Housing Opportunities
Made Equal of Virginia, Inc.

Single-Family Housing Market Assessment

An Equity Analysis of Wealth Building Disparities in the City of Richmond, Virginia


Creative Dog Media

Housing Opportunities Made Equal of Virginia, Inc.

Housing Opportunities Made Equal of Virginia, Inc. (HOME) is a 501(c)3 non-profit corporation organized under the laws of the Commonwealth of Virginia and a HUD-approved housing counseling agency. Since its founding in 1971, HOME has been fighting housing discrimination and furthering equality in housing. HOME's landmark cases set precedent in the U.S. Supreme Court and changed the landscape of fair housing enforcement nationwide. Today, HOME continues to ensure equal access to housing for all people through

Fair Housing Enforcement

Housing Counseling & Education

Housing Policy & Research

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Executive Summary

This report stems from an analysis of mortgage lending trends in the city that Housing Opportunities Made Equal of VA, Inc. (HOME) conducted in 2015. At the request of City of Richmond Councilwoman Ellen Robertson, HOME was contracted to expand upon that work and conduct a comprehensive review of the city's single-family housing market. Homeownership is the single-largest driver of wealth inequality in the US and single-family housing is the predominant type of housing accessible to most home seekers.

For at least the past 20 years, the City has been working to both increase homeownership rates and to overcome the stark disparities in homeownership among racial and ethnic groups. Between 2013 and 2017, the number of households in the city grew by 5.2% (4,405 households). 85% of this growth was due to a 7.8% (3,762) increase in the number of renter households; the remaining growth is attributable to a 1.8% (643) increase in the number of owner households. However, the homeownership rate for white households is 52.4% compared to 33.6% for Black households and 16.7% for Hispanic households.

This report intentionally examines the single-family residential market through an equity lens with an emphasis on homeownership and wealth building. Certainly, there are many reasons people decide not to purchase a home, and we are by no means implying that homeownership is superior to renting or that everyone must be a homeowner. What we are advocating for is an understanding of the discriminatory policies and practices, many of which are still prevalent in various forms today, that shaped our neighborhoods and created disparate opportunities for their residents. Only by keeping this history at the forefront of its decision-making processes will the City be able to move forward equitably and ensure that residents able to benefit from the wealth building opportunity of homeownership are able to do so.

Summary of Findings

1. Between 2013 and 2017, the number of households in the city grew by 5.2% (4,405 households). 85% of this growth was due to a 7.8% (3,762) increase in the number of renter households; the remainder to a 1.8% (643) increase in the number of owner households.
2. Between 2005 and 2017, 6,486 single-family homes were lost to foreclosure. Foreclosures exhibit a strong positive relationship to the percentage of Black households per neighborhood – the neighborhoods with the highest rates of Black households accounted for 18.2% of all foreclosures yet just 7.6% of the total single-family housing stock.
3. Between 2007 and 2017 there were 25,565 mortgage loan applications submitted to HMDA reporting lenders for the purchase of single-family homes in the city. White applicants submitted 16,263; Black applicants, 4,268; and Hispanic applicants, just 778. Just 273 loans were approved for Black applicants in 2017.
4. There are 54,156 single-family properties in the city; 17,699 are investor-owned and 36,457 are owner-occupied.
5. Property assessments are spatially correlated to race – the highest assessed parcels are located in neighborhoods that are 75% or more white, while the lowest are found in neighborhoods that are 75% or more Black.
6. Between 2014 and 2019 the total assessed value of single-family properties increased 20% or $2.68 billion in value. Owner-occupied properties were responsible for 74.5% of this increase though they account for only 67.3% of single-family parcels.
7. Between 2009-2017, 19,303 unique, single-family properties changed ownership; just over a third of these properties transferred ownership more than once. In total, 35.6% of all single-family properties changed ownership.

8. Neighborhoods with the highest rate of white households and the greatest rate of property transactions experienced an increase of 212 white, owner-occupied households. Neighborhoods with the highest rate of Black households and the highest percentage of property transactions experienced an increase of 360 investor-owned Black households.
9. 38% of all properties and 48% of owner-occupied properties under the City's Tax Abatement and Rehabilitation Program are located in neighborhoods in which more than 90% of the households are white, owner-occupied compared to just 2.8% of properties under abatement in neighborhoods with 90% or more Black, owner-occupied households.
10. 33.3% of single-family vacant parcels are in formerly redlined neighborhoods as are 35.1% of seriously tax delinquent parcels. Properties in formerly redlined neighborhoods account for 45.5% of all the delinquent properties sold at auction.
11. Less than 50 tax delinquent properties have been placed into the Maggie Walker Community Land Trust and/or Land Bank to ensure long-term affordability and wealth creation for low-income homeowners.

Introduction

Since at least the 1930's, owning a home has been synonymous with the American dream and a significant vehicle for wealth creation. However, systemic racial discrimination has made this dream become the single most significant determinant of wealth inequality in the US. It is estimated that 69% of an American household's net worth is attributable to the equity in its home.[1] The equity in owning a home not only helps families pay for tuition costs, debt consolidation, and retirement, it is also the primary way in which households build inter-generational wealth and increase social mobility. A recent study examining the growing wealth disparity between white and African-American families over a 25-year period found the predominant factor to be the length of homeownership.[2] A report from the Joint Center on Housing Studies at Harvard University underscores this sentiment, stating that "the true golden rule of how to accumulate wealth through homeownership—is whether ownership is sustained over the long term."[3] Although there are numerous variables that influence wealth accumulation, such as household income, education, existing wealth, and inheritances, research has consistently shown that owning a home has a positive effect on wealth accumulation for both lower-income and minority households.[4]

Housing segregation is imbedded in our Nation's landscape as the result of past and present discriminatory policies and practices. While self-segregation does occur voluntarily, social science attributes the degree of segregation in US cities to unequal opportunity in the housing market. Residential segregation divides available resources and differentiates the opportunities found within neighborhoods. This includes a profound influence on access to numerous resources such as education, healthy neighborhoods, and wealth.

At the request of Councilwoman Ellen Robertson, the City of Richmond contracted with Housing Opportunities Made Equal of Virginia (HOME) to conduct research to better understand the residential housing market through an equity lens. Numerous market forces contribute to neighborhood disparities, many of which are symptomatic of historic, discriminatory disinvestment. The real estate market over the past 10-15 years has been tumultuous; beginning with the subprime lending spree that laid the foundation for the collapse of the housing market in 2007-2008 and the resultant foreclosure crisis. As the residential real estate market has stabilized over the past several years, many of the neighborhoods that bore the brunt of predatory lending are now among the hottest markets in the city. These neighborhoods are facing rising prices, the influx of more affluent homeowners, and displacement pressure.

This report specifically examines single-family properties[5] within the city of Richmond. Single-family homes are the principal mechanism for wealth accumulation available to the average family. As such, a comprehensive analysis will provide insight into some of the forces driving the residential market and perpetuating wealth inequality in the city.

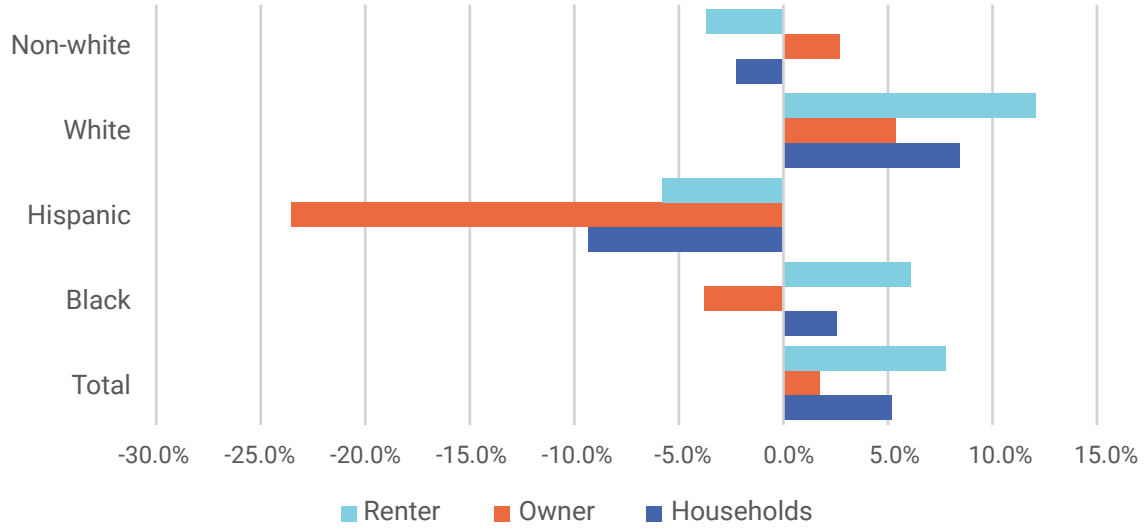
The following variables were examined to determine their role on the current challenges for homeownership in the city:

1. Mortgage lending patterns
2. Single-family property trends including tax assessments, tenure, and sales
3. Foreclosure
4. The City of Richmond's Tax Abatement Program
5. Vacancies and Tax Delinquent Parcels

In order to distinguish between owner-occupied and investment-owned properties, we matched the street address with the mailing address using 2019 property assessment data - those properties for which both addresses match are considered owner-occupied, those that do not are considered investor-owned. Though investor-owned housing is an important component to housing in the city, it does not serve as a wealth building vehicle for the occupant.

To better understand the influence that the single-family housing market has on neighborhood racial composition we compared American Community Survey (ACS) data at the census block group level from 2013 and 2017. The ACS provides 5-year estimates which are a rolling average – the estimates from 2013 includes data from 2009, 2010, 2011, 2012, and 2013. We believe comparing these two time periods provides the clearest, and most current assessment of neighborhood dynamics.

Graph 1



Between 2013 and 2017, the number of households in the city grew by 5.2% (4,405 households). 85% of this growth was due to a 7.8% (3,762) increase in the number of renter households; the remaining household growth is attributable to a 1.8% (643) increase in the number of owner households. Currently, 41.7% (37,190) of the city's households are owner-occupied and 58.3% (52,048) are investor-owned. The trend over the past five years has been an increase in homeownership for white households. Graph 1 illustrates the change in households overall as well as by tenure. Of primary concern is the loss of Hispanic households, particularly Hispanic homeowners, and the loss of Black homeowners.

[1] Carr, James, Zonta, Michela, Thornburg, Steven. 2018 State of Housing in Black America. Commissioned by the National Association of Real Estate Brokers, Board of Directors.

[2] Shapiro, Thomas, Meschede, Tatjana, Osoro, Sam. The roots of the Widening Racial Wealth Gap: Explaining the Black-White Economic Divide. The Institute on Assets and Social Policy. Research and Policy Brief. February 2013.

[3] Herbert, Christopher E., MCue, Daniel T., Sanchez-Moyano, Rocio. Is Homeownership Still an Effective Means of Building Wealth for Low-Income and Minority Households? (Was it Ever?). Harvard University, Joint Center for Housing Studies, September 2013.

[4] Ibid.

[5] Includes duplexes.

Foreclosures

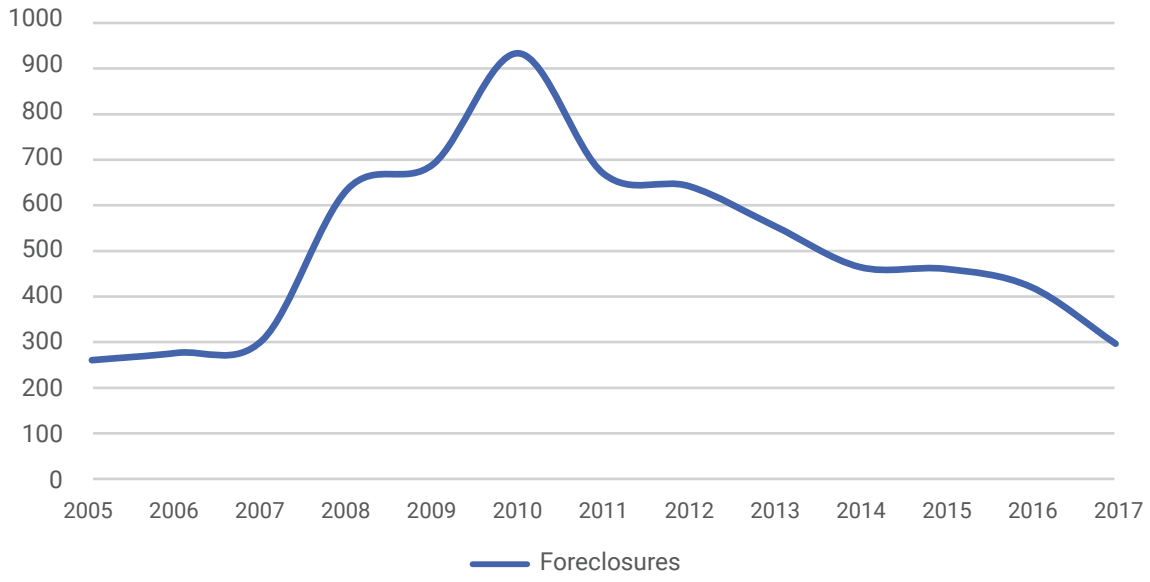
Foreclosure is one of, if not the most, financially devastating experiences a homeowner can experience. People fall behind on their mortgage for numerous reasons including an unforeseen medical crisis and/or job loss. Lower-income homeowners face a heightened risk of foreclosure simply because they typically do not have financial resources for unforeseen expenses. Research also indicates that during times of economic downturn, lower-income and Black households feel the effects first and for longer than their white counterparts. Unfortunately, there are no benefits to foreclosure: The family loses its investment, has its credit rating destroyed, and is forced to leave the neighborhood and pull their children out of their accustomed schools. It strikes at the heart of the ability of parents to provide for their children, and the sense of self-worth that must underlie a stable environment. The effects on children are particularly profound; school performance drops, and behavioral problems intensify as the lack of housing security permeates their daily life.[1]

Foreclosures affect the broader community as well. It is estimated that for every foreclosure and subsequent vacant house in a neighborhood, the value of the surrounding houses declines by approximately 1.8 percent.[2] Vacant properties have their own set of issues including crime and vandalism. One study found that one foreclosure can impose up to $34,000 on local government agencies.[3]

Using property transfer data from the City of Richmond, we examined foreclosures from 2005 through 2017. During this period, 6,486 property owners lost single-family homes through foreclosure – this comes out to 12.6% of the city's 54,156 single-family properties. Numerous other foreclosures occurred during this time, however many of them were vacant or non-residential zoned properties.

