

KNOW YOUR PRICE

Valuing Black Lives
and Property
in America's Black Cities

Andre M. Perry

Book Group Discussion Guide

KNOW YOUR PRICE

Valuing Black Lives and Property in America's Black Cities

Andre M. Perry

Brookings Institution Press, 2020

The deliberate devaluation of Blacks and their communities has had very real, far-reaching, and negative economic and social effects. An enduring white supremacist myth claims brutal conditions in Black communities are mainly the result of Black people's collective choices and moral failings. "That's just how they are" or "there's really no excuse": we've all heard those not so subtle digs.

But there is nothing wrong with Black people that ending racism can't solve. We haven't known how much the country will gain by properly valuing homes and businesses, family structures, voters, and school districts in Black neighborhoods. And we need to know.

Noted educator, journalist, and scholar Andre Perry takes readers on a tour of six Black-majority cities whose assets and strengths are undervalued. Perry begins in his hometown of Wilksburg, a small city east of Pittsburgh that, unlike its much larger neighbor, is struggling and failing to attract new jobs and industry.

Bringing his own personal story of growing up in Black-majority Wilksburg, Perry also spotlights five others where he has deep connections: Detroit, Birmingham, New Orleans, Atlanta, and Washington, D.C. He provides an intimate look at the assets that should be of greater value to residents—and that can be if they demand it.

Perry provides a new means of determining the value of Black communities. Rejecting policies shaped by flawed perspectives of the past and present, it gives fresh insights on the historical effects of racism and provides a new value paradigm to limit them in the future.

Know Your Price demonstrates the worth of Black people's intrinsic personal strengths, real property, and traditional institutions. These assets are a means of empowerment and, as Perry argues in this provocative and very personal book, are what we need to know and understand to build Black prosperity.

About the Author

Andre M. Perry is a fellow in the Metropolitan Policy Program at Brookings, a scholar-in-residence at American University, and a columnist for the Hechinger Report. He is the author of the new book *Know Your Price: Valuing Black Lives and Property in America's Black Cities*, which is currently available wherever books are sold. A nationally known and respected commentator on race, structural inequality, and education, Perry is a regular contributor to MSNBC and has been published by *The New York Times*, *The Nation*, *The Washington Post*, TheRoot.com and CNN.com. Perry has also made appearances on CNN, PBS, National Public Radio, NBC, and ABC. His research focuses on race and structural inequality, education, and economic inclusion. Perry's recent scholarship at Brookings has analyzed Black-majority cities and institutions in America, focusing on valuable assets worthy of increased investment.

Since the COVID-19 pandemic began, Perry has documented the underlying causes for the outsized number of coronavirus-related deaths in Black communities. His Brookings research has illuminated how certain forms of social distancing historically accelerated economic and social disparities between Black people and the rest of the country. Perry also mapped racial inequities in housing, income, and health to underscore how policy discrimination makes Black Americans more vulnerable to COVID-19.

His research has spotlighted the struggles of Black businesses—including artists and art institutions, restaurants, and barbershops and beauty salons—as they await federal relief from COVID-19's economic impact. In education, he explained how college campus closings put housing-insecure students at risk during the pandemic. He's also written on the unrealized value of teachers' work that's been made apparent by COVID-19, and has commented on the potential loss of Black teachers as a result of an impending recession.

Prior to his work at Brookings, Perry has been a founding dean, professor, award-winning journalist, and activist in the field of education. In 2015, Perry served on Louisiana Governor-elect John Bel Edwards' K-12 education transition committee, as well as on New Orleans Mayor-elect Mitch Landrieu's transition team as its co-chair for education in 2010. In 2013, Perry founded the College of Urban Education at Davenport University in Grand Rapids, Mich. Preceding his stint in Michigan, he was an associate professor of educational leadership at the University of New Orleans and served as CEO of the Capital One-University of New Orleans Charter Network.

Perry's academic writings have concentrated on race, structural inequality, and urban schools. Perry co-authored the Brookings Institution report "The Devaluation of Assets in Black Neighborhoods" and has presented its findings across the country, including to the U.S. House Financial Services Committee. For the tenth anniversary of Hurricane Katrina, Perry co-authored "School by School: The Transformation of New Orleans Public Education" in *Resilience and Opportunity: Lessons from the U.S. Gulf Coast after Katrina and Rita*, published by Brookings Institution Press. Perry also co-authored "The Transformation of New Orleans Public Schools: Addressing System-Level Problems Without a System," published by the Data Center of New Orleans. He also co-authored a chapter in *Between Public and Private: Politics, Governance, and the New Portfolio Models for Urban School Reform* published by Harvard Education Press. Along with the Joint Center for Political and Economic Studies, Perry co-authored the report "Place Matters for Health in Orleans Parish: Ensuring Opportunities for Good Health for All."

