Dispossession Through Suppressed Property Value

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While Austin's Westside Black communities were being slowly wiped out in the second third of the twentieth century through the attrition imposed on them by the 1928 *City Plan*, the population of Black people in East Austin continued to rise. For example, Black households in East Austin increased by 62% between 1920 and 1930, while outside of East Austin, they dropped by 6.4%. Our previous study (Gordon et al 2022) examined the cost of dispossession associated with the forced abandonment of historic Black settlements outside East Austin. This report looks at the dispossession that took place in East Austin through the practice of suppressing property values known as redlining. Across the twentieth century, we estimate, Black homeowners' assets in East Austin were halved by racist redlining, amounting to a loss of at least $24,287,707 in 1990, approximately $57,000,000 in today's dollars. Furthermore, the suppression of values through redlining paved the way for the gentrification of East Austin, beginning in the 1990s.

The Practice of Redlining

The term "redlining" refers to racialized discriminatory lending practiced by banks and other financial institutions where specific neighborhoods are designated (ostensibly, with red lines on maps) as ineligible for mortgages, loans, and other kinds of financing, including insurance, based on the presence of Black and, in some cities, other non-White residents (Gioielli 2023). In cities like Austin the practice essentially means that investment is blocked from coming into Black neighborhoods, making it harder for Black people to buy and/or upkeep homes and open/upkeep businesses in those areas. Because no new investment is coming into the area, property values are suppressed in relation to other parts of a city, and Black property owners do not accumulate equity at the same rate as White residents in other parts of town (Aaronson, Hartley, and Mazumder 2020). This suppression of value of Black assets amounts to a dispossession.

White owners of rental properties in redlined areas are also less likely to maintain them, and businesses are less likely to locate in those areas. As a result, redlined neighborhoods with Black residents suffer from financial neglect that leads to a degraded built environment with substandard housing stock, few services, vacant lots, and deteriorating infrastructure. Public services, including public schools, and amenities often suffer as well, due to a diminished tax base.

Recent research into redlining also points out the environmental impacts of the practice on Black neighborhoods, showing disparate health outcomes in redlined areas due to lack of tree canopy, lack of usable open spaces, increased urban heat-island effect, and increased exposure to environmental hazards based on the siting of noxious land uses in areas with lower property values (Pulido 2000; Kim and Woo 2015).

<u>The Role of the HOLC & Its Maps</u>

Redlining in Austin today is most associated with a series of maps produced by the Home Owners' Loan Corporation (HOLC) in the 1930s (see Figure 1).

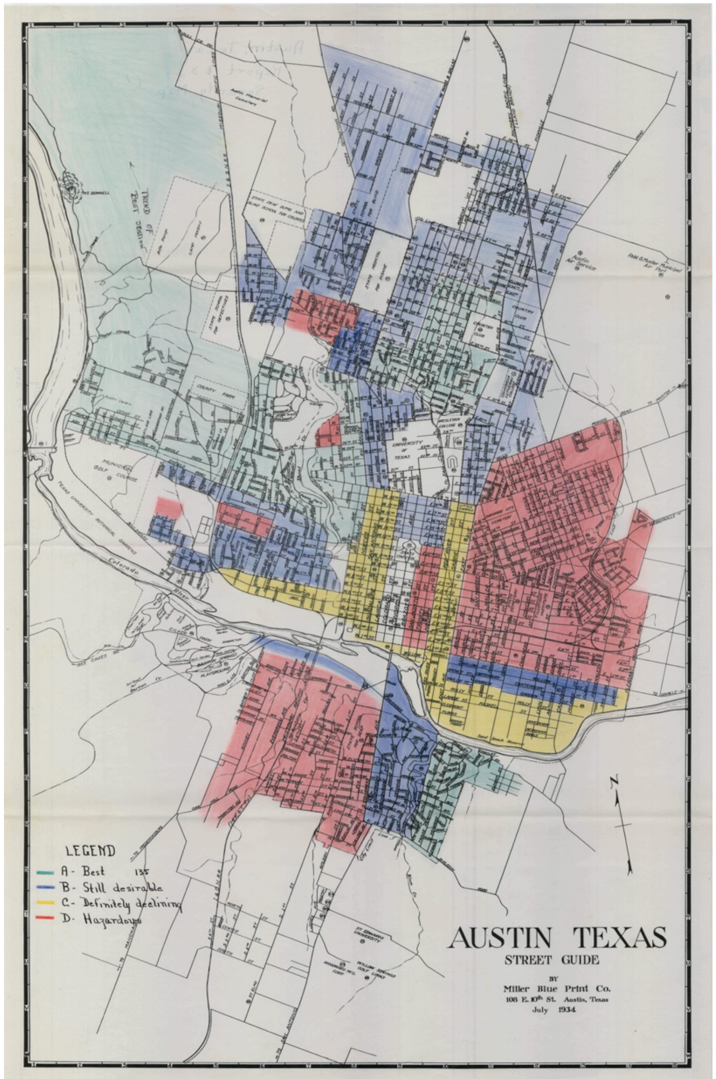

Figure 1. HOLC Mortgage Security Map of Austin, 1935,
showing "Hazardous" areas demarcated in red.

The HOLC was a government-sponsored entity, established during the New Deal as part of the Roosevelt Administration's attempts to stabilize and stimulate the housing market during the Great Depression. Working with banks and other financial institutions, the Administration helped put in place a new lending system comprised of standard, low-interest, low-down-payment, long-term residential mortgages, in place of the then-typical high-interest, high-down payment, short-term loan. Banks only agreed to the new system with the inclusion of a government insurance program that guaranteed the loans in the event of default. As a result, the Federal Housing Administration (FHA) was created to oversee this new mortgage insurance system (Mollenkopf 1983).[1]

However, administrators needed to establish risk criteria for FHA-backed loans, so they enlisted the Mortgage Rehabilitation Division of the HOLC to conduct a survey of cities across the country to determine where, in those cities, residential loans were more secure and where they were riskier. HOLC developed a four-tier, color-coded schema for residential neighborhoods: green for "Best," blue for "Still Desirable," yellow for "Definitely Declining," and red for "Hazardous." The intention was that these designations would help guide FHA officials in responsibly administering the insurance program, steering them away from risky or "hazardous" loans.