Single-family foreclosures in the city more than doubled between 2007 and 2008 before peaking at 933 in 2010, nearly 3.5 times higher than the 261 recorded foreclosures in 2005. Fortunately, foreclosures have returned to near pre-recession levels; there were just 297 in the city in 2017 as shown in Graph 2.

Graph 2



Foreclosures are unevenly distributed across neighborhoods, disproportionately impacting predominantly Black neighborhoods at significantly greater rates than elsewhere.

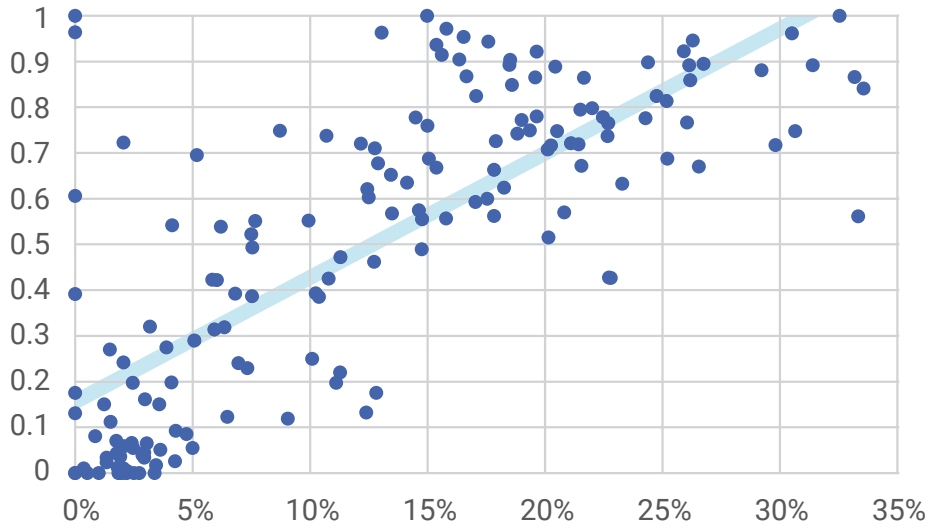
[1] Julia B. Isaacs, "The Ongoing Impact of Foreclosures on Children." Washington D.C.: Brookings, April 2012.

[2] Lee, Kai-yan. Foreclosure's Price-Depressing Spillover Effects on Local Properties: A Literature Review. Federal Reserve Bank of Boston. Community Affairs Discussion Paper. September 2008.

[3] Apgar, William C. and Duda, Mark. Collatreal Damage: The Municipal Impact of Today's Mortgage Foreclosure Boom. May 11, 2005. P.4.

Graph 3 shows the relationship between the percentage of foreclosed parcels per census block group in relation to the percentage of Black households per census block group. The Y axis (vertical) shows the percentage of Black households; the X axis (horizontal) shows foreclosures as a percentage of the total number of single-family parcels per census block group. The data exhibits a positive relationship between the percentage of foreclosed parcels per census block group and the percentage of Black households.

Graph 3



To gain a better understanding of the rate of foreclosures by neighborhood, we calculated the ratio between foreclosures and the total number of single-family parcels within each block group. Map 1 shows the spatial display of this ratio and provides a clearer understanding of the extent to which predominantly Black neighborhoods were negatively impacted. The neighborhoods shaded the darkest accounted for 18.2% of all foreclosures but have just 7.6% of the total single-family housing stock. Up to 1 out of every 3 households in these communities lost their homes and the equity they had built in them.

Currently, 55.3% of foreclosed homes are investor-owned and 44.7% are owner-occupied. Unfortunately, examining the tenure of these parcels prior to foreclosure to better understand potential loss in homeownership in various neighborhoods was beyond the scope of this report. We do know, however, that foreclosed properties accounted for 29% of all home sales that occurred between 2009 and 2018. Combined, they have a current total assessed value of $980 million. The total assessed value of investor-owned properties accounts for 42.7% ($418.66 million) and the owner-occupied parcels for 57.3% ($561.35). In short, the average investor-owned foreclosure has a current assessed total value of $116,782, 60.3% less than the $193,509 assessed value for owner-occupied foreclosures.

From 2014 to 2019, foreclosed properties have cumulatively increased $224.4 million in assessed value; investor-owned properties increased $80 million compared to $144.37 million for owner-occupied. Table 1 shows the average increase for foreclosed properties compared to all parcels over this period.

Map 1

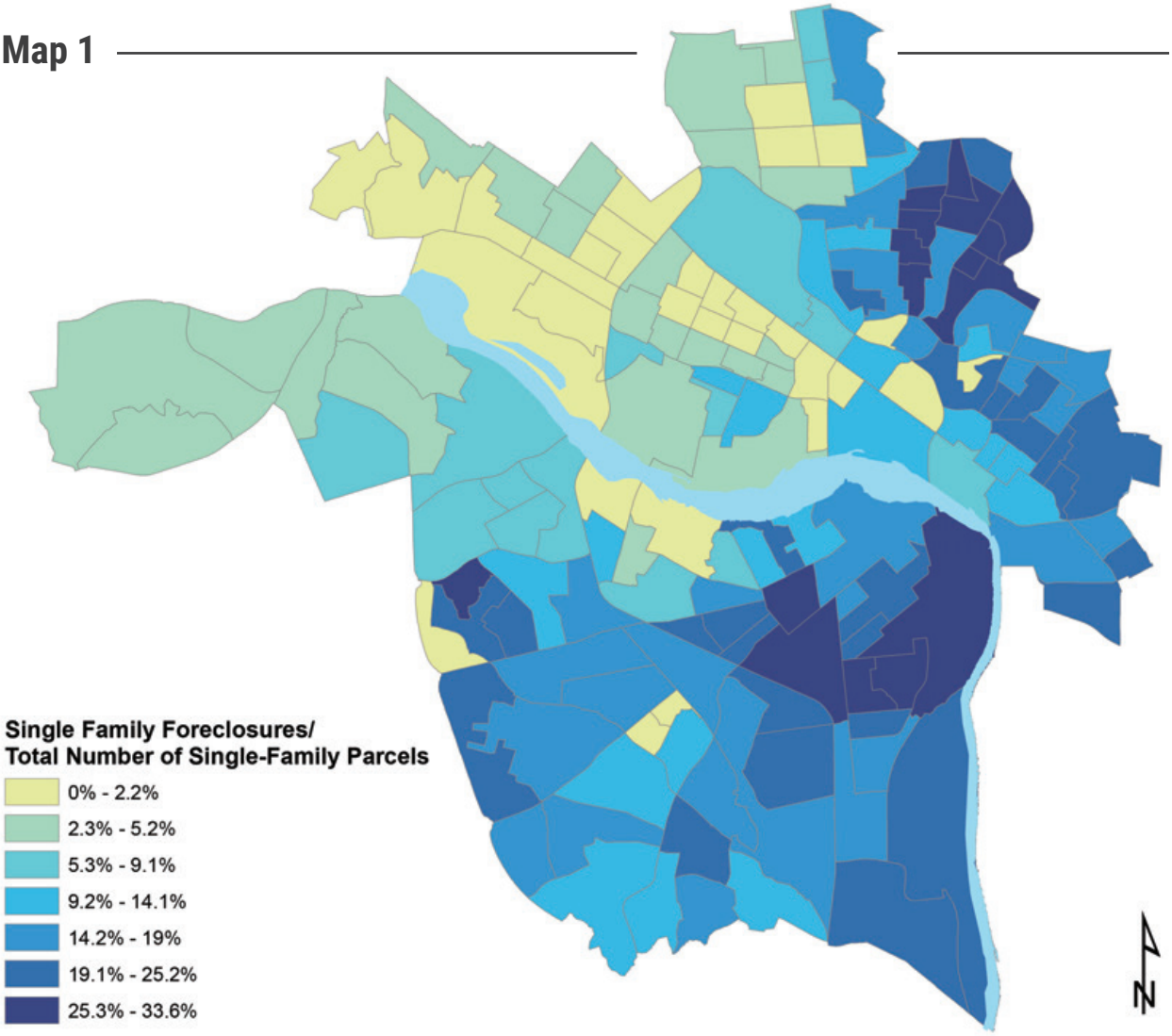
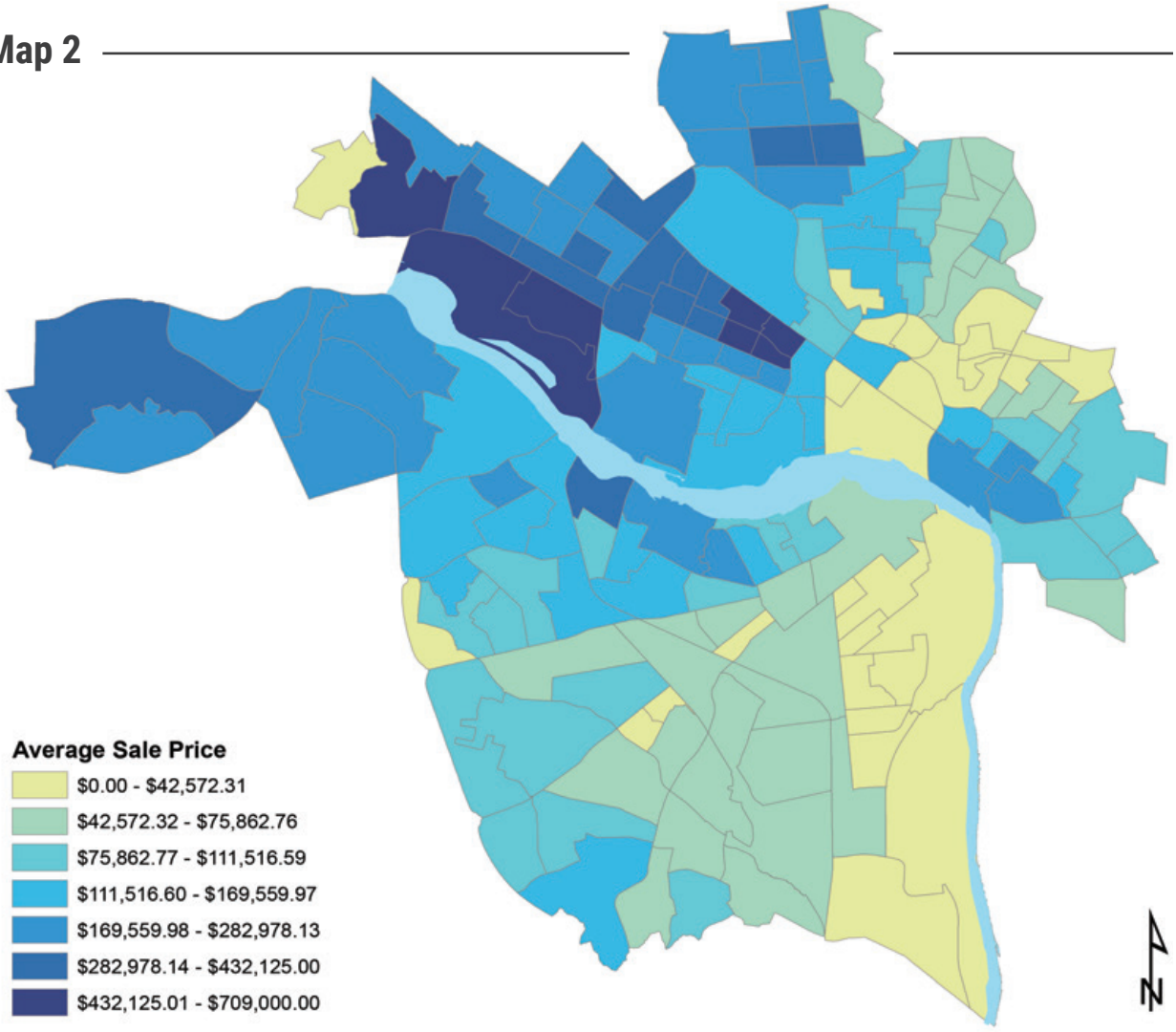


Table 1

		Avg. Land Value Change	Avg. Dwelling Value Change	Avg. Total Value Change
Average Foreclosed Parcels	Investor-Owned	$ 4,260.25	$ 17,870.85	$ 22,349.79
	Owner-Occupied	$ 6,688.84	$ 41,429.01	$ 49,854.58
	Total	$ 5,346.69	$ 28,409.74	$ 34,654.23
Average All Parcels	Investor-Owned	$ 9,408.01	$ 26,090.99	$ 37,171.25
	Owner-Occupied	$ 10,140.06	$ 42,779.60	$ 55,500.07
	Total	$ 9,900.81	$ 37,325.51	$ 49,509.93

On average, foreclosed properties increased 30% less in total assessed value than the average property ($34,654 compared to $49,509); foreclosed investor-owned housing increased 39.9% less in total assessed value ($22,349 compared to $37,171); and, foreclosed owner-occupied properties increased just 10.2% less ($49,854 compared to $55,500). The difference in the average assessed dwelling value between foreclosed and all parcels is just 3.2% ($41,429 compared to $42,779). This is indicative of greater investment made in returning foreclosed properties to homeownership compared to the rental market. Map 2 shows the spatial display of foreclosed properties most recent average sale price.