A native of Pittsburgh, Pa., Perry earned his Ph.D. in education policy and leadership from the University of Maryland College Park.

General Guidelines for Productive Discussions

This book is intended to encourage conversations about valuing Black lives and property in the context of the United States. Readers outside of the United States may also find the ideas useful and relevant, but all should be aware that it has been written with specific reference to dynamics in the U.S. There are lots of topics contained in the book that readers may wish to talk about that are not highlighted in the reflection questions. Don't let that limit your dialogue. The reflection questions are only meant to be conversation starters.

Here are some discussion guidelines that book group members may find helpful:

SHARE THE AIRTIME. Everyone's participation should be encouraged. Monitor your own participation level. If you are someone who often speaks up, be sure you are also allowing opportunities for others to participate. If you are someone who is hesitant to speak in groups, use this opportunity to stretch yourself some.

CONFIDENTIALITY IS IMPORTANT. Share the ideas from the conversations with your friends and acquaintances, but personal statements and experiences should remain confidential. Don't share someone else's story without their permission.

MUTUAL RESPECT IS IMPORTANT. Diverse perspectives are to be expected. When necessary, we can agree to disagree, and do so in a mutually respectful way. We are all "works in progress." No one knows everything. We all need to listen carefully to each other and recognize that each of us has something to learn from others.

SPEAK FROM YOUR OWN EXPERIENCE. When talking about difficult topics, it's easy to slip into a pattern of talking about what "others" think. Try to avoid that. Use "I" statements.

IF YOU HAVE A QUESTION, ASK IT!

Table of Contents

Introduction

The Assets of Home

1. *Who Runs the City*
2. *A Father Forged in Detroit*
3. *Buy Back the Block*
4. *A Different Kind of School*
5. *The Apologies We Owe to Students and Teachers*
6. *Having Babies Like White People*
7. *For the Sake of America, Elect a Black Woman President*
8. *“The city will be chocolate at the end of the day.”*

Discussion Questions

Introduction: *The Assets of Home*

“Since 1965, when Assistant Secretary of Labor Daniel Patrick Moynihan published his report, *The Negro Family: The Case for National Action*, better known as the Moynihan Report, researchers and journalists have continued framing poverty mainly as a function of individual choices—that is, mothers form families that put children in harm’s way. Moynihan also offered a robust structural analysis of the economic and social conditions that help shape Black family structures. However, he set a dangerous example by identifying the main problem as Black people not living up to White middle-class ideals. This is a mold that researchers of Black people and cities willfully maintain to this day. One of the major goals of this book is to show that there is nothing wrong with Black people that ending racism can’t solve.” (pp. 9-10)

Reflection: What was the demographic makeup of your family unit growing up? How were you impacted by poverty, if at all? Do you agree that poverty is mainly as a function of individual choices? To what extent do structural economic and social conditions shape Black family structures?

“In the U.S. context, we, as researchers and as residents, are bombarded with studies that project how bad Black families, students, and residents are compared to an assumed White norm. Researchers rarely ask these analytic questions: What is good about Black families? Where are the assets of Black communities? According to the research nonprofit the Institute on Assets and Social Policy, “Assets provide the tangible resources that help individuals move out of and stay out of poverty.”² Assets include the material and nonmaterial, such as physical property, federal treasury notes, cash, stocks, bonds, brand names, savings, copyrights, and more. Assets are the physical, nonphysical, and behavioral resources that can be exchanged for quality of life improvements. People are the most important asset of all.” (p. 10)

Reflection: What are the assets of Black communities in the Kansas City area?

Chapters

1. Who Runs the City

“Economic development has always been chiefly about people—except when it comes to Black people in Black neighborhoods. When it comes to Black people, economic development becomes about investing in inanimate objects, like buildings in which Whites are the assumed beneficiaries. Phrases such as urban development and urban planning are misnomers, because in practice they are mostly real estate deals that aren’t substantively connected to the Black and Hispanic business and homeowners (or potential owners) closest in proximity. As a result, many affordable housing and tax incentive programs in inner cities facilitate White people’s growth and end up displacing Black residents in the long run.” (pp. 39-40)

Reflection: What do you think about the idea of “economic development”? How can you educate yourself, if necessary, so you are able to advocate for “community development” in an empowering way? What could greater investment in Black people, institutions, firms and the communities in Kansas City look like?