Importantly, assessments about the risk potential of neighborhoods in Austin were based almost entirely on the presence or absence of Black people. As can be seen by comparing the HOLC's "Racial Concentration" map of Austin (Figure 2) with the Mortgage Security map (Figure 1), those areas labeled as "hazardous" in the Security map correspond precisely with the those identified as neighborhoods with concentrations of Black people. Black neighborhoods were "redlined," signaling to Federal officials that mortgage loans should not be made in those areas.

It must be emphasized, however, that this is *not* a case of the Federal government imposing racist practices on localities. Rather, the HOLC maps were—crucially—the results of surveys and interviews with local real estate and mortgage professionals on the ground in those cities and, therefore, represent local real estate and lending practices that were *already in place* by the 1930s. The HOLC maps did not cause neighborhoods to be redlined; instead, they made visible already existing racialized understandings of the local residential real estate market (Hiller 2003).

[1] This system, and its extension in the G.I. Bill in 1944, created mass homeownership among White people in the post-War period and formed the basis for most of the generational wealth accumulated by White families through home equity during a period of rising real estate values. Black people, and other people of color, were largely excluded from these opportunities.

Figure 2. HOLC “Racial Concentration” map of Austin, 1935.
Note how the concentrations of “Negroes” correspond with
the “Hazardous” areas on the Mortgage Security map.

The report that accompanied the HOLC maps of Austin makes explicit that the security map “represents the composite judgement of seven reliable and well informed [sic] real estate and mortgage men of Austin” and not simply the biases of the HOLC (Olson 1935, page 8). The report also makes clear that it is the mere presence of Black people that makes a zone “hazardous” or “blighted”: “It will be observed that there are three small negro residential sections in the best areas of the city [i.e. the West Side]. Real estate men explained that the negroes had occupied these sections for many decades and because of the superiority of the residential sections surrounding them, there has been no blighting of the areas surrounding the colored sections” (Olson 1935, page 8).[2]

Such views and practices were common in cities across the country. Although not universal or uncontested, this racialized understanding of residential real estate markets emerged simultaneously with the professionalization of the national real estate and appraisal industry in

[2] Almost all of the areas referred to here as “superior,” and labeled “Best” on the security map, were “protected” from “blighting” by racially restrictive deed covenants (see Tretter 2012). While deed restrictions are, strictly speaking, contractual agreements between private parties, they relied on local public agencies and courts to enforce them. For example, as late as at least 1950—two years after the US Supreme Court deemed racial deed restrictions unconstitutional—the Travis County Clerk continued to record deeds with racial covenants in them, thus perpetuating the practice locally. Racial deed restrictions, although no longer Constitutionally enforceable after 1948, continued to guide real estate and lending practices on the ground in many places.

the early twentieth century (Zaimi 2020). As urban residential real estate markets were regularized and brought into a larger national financial system through the newly emergent real estate and appraisal professions, property "value" itself was predicated, above all else, on ideas of Whiteness (Harris 1993). Purely White spaces that excluded Blacks and other people of color were conceived of as the "best" value: that is, "value" itself was thought to be a function of Whiteness and was threatened by the presence of Blackness (Markley et al 2020). Put another way, in order for some residential land to be thought of as valuable, it had to be conceived *in relation to* other land that was *not* valuable; in the context of American society, land value itself was racialized.[3]

Although the HOLC maps were not the cause of redlining practices, they are still important in capturing and recording those practices in places such as Austin. They are evidence that redlining was part of Austin's urban real estate and lending landscape at least since the 1930s, at which time the modern system of residential real estate lending was being created, with anti-Blackness as a central feature.

<u>The Afterlife of Redlining</u>

Although redlining became officially illegal in the US after the passage of the Fair Housing Act of 1968, racially discriminatory lending and appraisal practices have proven to have had a robust afterlife, continuing the suppression of Black assets and the extraction of wealth from Black communities. For example, Black neighborhoods were specifically targeted by banks and mortgage brokers for predatory lending practices during the sub-prime housing bubble of the early 2000s (Stein 2001). More recently, research from the Brookings Institution found that property in Black neighborhoods is valued at half the price of homes in non-Black neighborhoods. Controlling for neighborhood and house qualities, neighborhood racial composition is the decisive factor (Perry, Rothwell, and Harshbarger 2018; Rothwell, Loh, and Perry 2022).

Redlining has been a major mechanism for dispossessing Black people for over 100 years, including preparing the ground for gentrification (discussed below).

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[3] This is what geographers and other urban studies scholars call the "racist theory of value" (Imbroscio 2012, Bonds 2019, Tretter 2016, Pulido 2017). David Imbroscio explains that "racism itself constructs market values in residential property" (Imbroscio 2021, page 37). Laura Pulido insists that "Relationality is key to the production of differential value. For example, whiteness derives its meanings and value from various forms of nonwhiteness" (Pulido 2017, page 527).

Methodology and Findings

Blackland vs. Cherrywood

Although the HOLC security map of 1935 indicates that Black neighborhoods across Austin were subject to redlining, we focused this study on that part of Austin east of East Avenue/I-35, North of Town Lake/Colorado River, and South of Manor Road. This area encompasses the largest portion of Black Austin residents and includes the “Negro district” created through the mechanisms outlined in the 1928 *City Plan*. Our previous study examined the loss of value suffered by Black residents outside of East Austin due to the dispossession associated with segregation (Gordon et al 2022). For this study, we wanted to estimate the cost to Black residents of East Austin due to the value suppression/dispossession associated with redlining. Because the 1928 *Plan* coerced Black people living outside this area to move, by 1970 91.5% of the Black population of Austin was living east of Interstate 35.