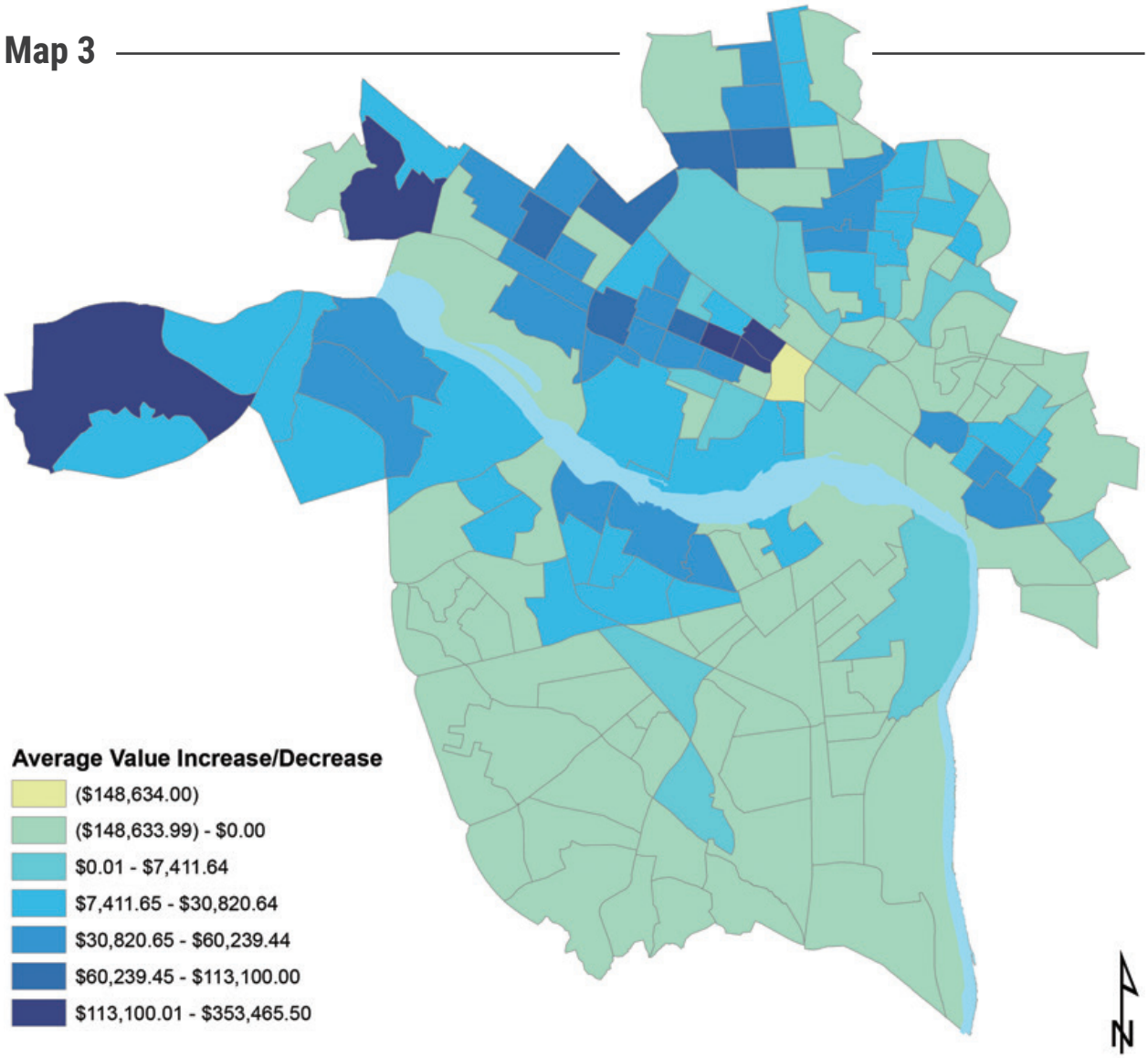
Map 2



Foreclosed properties that changed ownership during the study period were examined to determine if there were any noticeable variations in sales price dependent upon demographics or location. 5,861 foreclosed properties changed ownership between 2008 and 2018. Of those, 3,189 are currently investor-owned and 2,672 are owner-occupied. The average investor-owned foreclosure sold for $63,111, while the average owner-occupied foreclosure sold for $146,747. Further, between the time of foreclosure and the most recent change in ownership the average investor-owned foreclosure decreased in value by $13,192, compared to an average price increase of $27,105 for owner-occupied foreclosed properties.

Map 3 shows the spatial distribution of the average gain or loss between the most recent sale and the time of foreclosure. Interestingly, many neighborhoods that experienced high rates of foreclosure also experienced above average gains.

Map 3

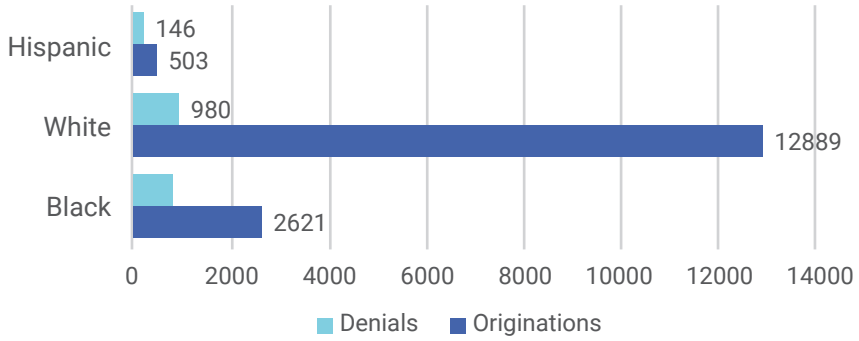


Mortgage Lending

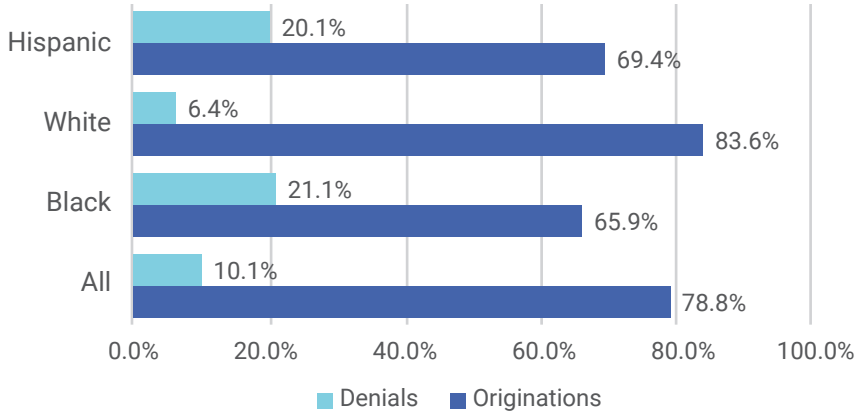
Homeownership is the principal determinant of wealth inequality in our nation, access to which is primarily achieved through a mortgage. As such, any discussion of wealth and housing inequality necessitates an examination of mortgage lending activity. This report examines data collected under the Home Mortgage Disclosure Act (HMDA) to document mortgage lending trends within the city from 2007-2017, the most recent year that data is available. Specifically, we examined loan applications for the purchase of single-family, owner-occupied homes.[1] During this time, there were 25,565 loan applications submitted to HMDA reporting mortgage lenders.

Of these, 78.8% were originated (approved) and 10.1% were denied. When examining the race/ethnicity of loan applicants, gross disparities appear, the most alarming of which is the difference between the total number of loan applications submitted by white applicants (16,263), Black (4,268), and Hispanic (778) applicants. Graph 4 shows the total number of loan originations and denial by race/ethnicity. Additionally, applications had far different outcomes depending upon the race/ethnicity of the loan applicant. Black applicants experienced the greatest chance of being denied as well as the least chance of being approved for a mortgage. Graph 5 shows the origination and denial rates by race/ethnicity.

Graph 4

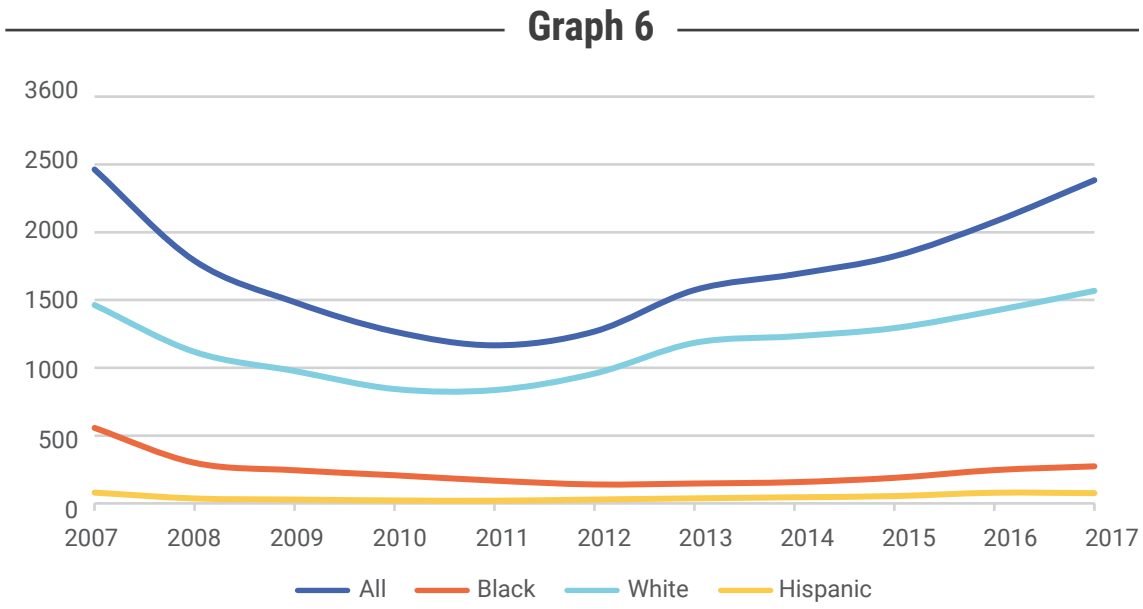


Graph 5

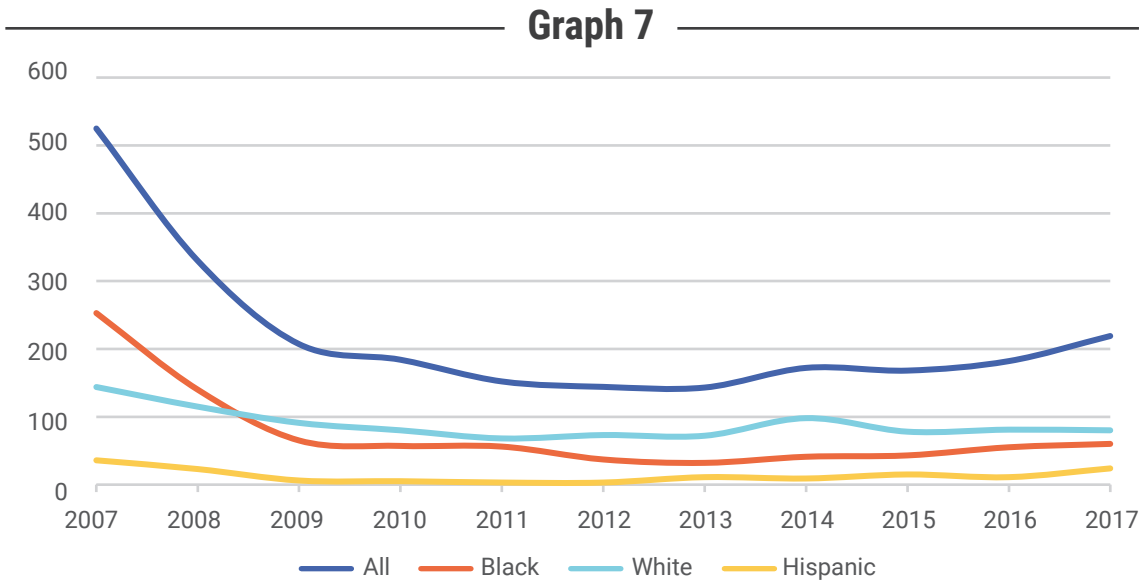


[1] Specifically, this report examined all loans types (Conventional, FHA, VA, FSA/RHS); one to four family properties, home purchase, owner-occupied; and secured by a first-lien. These categories are the most indicative of single-family home purchase.

Graph 6 shows the total number of originations by race/ethnicity from 2007-2017. Across all loan applications, the number of originations has returned to near their same level since the recession and a low of 1,165 in 2011. Originations to white loan applicants has rebounded to 1,568 compared to 1,463 in 2007, while originations to Hispanic applicants have returned to near their 2007 level, currently at just 76 total originations. Originations to Black applicants remain less than half of their 2007 level - 273 in 2017 compared to 557 in 2007.



Graph 7 shows the total number of loan application denials by race/ethnicity from 2007 to 2017. Across all applicants the number of loan denials has decreased significantly from 525 in 2007 to 219 in 2017. Loan denials fell across all applicants' race/ethnicities however none so significantly as for white applicants. Denials for this group fell from 253 to 80, while for Black applicants' denials fell from 144 to 60, and from 36 to 24 denials for Hispanic applicants.