What is essential to “community development” in Kansas City? What do Black communities most need?

Where in Kansas City are Black businesses being invested in? Who is helping Blacks sustain businesses and access to dollars?

How do we ensure funds are invested in Black-led technology and financial institutions? Who is trusted?

How does the pandemic exacerbate the challenges Black communities face? How could local and state government respond? How can the larger community provide support?

2. A Father Forged in Detroit

“Given that homes in Black-majority neighborhoods are devalued by 23 percent as compared to White ones, with a cumulative loss of \$156 billion nationally, we need to reframe the “it all starts at home” refrain. It does start at home, but what that means is bigotry and implicit bias impose a “Black tax” on residents of Black-majority neighborhoods that White neighborhoods simply don’t have to pay. To put it plainly, racial bias is taking away money from Black families that could be put toward college tuition or a small business.” (pp. 56-57).

Reflection: What was the demographic makeup of the neighborhood where you grew up? Where you live now? What was the population of the schools you attended growing up? Is it the same or different from the schools in your community now? What role has the devaluation of housing and/or schools played in your life?

3. Buy Back the Block

“When people talk about real estate and community development in Black communities, they think mostly about building inanimate physical things, revitalizing property and infrastructure, and alleviating the outward signs of poverty.¹ Instead of people, traditional developers pay most of their attention to the built environment, making physical structures in a community suitable for residents to use.” (p. 75).

Reflection: What changes in real estate and community development have you seen in the last 20 years in Kansas City? How has your life been impacted by the changes? How can the community ensure real estate developers and urban planners build endeavors that meet residents’ basic needs including affordable housing, creating jobs that generate a living wage, and assuring safety?

4. A Different Kind of School

“Recognizing the potential of school buildings in a neighborhood, Bill Bates, Pittsburgh native and president of the American Institute of Architects, told me: “Schools were built to last ... I think it’s easier and more sustainable to rehabilitate a building than to close or destroy it. They are already in place. You don’t have to import materials and do a lot of work to build them; to renovate them.” (pp. 105-106).

Reflection: The people and students of Kansas City need safe places to grow, heal, and develop. What kinds of community-focused organizations and programs can become part of the social infrastructure that’s needed in Kansas City?

What value do schools bring to a community? How are they a social and economic asset?

How is the Wilksburg School District's story similar to or different from the story of Kansas City Public Schools?

What does Dr. Perry mean by a "different kind of school?"

What can districts do with empty schools? What do you think should be done with them? (There are currently six vacant buildings in KCPS: <https://www.kcpublicschools.org/about/repurposing>)

What are the positives of Community Forge? Challenges? How does the story of Community Forge exemplify the challenges of repurposing vacant school buildings?

5. The Apologies We Owe to Students and Teachers

"Louella Givens had served as a member of the Louisiana State Board of Elementary and Secondary Education before, during, and after Katrina. In the documentary film *A Perfect Storm*, she made her beliefs about the mass layoffs known: "While people in New Orleans Parish was still underwater and on rooftops, there was a plan being formed to take away the schools in Orleans Parish."⁹ That plan included a state takeover of district schools and a strategy to convert those state-managed schools to charters, which are not subject to union rules, do not require teachers to be certified, and where, most important, the principals have the right to hire and fire whomever they please." (p. 135).

"When I managed charter schools in New Orleans post-Katrina, I often heard White educators say the "color of the teacher doesn't matter." This statement clearly reflected wide-held views; shortly later, the number of Black teachers declined by about 20 percent. Then, when it became painfully obvious that schools with a majority of Black and Hispanic students needed teachers of color, the questions became, "Where did all the Black teachers go?"⁴⁶ and "Where are the teachers of color?"⁴⁷ These ill-informed op-eds get one thing right: They suggest that color-blind educators have finally reached a point where they can admit that improving educational outcomes demands that we recruit more Black and Hispanic teachers and keep existing ones in the profession. As the saying goes, absence makes the heart grow fonder." (pp. 151-152).

Reflection: What was the demographic makeup of the teachers in the schools you attended growing up? Where you live now? Is it the same or different from the schools in your community now? Do you agree that color-blind educators are a barrier to improving educational outcomes for students? Why or why not?

How are Black teachers assets to students of color? Did you have teachers of color? How did they influence you?