In order to figure the suppressed value of Black assets, we needed to compare a Black neighborhood with a similar White neighborhood where property values were not suppressed by redlining. We decided to look at two neighborhoods on either side of Manor Road, which for most of the twentieth century was the northern color line east of East Avenue/Cameron Road/I-35, Austin’s east/west color line. The neighborhood north of Manor is the overwhelmingly White neighborhood, today called Cherrywood; south of Manor is a neighborhood with a high percentage of Blacks, known today as the Blackland and Rogers Washington Holy Cross neighborhoods (Blackland for short in this study).[4]

Cherrywood, bounded by East Avenue/Cameron Road/I-35, 38-1/2 Street, Airport Boulevard, and Manor Road, was only partly developed in 1935, but was designated by the HOLC as “Still Desirable” (colored blue), while Blackland, also only partly developed in 1935 and bounded by East Avenue/Cameron Road/I-35, Manor Road, Airport Boulevard, and 19th Street/MLK Street, was labeled “Hazardous” and colored red (see Figure 3). Most, but not all, of Cherrywood’s subdivisions included racial restrictions in their deeds (Tretter 2012, page 57).

[4] According to US Census data, in 1950 the census tracts that include Cherrywood (46 & 47) had 1 householder identified as Black; the remaining 811 are listed as White. In the tracts representing Blackland (52, 53, & 54), 45.5% of householders were Black, 54.5% White (including Hispanics). In 1990, the tract that included Cherrywood (4.01, a much bigger tract that went further west into the Eastwoods Neighborhood) included 95 Black heads of household (5.8% of households), while the tract that encompasses Blackland (4.02, which also includes a portion of what we call Cherrywood, north of Manor Road but east of Cherrywood Boulevard) had 558 Black householders (53.7%), with non-Hispanic White householders comprising 22.2%.

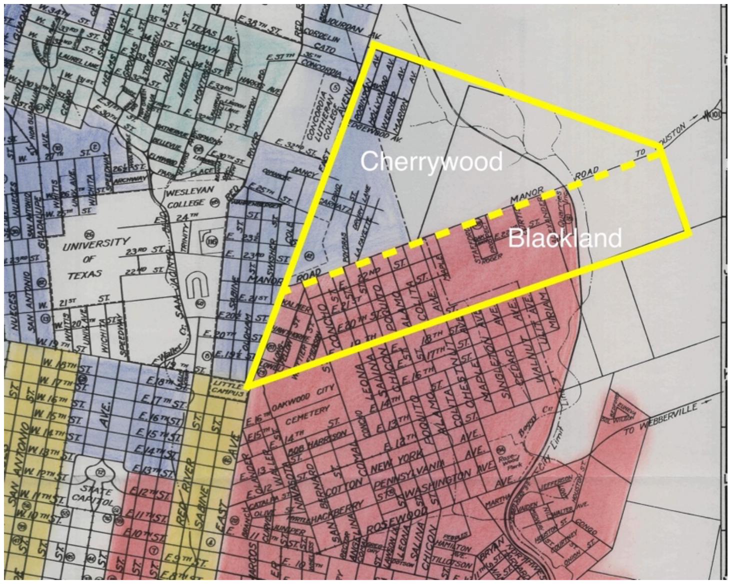

Figure 3. Detail of HOLC Security map of Austin, 1935, showing the study area.

By 1950, both neighborhoods were mostly built out. Thus, the two neighborhoods represent areas on either side of the color line that were more or less developed at the same time and were roughly similar in size. Furthermore, they are both similarly situated with regard to the major employment centers of downtown and UT. This gives us a good basis to compare the effects of redlining on property values over time in neighborhoods with similar qualities. In order to eliminate differences between house qualities (such as size, age, and materials), we decided to focus only on the value of land itself, and to compare the value of land per square foot, so as to factor out differences in lot size. Thus, we are able to isolate how an abstract square foot of land is itself racialized through real estate practices such as redlining and therefore valued differently depending on the presence of Black residents in the neighborhood.

In order to track valuations over time, we picked the Census years of 1950, 1970, and 1990 as target years. 1950 was chosen as a starting point because it represents a time well into the practice of redlining (which we know dates from at least 1935), when the effects of years of differential treatment of the two neighborhoods could begin to be seen, and when both neighborhoods were substantially developed. 1990 was chosen as the end date because shortly thereafter the City of Austin identified central East Austin as a redevelopment zone, thereby starting the beginning of an increase in property values in East Austin that has continued to this day (more on the redevelopment below). 1970 is a midpoint between. We used historical property tax assessment records from the City of Austin for 1950 and 1973 (1970, ’71, and ’72 records are missing) and the Travis Central Appraisal District for 1990 to find land valuations.[5]

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[5] It is probable that the assessed values of properties (done for taxing purposes) do not accurately reflect the actual market prices of land. However, we posit that tax assessment values from the same years for two adjacent neighborhoods will differ in similar ways from actual market prices, thus making the difference between tax assessed values a valid measure of *relative value* between these two neighborhoods and therefore help quantify the effects of redlining.

We also used these tax records, as well as Travis County Plat maps to calculate square footage of lots. Thus, we came up with average values per square foot for both neighborhoods for the years 1950, 1973, and 1990 (Figures 4 & 6). By doing this, we were able to determine how much lower values in Blackland were compared to Cherrywood over the last half of the twentieth century (Figures 5 & 6). We calculated these figures both for all properties in the areas and for residential properties only.[6]

	1950	1973	1990
Cherrywood	$0.07	$0.25	$2.42
Blackland	$0.06	$0.17	$1.26
Residential Only			
	1950	1973	1990
Cherrywood	$0.07	$0.22	$2.31
Blackland	$0.05	$0.16	$1.07

Figure 4. Values per square foot of land in
the Blackland and Cherrywood neighborhoods, 1950, 1973, and 1990.

	1950	1973	1990
	7.3	33.0	47.9
Residential Only			
	1950	1973	1990
	17.2	27.1	53.6

Figure 5. Percentage lower of Blackland compared to Cherrywood.