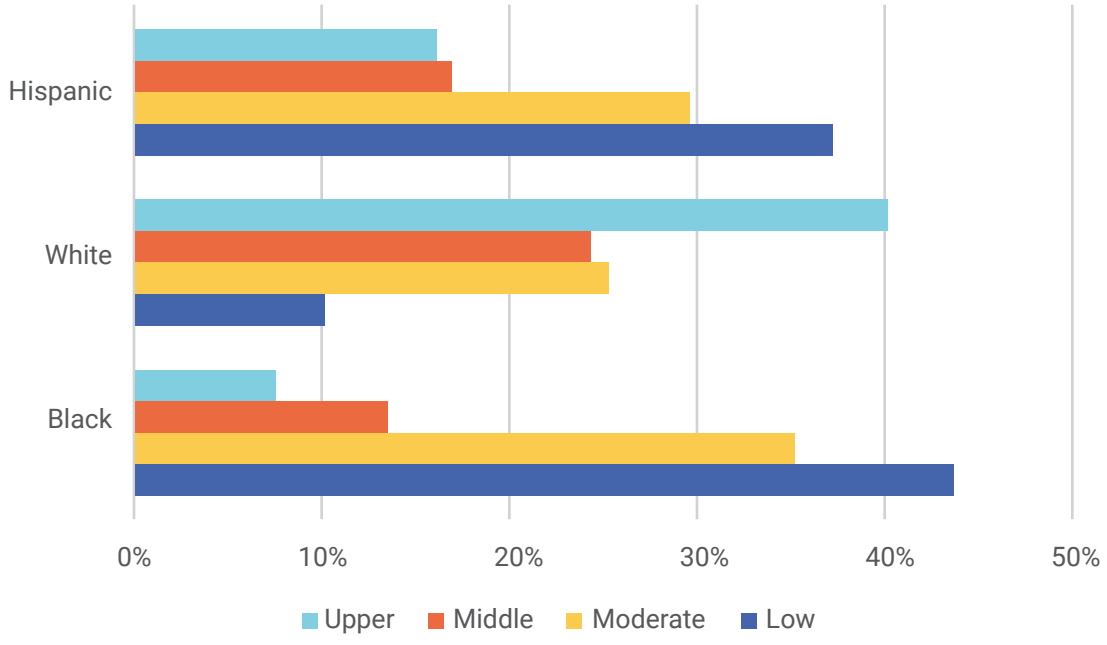
A simple method to better understand the disparate outcomes of loan applications across race/ethnicity is through the calculation of origination disparity and denial disparity indices. Though these indices are not evidence of disparate treatment, they do serve as an indicator for areas of concern. The origination disparity index (ODI) is the ratio of the white origination rate divided by the minority groups' origination rate; an ODI of 1 indicates parity. Likewise, the denial disparity index (DDI) is the ratio of a minority groups' denial rate divided by the white denial rate; a DDI of 1 indicates parity. For both indices, a value of less than 1 indicates that the minority group is more likely to be denied or approved than white applicants. The Black/white origination disparity index is 1.27 indicating that white applicants are 1.27 times more likely to be approved for a loan their Black counterparts. Conversely, the Black/white denial disparity index is 3.32, indicating that Black borrowers are 3.32 times more likely to be denied a mortgage than white applicants.

Table 2

Race	Applications	Origination	Denial	ODI	DDI
White	16,263	83.6%	6.4%		
Black	4,268	65.9%	21.1%	1.27	3.32
Hispanic	778	69.4%	20.1%	1.20	3.17

HMDA collects data on the income of the loan applicant and classifies each loan as follows: low, moderate, middle, and upper.[2] Examining this variable highlights the dual housing market that exists in the city based on income. Graph 8 shows the percentage of applicants within each of the four income brackets. The income brackets are inversely related for Black and white applicants; 44% of Black and 37% of Hispanic applicants are low-income compared to only 10% of white borrowers. Conversely, just 8% of Black, and 16% of Hispanic borrowers are high-income compared to 40% of white applicants.

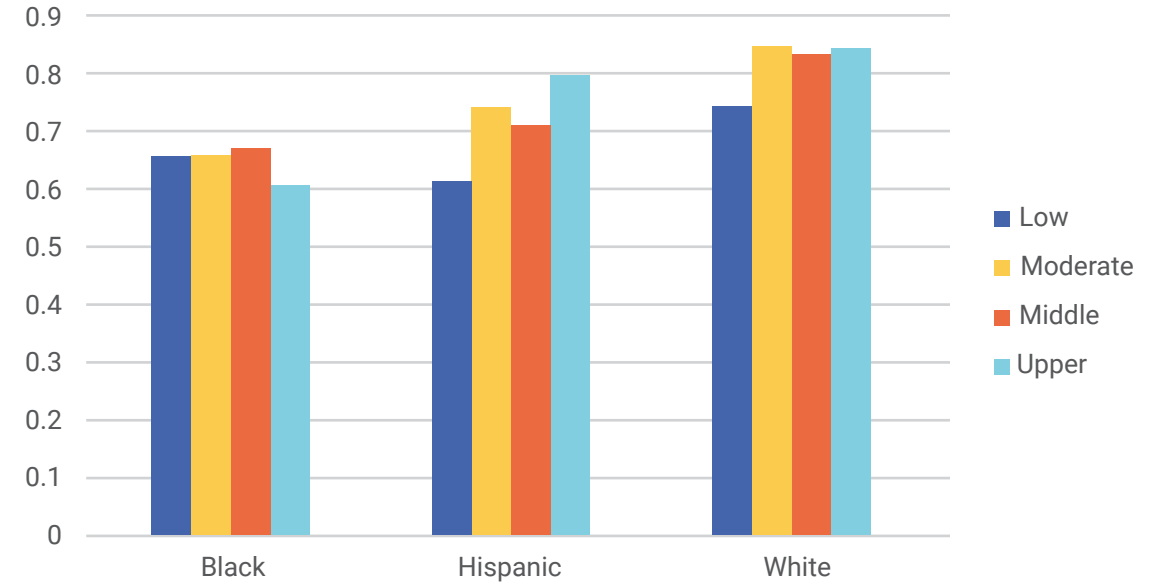
Graph 8



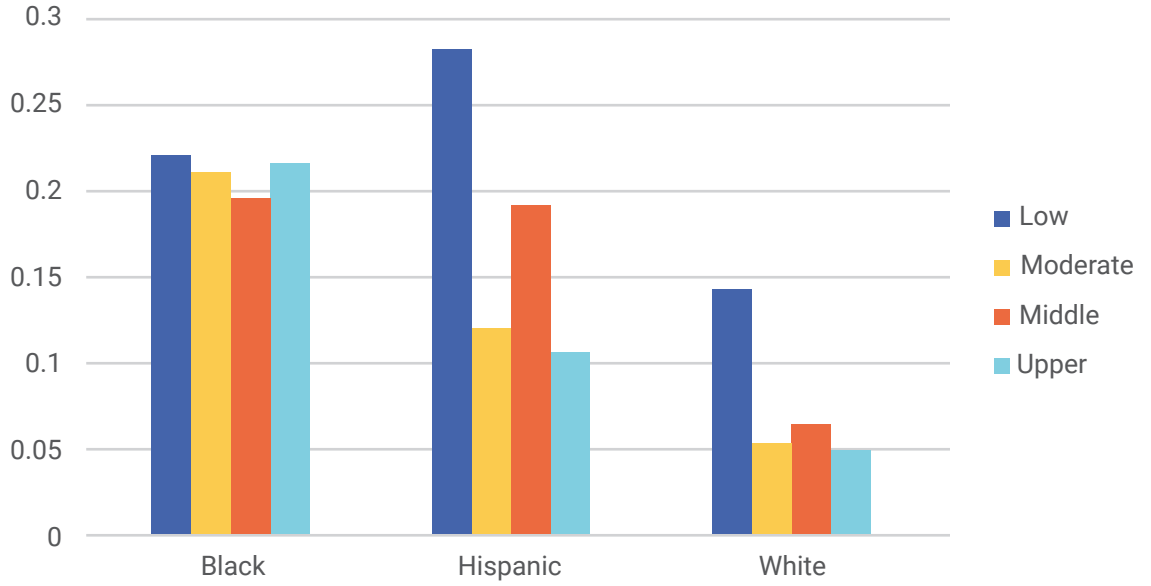
[2] In 2017 the median family income for Richmond was $78,700. Low is less than 50% of the Median Family Income (less than $39,350); Moderate is between 50 and 80 percent ($39,50.01 to $62,960); Middle is between 80 and 120 percent ($62,960.01 to $94,440); and upper is greater than 120% ($94,440.01).

Graphs 9 and 10 show the origination and denial rates by income for each race/ethnicity of loan applicant. Origination and denial rates increase and decrease respectively as income increases for white and Hispanic applicants. However, origination rates for Black applicants decrease as income increases while denial rates stay relatively stable at just over 20%.

Graph 9

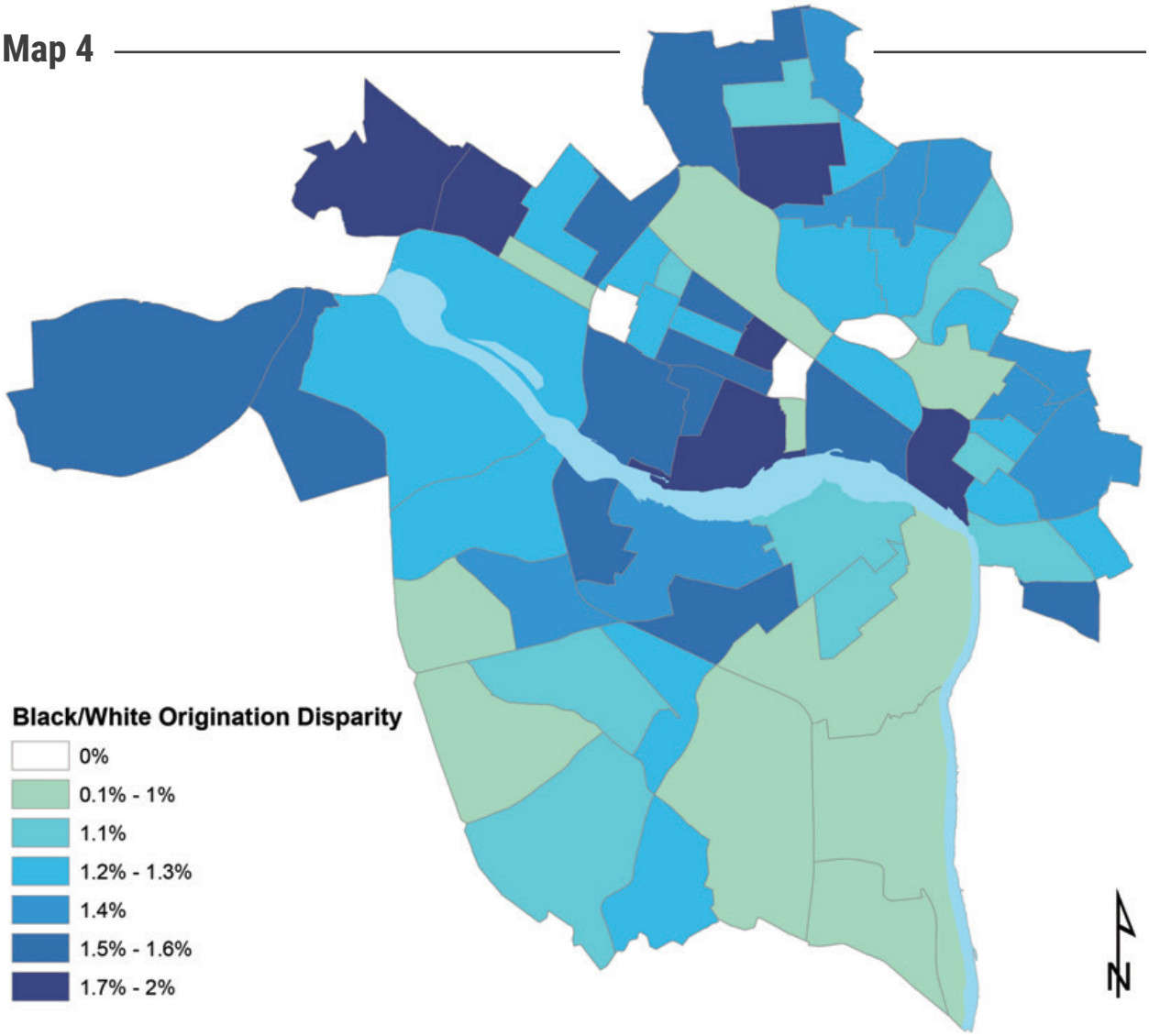


Graph 10



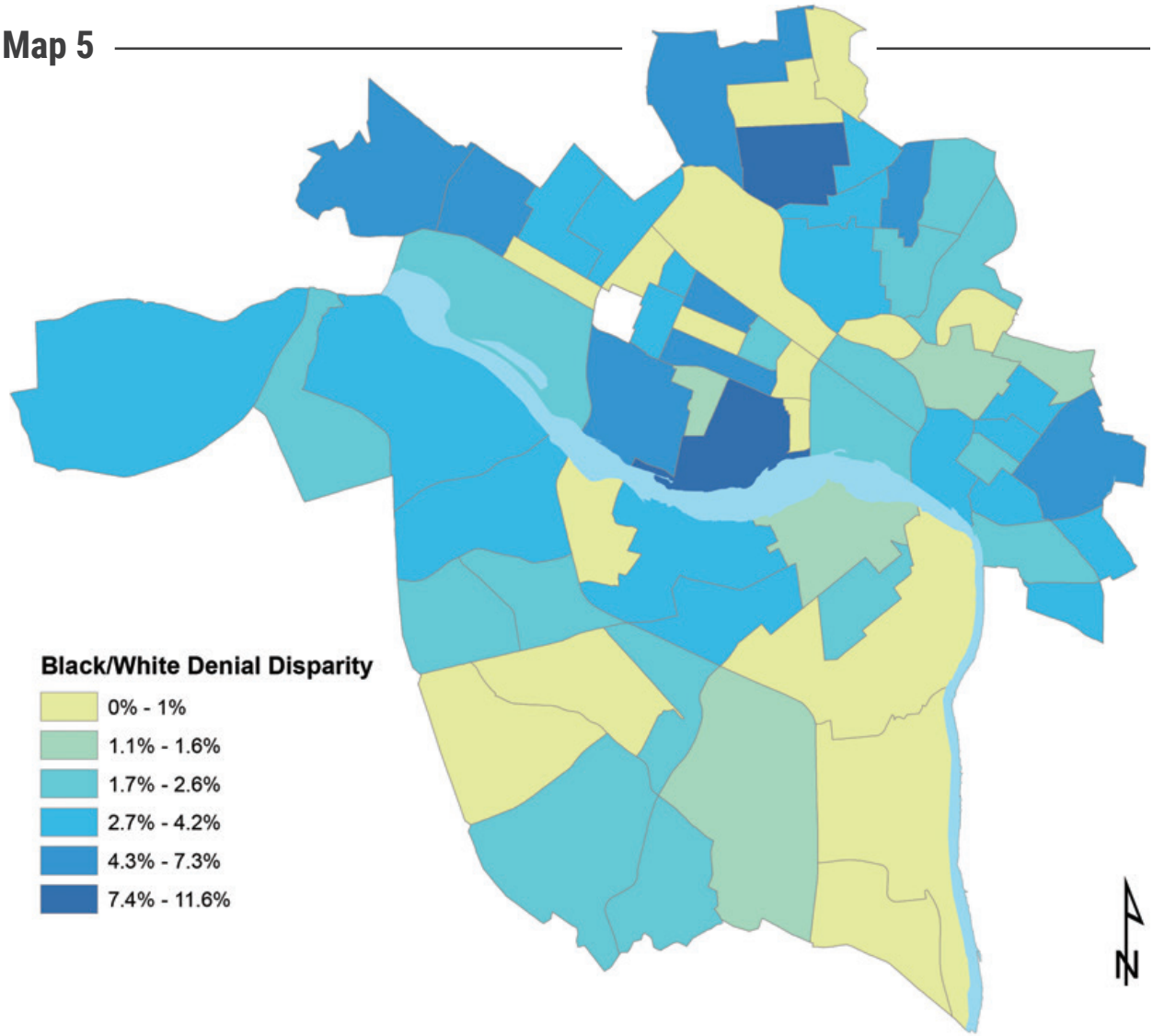
Map 4 shows the origination disparity index for Black and white borrowers at the census tract level. For example, those areas in the lightest shaded green (.01 – 1.0) are census tracts in which Black applicants have a better chance of being approved for a loan than white applicants. The darkest blue areas indicate census tracts in which white borrowers are 1.7 to 2 times more likely to receive a mortgage than a Black borrower.