What do you think about the growth of charter schools in Kansas City? How have charter schools benefited and harmed Kansas City students, teachers, and the community? What could greater investment in Black students, teachers and schools in Kansas City look like?

"Schools should be community-driven, with data being used as a tool for uplift." (p. 146). What is the problem with schools making "data-driven decisions?" How is only looking at academic outcomes not enough? What other factors should we consider when evaluating the quality of a school?

How did the education reform movement “devalue and erase” Black teachers in New Orleans (p. 139)? Did something similar happen to Black teachers in Kansas City?

How was racism institutionalized in the Recovery School District in the wake of Katrina? How do you see racism institutionalized in school systems in the Kansas City area?

Why does Perry say, “The education reform movement is too White to do any good” (p. 156)? Do you agree or disagree? Why or why not?

Are charters facilitating equity for our students? Is choice really what charters are about? Who is making the decisions about charter schools?

What is the connection between gentrification and the creation of charter schools? Are charters only in communities of color/lower socioeconomic areas?

6. Having Babies Like White People

“According to the Centers for Disease Control (CDC), in 2016, a higher percentage of Black babies died before their first birthday than all other racial categories, 11.5 deaths per 1,000 live births compared to 9.4 for American Indian/Alaska Native, 7.4 for Native Hawaiian/Pacific Islanders, 5.0 for Hispanics, 4.9 for Whites, and 3.6 for Asians.¹ Mortality rates among Black mothers also tells a horrifying story of racism. Each year, approximately 700 women die in the United States from causes related to pregnancy or childbirth.² The death rate for Black women is three times higher than the rate for White women. And most maternal deaths are preventable (60 percent). (pp. 158-159).

“Adding value to Black communities demands policies that ensure that Black mothers and children, regardless of their family structure, have as good a chance at living a year after giving birth as anyone else. Browbeating Black women, telling them they should wait till marriage to have a child, won’t remove policies and structures that are taking the lives of Black women and their babies. Talking about marriage without mention of wealth, as family planning advocates typically do, obfuscates one of marriage’s significant functions—wealth transfer (for White people). Wealth correlates with marriage, especially when you have it. Yet you seldom hear family planners advocate for policies that promote Black wealth to incentivize marriage. Nonetheless, when we shift blame from mothers to policy, we begin to understand how to improve the contexts in which mothers give birth and children are born into. I learned this firsthand during the multiple attempts my wife and I made to expand our own family.” (pp. 159-160).

“Black women must be trusted to have children and raise a family in a manner they see fit. And we must be willing to invest in the potential of lives we have yet to see. One of the most effective ways to invest collectively is through political organizing, getting representation in legislative halls at the local, state, and national levels. There is nothing wrong with Black people that ending racism can’t solve.” (p. 181).

Reflection: What new information have you learned about the experiences of Black women and their babies that gives you greater insight into the structural racism that impacts them? How can community members collectively support Black women?

What does Perry mean by “having babies like White people”?

7. *For the Sake of America, Elect a Black Woman President*

“There can be no real, sustainable protection in a democracy without citizenship. Our quality of life and even our existence is tied to the assumptions of who is an official member of the country. Our lack of protection signals a second-class status. Yet there is no more important power that can change that standing in the life of a citizen than the right to vote. Ending racism may solve many of Black people’s problems, but electing a Black woman to the highest offices in the land may save America from itself. Exercising our right to vote is the first line of defense against being pushed from our homes and communities.”

(p. 197).

Reflection: Do you believe democratic change is possible? If so, what is your sphere of influence and how can you use it to bring about positive social change? If you are hesitant, what is holding you back? What support do you need to become a more effective agent of change?

Why are Black women uniquely positioned to draw votes from a diverse electorate?

Why does America need a Black woman’s agenda?

How are Black women “powerful but not protected”? How can we support Black women running for office?

How can we ensure there are teachers and school leaders of color? How can we support the general growth of Black leadership in the KC community?

8. *“The city will be chocolate at the end of the day.”*

“Gentrification, displacement, and migration are creating more Black-majority cities. With the future of a democracy at stake, how Black-majority cities grow will forecast our growth of an increasingly multiracial country. Blacks will continue to pursue economic and social growth wherever we reside. Will racist policies continue to cut off the country’s nose to spite its face by excluding, discriminating against, and devaluing Black assets? When Black lives matter so, too, will our democracy.” (p. 199).