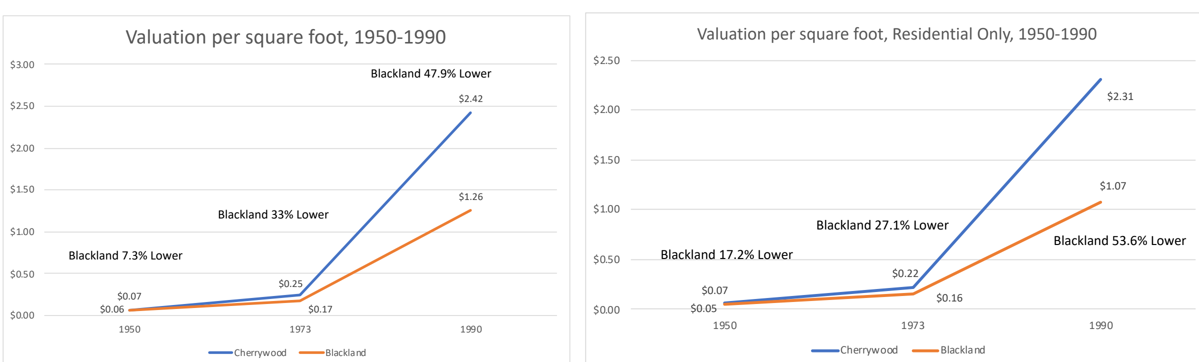

Figure 6. Valuation per square foot of land in Blackland compared to Cherrywood, 1950-1990.

[6] While value suppression of assets included both residential and non-residential property, the FHA and HOLC were specifically residential programs. The Brookings research teams found similar results for residential and non-residential value suppression in their studies (Perry, Rothwell, and Harshbarger 2018; Rothwell, Loh, and Perry 2022). See also footnote #10.

Already in 1950, values were lower in Blackland, and the gap continued to grow throughout the years. By 1990, land values in Blackland were approximately half of those in Cherrywood (46.37%). That is, one square foot of dirt a block south of Manor Road was deemed to be half the value of a nearly identical one a block north: land itself, which appears to have similar physical qualities, can be seen as fully racialized by the practice of redlining.

Real estate practices, such as redlining, which suppressed asset value in places where Black people lived, amount to a dispossession. Based on our archival TCAD data, we were able to determine that the total value of residential land in Blackland was $5,042,732 in 1990. We divided $5,042,732 by .4637 (the percent on average in 1990 that one square foot of land in Cherrywood was than in Blackland)[7], which gives us a "non-redlined" value of $10,874,988 for all of Blackland, a loss of $5,832,256 for the 534 residential lots in Blackland in 1990 dollars, or $10,922 on average per homeowner.

$$5{,}042{,}732 \div .4637 = 10{,}874{,}988$$
$$10{,}874{,}988 - 5{,}042{,}732 = 5{,}832{,}256$$
$$5{,}832{,}256 \div 534 = 10{,}922$$

Generalizing to East Austin

Because the Cherrywood and Blackland neighborhoods are adjacent (that is, locationally similar vis-à-vis job centers and amenities), relatively the same size, and developed roughly together in time, they form a unique case in Austin for comparing the effects of redlining on Black-owned property. There is no other comparable set of neighborhoods in Austin, since in other places where predominantly White neighborhoods abut predominantly Black neighborhoods on the HOLC maps, the history of development of the two makes them not comparable. For example, Clarksville is rated as "Hazardous" (i.e. redlined) and adjacent to "Still Desirable" neighborhoods, but Clarksville, originally a Freedom Colony, developed much earlier than the predominantly White neighborhoods surrounding it, and suffered stagnation due to the 1928 *Plan* (Gordon et al 2022).

This unique circumstance of Blackland and Cherrywood provides us with a solid basis from which to extrapolate the value of suppressed Black assets in other areas of East Austin. Based on the "race tax" of 46.37% (determined above), we are able to use 1990 census data to figure the value lost to Black homeowners in East Austin more generally.

In 1990, East Austin, bounded on the west by I-35, the north by Manor Road, the south by Town Lake, and the east by the city limits, comprised census tracts 4.02, 8.01, 8.02, 8.03, 8.04, 9.01, 9.02, 10, 21.07, 21.08, 21.09, 21.10, and 21.11 (Figure 7).

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[7] This figure can be considered the "race tax" of redlining.

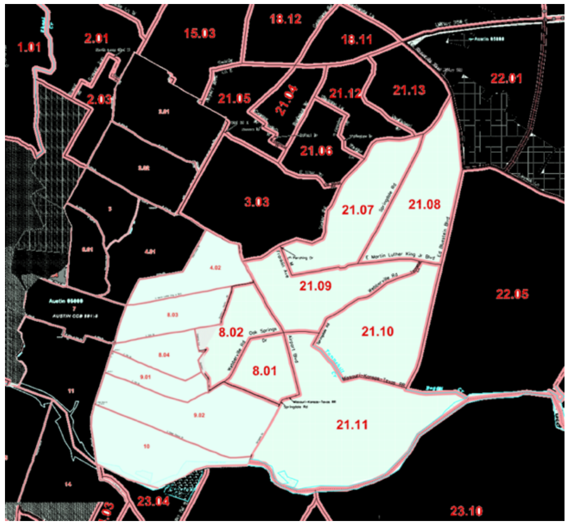

Figure 7. 1990 East Austin census tracts.