Map 4



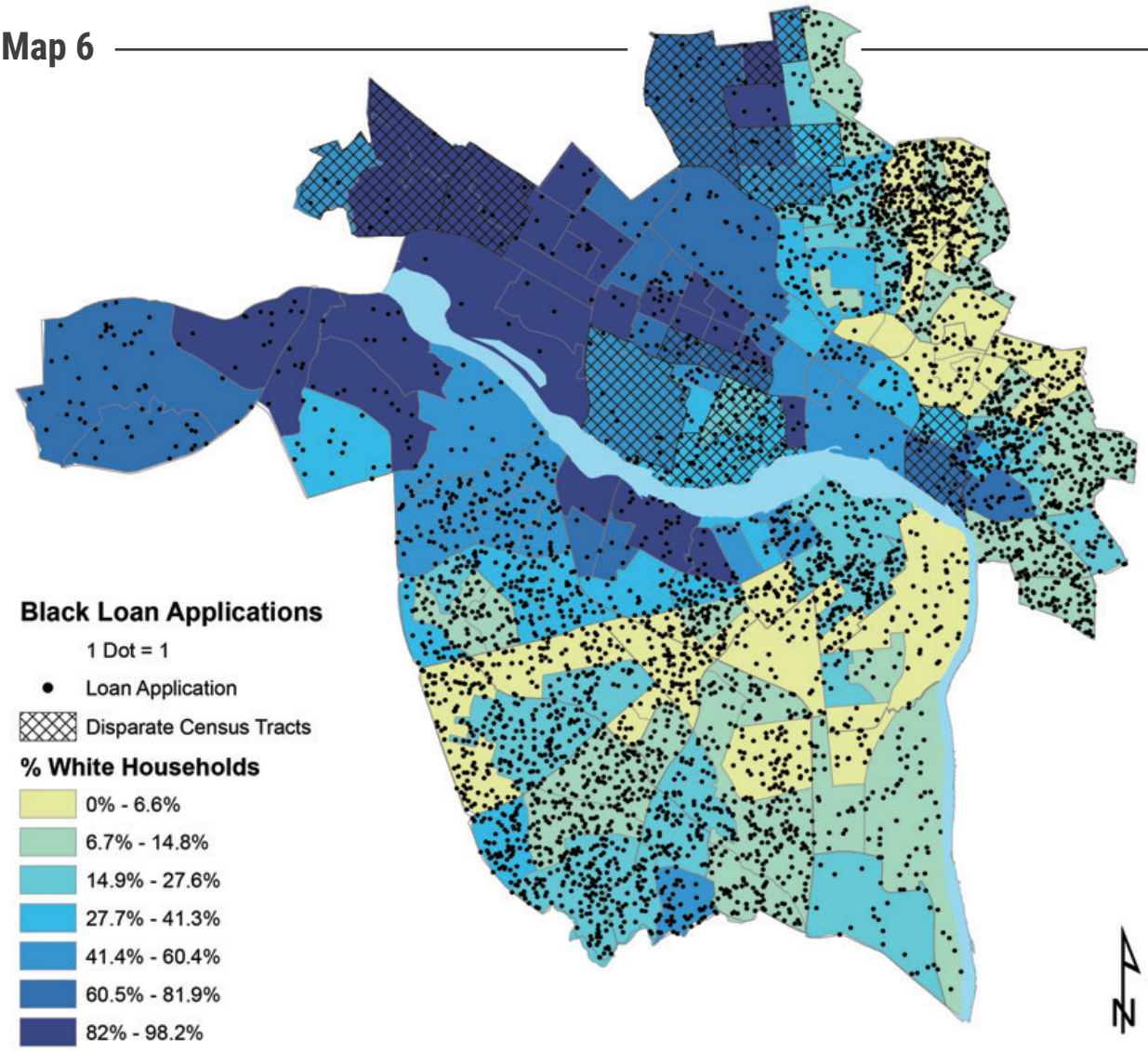
Map 5 shows the denial disparity index for Black and white borrowers. The lightest shaded areas indicate census tracts in which Black applicants are denied less frequently than white applicants. The darkest shaded areas indicates tracts in which a Black applicant is between 7.4 and 11.6 times more likely to have their application denied than white applicants.

Map 5



Map 6 illustrates the spatial disparity of loan application outcomes in the city. The shaded areas indicate the percentage of white households, the dots represent loan applications submitted by Black applicants. The areas that are cross hatched are those census tracts that have both the highest origination disparity and denial disparity indices. In general, these disparate tracts encompass neighborhoods that are majority white, though not exclusive to those tracts that have the highest rates of white households. It is of note that combined, these tracts have just 178 applications from Black applicants compared to 3,258 loan applications from white borrowers.

Map 6



Lending patterns are indicative of a highly segregated residential real estate market which is further exacerbated by racial disparities across loan applications. Applicant income alone does not account for the pervasive disparities in application outcomes. Black applicants, regardless of income are more likely to be denied and less likely to be approved than other applicants.

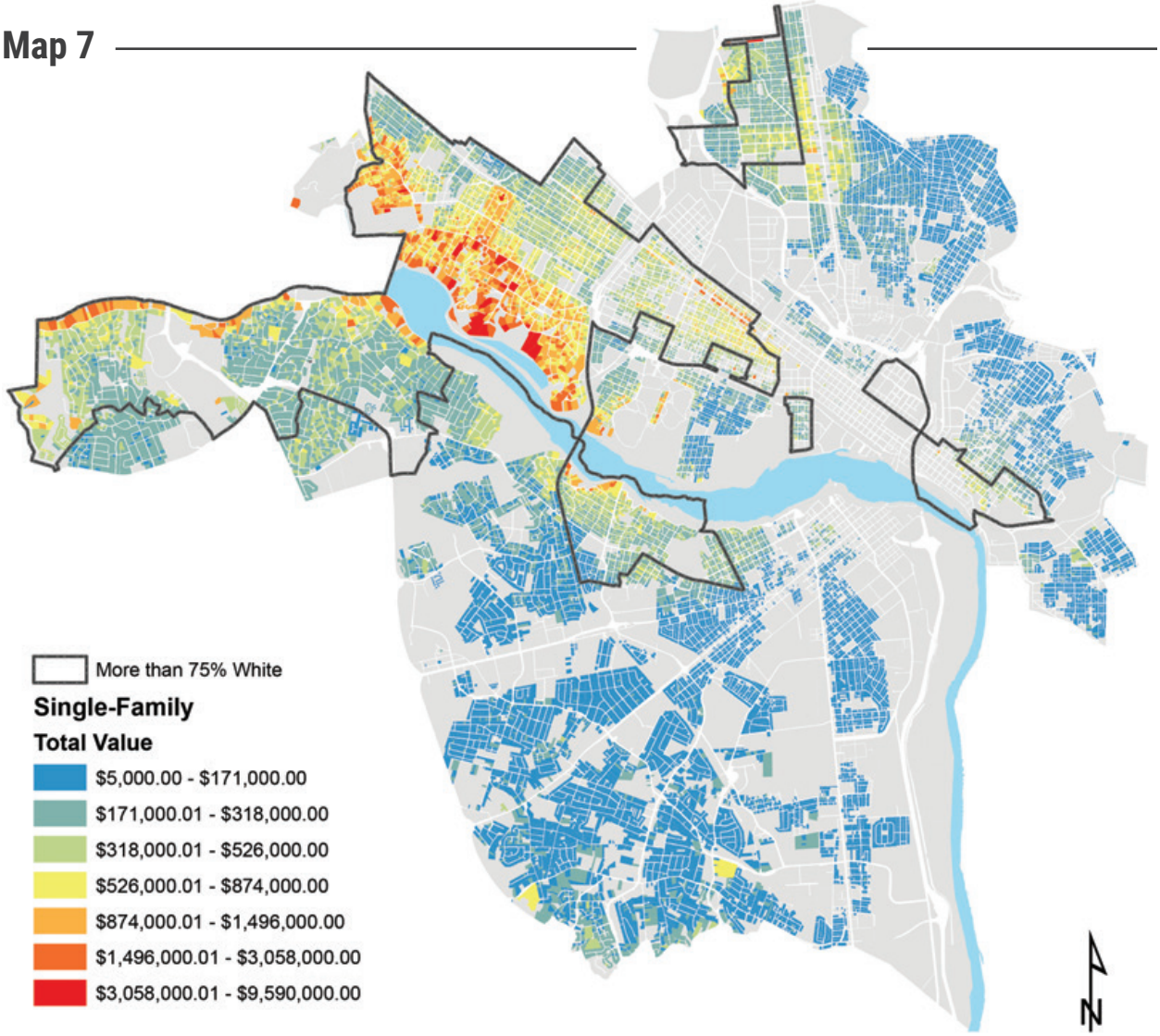
Single-Family Property Assessment

A recent study from the Metropolitan Policy Program at the Brookings Institute found that across US metro areas, homes in neighborhoods that are 50% Black are valued at roughly half the price as homes in neighborhoods with no Black residents.[1] Additionally, the report found that homes of similar amenities are worth 23% less in majority Black neighborhoods than in majority white neighborhoods.[2] To better understand the valuation of the single-family market, we examined data for 54,156 single-family parcels in the city.[3] We identified 17,699 properties as investor-owned and 36,457 properties as owner-occupied; investor-owned account for 32.7% and owner-occupied for 67.3% of all single-family parcels. The importance in differentiating between the two types of occupied housing is important because homeownership builds equity for the occupant of the property, while rental property does not.

As of 2019, single-family properties have a combined assessed value of $13.3 billion. The total assessed value for owner-occupied housing is $10.2 billion and $3.1 billion for investor-owned; investor-owned accounts for 23.4% and owner-occupied for 76.6% of the total assessed value. The average single-family home has an assessed value of $245,777; $279,830 for owner-occupied; and, $175,634 for investor-owned housing.

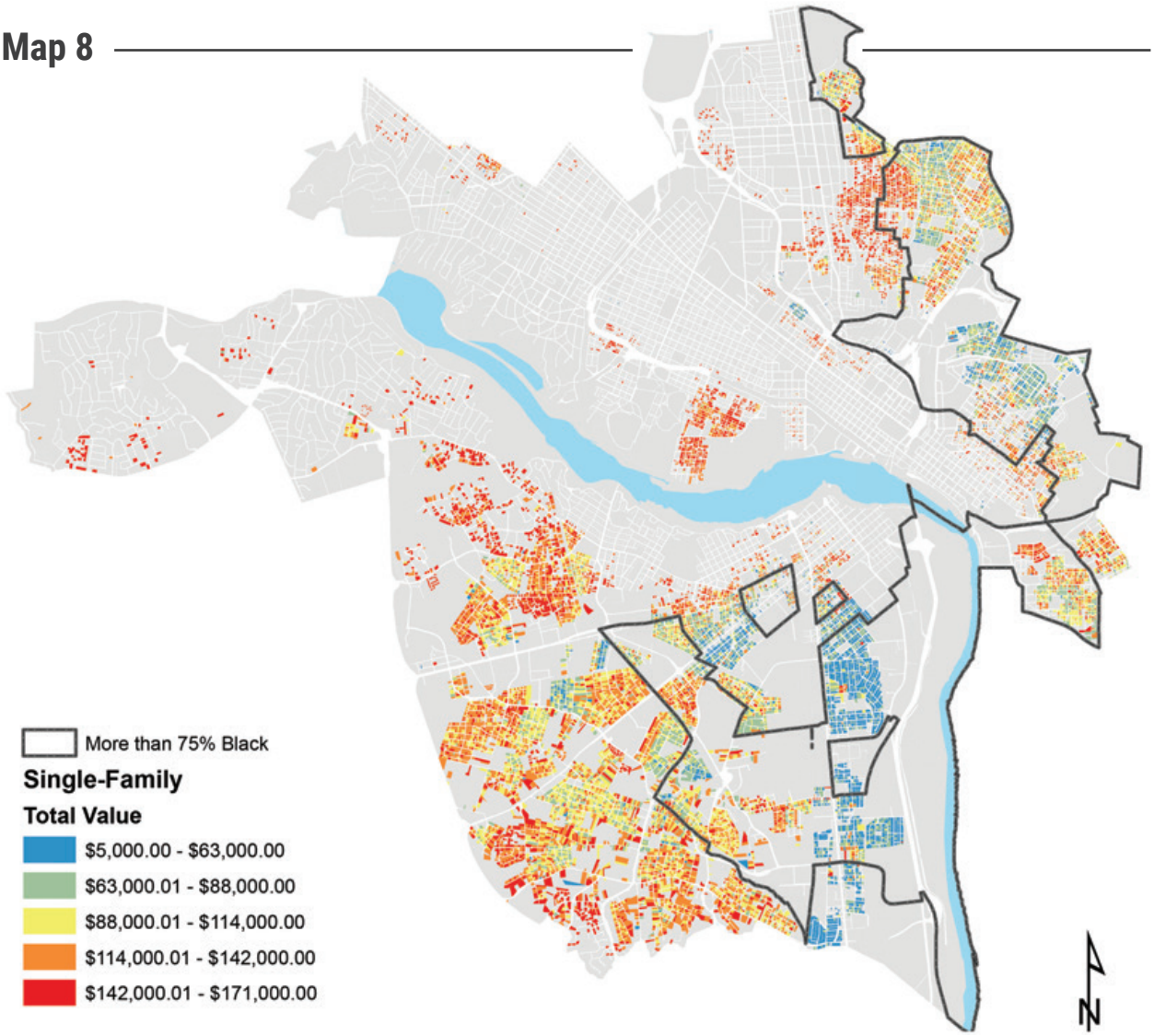
Map 7 shows the spatial display of the total assessed value for all single-family homes in the city. The highest valued property is overwhelmingly found in neighborhoods that are predominantly white with the absolute highest valued properties located in the Windsor Farms, Wilton, Stonewall Court, and Three Chopt neighborhoods in the West End.