“as of the latest census estimates in 2017, there are now 1,262 Black-majority cities, an increase of more than 100 during this decade alone (figure 8-2).” (p. 208).

Reflection: Where do you find signs of hope in Kansas City, where Black people “know their price”? What is happening in your community that is, or could be, a source of encouragement in valuing Black lives and property? How might those efforts be amplified to advance equity?

How do we end racism when a many refuse to recognize the challenge/plague of racism itself?

How do we hold leaders accountable? How can we shift legislation?

Which organizations in Kansas City hold systems accountable to transformation?

Additional Reading + References

[The devaluation of assets in black neighborhoods: *The case of residential property*](#)

Andre M. Perry, Jonathan Rothwell, and David Harshbarger

Homeownership lies at the heart of the American Dream, representing success, opportunity, and wealth. However, for many of its citizens, America deferred that dream. For much of the 20th century, the devaluing of black lives led to segregation and racist federal housing policy through redlining that shut out chances for black people to purchase homes and build wealth, making it more difficult to start and invest in businesses and afford college tuition. Still, homeownership remains a beacon of hope for all people to gain access to the middle class. Though homeownership rates vary considerably between whites and people of color, it's typically the largest asset among all people who hold it.

If we can detect how much racism depletes wealth from black homeowners, we can begin to address bigotry principally by giving black homeowners and policymakers a target price for redress. Laws have changed, but the value of assets—buildings, schools, leadership, and land itself—are inextricably linked to the perceptions of black people. And those negative perceptions persist.

Through the prism of the real estate market and homeownership in black neighborhoods, this report attempts to address the question: What is the cost of racial bias? This report seeks to understand how much money majority-black communities are losing in the housing market stemming from racial bias, finding that owner-occupied homes in black neighborhoods are undervalued by \$48,000 per home on average, amounting to \$156 billion in cumulative losses.

In analyzing the devaluation of black homeownership, this report finds:



Majority-black neighborhoods hold \$609 billion in owner-occupied housing assets and are home to approximately 10,000 public schools and over 3 million businesses. We find that in the average U.S. metropolitan area, homes in neighborhoods where the share of the population is 50 percent black are valued at roughly half the price as homes in neighborhoods with no black residents.



According to our analysis, differences in home and neighborhood quality do not fully explain the devaluation of homes in black neighborhoods. Homes of similar quality in neighborhoods with similar amenities are worth 25 percent less (\$48,000 per home on average, amounting to \$156 billion in cumulative losses) in majority black neighborhoods, compared to those with very few or no black residents.



In U.S. metropolitan areas, 10 percent of neighborhoods are majority black, and they are home to 41 percent of the black population living in metropolitan areas and 57 percent of the U.S. black population. Though most residents are black (14.4 million non-Hispanic blacks) by definition, approximately 5 million non-black Americans live in majority black neighborhoods.



Metropolitan areas with greater devaluation of black neighborhoods are more segregated and produce less upward mobility for the black children who grow up in those communities. This analysis finds a positive and statistically significant correlation between the devaluation of homes in black neighborhoods and upward mobility of black children in metropolitan areas with majority black neighborhoods.

[Five-star reviews, one-star profits: The devaluation of businesses in Black communities](#)

Andre M. Perry, Jonathan Rothwell, and David Harshbarger

Our ice is just as cold.” This expression, heard in corners of Black neighborhoods to articulate the choice between a Black-owned business and a white one, reminds customers that racism distorts our sense of quality. In a more perfect union, profits earned from a business would reflect the effort and labor put into it. The drag of racism on an economy not only cuts into individual owners’ profits, it robs local consumers and municipalities of the amenities and services neighborhoods gain from increased revenues. Further, a biased market cuts into the heart of the American Dream by negating the hard work, agency, and self-determination of business owners.

Research on small business outcomes finds that location matters. However, in the United States, residential segregation patterns by race have created peculiar neighborhood conditions for businesses to work within. To better understand how consumer-oriented markets work in Black neighborhoods, this report studies the financial performance and customer ratings of private enterprises across ZIP codes in 86 metropolitan areas across the country with large Black populations, and is part of a larger project to understand how assets are valued (and undervalued) in America’s Black neighborhoods.

Among other important findings, the report finds that highly-rated businesses in Black-majority neighborhoods experience annual losses in business revenue as high as \$3.9 billion. The report’s methodology matches Yelp data at the establishment level to financial performance data from the National Establishment Time-Series (NETS) Database.

