It may be advisable during the first year. . .to retain consulting services. . .on a fee basis."<sup>101</sup>



For San Antonio, the HUD grant is timely. A conference was held on Saturday, December 9, 1990, in Arlington, Texas, the purpose of which was to discuss ideas for the implementation of resident management initiatives in San Antonio and elsewhere in the state. A delegation of San Antonio resident leaders attended.

### **Policy Recommendations**

Mary Lou Casillas believes that the primary reason for implementing a tenant management program in San Antonio is to improve security and maintenance at the participating housing projects. A second major reason is to develop job-training programs for the projects' youth. If these and other arrangements are to be achieved, Ms. Casillas and other resident leaders will need to develop an organized implementation plan. They should be at no loss for programs to emulate. They might borrow from the A. Harry Moore housing project's security system. They might also take ideas from such successful programs as St. Louis's tenant-managed Cochran Gardens. "Tenants run several day-care centers, programs to bring together the elderly and the young, food service companies, a security service, and a new community center."<sup>102</sup>

A cooperative strategy whereby resident leaders work side by side with Housing Authority officials to develop a workable solution to the problems of the projects is an ideal approach. If SAHA's leadership can be convinced of the merits of supporting resident initiatives, Our Casas may be able to work with them in an efficient and mutually beneficial manner. If not, resident leaders may need to work around SAHA. Either way, tenant management is indeed an idea whose time has come to San Antonio.



## **Chapter 7. Media in the West Side**

Ask people throughout San Antonio what the West Side represents, and you'll get a bundle of contrasting responses. Some will say that the West Side of San Antonio is a culturally rich area of the city, the heart of the Hispanic community, and an area steeped in tradition. Others will tell you that the West Side is an area characterized by poverty, high crime, drugs, and underachievement. Ask the same people where they get their perceptions of the West Side, and the majority will say from the media.

In an effort to diffuse the effects of the negative images of the West Side that appear in the media, City Councilman Walter Martinez, representing District 5, the heart of the West Side, recently implemented a positive marketing campaign entitled "West Side Si!, Working for a Better San Antonio." The program, approved by the San Antonio City Council and sponsored by area business and community leaders, aims to inform San Antonians of the many positive projects, programs, and activities in progress on the West Side of the city.

This chapter investigates the impact of media on the economic development of the West Side of San Antonio. The role of the media in presenting the image of the West Side and the effects of the resulting image on the social, cultural, and economic activities of the predominately Mexican-American community in the West Side will be discussed. Using the West Side Si! campaign as an example, this chapter will present various ways that policymakers and community leaders can use the media as a tool for positive promotion and development. Further, recommendations for further research into the impact of the media on the economic, social, and political development of ethnic communities such as the West Side will be provided.

### **MEDIA EFFECTS**

Historically, the theory of media effects has had three stages. The first stage (before the 1930s) saw the media as all-powerful and able to "shape opinion and belief, change habits of life, and mold behavior actively."<sup>103</sup> These views were based on the popularity of the press, film, and radio and not on scientific observation. Researchers began to study, survey, and experiment. Many studies were conducted on the effects of a particular type of film or program. Attention was focused on using film or radio for planned persuasion or on assessing "the harmful effects of media in respect of delinquency, prejudice, aggression, and sexual stimulation."<sup>104</sup> Over the course of this second stage (1930-1960), researchers became more and more disillusioned with this kind of media effect research and began to see media as having much more modest effects. A summary by Joseph Klapper (1960) concluded that "mass communication does not ordinarily serve as a necessary or sufficient cause of audience effects, but rather functions through a nexus of mediating factors."<sup>105</sup> These factors include a preexisting structure of social relationships and context and tend to be primary in the shaping of opinion, belief, and attitude.

Stage three followed quickly after stage two and rose as a challenge to the limited effects model. Some researchers believed that media might indeed have important social effects and be key instruments for exercising social and political power. One reason for this resurgence of the powerful media model was the development of television and its tremendous attraction. This stage, which is still with us, differs from the first in that the attention of researchers has shifted toward

"long-term change; cognition rather than attitude and affect; the part played by intervening variables of context, disposition and motivation; collective phenomena such as climates of opinion, structures of belief, ideologies, cultural patterns and institutional forms of media provisions."<sup>106</sup> In other words, the power of the media is acknowledged but within the context of institutions, cognition, and society.

One example of long-term unintentional effects is the theory of media dependency. Within this perspective, people become increasingly dependent on the mass media for their versions of reality. Proponents of this theory argue that in simple societies people's realities stem from their life histories, personal experiences, and social connections. As society becomes more complex, the opportunities for personal experiences become more scarce. People know very little about what goes on in society outside of their immediate surroundings.<sup>107</sup>

The mass media has become an increasingly important source of information in our society and people are becoming more and more dependent on mass communication for visions of what is real and unreal. From this perspective it follows that "the more dependent people are on mass media for the information the more likely they will change their opinions as a result of that information."<sup>108</sup>

Given the created reality presented by the news media and the climate of media dependency that exists in our complex society, what kind of effects does this media situation have on economic development? Literature that addresses economic effects of the mass media is somewhat limited. Most studies deal with the economic effects of advertising, not news. This study attempts to take a first step toward addressing this aspect of television news.

Based on the media dependency perspective, we assume that people in San Antonio rely pretty heavily on mass media for their perceptions of reality -- of the country and of the city of San Antonio. The reality presented to audiences by TV news is somewhat fabricated and thus may cause a somewhat distorted view. This distorted view could possibly have effects on how a person deals with the reality around him. If one perceived an area to be dangerous or run down, one would tend to stay away from the area. This hypothesis is that a negative view of the West Side presented by the San Antonio media would tend to be detrimental to economic development there.

This study involved two steps: (1) a content analysis and (2) a series of interviews with San Antonio media representatives. Step one, the content analysis, was performed in an attempt to ascertain the types of media images San Antonio residents were getting of the West Side. The analysis was of two local television news programs, one an English-language program with the highest ratings on KENS-TV, channel 5, and one Spanish-language program on KWEX-TV, channel 41, and of the two daily newspapers in San Antonio, the San Antonio Light and the Express News. It is generally accepted that a sample of five days will give a relatively good indication of the kind of coverage that is typical of the program/paper. The time period for this study was the five-day week (excluding the weekend) of November 8-15, 1989. The limitation of this approach is that it does not allow for atypical events that affect news coverage at specific points in time.

The unit of analysis was the individual story. Stories were selected if they were about the West Side, took place on the West Side, or were in some way easily identified as having to do with the West Side. Those stories were then coded as to topic and the tone of the presentation (positive, negative, or neutral) was determined. Stories were coded as positive if they promoted individuals, events, and activities in the West Side. Stories were coded as neutral if they reported events

without a perceived bias. Stories were coded as negative if there was a distinct negative bias in the reporting.

The second part of this study was a series of interviews with San Antonio media representatives. The purpose of these interviews was to get the perceptions of media professionals as to the effects San Antonio media have on the West Side. One representative from each of the TV stations (Henry Bonilla, executive producer, KENS-TV and Amparo Ortiz, community and public affairs director, KWEX-TV) and one representative from each newspaper (Gabe Martinez, city hall reporter, the San Antonio Light and Mark Kilpatrick, managing editor, the Express News) were interviewed. Interviews were approximately 30 minutes long and were somewhat unstructured, though the focus of each was the same.

## CONTENT ANALYSIS OF SAN ANTONIO NEWSPAPERS

In conducting our research, we performed a content analysis of the two major San Antonio daily newspapers over a constructed one-week period in November of 1989 to determine what types of stories are typically covered in the printed media concerning the West Side of the city (table 12).

**Table 12. San Antonio Newspaper Coverage of the West Side  
Story Topic and Tone**

### Express-News

<u>Subject</u>	<u>Number of Stories</u>	<u>Tone</u>
Education	5	Positive
Crime	1	Neutral
Cultural	1	Positive
Social Programs	2	Positive
Business	1	Positive
Kelly AFB News	0	NA
Community	0	NA
Politics/Government	0	NA
Other	0	NA

**Table 12. (continued)**

**San Antonio Light**

<u>Subject</u>	<u>Number of Stories</u>	<u>Tone</u>
Education	1	Positive
Crime	1 <sup>a</sup>	Neutral
Cultural	0	NA
Social Programs	2 <sup>b</sup>	Positive
Business	0	NA
Kelly AFB News	0	NA
Community	0	NA
Politics/Government	0	NA
Other	0	NA

<sup>a</sup> Continuing headline indicates West Side

<sup>b</sup> Housing stories

The above results show that the printed media do not necessarily cover only crime or other negative stories about the West Side. In fact, as seen in these results, the majority of the stories covered positive subjects and were reported in a positive tone. One thing that must be noted, however, is that the crime story was a front-page story and therefore received more exposure than some of the other stories reported. However, one education story also received front-page coverage. From the results of this preliminary content analysis of one week of the San Antonio newspapers, we can conclude that the printed media does not present the West Side in a negative light. In fact, the balance of the stories reported positive images of the West Side. Therefore, although the news must report negative events that occur in the West Side, the media cannot be blamed for producing the negative images that are perceived about the West Side.

**CONTENT ANALYSIS OF TELEVISION NEWS PROGRAMS**

One difference between the newspaper analysis and the television analysis was the inclusion of the Spanish-language programs. Since KWEX-TV is itself located on the West Side and in many ways caters to the West Side and other Spanish-speaking people in San Antonio, we felt it would be interesting and valuable to see how the West Side is presented in their local news program.

**Table 13. San Antonio Television Coverage of the West Side**

	<u>Channel 41</u>	<u>Channel 5</u>
Total Stories	55	50
Total West Side Stories	8	4
Percentage	14.5%	8.0%



From the table above, it is interesting to note that channel 5 only covered four stories that could easily be identified as referring to the West Side, making up 8 percent of the total stories covered that week by the station. Channel 41 had twice as many stories about the West Side and those eight stories made up 14.5 percent of the total news coverage. Given that channel 41 is the Spanish-language station, this difference is not surprising. Overall, neither station devoted an extraordinary amount of time or space to the specific area of town called the West Side.

**Table 14. Television Story Topic and Tone**

**Channel 41**

<u>Subject</u>	<u>Number of Stories</u>		<u>Tone</u>
	<u>Positive</u>		
Education	3		Positive
Crime	1		Neutral
Cultural	0		NA
Social Programs	0		NA
Business	0		NA
Kelly AFB News	2		Neutral
Politics/Government	1	Neutral	
Community	0		NA
Other	1		Neutral

**Channel 5**

<u>Subject</u>	<u>Number of Stories</u>		<u>Tone</u>
Education	0		NA
Crime	0		NA
Cultural	0		NA
Social Programs	0		NA
Business	0		NA
Kelly AFB News	1		Neutral
Politics/Government	0	NA	
Community	2		Positive
Other	1		Neutral

As far as covering general topics, the two stations seemed to differ greatly. The only topic both stations covered was Kelly Air Force Base news. The channel 5 emphasis seemed to be on the community and community improvements whereas the emphasis at channel 41 news was on education. As with the two newspapers, the overall tone of presentation of these stories was neutral but tended toward the positive. Five of the twelve stories covered by both stations were positive. Although both stations covered negative subjects (crime, fires, etc.), the overall tone presented was not negative.

From this analysis (table 14) it can be concluded that to the extent that the West Side is covered, a variety of topics were presented. Channel 5 seemed to emphasize the community, and channel 41 seemed to stress education by their repetition of these topics in their newscast.

However, one cannot be sure of such an emphasis without questioning the editorial policies of each station. Although negative events were covered, the tone of the presentation was either neutral or positive. Given this analysis, one could fairly say that the television news images of the West Side were generally not what people have assumed. The images presented to the people of San Antonio are more positive than negative but represent a reasonably true picture of events that occur in San Antonio.

One of the aspects of great concern to us was the perception of media images by media professionals. To what extent did media representatives feel that negative images or positive images of the West Side were actually being presented by the San Antonio media and to what extent did they acknowledge the effects of positive and negative images, specifically the economic effects.

Overall, the four media professionals interviewed felt that their station or paper presented the West Side realistically. None of them felt that the general portrayal of the West Side was either positive or negative. Most made the point that it was the job of the press to cover the news the way it happens. If a crime happens on the West Side, they cover that story just as they would cover a crime on the Northeast side of San Antonio -- as it happens.

When asked how San Antonio media, in general, presented the West Side, both newspaper representatives accused the television stations of playing up crime. Both reporters were quick to fault the television news for any inaccuracies about the West Side. From their point of view, this was a function of ratings, irresponsible journalism, and the system of television news in general. Neither of the television news representatives expressed the same attitude about the print media.

