

# **RACIAL DISPARITIES IN NEIGHBORHOOD HOME VALUES AND RELATED RISK OF DISPLACEMENT**

**HOUSING OPPORTUNITIES MADE EQUAL OF VIRGINIA (HOME OF VA)**

THOMAS OKUDA FITZPATRICK, EXECUTIVE DIRECTOR

BRYAN MOOREFIELD, DIRECTOR OF RESEARCH





# KNOW YOUR PRICE

Valuing Black Lives  
and Property  
in America's Black Cities

Andre M. Perry

In metro Richmond, the average home in majority Black neighborhoods is worth 17 percent less than it would be if it were located in a neighborhood with identical opportunities where the population was one percent Black or less.



**Policy Approaches to Racial Disparities  
in Neighborhood Home Values and  
Related Risks of Displacement**

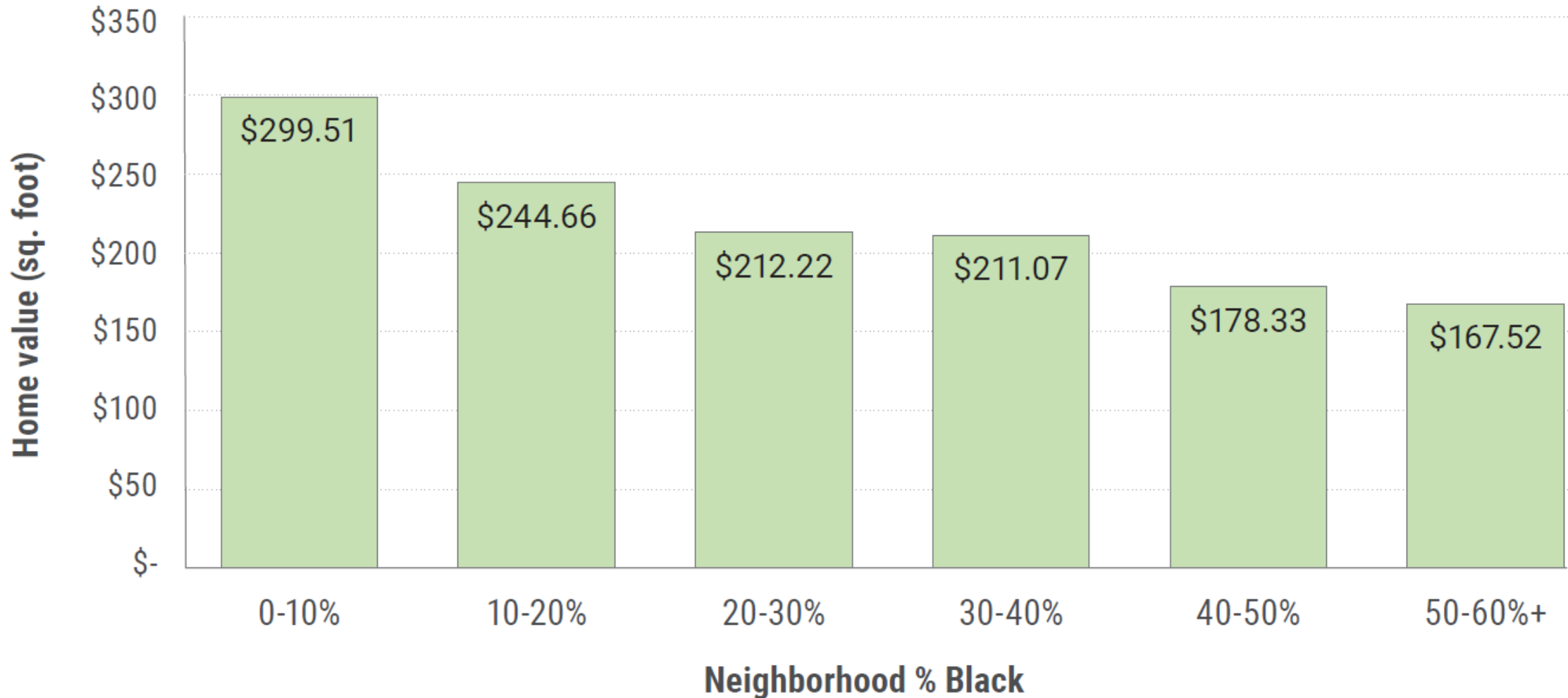
Housing Opportunities Made Equal of Virginia