Map 7



We further examined the location of the lowest-tiered properties from the map above to highlight the lowest-valued properties in the city. Map 8 shows the location of those properties with values less than $171,000. The properties with the absolute lowest assessed values – below $63,000 – correspond to the neighborhoods with the highest rates of Black households and are primarily concentrated in the neighborhoods along Route 1 in the Southside - Oak Grove, Bellemeade, Davee Gardens. A slightly less concentration of properties at the lowest extreme are found in the Whitcomb, Brauers, Eastview, Fairfield, Peter Paul and Church Hill North neighborhoods in the Northside.

Map 8



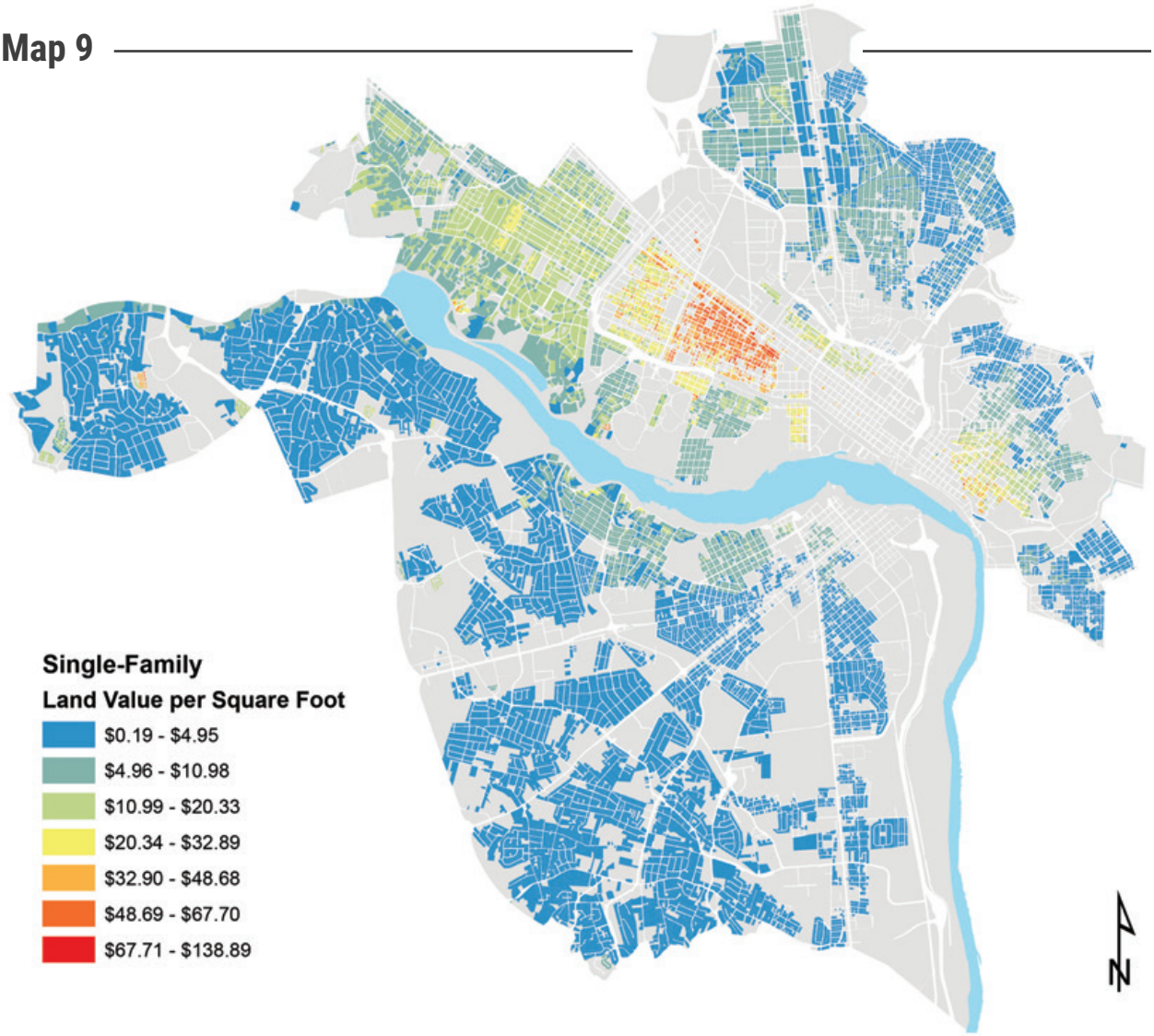
[1] Perry, Andre, Rothwell, Jonathan, Harshberger, David. The Devaluation of Assets in Black Neighborhoods: The case of Residential Property. Metropolitan Policy Program at Brookings. November 2018.

[2] Ibid.

[3] Single Family and Duplex. Vacant parcels were excluded from the analysis.

The city provides information on the total square feet of each parcel. Calculating the average land value per square foot reveals interesting variations in the assessed land value of parcels. Map 9 shows the distribution of land based on its per square foot value. The greatest concentration of land with the highest per square foot values are located nearly exclusively in the Fan and to a lesser extent in the Museum District and Church Hill.

Map 9



The lowest valued land per square foot is located nearly exclusively south of the river and not particularly concentrated in any specific neighborhood with the exceptions of Bellemeade, Davee Gardens and the Jeff Davis neighborhoods.

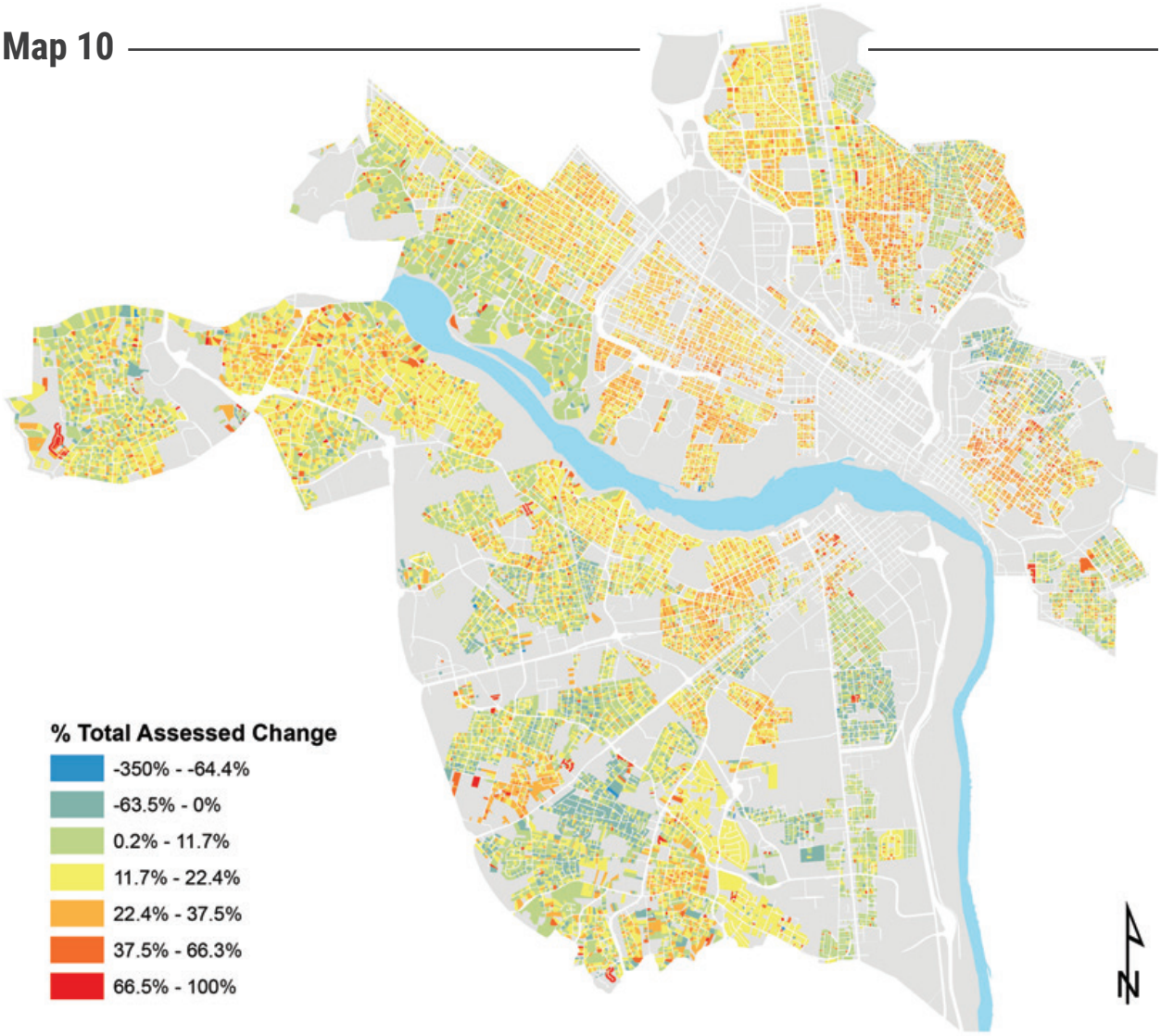
Assessments 2014 - 2019

To better understand which neighborhoods are experiencing an increase in assessed values - a potential indication of gentrification - we examined the change in assessed values over the past 6 years – from 2014 to 2019. During this time, the total assessed value of single-family parcels increased 20.14%, or $2.68 billion. This increase is equal to $32.17 million in additional tax revenue for the city. The total assessed value of land increased 15.9% ($536.1 million) and the total assessed value of dwellings increased 20.4% ($2.02 billion). The 17,699 investor-owned parcels increased 21.2% ($657.9 million) in total assessed value and the 36,457 owner-occupied parcels increased 19.8% ($2.02 billion).

Though owner-occupied properties account for 67.3% of all single-family parcels, they accounted for 75.4% of the increase in total assessed value. On average, investor-owned properties saw a total value increase of $37,171.25, and owner-occupied properties increased $55,500.07. This amounts to an average tax bill increase of $446 and $666 respectively. However, tax assessments did not change evenly throughout the city.

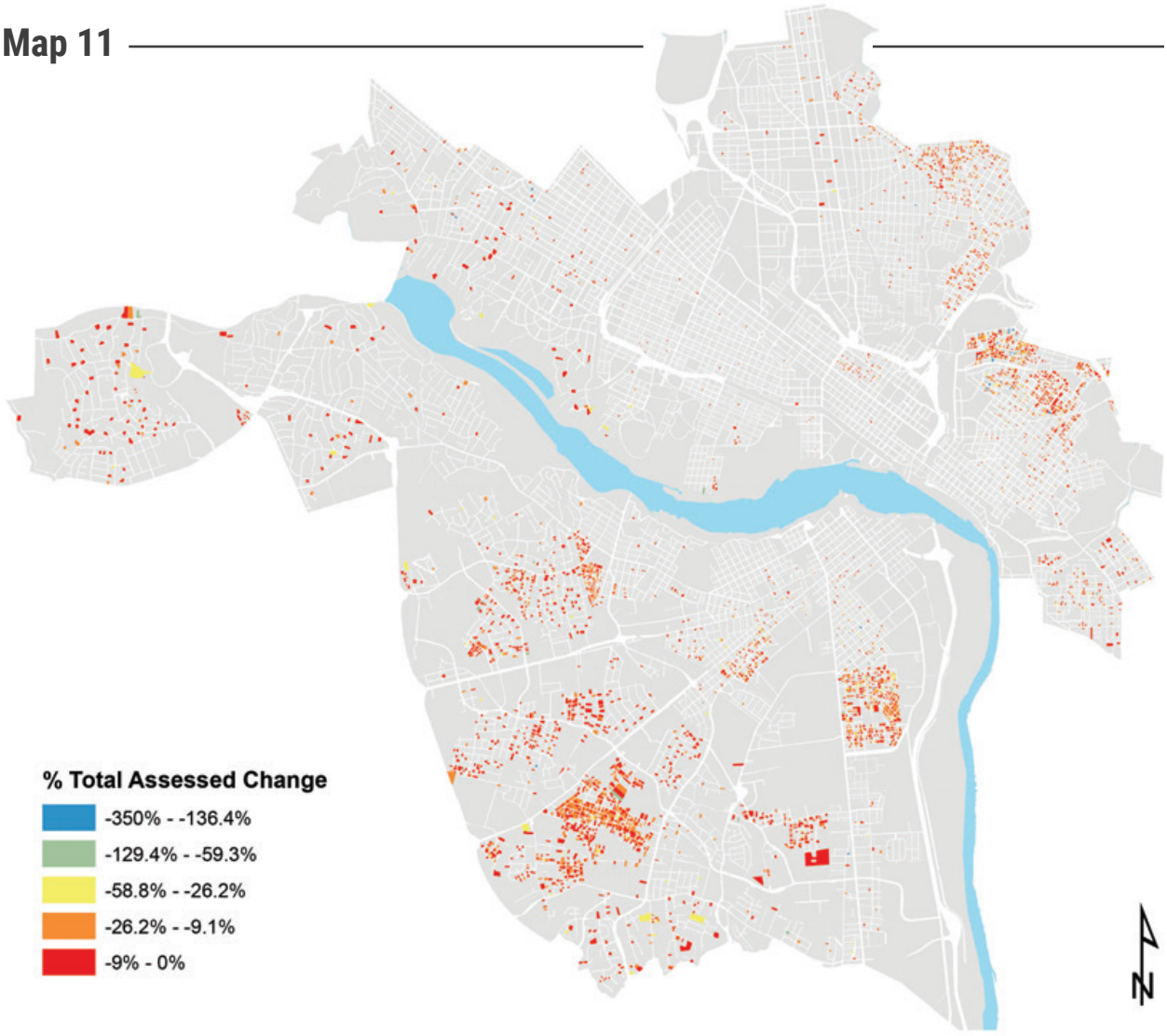
Map 10 shows the spatial distribution of the change in total assessed value for each single-family property. As discussed above, the majority of parcels experienced an overall increase in assessed value.