Asking media professionals about the effects of negative or positive images proved more difficult. When asked, "Do negative images have a negative effect on an area?" or "Do positive images have positive effects?" All four basically said yes -- but were quick to distinguish between the image that existed historically within the community and the image presented by the media. The reporter from the Express News stressed the history of the Mexican barrio and its image that is difficult to counteract but felt that over the long haul a positive image would help improve the community.

Economic effects were very difficult to address directly with these journalists. Extensive probing and clarification was needed, but even so answers were muddled. When we asked the question in terms of businesses locating on the West Side or banks loaning money for businesses on the West Side, they felt a negative image would negatively affect these processes. In other words, if businesses think that they will be vandalized or burglarized in a certain area of town, they certainly won't want to take their business to that area. While conceding this fact, all were quick to reemphasize that the image that exists of the West Side is historical and real, not something created by the media.

## **INTERVIEWS WITH SAN ANTONIO MEDIA PROFESSIONALS**

As discussed above, we have concluded that the San Antonio media does not necessarily produce the negative perceptions of the West Side. The interviews conducted with San Antonio media professionals revealed that the basic philosophy of the media is that they report the news as it occurs, without negative slants or tone. However, the media can be useful in promoting positive

events. The media representatives projected their willingness to provide a balanced coverage of events in the West Side. However, they can only report what has been reported to them. Thus, if policymakers or community leaders want to make changes in the perceptions people have of the West Side as a result of media coverage, they must provide the media with accurate information about events, people, and decisions that affect the West Side.

The West Side Si! campaign serves as an example of current initiatives to use the media in a positive way to promote change. The campaign involves the media as financial sponsors and as tools for the promotion of positive images throughout the San Antonio community. The media are valuable tools because their reach is extensive within the community of San Antonio as a whole.

West Side Si! uses public service announcements to focus attention on positive events and people in the West Side. The various media representatives have covered the kickoff of the project, outlining the objectives and participants involved. The project is developing a newsletter to help publicize economic development, housing opportunities, cultural and social issues, organizations, and worthy projects and events in the West Side. This newsletter will be published and distributed by one of the San Antonio newspapers as part of its corporate sponsorship of the campaign. The newsletter will reach influential residents of the city, voters, community organizations, businesses, churches, and the news media. Also, the campaign is developing a five-part news series to be presented by the television sponsors. The series will concentrate on positive aspects of the West Side, such as housing, economic development, culture, arts, religion, and human resources development.

One of the most important aspects of the campaign is the creation of a committee of community leaders to work together in directing the project and building pride in the West Side, something that will continue beyond the current campaign. One newspaper representative suggested that efforts of this kind are the key to solving many of the problems that plague the West Side. The West Side Si! campaigners are taking the first step in meeting these criteria. Overall, the West Side Si! project hopes to promote pride in the West Side, to bring about attitude changes within the West Side, and to increase general awareness that the West Side is an important contributor to the city. By involving city business and community leaders, the project has greater promise for success in developing a unity of purpose throughout the city for the promotion and development of the West Side and San Antonio.

Another way that the media can serve as a tool for positive policymaking is through the active exchange of information between the policymaker and the media. One media professional said that West Side leaders need to provide the media with stories and input about events occurring in the West Side. In response, Walter Martinez and other West Side leaders are compiling a reference list of residents and experts in the West Side for the media and other interested parties. In this way, West Side leaders can participate more directly in the media process and create opportunities to diffuse negative perceptions.

The media representatives pointed out that the structure of the media allows for participation through issue forums, talk shows, editorial columns, and letters to the editor. The two newspaper journalists commented that the news media highlight community problems in order to promote action to bring about changes. They also pointed out that newspapers have open editorial boards that allow community leaders to present their views about various issues. The media representatives said that they were very receptive to the input of West Side and other community leaders and that the system provides for their participation.

Thus, as long as the citizens of the West Side and their leaders are willing to take advantage of the opportunities for participation that the media offer them, the media can serve as a very useful tool in promoting policy and attitude changes in San Antonio. The media representatives provided many criticisms of the West Side and its leaders. However, they displayed their willingness to work together with West Side leaders, businessmen, and citizens in efforts to present the reality of the West Side to the city.

## **CONCLUSIONS AND RECOMMENDATIONS**

This study has determined that the manner in which the news is reported in San Antonio is not necessarily negative. However, this is not to say that what is reported is not negative. The major source of images of the West Side is its historical development both in terms of crime and culture. Thus, the style in which the media covers events in the West Side does not have a direct effect on the West Side, economically or otherwise.

In addition, West Side policymakers and leaders can potentially use the media to counter the current negative "reality" of the West Side. Social and economic problems that exist on the West Side could, over time, be alleviated through constructive cooperation between media representatives and West Side leaders. By working together to promote the positive reality of the West Side, it can become a vital and viable economic sector of San Antonio.

The results of this study are rather limited in that (1) the content analysis conducted covered a very short time span, (2) a limited sampling of the media was interviewed for their perspectives, and (3) the results reflect media perspectives only. For broader results, the following is recommended:

1. A survey of residents both within and outside of the West Side to determine perceptions of the West Side and the impact of the media on the development of perceptions.
2. A survey of business people both within and outside of the West Side to determine the effects of media image on economic development and general business.
3. A broader content analysis of the various forms of media to determine a general pattern of coverage of West Side events as well as a comparison of the coverage of the different sections of San Antonio.
4. Conduct interviews with community leaders, prominent business leaders, public officials, media representatives, and typical residents to determine the effect of the media on the West Side, its development, and its image.

## **Chapter 8. The Effects of the Avenida Guadalupe Association on the West Side**

Within the West Side neighborhood, one grassroot community and economic development organization, the Avenida Guadalupe Association (AGA), has worked for ten years to promote and revitalize the neighborhood through a variety of AGA-sponsored initiatives (appendix I). Initially, the AGA's activities concentrated revitalization on the physical renovation of the neighborhood church, the Church of Our Lady of Guadalupe. Today, the AGA, along with the City of San Antonio officials and Community Development Block Grant funds, has facilitated the infrastructure improvements to the Guadalupe Street, curbs, improved water drainage passageways, and the newly remodeled marketplace, El Parián, scheduled to open in May 1990. The current activities represent different AGA-sponsored initiatives. Concentration is now placed on the need to promote economic activity for the area, (e.g., El Parián) which would encourage individuals to become more self-sufficient.

Similar to other grassroots groups, the AGA has no performance evaluation documents which determine the effectiveness of achieving goals, increasing the level of community participation, or measuring the residents' approval rates of the AGA initiatives. This type of evaluation is beyond the scope of this analysis. Therefore, the AGA is not identified as a model program.

### **COMMUNITY DEVELOPMENT BLOCK GRANTS**

The Community Development Block Grant (CDBG) program is a federally funded program that provides block grants or funds to state governments and local communities. Since, the program's inception over 25 years ago, the U.S. Department of Housing and Urban Development (HUD) has developed the criteria for awarding funds. Also, the HUD agency determines federal priorities for programs, handles the administration, and allocates funding level to state governments.

In August 1974, the CDBG program was enacted as the Housing and Community Development Act of 1974 or Public Law No. 93-383. To date, the funding has continued through various mandates. For example, from August 1974 through the federal fiscal year 1989, congressional funds were enacted through the Housing and Community Development Acts of 1977, 1980, 1983, 1984, and 1987.

The primary purpose of the CDBG program is to "preserve and develop" urban communities in the U.S.<sup>109</sup> Once the funds are awarded to the local communities, the majority of CDBG monies are used to increase the opportunities for improvements in the "conditions or persons of low and moderate income" and the "physical and economic development of older and distressed areas" in a community.<sup>110</sup>

Monitoring functions are often completed by a local government community development department. In the City of San Antonio, the Community Development Office collects and evaluates quarterly reports and evaluations, approves funding revisions, assists in ordinance passages, and assures that CDBG programs achieve their goals. Also, the Community Development

Office conducts neighborhood meetings and training to include localities in the city's CDBG program planning. During early spring 1989, sixteen meetings and two public meetings were held in San Antonio prior to the final adoption of the current annual CDBG Budget.

Within program guidelines, the target population characteristics are specified and indicate that people in poverty and low socioeconomic income levels must be served. In 1986, approximately 90 percent of the CDBG programs met HUD program standards. This indicated that most programs were reaching the poor. HUD's intent to serve and reach the underserved continues to be a priority.

The procedures to receive CDBG funds are clearly outlined by the HUD agency from the federal down to the local government level. Once the HUD agency receives requests for proposals, it determines the awards for the various local communities and monitors the CDBG-related activities. The local governments determine the use of the funds and distribute the monies into its communities. In San Antonio, the city council members help constituents by making sure that their districts receive monies.

Funds can be used in various ways. For example, projects will often involve the (1) rehabilitation of homes and structures; (2) construction of additional public facilities; (3) creation of more economic opportunities; and (4) infrastructure of an area by constructing streets, drainage systems, and recreational facilities. In a recent evaluation of the CDBG program, the Congressional Task Force on Community and Natural Resources presented a positive evaluation on the effectiveness of programs. The Task Force believed that the program had "proven value in cushioning the impacts of neighborhood decline."<sup>111</sup> The task force found that the CDBG program worked "well in redistributing urban infrastructure maintenance and service investments to lower income areas where cities might not otherwise sustain an adequate commitment."<sup>112</sup>

## **ECONOMIC AND COMMUNITY DEVELOPMENT**

In order for the City of San Antonio to receive CDBG funds, a statement of purpose developed by the city's Community Development Office is submitted to the HUD agency. The statement explains the city's community development projects and proposed projects. During this application procedure, the city is required to follow the HUD-approved Housing Assistance Plan. This requires the city to (1) survey San Antonio's housing stock to determine areas with high concentrations of low- and moderate-income families; (2) specify a realistic annual goal for the number of families to be served and assisted; and (3) indicate the general locations for proposed new residential construction or housing in need of substantial rehabilitation.<sup>113</sup>

The Community Development Division, located in the city manager's office, works closely with CDBG programs in the city limits and is responsible for monitoring the CDBG-related activities. Also, the division provides information on the acceptable and unacceptable types of programs which will receive block grants. For instance, funding is not provided for political activity, income payments, general city government expenses, buildings for spectator events (in stadiums, auditoriums, museums, or central libraries), or the acquisition, construction, or operation of structures used for religious purposes.<sup>114</sup>



In San Antonio, the CDBG funds are issued annually by program year periods which begin in September of the first year of operation through October of the following year. According to the development office, the city is in its 15th year operating the program from October 1, 1989, to September 30, 1990. The city received \$14.4 million for this period and received approximately \$241 million from the federal government. In January 1983, the Avenida Guadalupe neighborhood was officially designated by the City Council as a "slum and blighted" area in city ordinance no. 56420.

## INFRASTRUCTURE AND COMMUNITY DEVELOPMENT

Infrastructure has played a vital role in America's major societal changes. Four historical stages of infrastructure development related to the process of urban change are identified by Joel Tarr in Perspectives on the Urban Infrastructure, chapter 1. The first stage is Urban Networks and Walking Cities: A Period of Foundations, 1790-1855. During this stage the infrastructure was used primarily for stimulating urbanization and economic development. The critical development that occurred during this period was the construction of a transportation network connecting the various urban nodes that existed.

During the second stage, Constructing the Core Infrastructure in the Central Cities, 1855-1910, the urban population increased from 6 million to approximately 46 million. During this period cities grew in area as well as in population. Developments in infrastructure were critical to the growth of the cities. Of the developments during this period the most significant were improvements in water pumping systems, and the rapid diffusion of water, sewerage systems, and the planned rebuilding and improvement of streets, roads, parkways, and bridges.

The third stage, The Domination of the Automobile and the Enlargement of the Federal Role, 1910-1956, was affected by primarily two factors, one being technological and the other governmental. The critical technological innovation was the internal combustion engine, which was used most commonly in the automobile. This invention sharply altered the pattern of urban life which then created more need for infrastructure and infrastructure improvements. With regard to governmental developments, the crucial shift involved an enlarged role of the federal government, beginning in the 1930s with the New Deal and continuing into the postwar period, but at a reduced level of investment.

The final stage was The Rise of the Outer City and Recent Trends Influencing Urban Infrastructure, 1956-1982. Several interrelated demographic, fiscal, and social trends have severely affected urban infrastructure in the 1960s and 1970s. Central cities lost population while the suburbs continued to increase at a rapid rate. In addition to central city losses was the massive regional population shift from the older cities of the Northeast and the Midwest toward the cities of the Sunbelt. These shifts in population created an increased need for infrastructure and services which needed to be responded to immediately.