May 2024

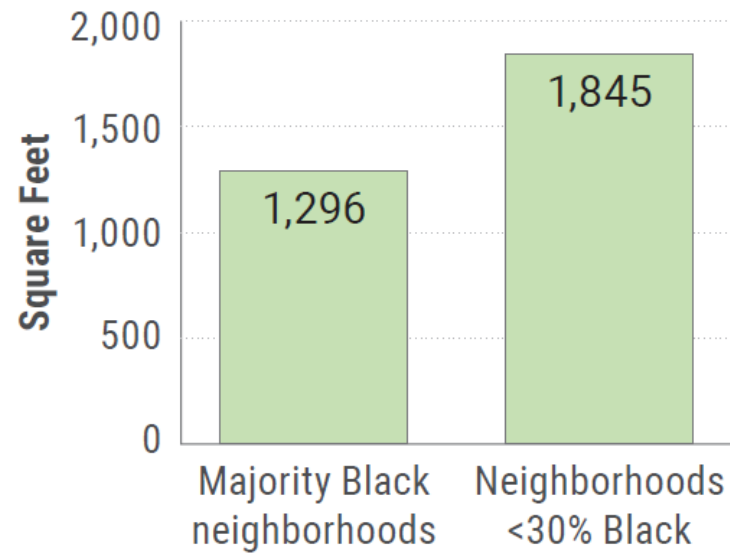
**Racial demographics predict roughly half of the inequality in average home values between Richmond neighborhoods—far more than indicators of home size, type, and condition within the neighborhoods' housing stock.**

# HOME VALUES AND NEIGHBORHOOD RACIAL DEMOGRAPHICS



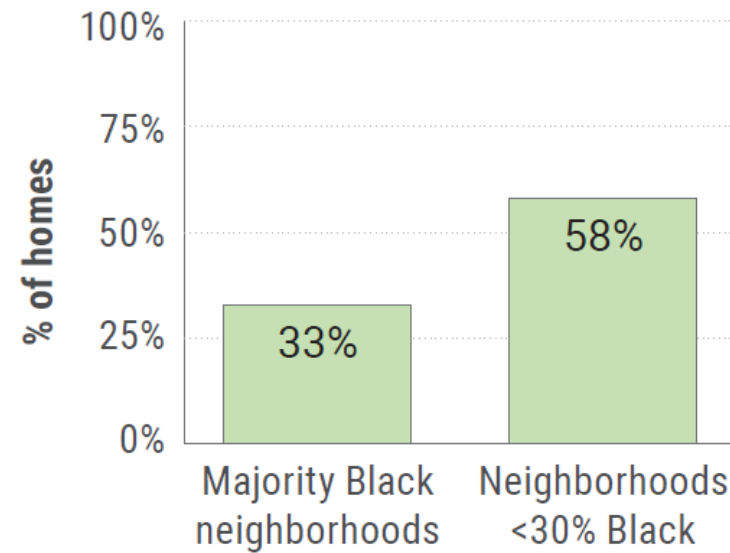
**Figure 2.** Home size and neighborhood racial demographics, City of Richmond