Using digital 1990 TCAD data for East Austin tracts, we can find the total value of residential land in those tracts, calculate the lost value by using the percentage difference between Blackland and Cherrywood (the redlining "race tax"), and add it to the Blackland figure. In concept, the method is:

Lost land value by Black homeowners in Blackland

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Lost land value by Black homeowners outside Blackland

This method follows these steps:

1) In tract 4.02 (Blackland), 44.9% of houses were owner occupied, and there were 558 Black householders, giving us an estimated 251 Black homeowners. If we multiply 251 by our average of $10,922 (calculated above), we get $2,741,422 as the land value lost to Black homeowners in Blackland.

$$558 \times .449 = 251$$
$$251 \times 10{,}922 = 2{,}741{,}422$$

2) There are 10,429 residential properties in tracts 8.01, 8.02, 8.03, 8.04, 9.01, 9.02, 10, 21.07, 21.08, 21.09, 21.10, 21.11 (see figure 8), representing a total land value of $74,870,425. If we divide that figure by .4637, we have a "non-redlined" value of $161,463,069, yielding a loss of $86,592,644 or $8,303 per homeowner.

$$74{,}870{,}425 \div .4637 = 161{,}463{,}069$$
$$161{,}463{,}069 - 74{,}870{,}425 = 86{,}592{,}644$$
$$86{,}592{,}644 \div 10{,}429 = 8{,}303$$

Total Pop	Total Households	Black Pop	Housing Units	Owner Occupied	% Owner Occupied	Black Households	% Black Households
37,320	12,163	17,119	14,324	6,011	42	6,178	50.8

Figure 8. Select 1990 Census data for East Austin outside Blackland
(Tracts 8.01, 8.02, 8.03, 8.04, 9.01, 9.02, 10, 21.07, 21.08, 21.09, 21.10, & 21.11).

3) From the Census, we know there are 6,178 Black households in those tracts, with an owner occupancy rate of 42% overall,[8] giving us a figure of 2,595 Black homeowners in East Austin outside Blackland. 2,595 times $8,303 gives us $21,546,285.

$$6{,}178 \times .42 = 2{,}595$$
$$2{,}595 \times 8{,}303 = 21{,}546{,}285$$

4) If we add $21,546,285 (lost Black value outside Blackland) to $2,741,422 (lost Black value inside Blackland), we get $24,287,707 as a total land value lost in East Austin by Black homeowners in 1990 dollars. Using the US Bureau of Labor Statistics inflation calculator,[9] we can multiply this figure by 2.35 to find the value in 2023 dollars.

$$21{,}546{,}285 + 2{,}741{,}422 = 24{,}287{,}707$$
$$24{,}287{,}707 \times 2.35 = 57{,}076{,}111$$

Thus, we arrive at a total value lost *in land only*[10] by Black homeowners in East Austin as **$57,076,111** in 2023 dollars.

Discussion

The dispossession of Black assets through redlining should also be understood in relation to the on-going contemporary processes of gentrification and displacement in East Austin. The disinvestment that redlining represented was the prerequisite for gentrification. The gentrification of East Austin (Way, Mueller, and Wegman 2018) and the displacement of Black people from Austin (Tang and Falola 2016; Tang and Falola 2018; Tang and Chumhui 2014) would not have been possible without the racialized suppression of property value at the heart of Austin's real estate and lending systems in the twentieth century.

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[8] Forty-two percent may, in fact, be an under-estimate, since Black homeownership rates in Austin tended to be *higher* than White ownership rates (see Gordon et al 2022). Owner occupancy in East Austin varied from 33.4% in tract 8.04 (Central East Austin between 11th and 12th Streets) to 72.1% in tract 21.09 (Between Manor and MLK east of Airport).
[9] US Bureau of Labor Statistics CPI inflation calculator is located at https://www.bls.gov/data/inflation_calculator.htm.
[10] We have not found sufficient data to be able to compare the values of improvements (i.e. houses) on the land, since houses vary in quality, age, size, materials, etc. It should be remembered, however, that these assets were also devalued by redlining.

As mentioned earlier, we used 1990 as the endpoint of our study because that was the last census year before the City of Austin identified East Austin as a redevelopment zone and began a process of redevelopment and "revitalization." The City's actions began the process of capital reinvestment in the area and sparked the processes of gentrification and displacement through rising property values—processes that *depended on* the previous era of disinvestment.

The Connection between Redlining and Revitalization in East Austin

Along with the decline in property values in East Austin during the period 1950-1990, the population of the area was also dropping, even though Austin, as a whole, grew by 252% at the same time. This decline was especially acute for the White population, which dropped an