More recently infrastructure and public works has been used by government for counter-cyclical employment and political patronage purposes.<sup>115</sup> Several studies also show that preferences and perceptions of different actors, such as politicians, business leaders, and professionals, in a particular city at a particular time may be more important in the city building process than another generalized set of forces.

Historically, federal involvement in infrastructure has been very different from state or local involvement. Traditional reasons for federal financing of infrastructure are (1) to absorb interstate externalities (e.g., interstate highways or water projects) or (2) to promote and share the financial burden of new areas of national concern (e.g., pollution control or housing for the homeless).<sup>116</sup>

Federal financing of urban economic development, however, is based on the equity-oriented goal of redistributing public investment to localities and neighborhoods that otherwise would be unable to sustain needed levels of expenditure. Two current forms of federal funding that are funnelled to urban areas for infrastructure are UDAG and CDBG funds. UDAG expenditures are intended to divert private investment from economically healthy areas to distressed urban locations. CDBG expenditures generally provide new infrastructure associated with a specific development rather than addressing standards-based needs. Both of these federal programs would be considered spatial programs due to their focus on specific geographical areas.

Funding from the state and local government has been primarily through the use of federal grant receipts.<sup>117</sup> State and local spending rose steadily from 1947 through 1967, then dropped off and stabilized in the early 1970s.<sup>118</sup> The decline is attributable primarily to an increasing insistence that residential developers supply their own infrastructure. Due to declining funding from state and local governments, communities all over the country are experimenting with new ways of financing infrastructure to support new development.<sup>119</sup>

The revitalization of communities across the country has been part of the nation's agenda for 40 years. During this time 3,000 communities have participated in revitalization strategies.<sup>120</sup> Communities know first hand their needs. As the infrastructure ages, it proves incapable of handling the demands times place on it. If not maintained, the infrastructure begins to limit the possibilities for community development. These capacity constraints pose an upper limit upon the amount of growth and development a community can undertake.

Infrastructure facilities are not an end in themselves; however, infrastructure facilities are extremely critical for economic activity at the community as well as federal level.<sup>121</sup> In the case of the Avenida Guadalupe area, infrastructure and physical improvements have immediate impact: the improvements are visible (streets and curbs become accessible, sewer and water services are expanded, etc.); the property value of residential and business buildings increases; and the West Side residents experience one type of "revitalization."

In economically and socially disadvantaged communities there is an added need for the infrastructure to be intact. In a community such as the Avenida Guadalupe Association area or the West Side, adequate physical infrastructure is a necessity for economic activity, development, and growth.

All the information available indicates that \$1,496,239 has been spent in the AGA area since 1922 (this figure does not include the funds spent prior to 1940 due to lack of information for those years). Of this, \$1,494,795 (99 percent) was spent in the AGA area since 1979. What can be assessed from a cursory examination of the area is the extraordinary difference in the physical condition of the immediate AGA area and the surrounding West Side area.

The Public Works Office of the City of San Antonio provided information on all capital improvement projects (CIP) for the AGA area from 1922-1989. The AGA area is bordered by El Paso, Brazos, Montezuma, and San Jacinto streets (appendix I for map). The Public Works CIP

information is limited to streets, sewer, and curb improvements. The earliest sewer improvements occurred in 1922. The Public Works Office has scheduled no projects in the current five-year Capital Improvement Project Plan. Table 15 is a list of all past, present, and future Capital Improvement Projects in streets, drainage, and sewer projects.

**Table 15. Infrastructure History for AGA Area**

<u>Project</u>	<u>Type</u>	<u>Status</u>	<u>Date</u>	<u>Constr. Cost</u>
El Paso Street Brazos St.-Trinity St.	sewer	completed	4/14/22	not available
S. San Jacinto St. Colima N.-Guadalupe Colima N.-Guadalupe	sewer	completed	2/16/25 3/1/25	not available
Guadalupe Street Brazos St.-Zarzamora	sewer	completed	5/4/29	not available
Montezuma Alley Brazos St.-Zarzamora	sewer	completed	1/1/31	not available
Elvira Alley Kicaster W. Fite	sewer	completed	1/31/40	not available
Fite Alley El Paso St. N.	sewer	completed	2/9/40	not available
Kicaster Alley Guadalupe N.-El Paso El Paso N.-San Fernando San Fernando N.-San Luis	sewer	completed	1/12/40	not available
S. San Jacinto St. El Paso St.	sewer	completed	12/11/69	\$1,444

**Table 15. (continued)**

<u>Project</u>	<u>Type</u>	<u>Status</u>	<u>Date</u>	<u>Constr. Cost</u>
Fite Alley N. of Guadalupe St.	sewer	completed	1/3/73	\$322,000
El Paso St.	st. & curb	completed	7/21/81	\$458,000
Hamilton-24th Guadalupe St.	st. & curb	completed	7/21/81	\$200,000
Guadalupe St. Brazos-San Jacinto	sewer & st.	completed	10/6/89	\$199,795
Guadalupe St.	storm drainage	completed	unknown	not available
Guadalupe/Castroville Alazan Creek-Cupples Rd.	sewer	under construction		\$637,000
Las Tiendas/El Parián S. Guadalupe-N. Colima Betw. San Jacinto-Brazos	misc.	under construction		private

Source: City of San Antonio Public Works, "Summary Report of Capital Improvement Projects in Avenida Guadalupe Area and City of San Antonio," Capital Improvement Program for 1982-1987, adopted September 1981.

#### **THE AVENIDA GUADALUPE ASSOCIATION: A REVIEW OF THE NEIGHBORHOOD COMMITMENT**

In 1979, the Avenida Guadalupe Association originated as a grassroots project to rehabilitate the neighborhood's nearby church. Today, the association continues to succeed in its interdisciplinary approach that works by promoting activities for increased economic and community development in the Guadalupe neighborhood. Finally, the association exemplifies long-term and well organized activities which appear to work and address the community's immediate needs.

The Avenida Guadalupe area, along Guadalupe Street in the West Side, is one of the oldest Mexican-American communities in San Antonio. The area developed and prospered after men that served in the war returned with new resources (i.e., the G.I. Bill), which they invested in their community to make the "American dream" come true. Through improvements, residents of the community were able to offer a higher standard of living to their offspring.<sup>122</sup> Much like

other communities, the increased standard of living allowed them to move out of the "barrio," leaving behind an older, poorer community. The deterioration of the economic base had several negative affects. These included an increase in rental properties (which meant an increased number of rental problems), more crime, and an increased number of substandard housing units. During the 1960s and 1970s the problems worsened.

As in most Mexican communities, the church in the Guadalupe area, Church of Our Lady of Guadalupe, was the focal point in the community. In 1979 under the leadership of Father Rodriguez a group of parishioners formed a committee and organized to try to improve the physical surroundings in their community. In the first year the committee was successful in securing \$16,000 to improve the facade of the church.<sup>123</sup> Their first major goal was to have the city council declare their neighborhood an urban renewal area, which would make them eligible for CDBG monies and other state and local grants. This goal was accomplished in 1983.

Since then, the Avenida Guadalupe Association has grown from a one member operated office to the city of San Antonio's fastest growing community development organization with a staff of six and a contracted support group of six firms. By pulling these resources together the association has been able to carry out accounting, architecture and planning, grantsmanship and development coordination, urban renewal planning activities, and public relations.

The Avenida Guadalupe project is unique in having the first and only official urban renewal program planned and administered by a neighborhood based or grassroots organization in cooperation with the City of San Antonio and support of the San Antonio Development Agency. A primary objective of the project involves the acquisition of blighted and problem properties -- substandard housing, vacant lots, and deteriorated underutilized commercial structures. A secondary objective involves the assembly of land for the development of projects which fulfill the needs and priorities of the neighborhood and the city. Besides these objectives the association has one primary goal which is

to strive to reverse this situation (of deterioration) and promote physical, economic, and cultural revitalization which supports the neighborhood's reattainment of its traditional role (commercial and cultural center for San Antonio's Hispanic community).<sup>124</sup>

Currently the association is attempting to become self-sufficient. This is very important because they currently require soft funds (allocated on a yearly basis) and therefore are not secure. They feel that by going into business for themselves they can secure funds that will ensure their existence and growth into the future. The project they hope will accomplish this is El Parián. The association and its boundaries are located on the West Side of San Antonio. Membership in the association is limited to those individuals living within the boundaries (the south and east by Alazan Creek, the north by West Commerce, and the west by Zarzamora Street). Currently the association asks for a 50 cents yearly donation from all members.

The association functions under the control of a ten-member board. The board is voted in by the members every two years.<sup>125</sup> Recently, the association hired the current executive director, Mr. David Garza. In the history of the association only two executive directors have existed, and the board has retained 50 percent of its original members.

The association operates under three primary contracts with the city and several grants designated for special projects. The first contract is the General Fund-Avenida Guadalupe Project (GF-Avenida), which is for the operating expenses of the Avenida Guadalupe project. They have been receiving funds through this contract since they began in 1979 (\$16,000). For fiscal year 1989-90 they received \$115,066. In the past ten years they have received a total of \$1,144,071.<sup>126</sup>

The second contract with the city began in fiscal year 1985-86. This contract was also under the General Fund-Plaza (GF-Plaza); however, it was for the operating expenses of the Plaza Guadalupe. The plaza is technically a public facility, therefore the expenses are covered by the Department of Parks and Recreation. The Parks and Recreation Department pays the salary of the plaza director and the individual that handles the maintenance. In the 1985-86 fiscal year they received \$20,000; for 1989-90, \$37,987; for the five years between 1985/86 and 1989/90, a total of \$157,734.<sup>127</sup>

The third and largest contract administered through the city is the CDBG contract. Funding from the CDBG program began in fiscal year 1982-83 with a \$600,000 dollar grant. These monies are for the activities and projects the association undertakes. The funds also cover purchases, renovations, and new construction. For fiscal year 1989-90 (15th year CDBG program) the association received \$350,100 (of \$15 million that San Antonio received in CDBG monies for 89-90).<sup>128</sup> In the eight-year period that the association has received CDBG funds, they have received a total of \$4,962,500.

The association also received funds from several other sources for specific projects. Table 16 shows the special projects funds awarded to the association. Table 17 identifies the different types and amounts of funding the association has received in the past ten years.

**Table 16. Special Projects Funds Awarded to the Avenida Guadalupe Association**

1985-86	Economic and Development Administration (EDA) for Plaza Guadalupe Phase II (\$240,000).
1987-88	EDA for El Parián Phase I (\$600,000). UDAG Vista Verde South Grant (city loan) for El Parián Phase I (\$322,000).
1988-89	Dept. of Health and Human Services (HHS) Office of the Community Services for El Parián Phase I & II (\$500,000). Center for Law and Education (L&E) for Urban Garden (\$12,500).

Source: Avenida Guadalupe Association, Funding History Report, 1989.



**Table 17. Avenida Guadalupe Association Funding History  
(in thousands)**

	<u>CDBG Funds</u>	<u>GF Avenida</u>	<u>GF Plaza</u>	<u>EDA</u>	<u>UDAG</u>	<u>HHS</u>	<u>L&amp;E</u>
1979-80	16						
1980-81		50					
1981-82		40.4					
1982-83	600	131.7					
(8th YR)*							
1983-84	992.4**	131.7					
(9th YR)							
1984-85	800	138.3					
(10th YR)							
1985-86	587	134.1	20	240			
(11th YR)							
1986-87	683	129.9	30				
(12th YR)							
1987-88	450	129.9	27.8	600	322		
(13th YR)							
1988-89	50	126.7	41.8				
(14th YR)							
1989-90	350.1	115	37.9			500	12.5
(15th YR)							
<hr/>							
Total	4,962.5	1,144	157.7	840	322	500	12.5

Grand Total: 7.9 million dollars

Source: Avenida Guadalupe Association, Funding History Report, 1989

\* CDBG funding year program

\*\* This figure represents two grants the association receives through CDBG (one was a Jobs Bill grant and the other a regular CDBG grant).

### Program Development

In a ten-year period the Avenida Guadalupe Association has accomplished several community development projects. Some of these projects are as basic as a sidewalk and others as complex as a market analysis and development plan for the association's site. Table 18 lists the major accomplishments of the association.