Median home size



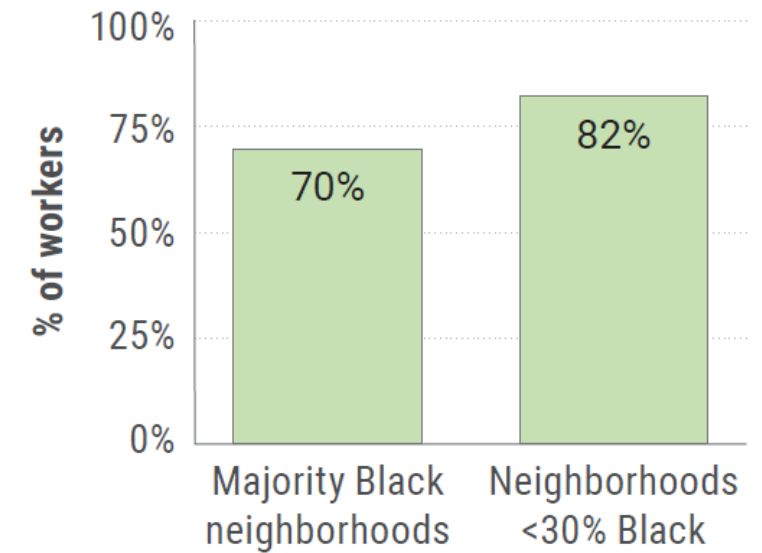
**Figure 3.** Home condition and neighborhood racial demographics, City of Richmond

Homes in better than average condition



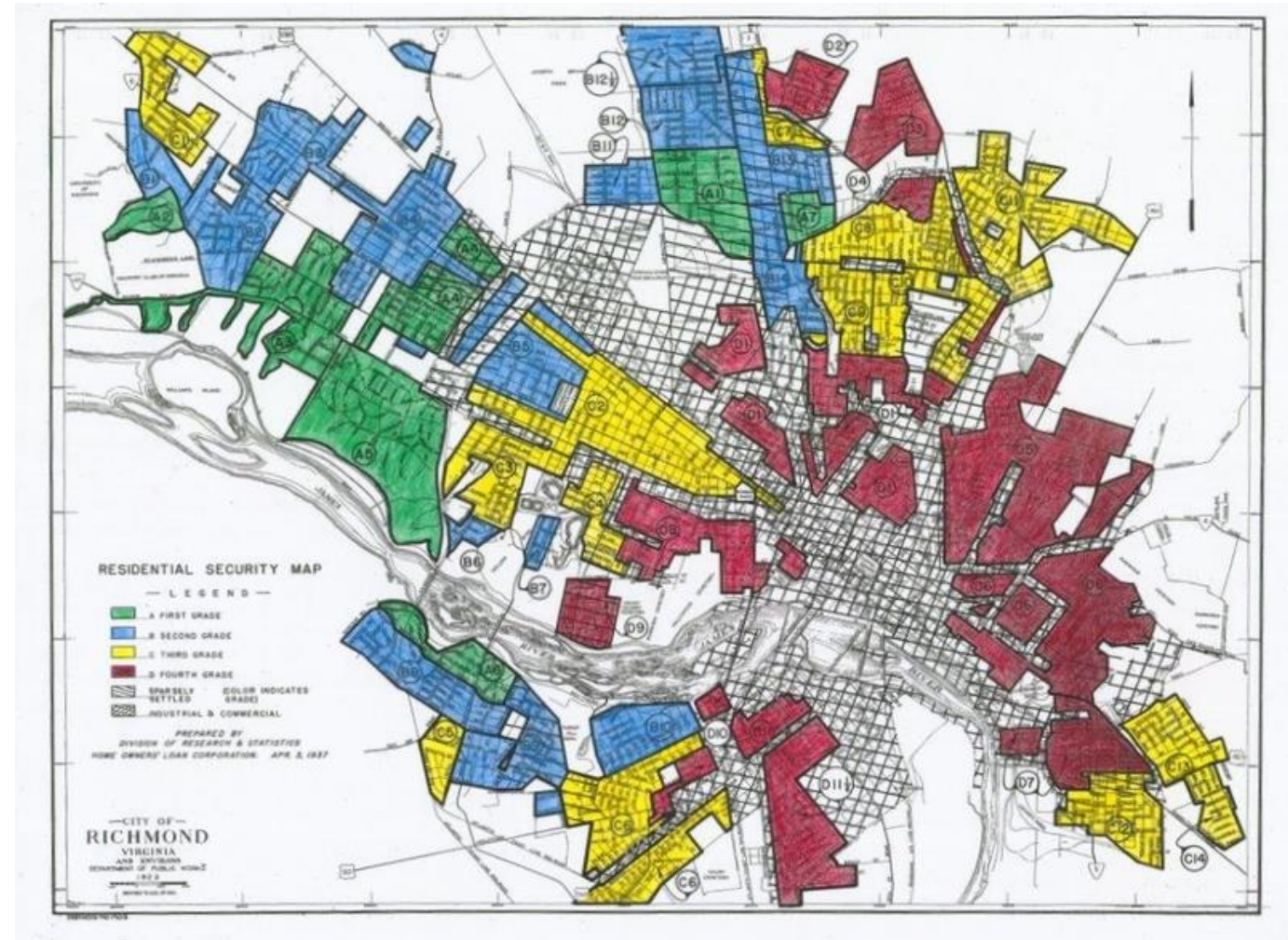
**Figure 4.** Commute time and neighborhood racial demographics, City of Richmond