CONCLUSION

To live out our democratic ideals and to achieve racial equity in the United States, institutions and markets critical to capital flows must give equal access to Black people. Historic discrimination distorts how we value Black people and the assets in Black communities, robbing them of the ability to lift themselves up the social ladder and build stronger neighborhoods. Negative perceptions that are shaped by racism put drags on markets that hurt Black people and the communities they live in.

In this report, we found evidence that racial discrimination distorts local customer-facing firms in ways that harm business owners and the Black-majority neighborhoods in which they sit. Our finding that even high-performing businesses receive less attention from Yelp reviewers and experience slower revenue growth means that the potential for wealth creation through entrepreneurship is hampered by a dim view of Black neighborhoods.

While the national patterns in Yelp reviews play out differently across metropolitan areas, there are practical things that cities and local governments can do to counteract the devaluation of businesses in Black communities. They should invest in city infrastructure near highly rated businesses in Black neighborhoods and provide creative financing solutions for commercial spaces in Black neighborhoods. Local governments should partner with businesses, real estate developers, and building owners to

incentivize the renovation of business facades and buildings and ensure that unnecessary bureaucratic and zoning restrictions are removed.

Fundamentally, we must find ways to restore the value of Black neighborhoods themselves, which has been reduced by racism. The economy, and its people, stand to gain from anti-discrimination, anti-racist policies that increases capital flow to businesses in Black neighborhoods.

[This Is How Hard It Is to Invest in Black Neighborhoods](#)

Andre Perry, May 13, 2020

CityLab

The following is an adapted excerpt from Andre Perry's forthcoming book, "Know Your Price: Valuing Black Lives and Property in America's Black Cities."

In 2018, I took a walk through Birmingham, Alabama, with real estate developer Brian Rice. Earlier that year, Rice had purchased nine buildings on 19th Street in downtown Ensley, the largest of the 99 neighborhoods within Birmingham. He was planning to bring them and the commercial corridor they were once part of back to life.

Blighted, vacant buildings interspersed with crumbling, if occupied, storefronts surrounded us. At the turn of the twentieth century, Ensley was its own municipality, with two business thoroughfares — one black, the other white — where merchants sold their wares to people who worked in the nearby steel factory of Tennessee Coal, Iron, and Railroad Company.

Today, only a small number of businesses operate in the former white thoroughfare of Ensley. Half-demolished lots overshadow the occupied businesses in buildings that could very well pass as condemned. Very few people and cars passed us as we walked and talked. On this walking tour of Ensley, we stopped at one of Rice's buildings that was partitioned into multiple units; it was constructed of brick and wood seemingly held together by decay.

While highly motivated, Rice was clear-eyed about the difficult road he and others must take. He had to kick the door several times to unstick it. When we stepped inside, what I saw inspired me to join the chorus: "Why develop this crumbling edifice?"



Most of the roof had fallen to the floor. Sunlight illuminated the jumbled piles of wood, plaster, brick, and metal that covered the ground. Pieces of tin ceiling tiles dangled perilously over our heads. The state of the building held a mirror to the unemployment, divestment, and devaluation in the entire neighborhood. To outsiders, Rice would no doubt seem to have made a bad investment by purchasing, with the help of family and friend investors, nearly an entire crumbling, commercial city block in a low-income black neighborhood. Between 1970 and 2010, the East Ensley neighborhood lost 81% of its residents, the most of any census tract in the city.

When bank lenders and outside observers asked Rice, “Why?” what they saw was the low incomes, high unemployment, and high crime in Ensley. But Rice was not looking at those realities; instead, he focused on its potential.

As we walked down 19th Street, Rice began sharing pieces of his vision. Facing an open area, he said, “I want to turn that into an outdoor pavilion patio-type space. A place for food trucks to set up.”

He pointed out the three accounting firms on the block. He wanted to convert one of the buildings to a place for nonprofits and mentoring programs. He planned to use a walkway between two buildings to host pop-up businesses.

“As you look down the street a little bit more, you will see there’s three more buildings...I want to turn that into a conference space for us and the community.”



Community development for places that have been ravaged by racism calls for multiple investments in people and places at a scale that can truly make an impact. Policies similar to those that created wealth for whites after the Great Depression could be applied again if not for Supreme Court decisions barring racial preferences. For the devalued price on property, there are black developers like Rice who

can buy a city block with family and friend investors, but those individuals need financing structures to redress the systemic and historic exclusion of wealth creation in this country.