**Table 18. Avenida Guadalupe Association Major Accomplishments**

<u>Date</u>	<u>Milestone</u>
Fall 1980	\$50,000 Planning and Administration Grant from the City of San Antonio.
Fall 1982	Urban renewal area defined and adopted by council, which allocated \$500,000 to AGA for acquisition and demolition plus CDBG funds of \$131,720 for planning/administration of Plaza Guadalupe.
Winter 1982	Market Analysis and Development Program completed. AGA development office created mortgage package for medical office building completed.
Fall 1985	Medical Office Building completed. City grants AGA \$587,000 CDBG funds and \$160,000 in General Revenue Bonds for land acquisition. Yearly General Revenue funds of \$135,000 set aside as well.
Summer 1987	City of San Antonio authorizes \$322,000 loan for development of Las Tiendas (El Parián).
April 1988	EDA awards \$600,000 grant to AGA for development of Las Tiendas (El Parián).  City commits \$160,000 for labor and material relating to Las Tiendas (El Parián) parking lot.  U.T.S.A. commits \$55,500 for technical assistance for Las Tiendas (El Parián) tenants/vendors.

Source: Avenida Guadalupe Association, Department of Health and Human Services Grant Application, Office of Community Development, San Antonio, Texas, April 18, 1988.

The physical improvements to the Guadalupe area are varied and the plaza itself represents an achievement. Its presence has been a catalyst for other positive changes including repavement of the streets and reconstruction of the sidewalks in the immediate area. The plaza includes retail, commercial, main plaza cultural (which includes a stage), museum, arcade, and bench areas. These sections of the plaza have all been completed. Unfortunately, physical improvements have not expanded to other areas of the West Side.

Management and administration of the plaza is done entirely by the association. The plaza was the first great accomplishment of the association and represents a focal point for the community. The design of the plaza was coordinated with the existing Church of Our Lady of Guadalupe, which is visible through the a portal of the plaza (appendix J). The plaza was intentionally designed this way to create a feeling of unity.

The projects for 1988-89 included:

1. completion of Guadalupe Plaza: (a) picnic area phase; (b) play lot phase; (c) site work of (three) rehabilitation homes; and (d) rehabilitation of a fourth home;
2. development of San Jacinto St. Elderly Housing Project;
3. development of an 18,000 square foot marketplace, "El Parián;" funds in the amount of \$922,000 for El Parián were raised by January 1988; and
4. completion of El Parián parking lot.

## **EL PARIÁN RETAIL INSTITUTE**

As mentioned above, the association currently depends entirely on soft monies for its existence. In order to secure funds for the its continued existence, the association has taken on El Parián (which means neighborhood market) Retail Institute. The concept of a retail institute is to provide through retail incubation a combination of ownership incentives, support mechanisms, strong retail management training and follow-through to substantially raise the success rate of minority retailers in the El Parián project.<sup>129</sup> The mission of this project is to develop approximately 20 to 30 businesses among the estimated 40 small retail tenants and vendors. The objective would be to achieve a 60 percent success rate or better as compared to the prevailing failure rate of 90 percent (within the first five years of operation) for small minority-owned businesses.<sup>130</sup>

In this venture, the association has formed an alliance with The University of Texas at San Antonio Business Development Center to provide the training needed to give these small entrepreneurs the tools necessary to ensure success. All participating tenants must go through UTSA's course and receive a good recommendation. In order to ensure access UTSA is providing the course in the Guadalupe neighborhood and providing a Spanish-speaking instructor.

The physical structure of El Parián is approximately 18,000 square feet and presently is 62 percent preleased (appendix K). It is located directly in front of the Plaza Guadalupe (appendix J). It was built and financed in two phases. The first phase included the renovation of the outside of the building. The total estimated cost for this phase was \$922,000. The association obtained a \$600,000 grant from the Economic Development Administration (EDA) for this phase. The difference was financed through a loan by the city. The EDA contract stipulated that some of the contracts for the construction had to be made with minority-owned business or minority-employing businesses. The second phase was funded by the Department of Health and Human Services. They gave the association \$5 million for work in the interior of the market and for staff and operation expenditures. This will be sufficient to complete El Parián and have it ready for the grand opening on May 5, 1990. The Levis Strauss Foundation has also supported this project with \$45,000 to hire a leasing agent and cover overhead expenses of El Parián.

El Parián has economic development goals:

1. to create a long-term economic and commercial generator for low-income families, displaced workers, and at-risk youth of the Guadalupe community;

2. to reverse a long-standing deterioration of this new central-city urban area by providing opportunities for ownership, self-help assistance, private capital and participation by local banks, City of San Antonio CDBG funds, The University Texas at San Antonio, Small and Minority Business Development Administration Public Works funds;
3. to foster on-going partnerships between and among private business people and local institutions resulting in economic self-sufficiency, commercial expansion, long-term employment, and innovative and successful business development.

## THE AVENDIA GUADALUPE NEIGHBORHOOD

In January 1989, the Avenida Guadalupe Association received a free community profile of its geographic area. The survey was conducted by San Antonio's KSAT channel 12 in 1988. It includes seven zip code numbers, 78207, 78205, 78204, 78225, and 78226, which encompass the Guadalupe neighborhood. The sample size used for this survey instrument was not explicitly stated in the document.

A review of the survey instrument indicates methodology drawbacks. However, David Garza, the executive director of Avenida Guadalupe Association, believes that it can be used to get a better understanding of the residents in the immediate Guadalupe neighborhood. In fact, the association will probably use these data to plan future projects for the Guadalupe area. KSAT channel 12 provided the following observations for residents of the Guadalupe Area by zip codes 78207, 78205, 78204, 78225, and 78226, in San Antonio, Texas, 1988:

95 percent of residents are of Hispanic origin.  
Females make up of 65 percent of the neighborhood population.  
Approximately 59 percent of households have incomes of \$20,000 or less.  
Over 50 percent of the residents do not have a high-school education.  
Approximately 53 percent of the families have children younger than 18 years of age.<sup>131</sup>

Additional information indicates that the majority of residents are in the occupations of homemakers (18.7 percent), laborers (17.0 percent), retired (17.0 percent) or service workers (11.9 percent).<sup>132</sup> According to the findings, most residents shop at the H.E.B. grocery store. The nearby Handy Andy was the second most frequented grocery store. Three department stores--K-Mart, J.C. Penney, and Sears--are used by the residents. Also, the South Park Mall and Ingram Mall are the shopping malls most residents frequent.

Finally, the observations presented financial information of the residents. For example, in 1988 less than 80 percent of the residents 1) purchased major appliances; 2) purchased television sets; or 3) conducted home improvements costing more than \$200.<sup>133</sup> Also, according to the survey, the San Antonio Savings Association is used as the primary financial institution.<sup>134</sup> While this may not be an all-inclusive survey of the neighborhood residents, it is a useful addition in attempting to get a better understanding of the Guadalupe neighborhood.

## **CONCLUSIONS AND RECOMMENDATIONS**

The case study of the Avenida Guadalupe Association has been useful in reviewing past, current, and future community and economic efforts that have essentially empowered one San Antonio neighborhood in the West Side area. Fortunately, the city's Community Development Division and the Avenida Guadalupe Association seem to have a good working relationship. This appears helpful in ensuring funding and a better understanding of the neighborhood long-term revitalization initiatives.

The AGA and the city should begin to document community and economic success to demonstrate the worthiness of these types of projects and verify whether or not the AGA activities can be models for duplication. A thorough economic analysis is necessary. This requires detailed documents of the association's past CDBG funding, city ordinances passed, and future plans, especially those pertaining to the renovation of the public housing units close by. The analysis could measure the short- and long-term economic impacts of the association's program development.

Our preliminary findings indicate that the successes of the association's neighborhood plan have been possible with a well-organized and long-term planning tool. Duplication of the neighborhood plan or perhaps revisions to such a plan may prove beneficial for other distressed communities. Finally, the AGA strategies appear to get community and economic development projects completed because of two factors: (1) a plan of action, a list of goals, and support systems for all individuals involved in the projects and (2) support systems within the City of San Antonio Community Development Division that recognize the need for successful local economic and community development.





## Notes

1. San Antonio City Council Committee on Small Business Development, Small Business Development: Towards a Stronger San Antonio Economy (San Antonio, Tex., Summer 1988), p. vii.
2. Ibid., p. 51.
3. Interview by Karen L. Shafer with Claudia Mora, Planner II, Department of Economic and Employment Development, San Antonio, Texas, November 15, 1989.
4. Karen Shafer, City Contract Dollars: The Minority-Owned Business Community and San Antonio's West Side (San Antonio: Tomás Rivera Center, n.d.), p. 3.
5. Interview by Karen Shafer with Dr. Damaso Oliva, Chairman, Small and Minority Business Advocacy Program Advisory Board, San Antonio, Texas, November 15, 1989.
6. Shafer, City Contract Dollars, p. 8.
7. Interview by Shafer with Dr. D. Oliva, November 15, 1989.
8. City of San Antonio, Small and Minority Business Advocacy Program, Small and Minority Business Advocacy Program Handbook for Business (San Antonio, Tex., 1988), p. 3-4.
9. Ibid., p. 1.
10. Shafer, City Contract Dollars, p. 8.
11. City of San Antonio, Small and Minority Business Advocacy Program, "Contracts Awarded: Fiscal Year 1989," October 1, 1989. (Computer Printout.)
12. Memorandum from Dr. Oliva, Chairman, Small and Minority Business Advocacy Program Advisory Board.
13. City of San Antonio, Small and Minority Business Advocacy Program, "Minority-Owned Business Listings," November 2, 1989. (Computer Printout.)
14. City of San Antonio, Small and Minority Business Advocacy Program, "Minority-Owned Business Listings," October, 31, 1989. (Computer Printout.)
15. Charlotte Low Allen, "High Court Set Asides Are Set-Aside," Insight, (Feb. 20, 1989), p. 221.
16. Interview by Shafer with Dr. D. Oliva, November 15, 1989.
17. Ibid.

18. Interview by Karen Shafer with Terri Womack, Administrative Assistant, Small and Minority Business Advocacy Program, City of San Antonio, Texas, November 15, 1989.
19. Interview by Karen Shafer with Lorraine Salazar Bauer, Assistant Director, Department of Economic and Employment Development, City of San Antonio, Texas, November 15, 1989.
20. Interview by Shafer with Dr. Oliva, November 15, 1989.
21. Ibid.
22. Interview by Shafer with Ms. Bauer, November 15, 1989.
23. Interview by Shafer with Dr. Oliva, November 15, 1989.
24. Interview by Shafer with Ms. Bauer, November 15, 1989.
25. Stephen Kahn, and Michael Kaddutz, Fidelity and Surety Bonds (Advanced Risk Management Techniques, Inc., May 23, 1989).
26. McGregor Act, art. 5160, ch. 4 (Vernon 1987).
27. Texas Local Government Code 252.021, subchapter b (Vernon 1988).
28. Memo from Tim Darilek, Capital Projects Administrator, Department of Environmental Management, to San Antonio Bonding Committee, August 10, 1989.
29. Hearing before the Committee on Small Business, April 12, 1988.
30. Interview with Manuel Longoria, Budget Analyst, Small and Minority Business Advocacy Program, November 6, 1989.
31. Memo from Tim Darilek to San Antonio Bonding Committee, August 10, 1989.
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77. Mary Brooks, "Housing Trust Funds: Lessons from Inclusionary Zoning," in Inclusionary Zoning Moves Downtown, eds. Dwight Merriam, David J. Brower, and Philip D. Tegeler (Washington, D.C.: Planners Press, 1985), p. 12.

78. Some identify redlining as the refusal to make any mortgage or home improvement loans in particular areas without regard for the individual characteristics of the borrower or the property, as though a red line had literally been drawn around certain blocks on a map. Others say that redlining occurs if the institution lends on different terms in certain areas.

79. The year 1985 was excluded as mortgage loan data were unavailable.

80. Timothy Cook, "The Residential Mortgage Market in Recent Years," Federal Reserve Bank of Richmond Economic Review, vol. 60 (September-October 1974), p. 5.

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83. Edwin Daniel, "Redlining," Journal of Housing, vol. 32, no. 9 (October 31, 1975), p. 442.

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85. The term depository institution means any commercial bank, savings bank, savings and loan association, building and loan association, homestead association or credit union which makes federally related mortgage loans as determined by the Board of Governors of the Federal Reserve System.

86. Standard metropolitan statistical areas (SMSAs) are major population centers around the U.S. designated by the Bureau of the Census. Census tracts are favored over zip code divisions because they correspond more closely with socioeconomic and physical boundaries within inner-city neighborhoods.

87. More specifically, the information to be included in the annual disclosure are the numbers and dollar values of (1) conventional mortgages, (2) government and insured loans (FHA or VA), and (3) home improvement loans.

88. Some have questioned the validity of this assumption. Because of differences among areas in the level of demand for loans, savings-to-mortgage ratios vary from one area to another. In some older neighborhoods, many homes are debt free. Valid comparisons, they argue, cannot be made between these neighborhoods and newer ones where the demand for mortgage loans is great.