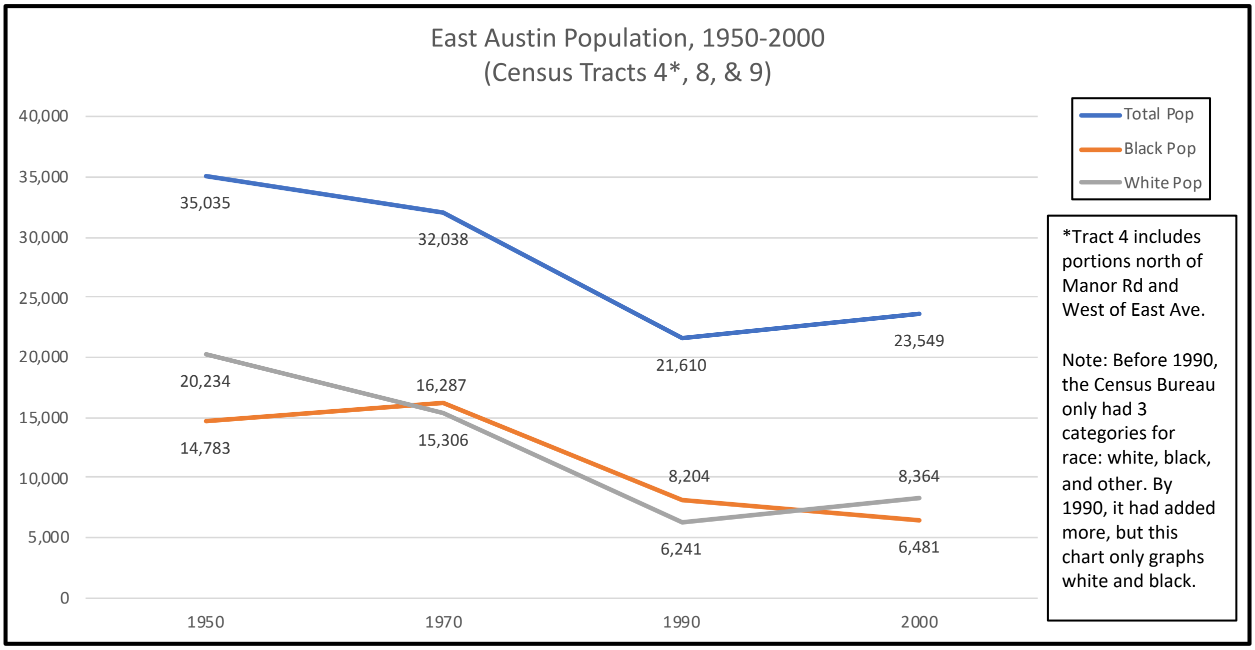

Figure 9. Population of East Austin, 1950-2000

astonishing 69% (from 20,234 to 6,241; tract 9 lost 87% of its White residents). Overall, East Austin lost 38% of its population, dropping from 35,035 to 21,610. Between 1950 and 1970, the area actually increased its Black population by 10%, only to see it cut in half between 1970 and 1990 (Figure 9).[11] However, by 2000, East Austin began to see a population rebound—but only

[11] Figure 9 graphs US Census data for tracts 4, 8, and 9. Tract 10, which lies east of I-35 and south of Cesar Chavez was excluded because it contained very few Black residents and a high number of Latinx residents, which complicates the Census data because the Census Bureau had only three categories for race in 1950 and 1970: white, black, and other. By 1990 it had added many more, which makes comparisons across time problematic. Here, the figures for 1990 and 2000 are for people who answered Black or African American and for non-Hispanic whites. Total population figures are total population, not simply the sum of black and white populations, although in 1950 and 1970 there was practically no difference. Additionally, in order compare the same geographical area, tract 4 was included, since it includes some areas east of I-35 and south of Manor Rd, even though portions of it go north of Manor Rd. and west of I-35. Lastly, only tracts that were within the city limits since 1950 were included, omitting tract 21, which since 1990 has been in the city, east of I-35 and (mostly) south of Manor Rd.

in terms of White residents, who increased in population by 34% in just 10 years (from 6,241 in 1990 to 8,364 in 2000), while the Black population continued to slide, declining by a further 21% to just 6,481 in 2000.

Furthermore, according to the *Austin American-Statesman*, "In central East Austin between 1995 and 2002, property values rose more than 200 percent (more than 300 percent in some areas)—compared to 132.5 percent in the rest of the city. Additionally, in 2003 the number of home sales in central East Austin grew by 31 percent, compared to a much slower pace (as low as 6 percent) in other Central Austin neighborhoods" (Weisz and Hockenyos 2004). Thus, the period between the late 1990s and early 2000s marks a crucial turning point for East Austin, reversing decades of disinvestment, as people and capital investment began flowing back into the area, beginning the long period of gentrification and displacement of the remaining Black population. [12] By 2004, the *Statesman* was gleefully encouraging people to "say 'goodbye' to East Austin," even while acknowledging that "there's no question that the area is being gentrified" ("East End a true Austin success story").[13]

This pattern of redlining/disinvestment-followed-by-"revitalization" exemplifies urban geographer Neil Smith's "rent gap" theory of gentrification (first articulated in Smith 1979 and more fully developed in Smith 1996). Smith explains that the rise in desirability of a low-income, inner-city neighborhood of color by higher-income residents (what we call "gentrification") is driven less by consumer demand than it is by the economics of land value. An area of a city becomes attractive to capital investment because of the "gap" between current and potential land values in the area. Investors gage potential value of an area by looking to surrounding values. When the gap between surrounding/potential values and current values in an area become great enough to justify the cost of redevelopment, investors can exploit the gap in values to realize large profits. They see that rents in the area could be made much higher through revitalization. In other words, by judging the *relative value* of land in nearby areas, they see the potential to buy land at suppressed prices with an eye towards allowing the land to come up to (or surpass) its supposed potential value, as represented in adjacent neighborhoods that did not suffer disinvestment.

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[12] According to the 2020 Census, tracts 4, 8, and 9 had a total population of 29,261, which is still some 3,000 less than the 1970 population, not to mention 1950. Of that population, only 3,257 are Black, about half the 2000 population and just 20% of the 1970 population. The White population in 2020 was recorded at 14,547, close to the 1970 level but still some 6,000 less than in 1950 and 4.5 times the Black population of the area in 2020.

[13] The 2004 editorial in the *Statesman* acknowledging gentrification notes that redevelopment will likely lead to displacement if policies, such as tax abatements, are not adopted: "the city can help by considering tax abatements for elderly homeowners and older businesses that face the prospect of being priced out of their homes and livelihoods." By 2004 politicians, likewise, were discussing displacement: "The first priority should be to find a way to reduce those taxes, said state Rep. Eddie Rodriguez, a Democrat whose district includes East Austin, said. 'Until that's done, you won't see a decline in gentrification,' he said" (Coppola 2004). Despite the fact that the city spent tens of millions of dollars on the revitalization, including tax breaks for developers, programs were not put in place to prevent the displacement of remaining Black residents and businesses.