“It should be easy,” Rice said when describing getting financing to develop the properties he’d already paid for. Rice’s initial investors provided him with the cash to pay for all the buildings. He still struggled to receive a loan from a traditional bank to develop the properties. Six months after the purchase, Rice had been able to secure only \$50,000, from a local bank. After an extensive process of sending numerous forms to several banks, the only returns he received were requests for more documents. Rice told me he realized then that “they’re trying to burn me out, but they don’t want to say no.”

Banks account for the majority of real estate development funding. Loans from large banks are the most sought-after source of funding by businesses, regardless of the racial background of owners.

However, white individuals receive more loans and lower interest rates than people of color.

Raise a hand

On June 20, 2019, I testified before the U.S. House of Representatives Committee on Financial Services Subcommittee on Housing, Community Development, and Insurance for a hearing titled “What’s Your Home Worth? A Review of the Appraisal Industry.” Representative Al Green of Texas asked a few pointed questions to a panel of witnesses composed of members of the appraisal lobby as well as me.

“Do you believe that...invidious discrimination plays a role in the devaluation of property in neighborhoods that are predominated with minorities, but more specifically black people?” Green asked.

“If you do believe this, raise your hand.”

I was the only one on the panel who raised a hand.

Nonplussed, Green asked another question for fear the panel didn’t understand. “If you feel black people are not being discriminated against when their property is being appraised...kindly raise your hand.”

No one on the panel raised their hand, but many guests (seemingly all white) of the panel seated directly behind the witnesses raised their hand in unison.

Green responded, “Now we’re getting some consternation.”

A few days after my hearing, Brian Rice called me, seething. After eight months, he had finally gotten an appraisal back from his bank.

“They basically said my property is worthless,” he bellowed. The appraisers valued 43,125 square feet of land at \$1.04 per square foot. All eight of his properties were compared to buildings such as an abandoned car wash and a rural farm, parcels of land more than 10 miles outside of the city. The report lists the total value of his block at \$45,000, which accounts for \$170,000 indicated land and property value minus \$125,000 in demolition costs. The low appraisal will make it difficult to get the kind of loan needed to develop an entire block.



Rice alleged that his appraisers intentionally devalued the Ensley properties. According to Rice, the appraisers willfully selected the worst property comparison scenarios, comparing his properties to dissimilar rural parcels more than 10 miles away. The appraisal recommended demolition as the best use, although none of the properties have been placed on a condemnation list by the city of Birmingham.

The Jefferson County property tax division had placed a much higher value on the properties than the appraisers. Rice argued that this devaluation is evidence of racism.

“I have no choice but to go public,” he told me. “I truly believe the bank is trying to force me out of business and into bankruptcy, so they can get my properties for very low.”

Rice understands that knowing your price often means fighting for it.

A confluence of obstacles

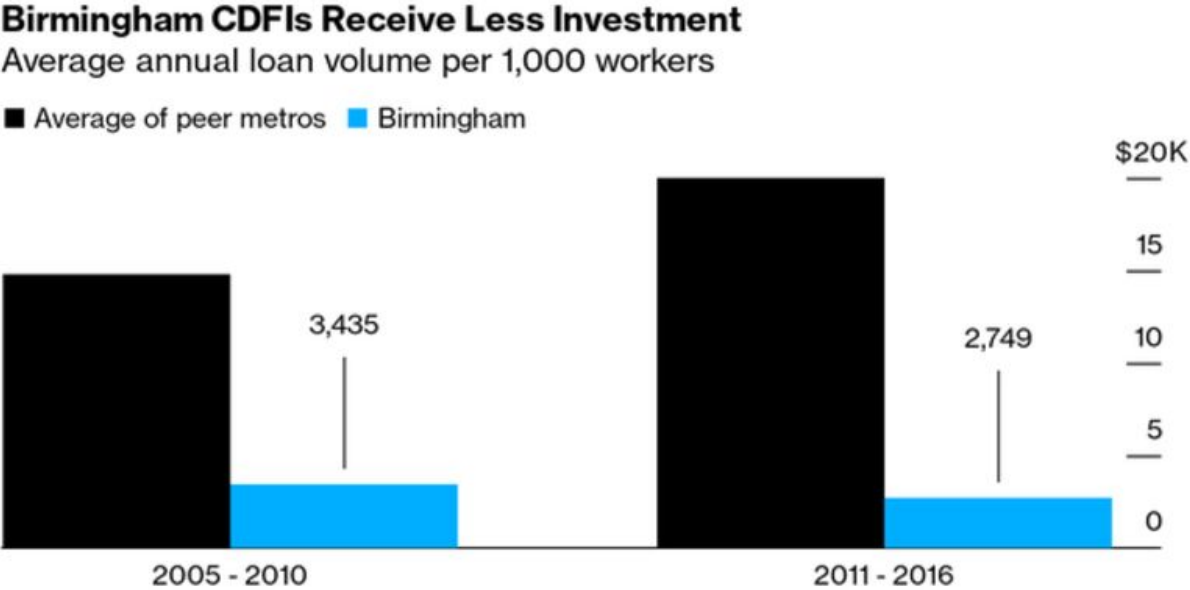
According to data from a 2020 report by the U.S. Federal Reserve, black business owners apply for bank financing at a slightly higher rate than white, Asian American, and Latino or Hispanic business owners, but more than half of applications are turned down — a rate which far exceeds any other demographic group.