Map 10



In total, there were 3,593 properties that lost value; 84.5% of them located in predominantly Black neighborhoods. The neighborhoods with the largest concentration of decreased values in shown in the map below. In the East End, the Whitcomb, Eastview, Brauers, Peter Paul, and Woodville neighborhoods have the greatest concentration of properties that lost value. Those neighborhoods to the north, Providence Park, North Highland Park, and Highland Park Southern Tip also saw a significant number of parcels with lower assessments. South of the river, the Bellemeade, Cullenwood, South Garden, Piney Knolls, Broad Rock, Wood Haven, Forest View, Westover, and Beaumont neighborhoods all saw a significant number of parcels decrease in value.

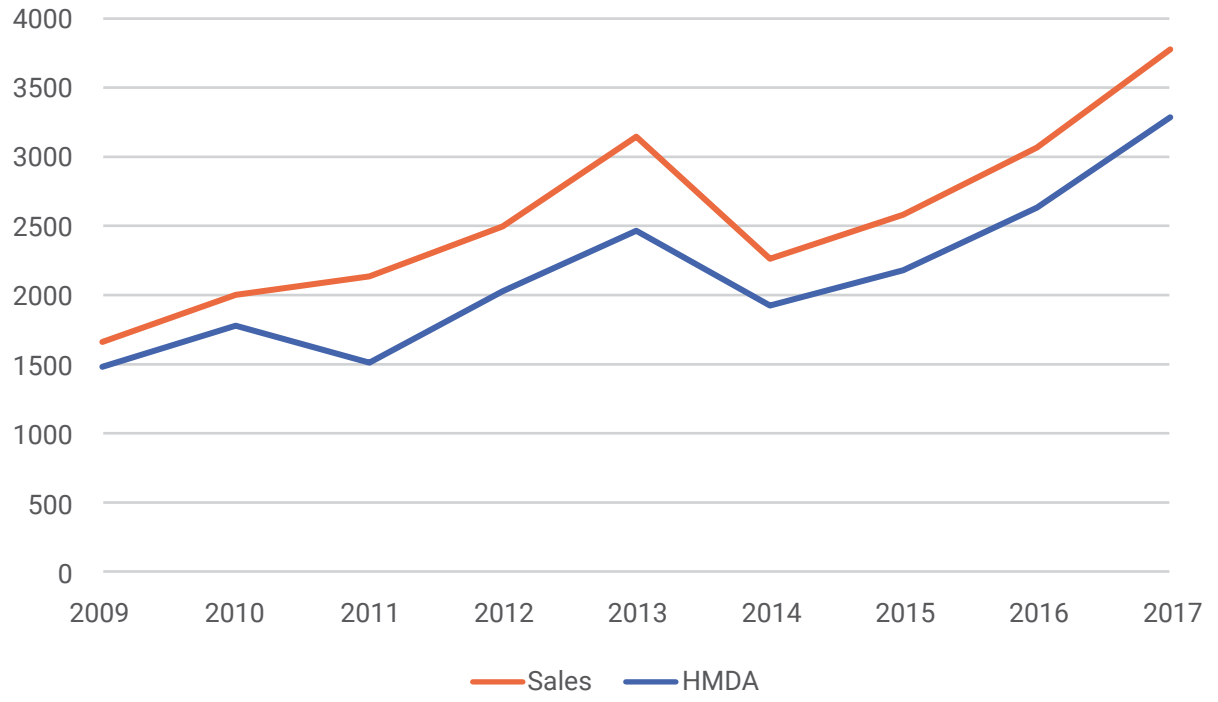
Map 11



Single-Family Home Sales

We examined single family property sales from 2009 to 2017 to gain insight into neighborhoods that may be rapidly changing in value and may benefit from targeted intervention to ensure stability across all incomes. Graph 11 shows the number of single-family property sales from 2009 to 2017 and the corresponding number of approved mortgages collected by HMDA. The difference between the two can be explained through mortgages made by lenders not required to report HMDA data and cash purchase of property. Given the significance of the share of mortgages made by large-scale lenders in the region, both brick and mortar and online, a good portion of the exhibited difference is likely a result of the influence of cash investment.

Graph 11



During this period a total of 19,303 unique, single-family properties were sold; 6,495 are currently investor-owned and 12,808 are owner-occupied. This represents 35.6% of all single-family parcels in the city. There were significantly more records in the property transfer files as 34.2% of all properties sold during this period changed ownership more than once. Map 12 shows the number of properties that sold during this time period as a percentage of the total number of single-family properties per census block group. This analysis is useful for identifying those neighborhoods that have high levels of market activity.

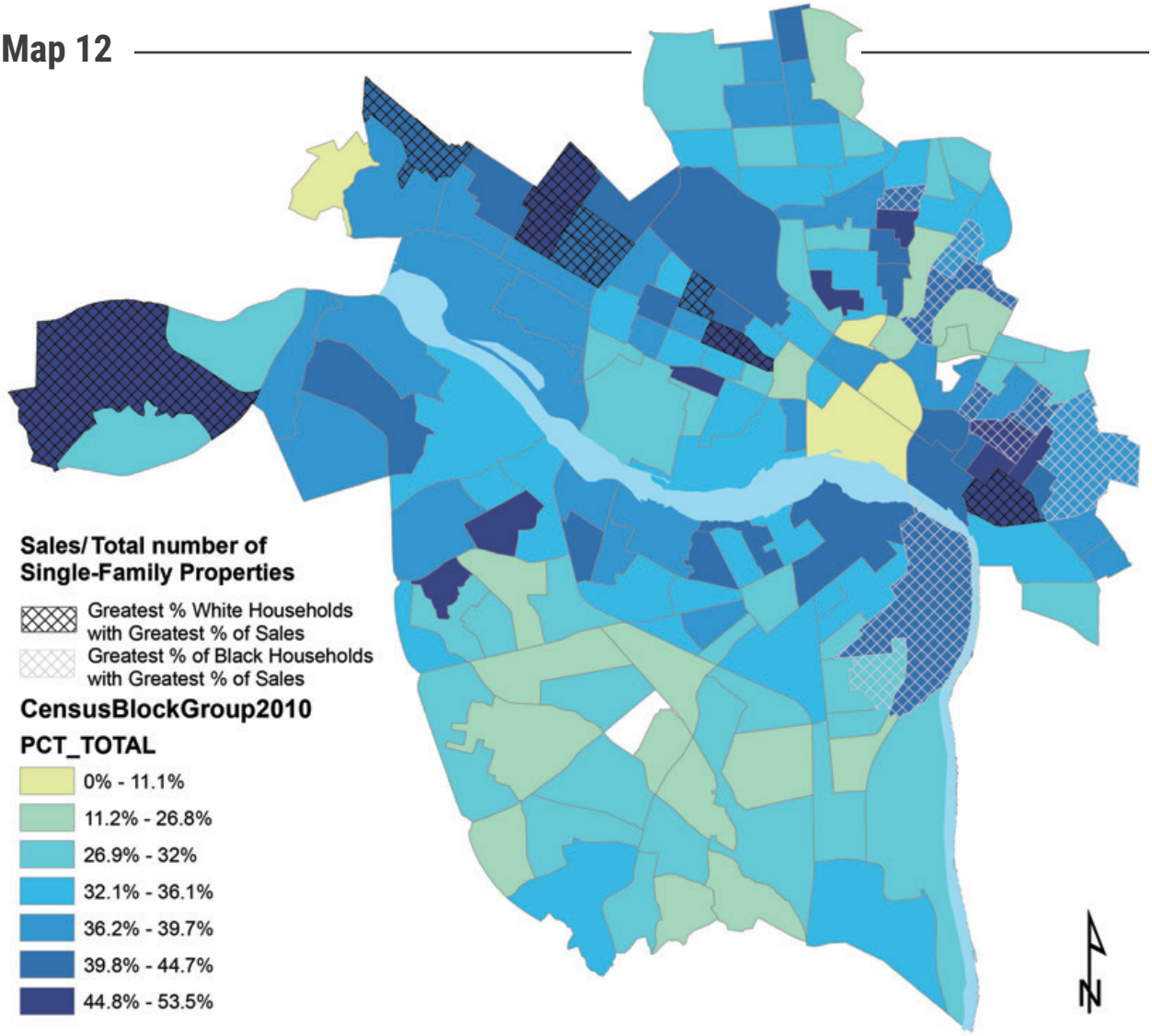
The neighborhoods with more than 75% Black households have 12,614 single-family properties in total. During this period 4,167 unique parcels - or 33% of all single-family parcels - changed ownership; 41.6% are currently investor-owned compared to 25.2% owner-occupied. In total, 60% of transactions were for investor-owned properties compared to 40% for owner-occupied properties.

In neighborhoods with more than 75% white households there a combined 13,658 single-family properties; 6,944 - or 40.4% - of which changed ownership; 31.1% are currently investor-owned compared to 42.8% owner-occupied. In total, 15.7% of transaction were for investor-owned properties compared to 84.3% for owner-occupied properties.

The disparities in the sale outcome between majority Black and white neighborhoods is concerning. Comparing these tracts to ACS data shows the census block groups with the highest percentage of sales in the neighborhoods with the highest rates of Black households experienced an increase of 360 of investor-owned Black households and just 25 Black owner-occupied households. Conversely, the neighborhoods with the highest rate of sales in majority white neighborhoods resulted in an increase of 212 white, owner-occupied households and 199 white, investor-owned households.

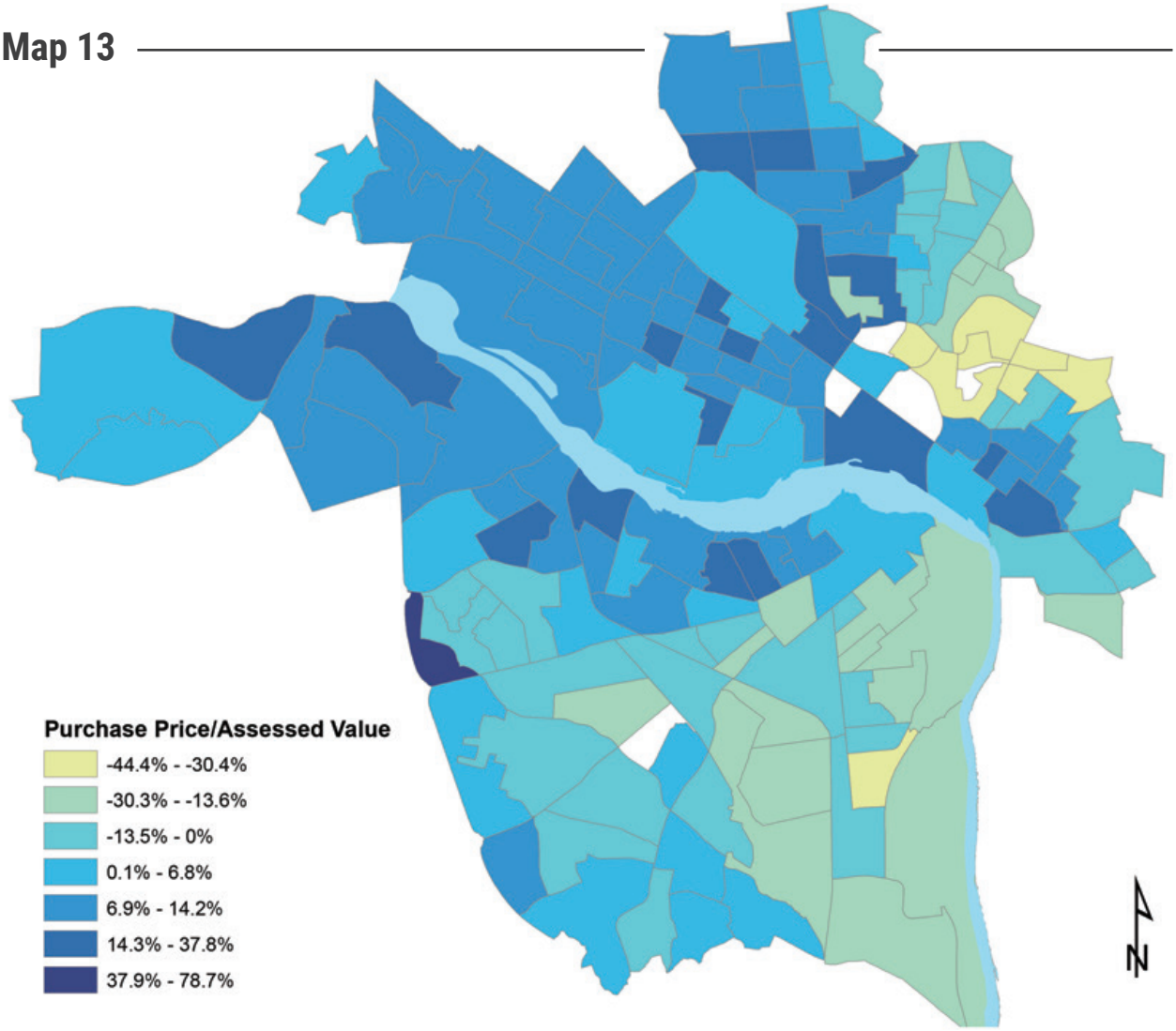
This points toward the trend of previously owner-occupied housing in Black neighborhoods converted to investor-owned properties, particularly when foreclosures are considered. Those predominantly Black neighborhoods had an overall foreclosure rate of 26% compared to 4% in the predominantly White neighborhoods.