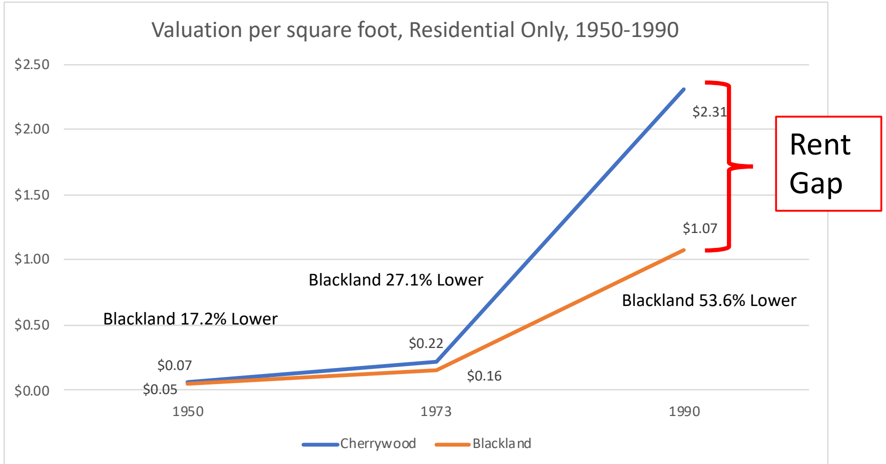

Figure 10. The Rent Gap

Thus, we can understand the "gap" in values between Blackland and Cherrywood in our data (Figure 10). From the 1950s through to at least the '70s, the value gap was not great enough to attract the attention of profit-seeking investors and, therefore, relative values in Blackland/East Austin continued to decline vis-à-vis Cherrywood/other, non-redlined areas. However, by the 1990s the gap had grown so wide (value half in Blackland) that potential profits started to become attractive to capital investment, if higher rents and property values could be realized through a transformation of the area.

Often, as in the case of East Austin, sparking "revitalization" (that is, realizing profits inherent in the "rent gap") requires local government initiative and public investment. As early as 1991, the City Council was trying to encourage reinvestment in East Austin by amending a tax abatement program to include residential projects and extending the program east of I-35. The explicit goal of the program was to raise property values (Ordinance No. 960208-B).

However, redevelopment in East Austin didn't really begin until the creation by the Council of the Austin Revitalization Authority (ARA) in 1995 (Busch 2015; ARA n.d.). In 1999 the ARA published the *Central East Austin Master Plan* (ARA 1999), which laid out plans to "invest $36.3 million over the next 15 years to redevelop 32 acres along East 11th Street from Branch to Navasota streets, and East 12th Street from Branch to Poquito streets," according to the *Statesman* (Alford 2000). The "revitalization" project was touted as an effort to serve the East Austin community by "reconnect[ing] the Central East Austin Community to the economic and cultural life of Downtown Austin" (ARA 1999, "Executive Summary," n. p., emphasis added).[14]

Key to ARA's plan was accessing over $9 million in federal funding that had been awarded to the City via the Community Development Block Grants program. This program and Chapter 374 of the Texas Local Government Code required that the target areas be declared "blighted" by

[14] Of course, Central East Austin had *never been connected* to the "economic and cultural life of Downtown." Instead, it had developed into a semi-autonomous, vibrant Black space in the 1950s and '60s, separate from and in spite of the "economic and cultural life of Downtown" (Pace 2023).

the local government, which the Council did on November 19, 1997 (Resolution 971119-34; see also ARA 1999, page 1-6 and Figure 11). Of course, the "blighted" conditions—that is, the dilapidated state of the built and social environments in East Austin—were the predictable products of years of racist disinvestment (i.e. redlining) and other real estate practices, without which "revitalization" would not have been necessary nor possible.

By declaring an area "blighted" and enacting Chapter 374, a local government assumes much greater powers of zoning, land-use planning, land acquisition, condemnation, demolition, financing (borrowing), replanning of streets, roads, sidewalks, and other public infrastructure, and the development of property itself, which it can delegate to a redevelopment authority. As the ARA *Master Plan* puts it, Chapter 374 "provide[s] a powerful framework for redevelopment in which *the public sector* will take a more proactive role in encouraging private development" (ARA 1999, "Executive Summary," n. p., emphasis added).