Commute <30 mins. to work



# WHY ARE HOME VALUES LOWER IN BLACK NEIGHBORHOODS?

- Historic Underinvestment in Majority Black Neighborhoods
- Quality housing and socioeconomic opportunities are distributed unequally between Black and white neighborhoods



# WHY ARE HOME VALUES LOWER IN BLACK NEIGHBORHOODS?

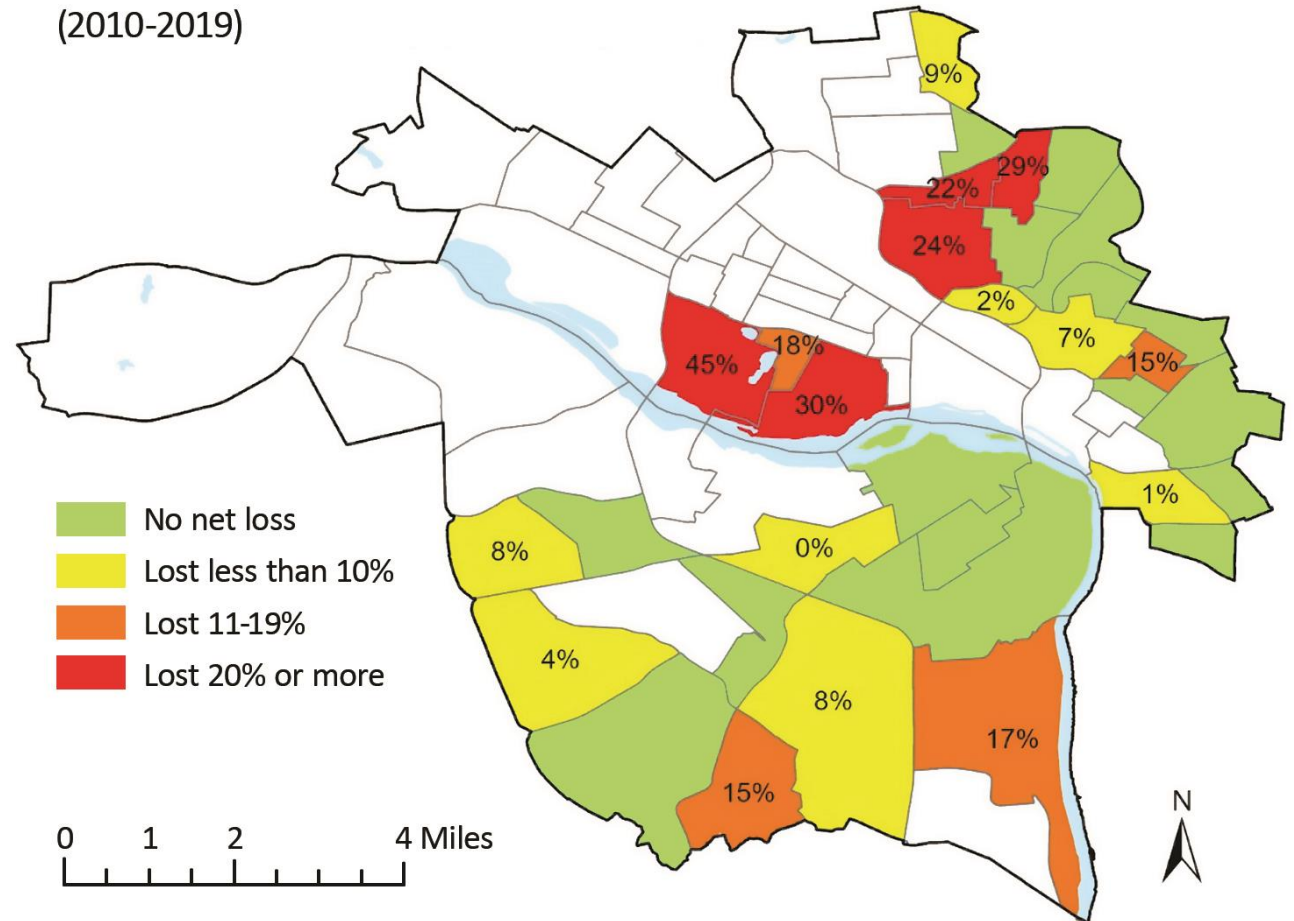
- *Appraisal bias.*
  - *Historic Appraisal Bias (starting point in the 1900s, with intentionally devalued houses in Black redlined neighborhoods)*
  - *Contemporary sales comparison*
  - *Selection of houses for comparison*