89. Greenlining is the economic boycott of lenders. Two of the more well known cases of greenlining occurred in Chicago and Boston. In Chicago, community groups collected more than twenty thousand signatures to use in an effort to gain additional funds from S&Ls in the area.

90. Rochelle Standfield, "Home Loan Disclosure Plays the Numbers Game," National Journal, vol. 8, no. 50 (December 11, 1976), p. 1780.
91. Karen Shafer's report on contractors maintains that white firms are big while minority firms are small.
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93. Annual Progress Reports provide data on the number of landlords and contractors in the SAHA program.
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96. Community Development Office, City of San Antonio CDBG Budget, FY 10/1/89 - 9/30/90 (San Antonio, Tex.: Community Development Office, 1989), pp.1-48.
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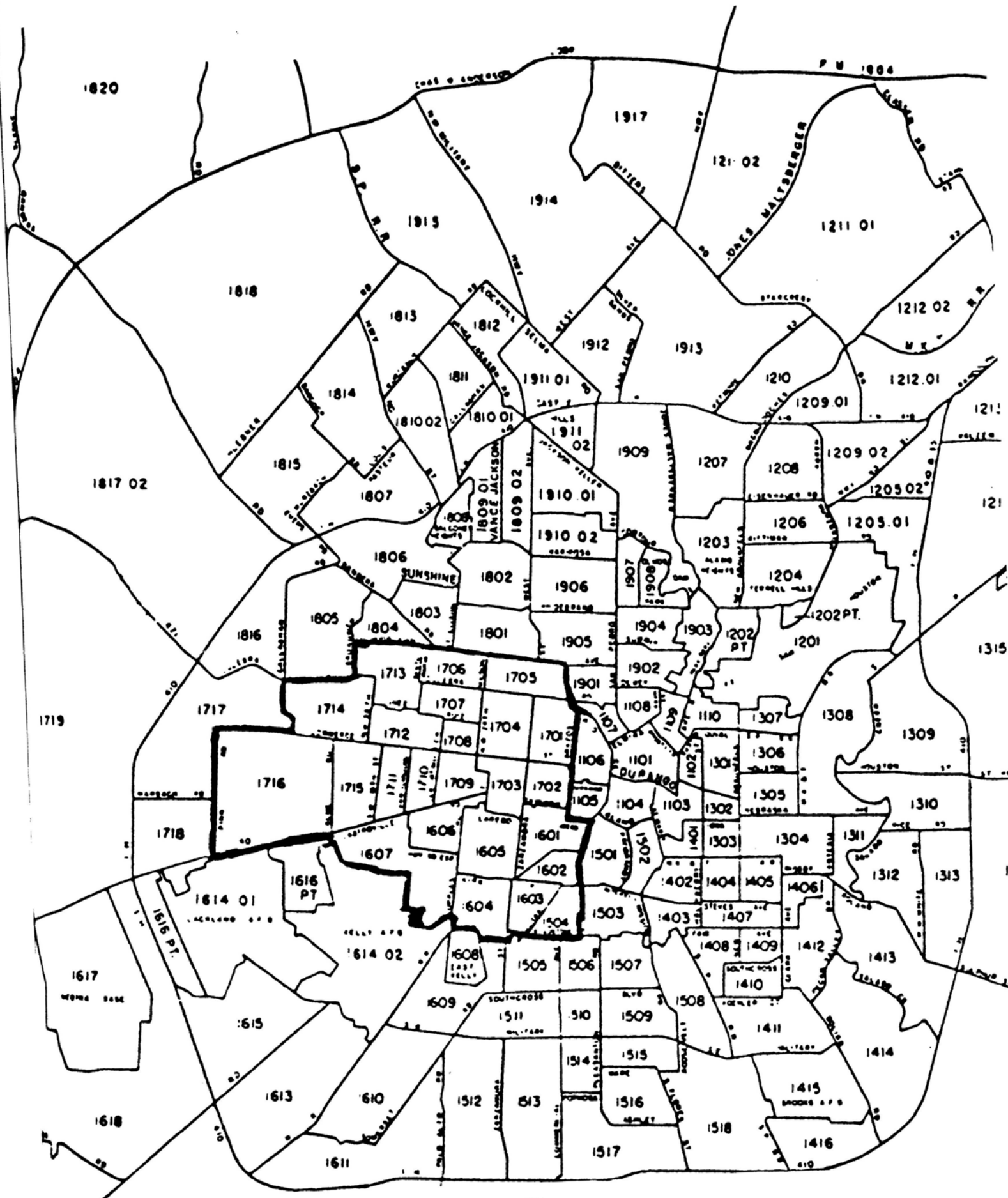


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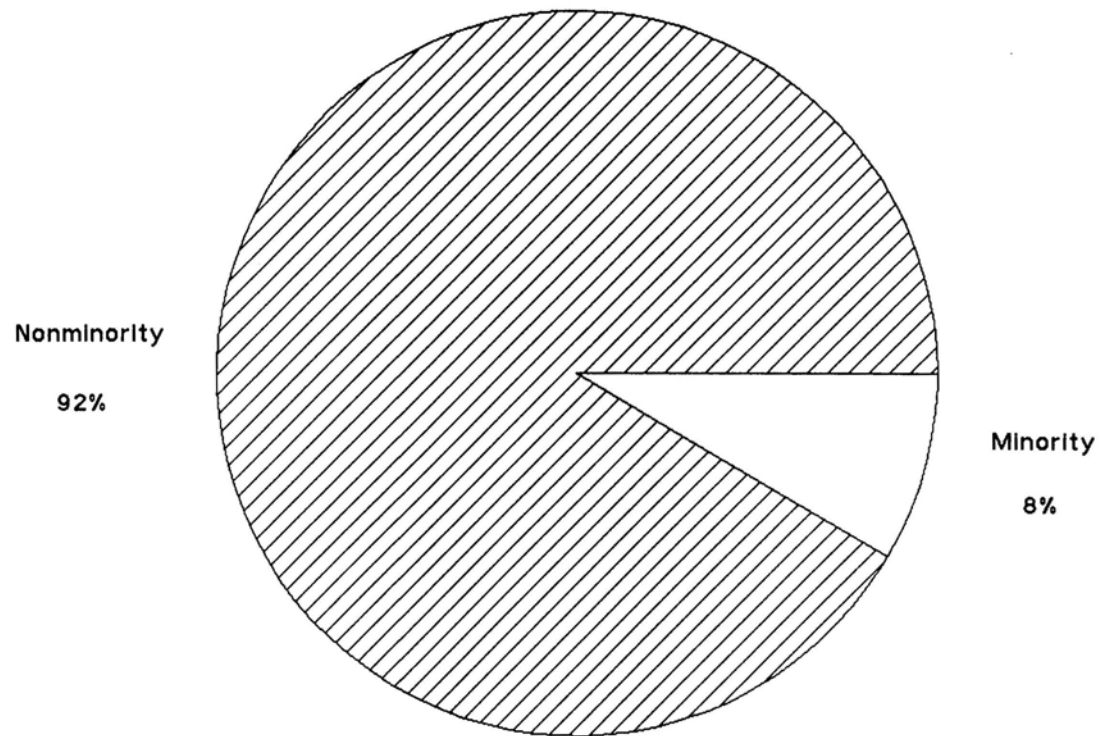
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# Appendix A. West Side Boundaries



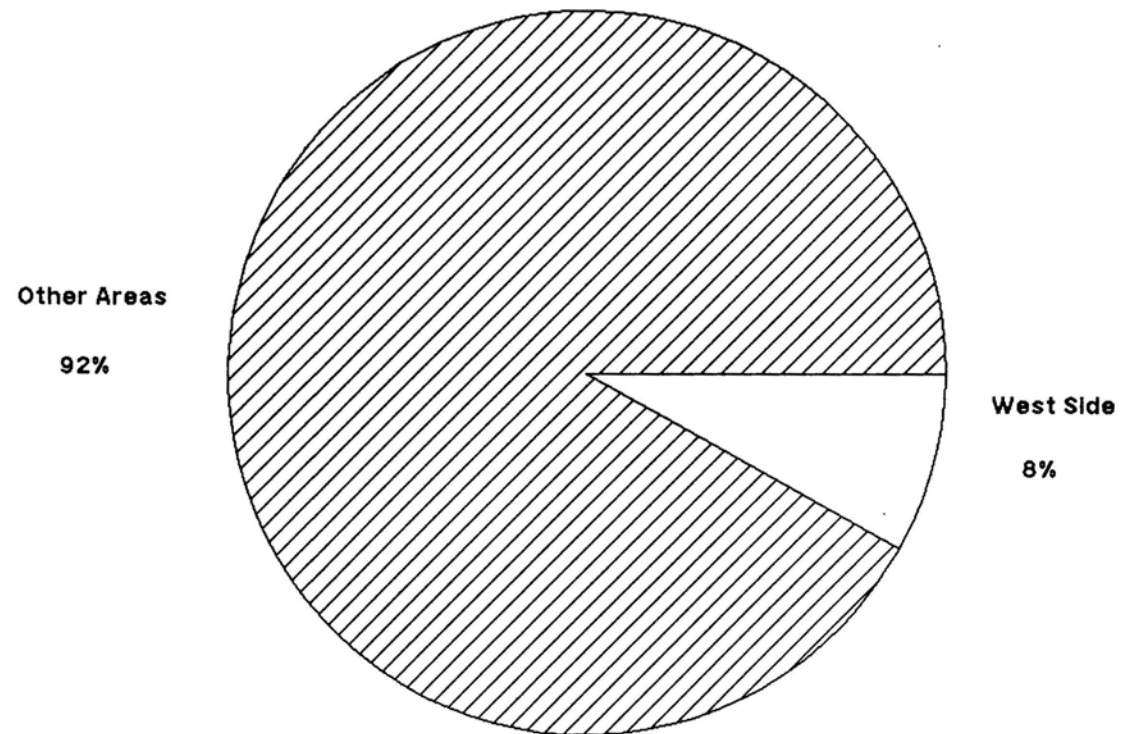
**Appendix B. 1. City Council Awards  
Fiscal Year 1989**



**Total Awards -- \$112 Million**

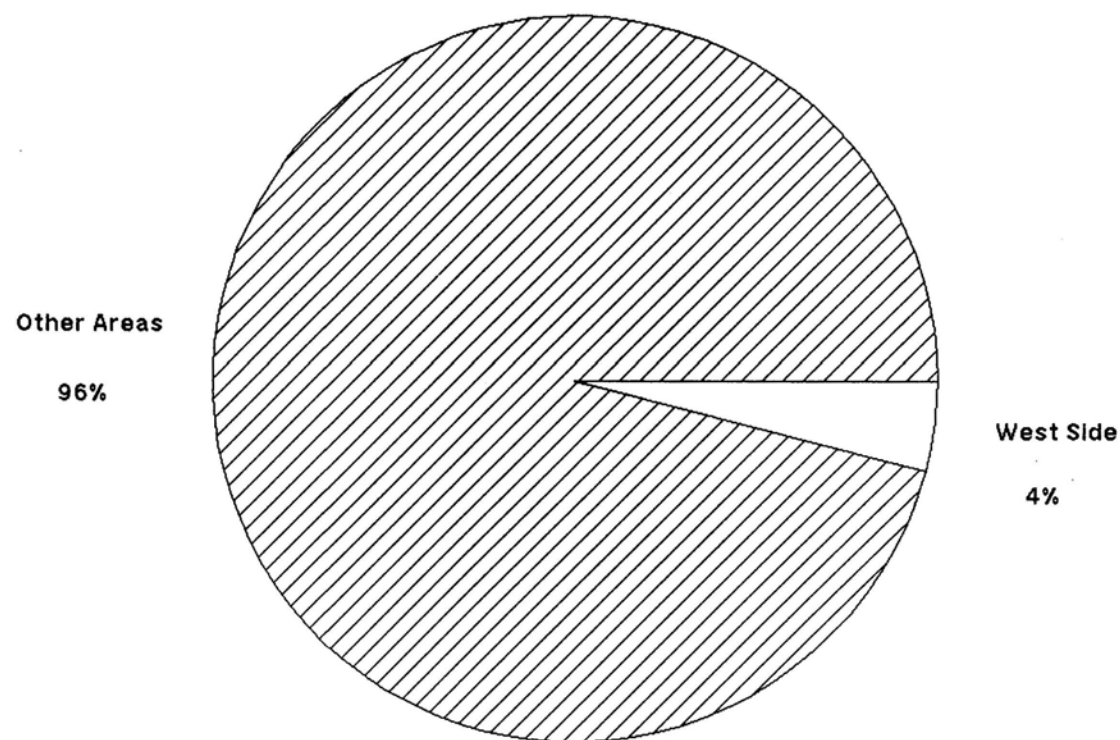
Source: Small and Minority Business Advocacy Program  
Computer Printout, San Antonio, Tex., 1989.