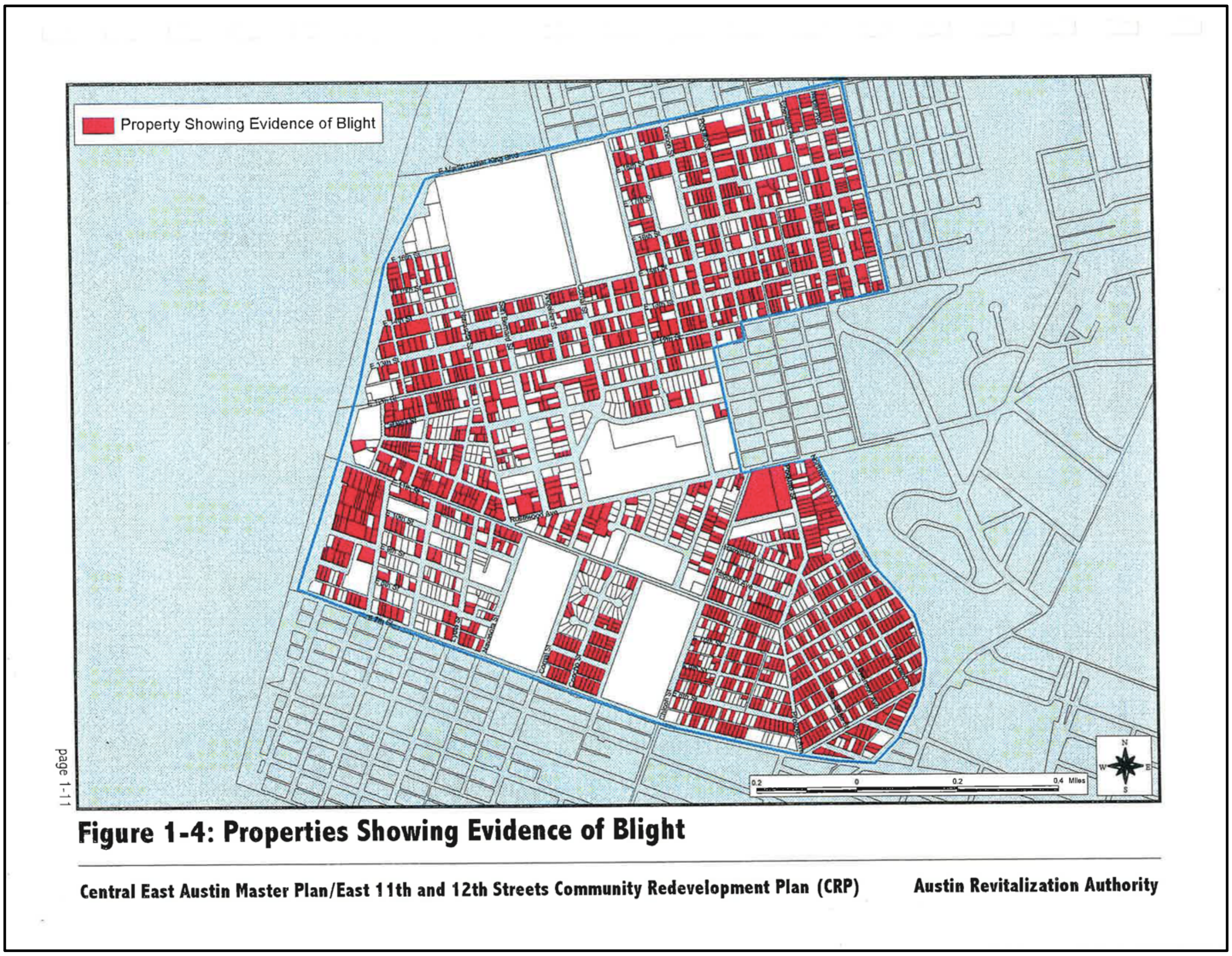

Figure 11. Blight map from the Austin Revitalization Authority's
Central East Austin Master Plan, 1999 (page 1-11). We can understand this condition as a product of Redlining.

In the early 2000s, working in coordination, the ARA and the City began to transform the East 11th Street corridor, through condemnation, demolition, rehabilitation of historic buildings, and infrastructure improvements. The ARA was given land along East 11th that the city had previously acquired and spent $12.4 million constructing the 54,000 square-foot Street-Jones and Snell Buildings (ARA website). The City "replaced 70-year-old underground water, wastewater and stormwater lines to accommodate new businesses that are expected to relocate to the area. Overhead wires and utilities have been diverted underground, expanding vistas of the Capitol across Interstate 35" ("Progress being made in reviving East Austin"), large, metal utility poles were removed, and new sidewalks, bus stops, landscaping, and streetlights were installed.

Through this process, the City took a leading role in the transformation of the East Side and the raising of property values there. In fact, the ARA struggled to find tenants for its flagship office spaces on East 11th; it wasn't until the City agreed to lease the space from the ARA that other tenants began moving into the newly rehabilitated area (Schwartz 2004). Essentially, the City assumed the risk of moving into the Black-associated neighborhood that other businesses were not willing to take. Despite the potential for profits indicated by the "rent gap" in the area, the City needed to demonstrate the viability of a new East Austin. As one ARA board member put it, "'Not only did the city buy the land and turn it over (to the ARA), and not only did the city take out the loan to build it, in effect, but the city is now going to subsidize it by being the tenant,' said Mark Rogers, project director of the Guadalupe Neighborhood Development Corp. and a member of the ARA board" (Barrios 2003).

The City's "subsidizing" the ARA project went beyond financially propping it up through rent payments. Those rent payments were above the normal rent level in the area. As the *Statesman* reported, "Akwasi Evans, publisher of the east side African American newspaper NOKOA, said the lease rates in the new buildings are too expensive for area businesses. 'None of us can afford to be in the corridor,' he said. 'I couldn't stay in business for three months with those kind of costs'" (Schwartz 2004). In effect, the City was propping up new, increased property values in the area and demonstrating that potential profits through amplified property value (and increased rents) were possible in the area.

The City's speculative strategy worked quickly after that, as the *Statesman* announced in 2005, "Change takes root; East Austin's cheap land draws hip folks and the retail that follows" (Rayasam 2005). Again, without the suppressed property values from years of racist redlining, the area's land would not be "cheap" (that is, in relation to other central locales) and, therefore, as attractive to capital.

Historian Andrew Busch places the East 11th Street project (rebranded as "the East End" by the City) in context: "The symbolic reclamation of the East End as a viable part of the city's fabric signaled demographic changes that affected a much larger portion of the central Eastside. The goal of the ARA's public-private development was to increase investment. The Eleventh Street corridor opened up the area to grassroots gentrification, new single-family homes, condominiums, apartment complexes, and other commercial developments on the central Eastside" (Busch, 2015, n.p.).

Put another way, the City helped private investors see value potential and capture large profits from the suppressed value of Black assets in East Austin that had been engineered through redlining and other real estate practices. The City's actions began the return of capital investment to East Austin (and the attendant—and predictable—rise in land prices) that we see continuing today and that is evident in the soaring real estate prices there, conditions that have led to the displacement of many of Austin's Black residents. Through exploiting the rent gap, developers were able to capture the value suppressed by redlining, and the City's actions helped transfer that wealth from Black property owners to new investors and developers.

Conclusion

Our study estimates the value of dispossession of Black homeowners in East Austin due to redlining, and other real estate practices, at $57 million (in today's dollars). We come to this conclusion by looking at evidence of redlining through the differential valuations of land in adjacent neighborhoods over the course of the second half of the twentieth century. Smith's theory of the "rent gap" predicts a widening gulf between relative values in redlined areas and non-redlined areas, leading to a reinvestment in the suppressed area and resulting in gentrification and displacement. This scenario fits the empirical data for East Austin, down to the key role the City played in sparking the "revitalization" of the area and the capture of suppressed value by returning capital.

However, the figure $57 million represents just a fraction of the true cost to the Black community of East Austin. Firstly, it accounts only for the value suppressed of land, not of value lost to improvements (homes and other buildings) on that land. Second, our methods focus on residential ownership only, ignoring value lost by Black business owners and Black owners of commercial property. Third, we do not quantify the toll on Black renters of years of living in substandard housing units, which were not adequately maintained due to the lack of available financing associated with redlining. Fourth, we do not put a value on the loss of *community itself*, as the area suffered under decades of disinvestment, outmigration, and predatory reinvestment leading to gentrification and resulting in a loss of 80% of its Black population, which now comprises just 11% of East Austin residents.

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