More than half (53%) of black business owners who apply for financing are denied, compared to 25%, 35% and 39% of white, Asian American, and Latino or Hispanic business owners, respectively. Furthermore, research from the Minority Business Development Agency (MBDA) in 2017 showed that among high-sales firms (those with over \$500,000 in gross receipts), white-owned businesses received loans that were worth more than double the amount lent to minority-owned firms, on average (\$310,000 to \$149,000, respectively). The report also found that minority-owned businesses paid an average interest rate of 7.8% compared to 6.4% for white-owned firms.

Rice pointed to the history of redlining in Ensley. “We’re in an area where banks have chosen not to invest,” he told me. With banks across the area delaying, denying, and not even responding to his requests for loans, Rice was recruiting Community Development Financial Institutions (CDFIs) and banks to open branches in Ensley, which currently has only one bank and one credit union.

CDFIs serve lower- and moderate-income individuals or communities by providing accessible financial resources. In 2018, there were more than 1,100 government-certified CDFIs located across the country managing \$150 billion in total assets collectively, according to the Community Development Financial Institutions Fund. According to the Opportunity Finance Network, the national association of CDFIs, of those served by CDFIs in 2017, 55% were people of color and 82% had low income or low wealth, or were from historically disinvested communities. Additionally, 27% of those served were from rural communities and 45% were women.

Birmingham, with only two certified CDFIs (at the time this chapter was written), receives significantly less CDFI funding compared to its peers of similar size.



Source: Brookings analysis by S. Liu and J. Parilla of Community Development Financial Institutions Fund data

Bloomberg

Brian Rice’s development is exactly the kind of endeavor that another type of federal funding — the Opportunity Zone provision of the 2017 Tax Cuts and Jobs Act — is supposed to support.

Opportunity zones are a community development tool that give tax relief on unrealized capital gains — profit from the sale of property and other investments — if those revenues are reinvested in a dedicated opportunity fund, which deploys resources in designated distressed areas. Governors identified the low-income urban and rural communities that fit certain criteria designated as an opportunity zone, and there are fund managers across the country who are ready to take in funds to invest in commercial real estate, housing, infrastructure, and even existing and start-up businesses.

However, there are significantly fewer black-owned real estate developments of the size and scale of those owned by other racial groups. In addition, there are a limited number of black and Latino managers of funds from which the investment dollars would be directed. Consequently, the reinvestment of an estimated \$6 trillion in unrealized capital gains would not build wealth for the people who need it.

The inability to create wealth within the black community is the reason so many black-majority places are distressed. Nonetheless, Rice's projects fell outside of the opportunity zone that covers parts of Ensley, precluding him from those investment dollars.

Real estate developers like Rice need support from government agencies. Needing to meet construction and zoning requirements outlined in city charters, developers can't build anything without municipal leaders' approval. But city officials represent more than checkboxes for building permits and quality control audits. Council members and mayors sit on a perch where they can see the overall economic landscape beyond the city limits. Local elected officials control federal, state, and local resources — financial, human, and administrative — that can be deployed to help move a developer's concept toward completion.

Developers have a much better chance of getting a project approved and financed if a mayor recognizes a project's value relative to the mayor's broader agenda. Mayors' political futures hinge mightily on the accomplishments of developers like Rice. New commercial corridors and housing projects can be the physical signs of progress that voters and funders love. More importantly, great commercial and residential projects improve the quality of life for residents and consumers. City hall can't stand in as a bank, but it can provide much-needed resources that increase the likelihood that financial markets embrace a development project. Rice and the city of Birmingham share a fate — if only they could see that.