**Appendix B.2. Certified Minority-Owned Firms on the West Side  
General Service Firms as of November 11, 1989**



Source: Small and Minority Business Advocacy Program  
Computer Printout, San Antonio, Tex., 1989.

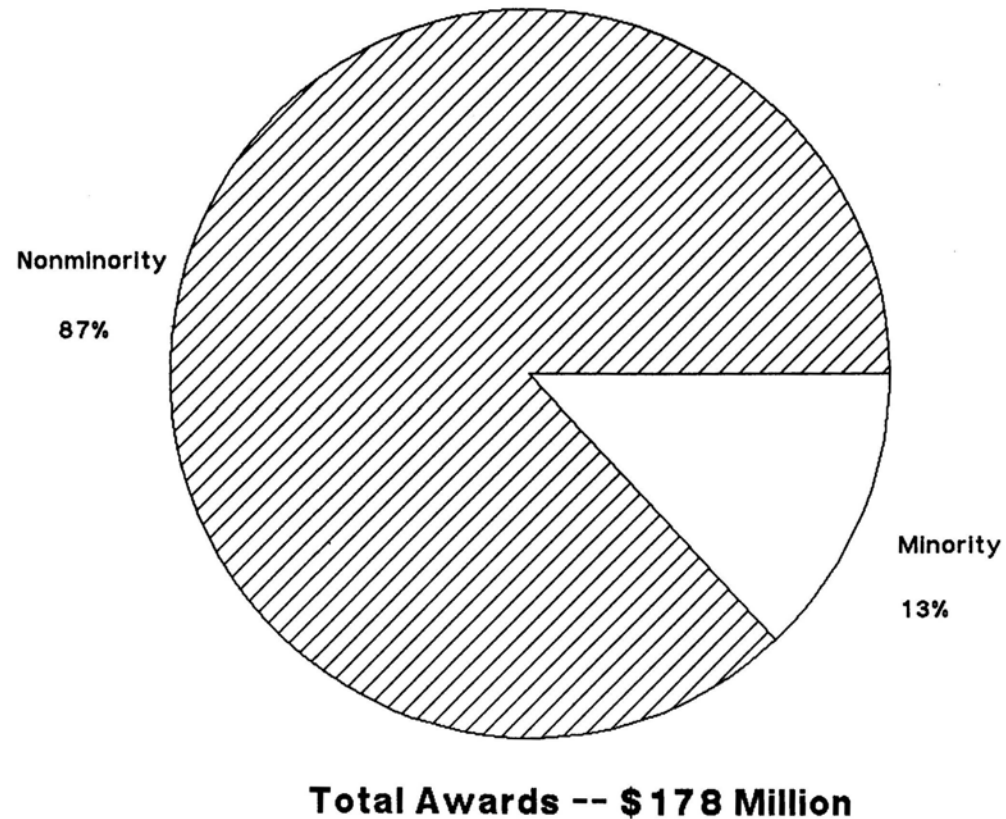
**Appendix B.3. Certified Minority-Owned Firms on the West Side  
Professional Service Firms as of November 11, 1989**



Source: Small and Minority Business Advocacy Program  
Computer Printout, San Antonio, Tex., 1989.

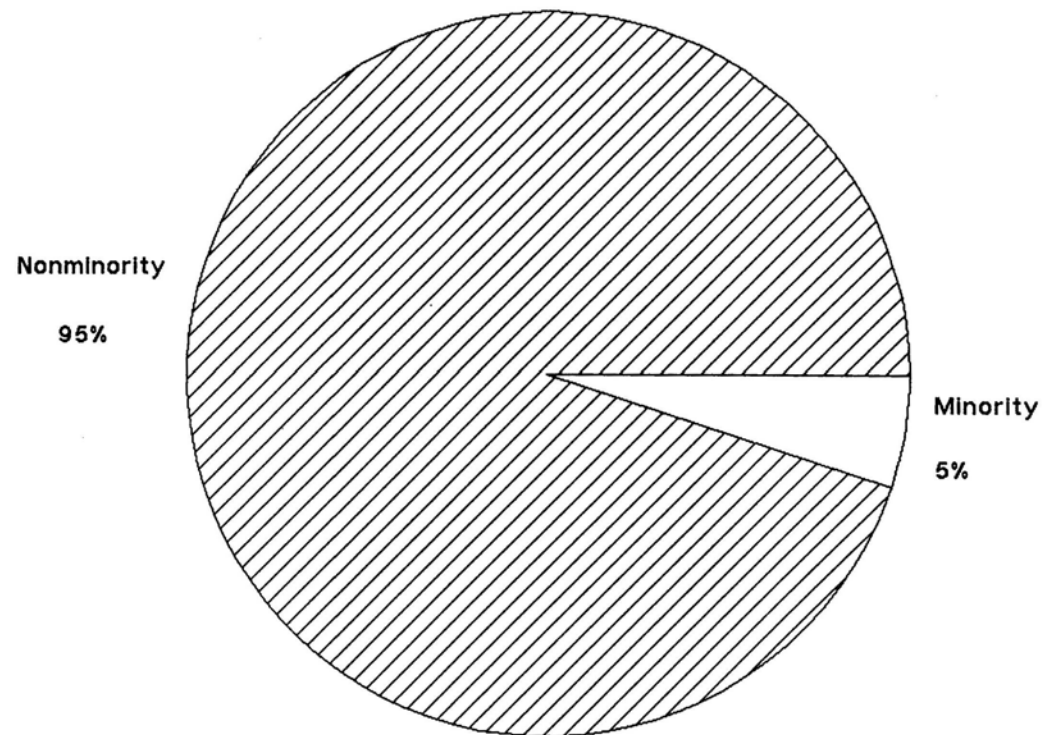


**Appendix C.1. City of San Antonio Total Contracts  
Fiscal Year 1989**



Source: Small and Minority Business Advocacy Program  
Computer Printout, San Antonio, Tex., 1989.

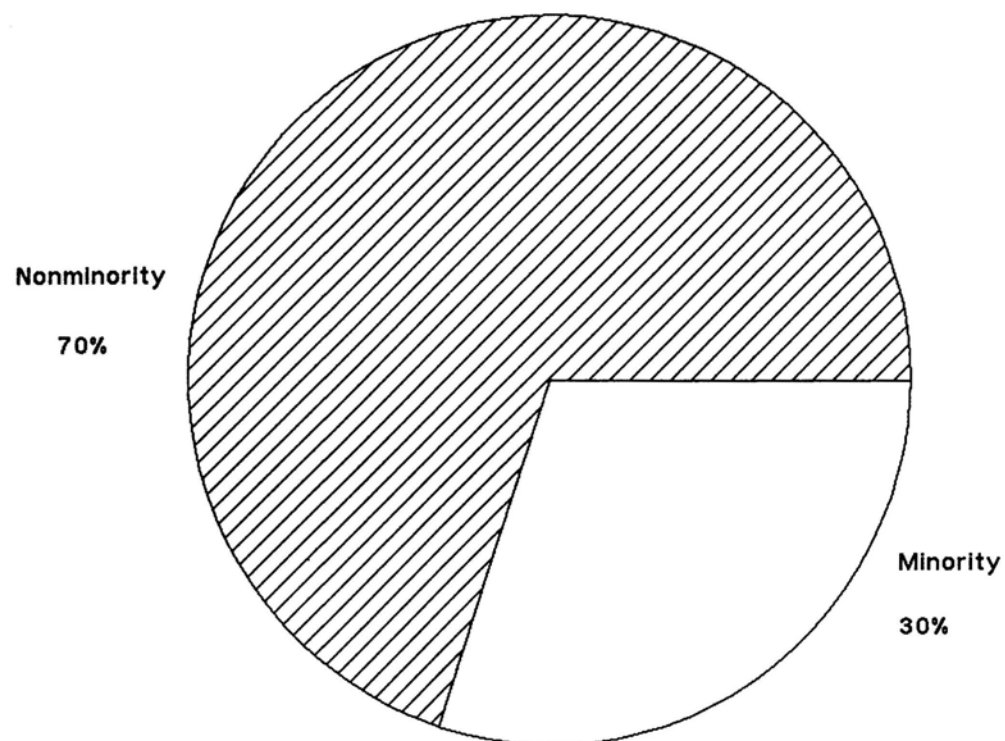
**Appendix C.2. City of San Antonio Expenditures on  
Construction Contracts, Fiscal Year 1989**



**Total Awards -- \$95,950,951**  
**Minority Participation Goal -- 20%**

Source: Small and Minority Business Advocacy Program  
Computer Printout, San Antonio, Tex., 1989.

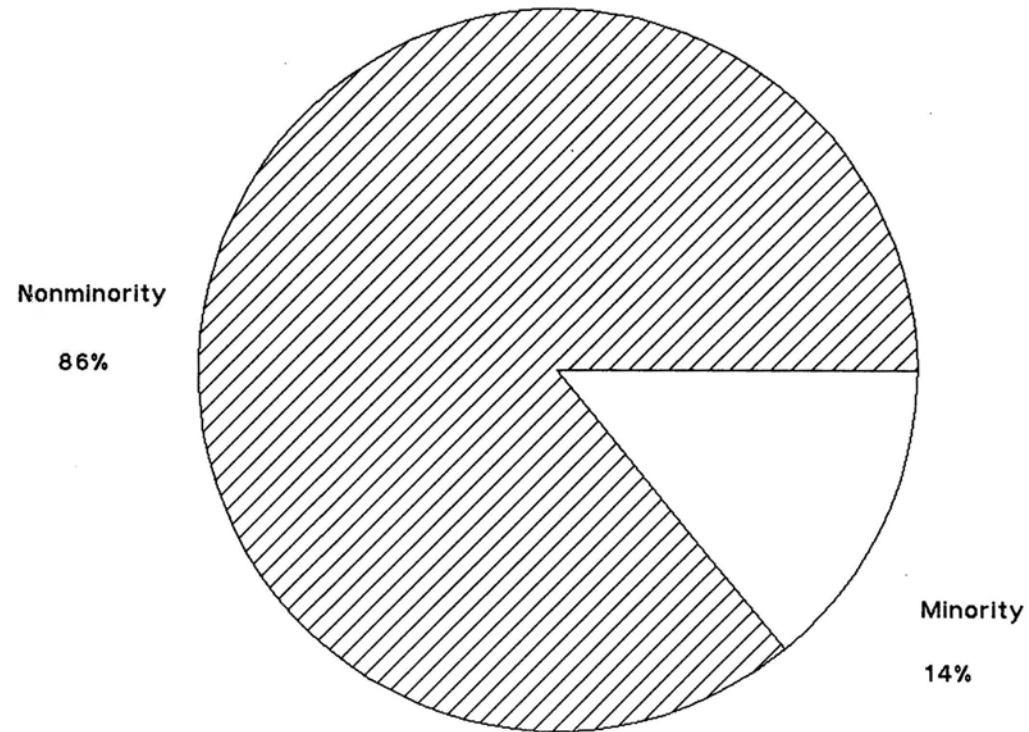
**Appendix C.3. City of San Antonio Expenditures on  
Construction Subcontracts, Fiscal Year 1989**



**Total Awards -- \$16,915,687**  
**Minority Participation Goal -- 25%**

Source: Small and Minority Business Advocacy Program  
Computer Printout, San Antonio, Tex., 1989.