One problem with appraisal methods is that they fail to correct for the unequal positions from which neighborhoods began their appraisal histories. Appraisers intentionally devalued homes in neighborhoods with Black residents starting in the 1900s. These initial appraisals became the basis for new appraisals, which became the basis for newer appraisals, and so on.

# MINIMIZING DISPLACEMENT WHILE SUPPORTING EQUITABLE HOME VALUATION

Decades of home devaluation have left Black neighborhoods vulnerable to community displacement through sudden spikes in housing costs.

Map 3. Relative loss of Black population by tract (2010-2019)





# ANTICIPATING AND MITIGATING DISPLACEMENT

## **Displacement Risk Ratio (DRR) - Richmond Area Market Value Analysis**

- DRR is calculated using home sale prices and median family incomes
- Increasing housing prices and stagnant or declining incomes puts residents at greater risk of displacement
- Areas with artificially low home values (devalued homes) are particularly vulnerable to upward shifts in the values of those homes.

**Conduct Displacement Risk Assessment Prior to Major Public Works and Development Projects.**



# POLICY OPTIONS FOR REDUCING DISPLACEMENT OF OWNER-OCCUPANTS

- Continue advocacy for Long-term Owner-occupant Program (LOOP) constitutional amendment
- Outreach and awareness of current tax relief options
- Maintain robust payment plan for tax-delinquent owner-occupants
- Assistance with home rehabilitation

# POLICY OPTIONS FOR REDUCING DISPLACEMENT OF RENTERS

- Catalog subsidized homes and end dates of their affordability requirements.
- Incentivize existing/prospective owners of subsidized homes to extend affordability periods, and incentive owners of naturally occurring affordable housing to maintain the affordability of their units.
- Rehabilitation assistance as an incentive to preserve existing affordable housing.
- Upzone and expand residential use into new areas to make space for affordable housing.
- Fast track permitting and waive fees to incentivize affordable housing production.
- Buy property proactively in Black neighborhoods to protect it from the speculative market and reserve it for affordable housing use

# POLICY OPTIONS FOR ADDRESSING UNDERVALUATION OF BLACK NEIGHBORHOODS

Given this legacy of discrimination, it is appropriate for the City of Richmond to make reparative investments in Black neighborhoods that expand home improvement capacity and other socioeconomic opportunities historically denied to Black homeowners and Black neighborhoods.

- Encourage private lenders to provide special purpose credit programs for home improvements in Black neighborhoods.
- Increase pedestrian and transit infrastructure to enhance access to employment, finance, retail, and services.
- Expand tree cover and green space to support wellbeing and mitigate environmental risks.