Map 12



We analyzed 10,020 market sales for single-family properties between 2014 and 2017 and compared their sale price to their assessed value at the time of sale to determine if there exists a spatial correlation between properties that sold above their assessed values, indicative of a strong market - and those that sold below their assessed value – indicative of a depressed market. The average home during this period assessed for $226,566.17 and sold for $244,618.88 or 7.4% above assessed value. The average investor-owned home was assessed for $141,984.35 and sold for $135,608.65, 4.7% less than assessed value. Conversely, the average owner-occupied property was assessed at $265,007.98 and sold for $294,163.23, or 9.9% above assessed value. Map 13 shows the spatial distribution of census block groups according to the ratio between purchase price and assessed value.

Map 13



Tax Abatement Program

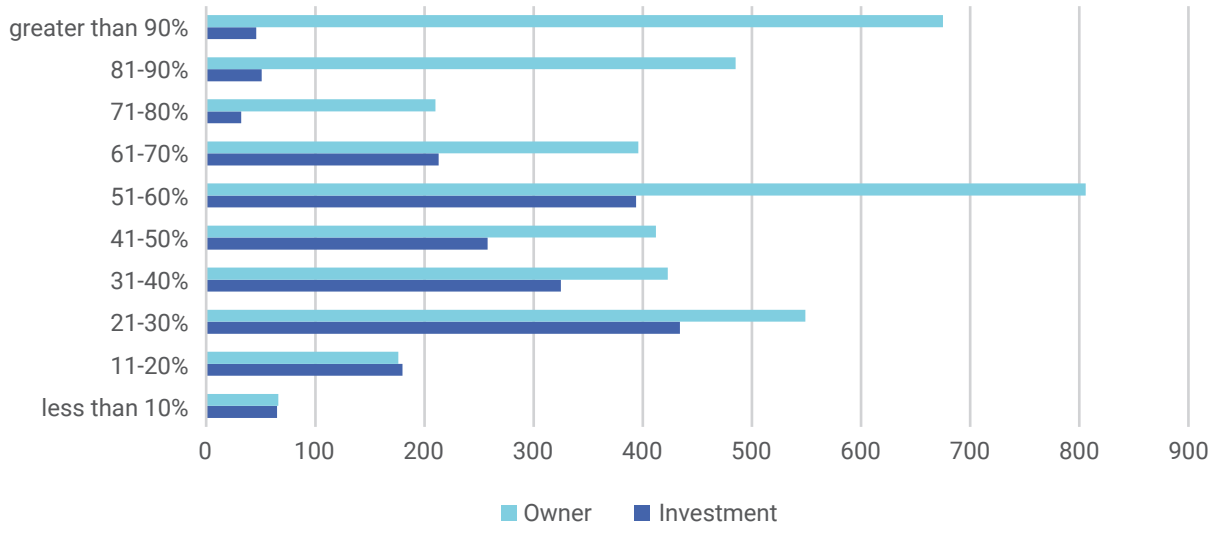
The City's Tax Abatement for Rehabilitated Buildings Program provides property owners incentive to rehabilitate qualifying properties. Initially introduced in the early 1990s to spur investment in the city, the program has grown significantly over the past decade. To qualify, single-family properties must be at least 20 years old, and the rehabilitation/renovation work must improve the assessed value of the property by 20%. The City of Richmond Tax Assessor's Office provided us with data on properties that received an abatement between 2008 and 2018.

To examine this program through an equity lens, it is important to frame it as a loss of potential tax revenue which could be put to other uses, such as schools, affordable housing, or roads. When viewed in this perspective, the program is a public subsidy for property owners to renovate/rehabilitate their private property to increase its value, ensuring neighborhood stability and increased tax revenue to the city, while simultaneously building wealth for the owner. Given the history of systemic housing discrimination and segregation in the city, and the significant role that home and land-ownership plays in racial wealth inequality, it is critically important to determine who benefits from the program.

Between 2008 and 2019, 6,199 single-family property owners took advantage of the program to rehabilitate/renovate their properties. Currently, 32.3% of properties with a tax abatement are investment properties and 67.7% are owner-occupied. Examining these properties at the census block group level in relation to the rate of homeownership, the number of owner-occupied properties under abatement varies according to the rate of home ownership; it is not until the homeownership rate dips below 70% that investors begin to use the program with any regularity. (Graph 12) Neighborhoods with the highest rates of homeownership reveal that the program benefits homeowners compared to investors 11 to 1 in neighborhoods.

Graph 12

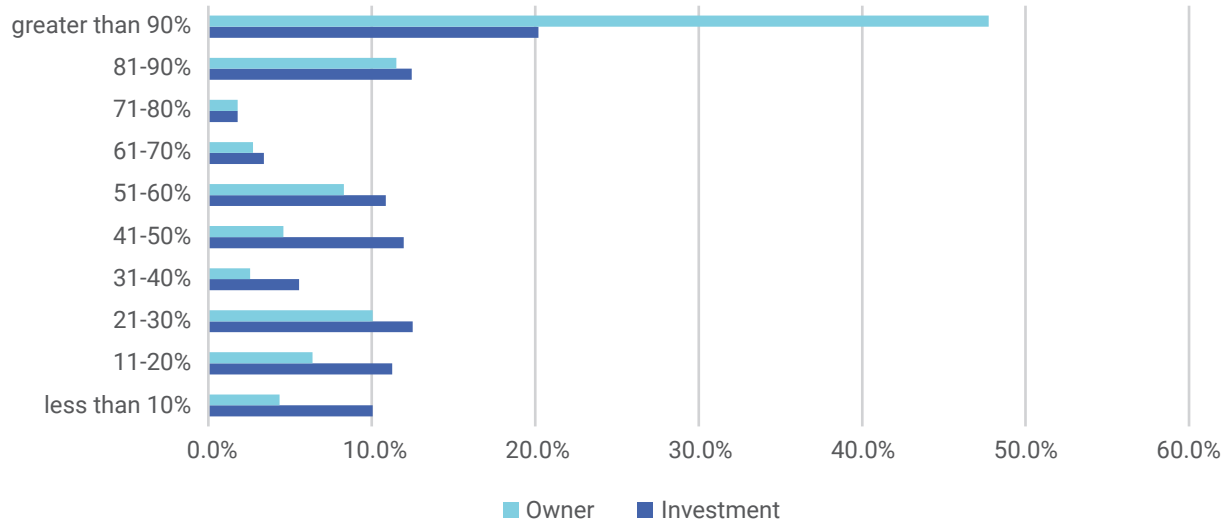
Abatement by Property Type and Rate of Ownership



Thirty-eight percent of all properties and 48% of owner-occupied properties under abatement are found in neighborhoods in which more than 90% of the households are white, owner-occupied, compared to just 3.5% of the total number of properties under abatement and 2.8% of owner-occupied abatements in neighborhoods in which more than 90% of the households are Black, owner-occupied.

Graph 13

Abatement by Property Type and Rate of White Ownership



The percentage of properties with tax abatements on them is illustrated in the chart below according to 2019 total assessed value. The average assessed value of a property using the abatement program is $424,862. It is clear that investment properties under $500k are more likely to use the program while the bulk of owner-occupied properties under abatement are program are more equally distributed. However, just 5.9% of properties under investment are valued at $100k or less.

Looking at it a slightly different way – the median assessed value in the city is $178,000 indicating that half the properties are assessed above that amount and half below – 78% of properties under abatement are assessed above the median value and just 22% are assessed below it. Moreover, 59% of the properties with abatements under the median value are investment properties compared to 25% of properties above the median.

Table 3

Total Assessed Value	Investment	Owner	Total
less than $100,000	14.5%	1.7%	5.9%
$100, 000 to $250,000	45.0%	26.3%	32.3%
$250,000 to $500,000	30.1%	35.8%	34.0%
$500,000 to $750,000	6.5%	18.7%	14.8%
$750,000 to $1 million	1.7%	8.6%	6.4%
Greater than $1 million	2.3%	8.7%	6.6%

We also examined the relationship between foreclosures and the tax abatement program. In total, 926 properties that went into foreclosure have participated in the tax abatement program. Of those, 447 (48%) are currently investment properties and 479 (52%) were returned to homeownership. 135 census block groups have foreclosed properties that took advantage of the tax abatement program, 30 of which accounted for 588 (63.4%) of the total. On average, these block groups consist of 65% Black households of which 44% are owner-occupied. The properties that went through foreclosure and are under abatement are currently 53.9% owner-occupied, and 46.1% investment owned.

In February 2019, the Center for Urban and Regional Analysis (CURA) released the findings of a comprehensive analysis of the City's Rehabilitation Tax Abatement Program. This report highlighted several issues that our analysis supports. Particularly that the blanket requirement for value increment threshold and the abatement period are barriers to homeowners in lower-income neighborhoods from participating in the program. Combined with racial disparities in access to credit, coupled with lower incomes, and the range of assessed values of properties under abatement, it can reasonably be concluded that the program is, by and large, used by upper-income, white households that own their own homes. The majority of investment properties under abatement are located in historically disinvested neighborhoods. In terms of a wealth building mechanism for lower-income households, it is our conclusion that the program works poorly. Granted, the intention of the program was to drive investment into the city at a time when there was little. However, the residual wealth building benefit has gone primarily to upper-income residents who can afford the upfront costs associated with the program.

As with the findings of the CURA report, our regression models did not validate the abatement program being a significant driver of gentrification. That is not to say that the program does not exacerbate existing market conditions, particularly in certain neighborhoods, but rather that its effects are not significant enough to reach that conclusion confidently.

Tax Delinquent Parcels & Vacant Properties

The city, largely as a result of systemic racial discrimination and the resultant wealth inequality that comes with it, has a sizeable number of vacant and tax delinquent properties. As of the beginning of 2019, there were 4,847 vacant single-family properties with a combined assessed value of $170.5 million. Vacant parcels have a strong negative effect on proximate property values and it is important to view this through a historical lens of systemic disinvestment.

In 1937, the Home Owner's Loan Corporation created a residential security map of the city which racially dictated which neighborhoods were fit for investment of publicly-backed resources. This color-coded map graded neighborhoods A (green) through D (Red). A neighborhoods were effectively all white and D neighborhoods were predominantly Black. This practice came to be known as redlining and effectively served to destroy Black communities in cities across the country. The impact of this discrimination is evident today, over 80 years later, in the spatial display of vacant properties.

50.8% (2,466) of all vacant properties are located in former HOLC designated neighborhood boundaries. Table 4 shows the total number of vacant parcels per area, their percentage of the total, total assessed value and average value per parcel per HOLC neighborhood as well as the portion of North Chesterfield that was annexed by the City in 1970.

Table 4

Area	Vacant Parcels	% of Total	Total Assessed Value	Average Value per Parcel
A	82	1.7%	$ 11,936,000.00	$ 145,560.98
B	226	4.7%	$ 10,130,000.00	$ 44,823.01
C	546	11.3%	$ 16,229,000.00	$ 29,723.44
D	1612	33.3%	$ 40,982,000.00	$ 25,423.08
Annex	1163	24.0%	$ 52,640,000.00	$ 45,262.25

2,071 vacant parcels with an assessed total value of 37.62 million are located in neighborhoods with 75% or more Black households compared to 756 with a total assessed value of 54.24 million in neighborhoods with 75% or more white households.

In short, vacant parcels in the city are not being put to their best and highest use and many of them have fallen into tax delinquency for various reasons. For the past several years the City has been working to clear its inventory of tax delinquent properties in an effort to bring them back online and increase tax revenue. The only stipulations are that the buyer submit a written work schedule and plan to remedy all code violations. To date, the City has auctioned off approximately 400 tax delinquent single family parcels.

Currently, the City has an inventory of 1,241 single family tax delinquent parcels of which 651 (52.4%) are currently vacant. Table 5 shows that the bulk of these properties are located in former D graded neighborhoods (% Delinquent) and account for 45.5% of the properties thus far sold at auction.

Table 5

Area	Delinquent	% Delinquent	Total Assessed Value	Average Value	Sold	% Sold
A	5	0.4%	$ 608,000.00	$ 121,600.00	0	0.0%
B	18	1.5%	$ 2,223,000.00	$ 123,500.00	2	0.5%
C	244	19.7%	$ 18,408,000.00	$ 75,442.62	57	14.4%
D	435	35.1%	$ 18,406,000.00	$ 42,312.64	180	45.5%
Annex	173	13.9%	$ 11,546,000.00	$ 66,739.88	32	8.1%

Given the location and subsequent history of many of these properties, it is concerning that the City views these tax auctions as a source of revenue in lieu of an opportunity to provide sorely needed wealth building opportunities in communities that have been the epicenter of discrimination and wealth extraction for generations. To date, the Maggie Walker Community Land Trust has received 33 tax delinquent properties of which 22 have been converted to permanently affordable housing for lower-income households. The Maggie Walker Land Bank has received an additional 11 properties with an additional 7 pending transfer. From an historical perspective, it is unconscionable that the City is chasing meager short-term revenue in lieu of supporting wealth building opportunities for its residents.

Recommendations

1. Increasing lower-income households to wealth building opportunities must include the City taking advantage of its full range of current opportunities. These opportunities include the transfer of as much, if not the entire, inventory of tax-delinquent single-family parcels to the Maggie Walker Land Bank for future redevelopment of long-term affordable wealth building options for lower-income city residents.
2. Further, the City needs to be proactive about securing additional opportunities when they present themselves such as the existing inventory of RRHA owned single-family property or through the acquisition of vacant parcels.
3. We strongly suggest that the City's Rehabilitation and Tax Abatement Program be re-worked to take into account the findings of the CURA report. The City must be equitable. The amount of incentive to increase household wealth provided to upper-income white households must be invested in homeownership opportunities for low-income, Black households. Reverting back to the perspective of the revenue neutrality of the Abatement program, the tax revenue that comes back online after properties roll off of their abatement period should be reserved for wealth building opportunities for lower-income households.
4. The City's Affordable Housing Trust Fund must also be fully funded in order to create additional wealth building options for low-income residents.

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