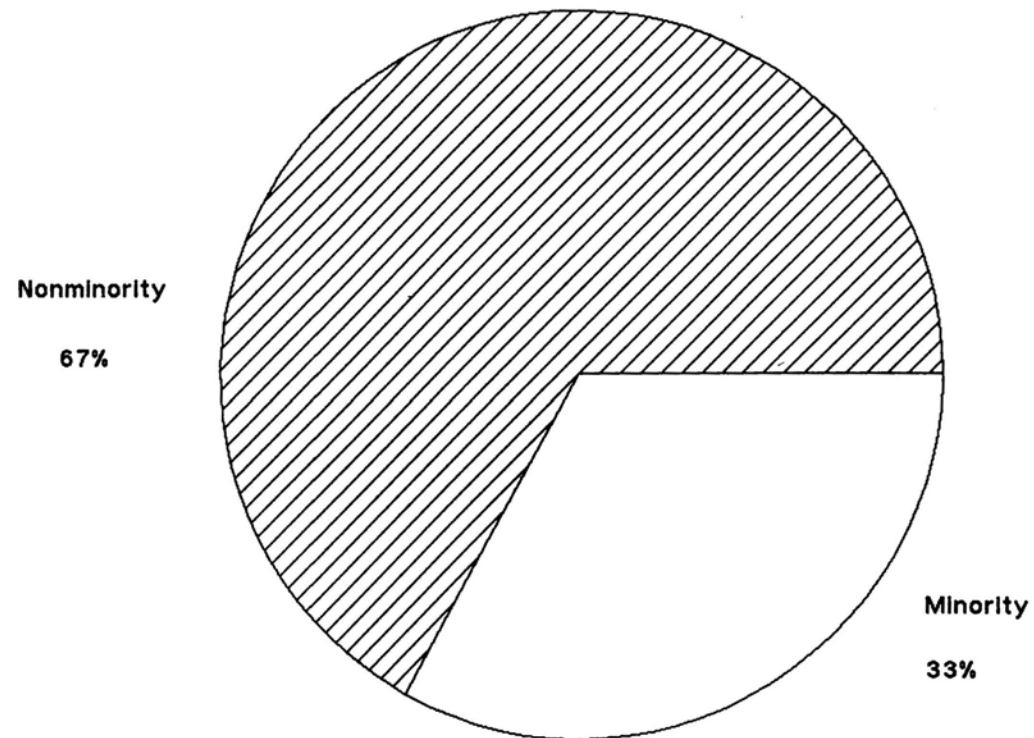
**Appendix C.4. City of San Antonio Expenditures on  
Procurements, Fiscal Year 1989**



**Total Awards -- \$48,223,710**  
**Minority Participation Goal -- 15%**

Source: Small and Minority Business Advocacy Program  
Computer Printout, San Antonio, Tex., 1989.

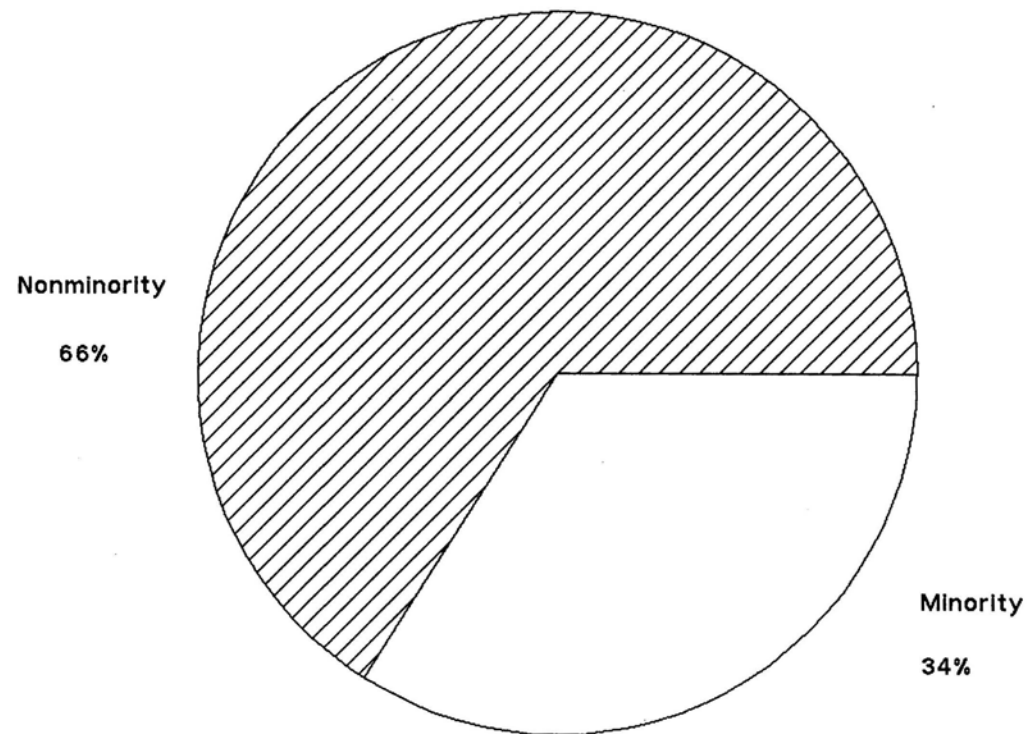
**Appendix C.5. City of San Antonio Expenditures on Professional Services  
Fiscal Year 1989**



**Total Awards -- \$17,458,118**  
**Minority Participation Goal -- 32%**

Source: Small and Minority Business Advocacy Program  
Computer Printout, San Antonio, Tex., 1989.

**Appendix C.6. City of San Antonio Expenditures on  
Architects and Engineers, Fiscal Year 1989**



**Total Awards -- \$14,638,446**  
**Minority Participation Goal -- 32%**

Source: Small and Minority Business Advocacy Program  
Computer Printout, San Antonio, Tex., 1989.

## Appendix D. Poverty in 1980

**Table D.1. People in Poverty in 1980**

City	Population	No. of People in Poverty	Percent
Atlanta	409,425	112,622	27.5
Cleveland	564,407	124,860	22.1
San Antonio	785,880	161,288	20.9
Norfolk	232,505	48,132	20.7
Orlando	116,860	20,805	17.8
Sacramento	270,704	40,721	15.0
Dallas	891,416	126,245	14.2
Houston	1,578,339	199,755	12.7
San Diego	811,871	101,034	12.4
Phoenix	780,111	86,659	11.1
San Jose	619,018	50,569	8.2

**Table D.2. Relative Rankings by Severity of Poverty in 1980**

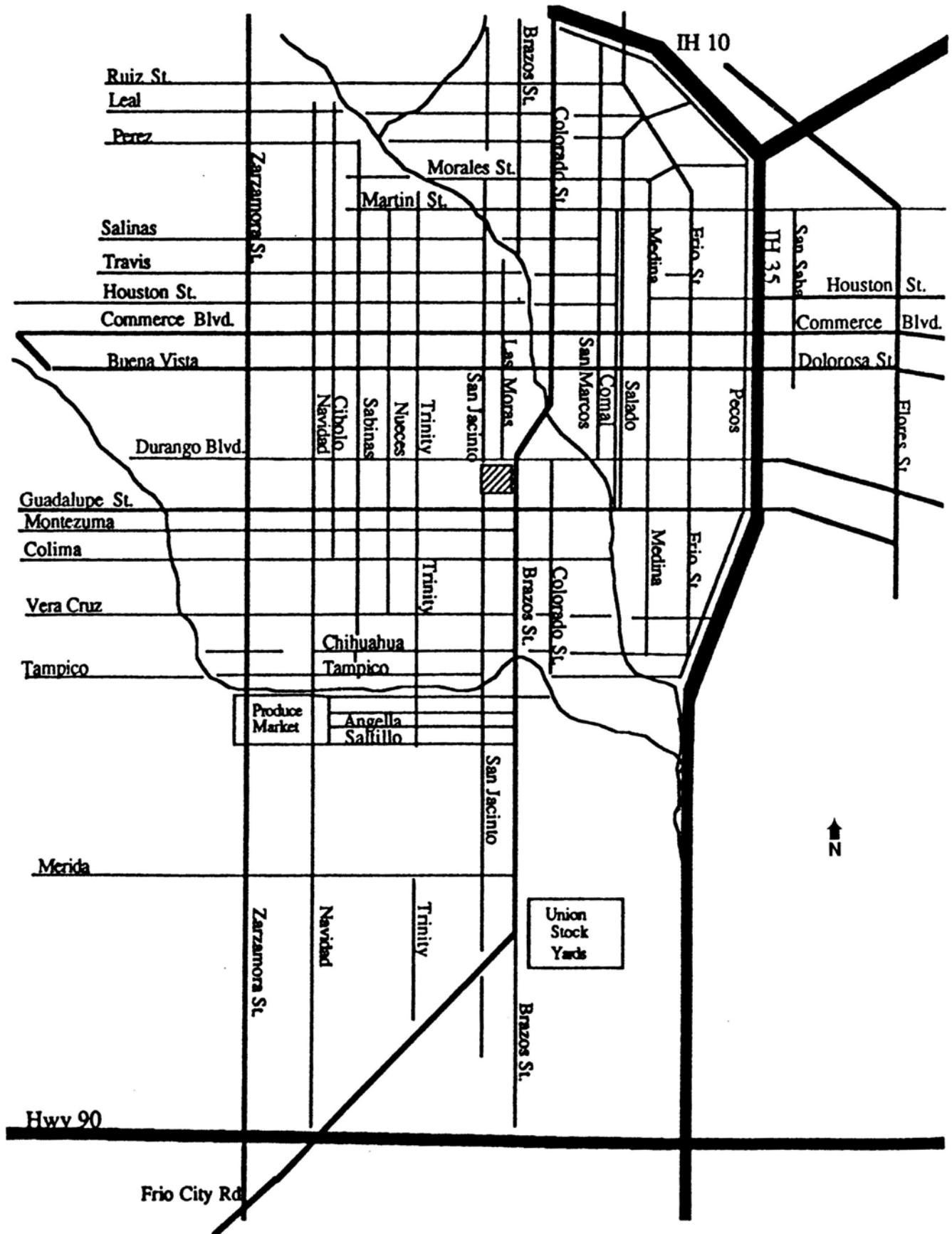
City	All People	City	African-Amer.	City	Latinos
Atlanta	10	Norfolk	5	Cleveland	9
Cleveland	16	Atlanta	13	Atlanta	13
San Antonio	20	Orlando	17	San Antonio	14
Norfolk	21	Cleveland	22	Norfolk	25
Orlando	21	Phoenix	23	Sacramento	28
Sacramento	31	San Antonio	33	San Diego	31
Dallas	32	Sacramento	36	Phoenix	33
Houston	39	Dallas	36	Dallas	38
Phoenix	41	Houston	43	Orlando	42
San Diego	47	San Diego	47	Houston	44
San Jose	45	San Jose	54	San Jose	51

Source: 1980 U.S. Census

Note: The ranking of all eleven cities has been established with respect to the percentage of people or households in poverty in the following five key areas: (1) the total number of residents, (2) the number of children under the age of 18 per family, (3) the number of people of age 65 and over, (4) the number of households, and (5) the number of single-parent families with children under the age of six.



## Appendix E. Area Studied for the Informal Economy



## **Appendix F. 1938 Zoning Districts**

<b>A</b>	<b>Single-family district</b>
<b>B</b>	<b>Residence district</b>
<b>C</b>	<b>Apartment district</b>
<b>D</b>	<b>Apartment district</b>
<b>E</b>	<b>Office district</b>
<b>F</b>	<b>Local retail district</b>
<b>G</b>	<b>Local retail district</b>
<b>H</b>	<b>Local retail district</b>
<b>I</b>	<b>Business district</b>
<b>J</b>	<b>Commercial district</b>
<b>K</b>	<b>Commercial district</b>
<b>L</b>	<b>First manufacturing district</b>
<b>M</b>	<b>Second manufacturing district</b>
<b>GG</b>	<b>Local retail district</b>
<b>HH</b>	<b>Local retail district</b>
<b>II</b>	<b>Business district</b>
<b>JJ</b>	<b>Commercial district</b>
<b>KK</b>	<b>Commercial district</b>
<b>LL</b>	<b>First manufacturing district</b>
<b>MM</b>	<b>Second manufacturing district</b>

Source: San Antonio Unified Development Code, September 1989, pp. 111-2 to 111-3.

Note: The restrictions for districts in double letters are identical to those in corresponding single-letter districts except that there is a 25-foot front yard setback.

## **Appendix G. Districts Created Since June 28, 1965**

### **Residential Districts**

- R-A Residence-agriculture districts
- R-1 Single-family residence districts
- R-2 Two-family residence districts
- R-A Three- and four-family residence districts
- R-3 Multiple residence districts
- R-4 Manufacturing home districts
- R-5 Single-family residence districts
- R-6 Townhouse residence districts
- R-7 Small-lot home districts

### **Business Districts**

- 0-1 Office districts
- B-1 Business districts
- B-2 Business districts
- B-2NA Business districts, nonalcoholic sales
- B-3 Business districts
- B-3NA Business districts, nonalcoholic sales
- B-3R Restrictive business districts
- B-4 Central area districts

### **Industry Districts**

- 1-1 Light industry districts
- 1-2 Heavy industry districts

### **Overlay Districts**

- ERZD Edwards recharge zone district
- P-1 Planned unit development districts
- PWOD River Walk overlay district
- MAD-1 Military airport overlay zone 1
- MAD-2 Military airport overlay zone 2
- H Historic districts

### **Performance Districts**

- PRD Planned residential development districts
- BP Business park districts

Source: San Antonio Unified Development Code, September 1989, pp. 111-3 to 111-4.

## **Appendix H. Items and Amounts Covered by Provisions of the Homeowners Incentive Program**

Mortgage companies must comply with HUD Handbook No. 4155.1 Rev-2 dated December 23, 1988, which states:

Borrower's closing costs include the mortgagee's origination fee cost of title search, charges for preparation of deed and mortgage documents, mortgage tax, recording fees, home inspection fee up to \$200, appraisal fee, credit report fee, and other similar items." All these costs are eligible for financing through the HIP program. However, the HIP limit of reimbursement for an independent home inspection is \$75.00.

Prepays are limited to the following:

- 30 days interest
- 14 months Hazard insurance
- 3 months taxes

The HIP Program funds cannot be used to pay:

- any part of the Mortgage Insurance Premium discount points
- Owner's Title Policy
- prepays in excess of the limits noted herein
- closing costs in excess of the limits set out below.

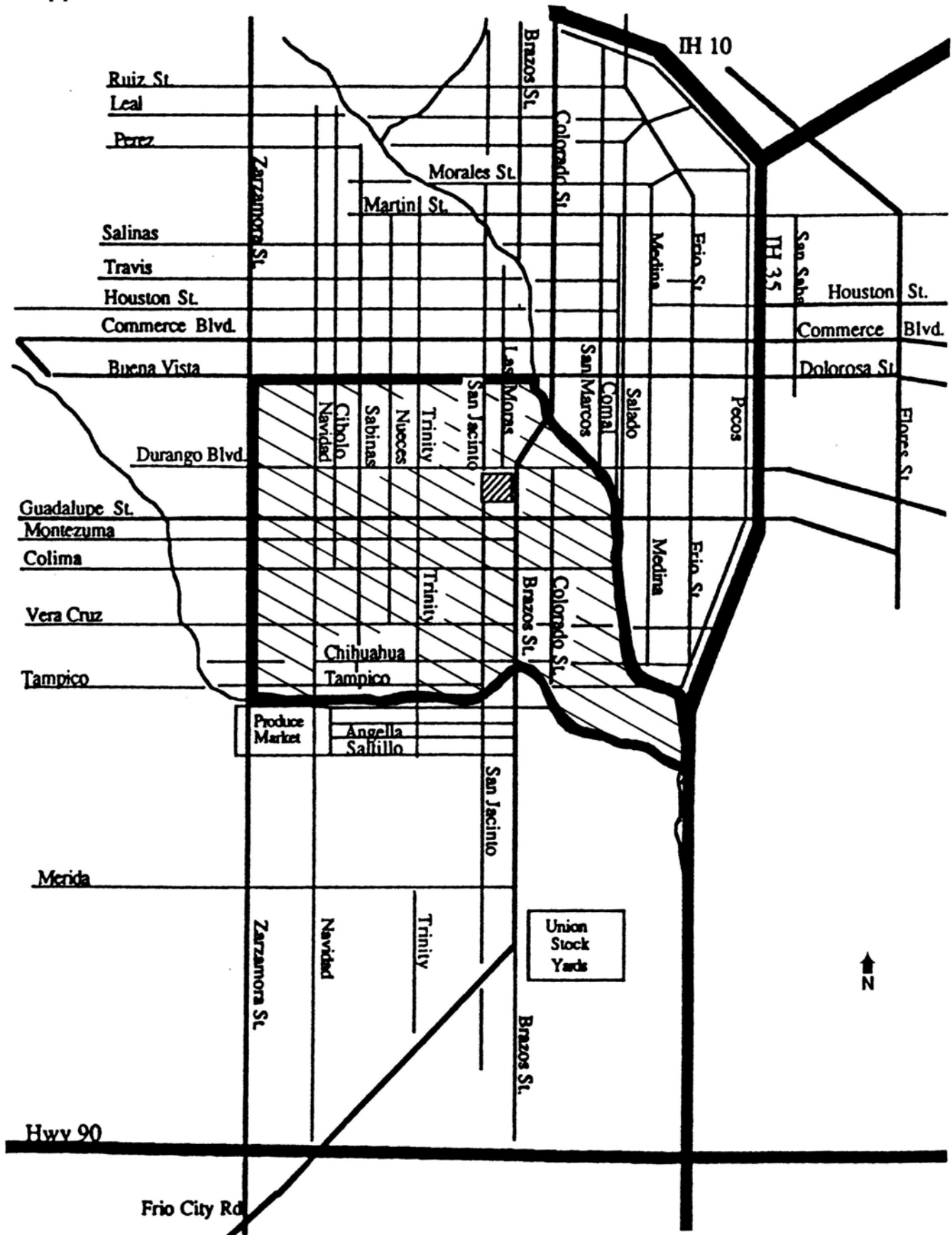
### **Maximum Closing Costs**

<b>Value</b>	<b>Maximum</b>	<b>Value</b>	<b>Maximum</b>
20,000-23,000	1,000	34,000-38,000	1,150
24,000-28,000	1,050	39,000-43,000	1,200
29,000-33,000	1,100	49,000-50,000	1,300

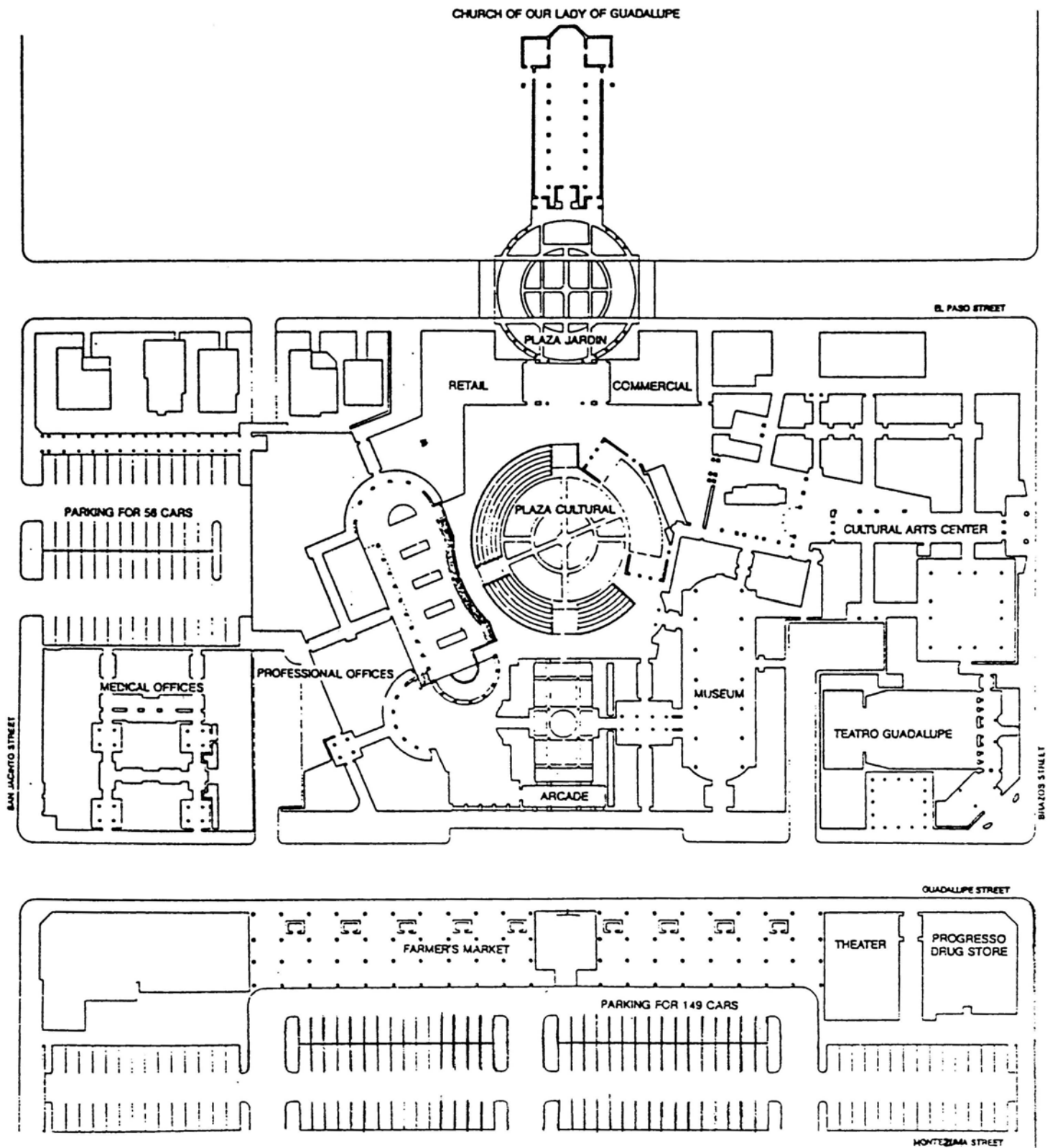
If the Good Earn Estimate (provided by the mortgage company) indicates more than the allowable closing costs or prepaids, benefits are based on the FHA HIP program maximum allowable. The amount deposited as part of the Earnest Money Contract is subtracted from the total eligible closing costs and prepaids and a commitment is issued based on this computation.

Source: Housing and Urban Development Handbook No. 4155.1, Rev.-2, December 23, 1988.

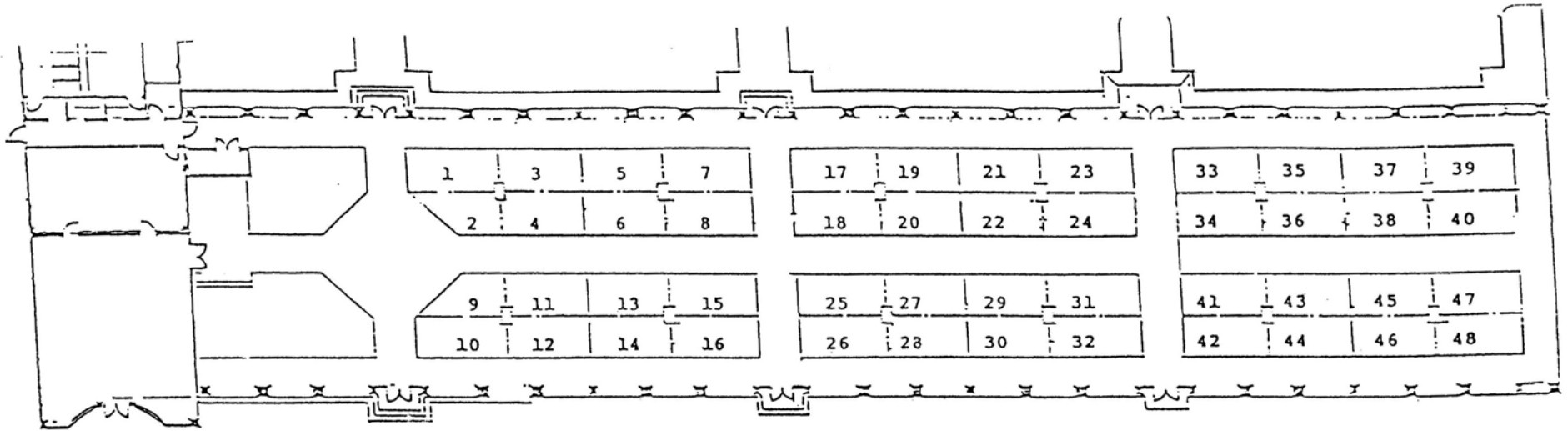
# Appendix I. Avenida Guadalupe Neighborhood Association Boundaries



# Appendix J. Guadalupe Plaza Map



# Appendix K. Map of El Parían



## Stall Number

## Retailer

2	Villareal Productos Mejicanos
5	Rodriguez - Seamstress
6	Rodriguez - Underwear
9	Ramos - Fiesta Azteca
10	" " " "
12	Gonzales - Clothing Retail
13	Pena - Cristina's Boutique
14	" " " "
15	Gonzalez - Artesanias
16	De Los Santos - Records/T-shirts
18	Perez - Churros/Hierberia
22	Martinez - Robert's Orgininals
23	Alvarado - Salon de Belleza
24	" " " "

## Stall Number

## Retailer

25	Haro - Carneceria
26	" " "
27	Fernandez - Fruits/Vegetables
28	" " " "
29	Mora - Wholesale Arts/ Mexican
30	" " " "
32	Martinez - Dairy Products
35	Maldonado - Fruits/Vegetables
36	Cuevas - Flower Shop
37	Maldonado - Fruits/Vegetables
43	Alonzo - Costume Jewelry
44	Rodriguez - Cards
45	Quiroz - Handmade art
46	Salinas - Raspas
48	Mendoza - Libreria





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