

Solve Underproduction First: Closing the White vs. Black Wealth Gap



Bryan Greene
Vice President
Policy Advocacy
National Association of
REALTORS® (NAR)

More than a half-century ago, President Lyndon Johnson signed into law the landmark federal Fair Housing Act. Today the gap between Black and white homeownership rates is even larger than it was in the year of the law's passage. While discrimination persists, it is not the principal culprit of the homeownership gap we witness today. Past discriminatory practices, which include decades of institutionalized housing and lending discrimination, are a greater factor. Indeed, the racial wealth gap resulting from these practices makes it harder for families of color to qualify for loans and raise the up-front costs of buying a home, whether a buyer experiences unlawful discrimination or not.

The greatest obstacle to closing the homeownership gap at this moment is the shortage of housing for purchase in this country. We can't get more people into the homes of their dreams if there are no homes for them to buy. This problem preempts all our other efforts to promote equal housing opportunity. While Housing Underproduction in this country has many causes, local zoning and land-use restrictions have, for decades, proved to be one of the greatest barriers to housing construction, affordable housing, and diverse communities.

Policymakers must continue to combat unlawful housing discrimination and its enduring impact on the economic prospects of people of color, but the housing shortage and the affordability crisis it has created threaten to exacerbate inequality further.



The current demand for the limited supply of homes for sale drives prices out of reach for many Americans, particularly for people of color. In February 2022, the National Association of REALTORS® (NAR) issued its “Double Trouble” report, which found that record-low inventory and record-high prices meant about half the homes on the market for sale would require a household income of \$100,000 or more to purchase. This places those homes out of reach for a majority of Americans, with 65% of white people, 75% of Hispanic people, 80% of Black people, and 50% of Asian people earning insufficient income to buy these homes. Raising mortgage rates can halt the rise of home prices, but it will do nothing to increase housing supply. The nation has fallen millions of homes short of meeting housing needs. Based on this and other research, the

deficit is so large it would take more than a decade to build our way out of, even with accelerated new construction.

Many have understandably prioritized efforts that will help homebuyers, especially first-generation homebuyers, purchase homes in the current market. Working on what is often called the “demand” side of the problem certainly has its merits. We need to be careful, however, that the immediate housing crisis not so cloud our sight that we stop working to repair the harm caused by racially restrictive covenants, redlining, unfairly devalued communities, and other officially sanctioned discrimination that both prevented many qualified people of color from buying homes and accumulating family wealth, and held down the property values of those who

Solve Underproduction (cont.)

were able to purchase homes. This legacy has contributed in large part to the median Black family having one-eighth the net worth of the median white family.

Today, Black Americans are less than half as likely as white Americans to be able to count on the sale of an existing home, a family inheritance, or help from family for a down payment. They also tend to be more cost-burdened overall, with over half of Black Americans not only paying more than 30% of their income for housing, but also twice as likely as white Americans to have outstanding student loan debt, often significantly more of it. These legacies mean that many well-qualified Americans, particularly people of color, cannot access mortgage credit because of an antiquated system that does not provide a complete picture of a potential borrower's creditworthiness. Black Americans are more than twice as likely as white Americans to be rejected for a mortgage. A more comprehensive, more predictive view of credit performance can increase opportunities for homeownership among people of color.

Fortunately, there are several proposals circulating in Washington that could help. Down-payment grants and tax credits have the potential to help millions of households achieve homeownership, especially people of color, millennials, and middle-income families. NAR is on the steering committee of the Black Homeownership Collaborative, a group of industry and advocacy organizations advancing these recommendations to policymakers. Also, in May of 2022, NAR and the Urban Institute jointly hosted a forum at the National Press Club in Washington to advance the best ideas on how to make the housing finance system more equitable, recognizing that any significant growth in homeownership overall will have to come from increases in homeownership among people of color.

Efforts like expanding down-payment assistance will have little impact, however, if housing inventory remains near record lows. Such assistance becomes moot in



a bidding war where the final sale price exceeds the initial asking price by 30% (Orton, 2022). Clearly, the question of how to increase housing inventory must be addressed before all others. Increased housing production has been the focus of NAR's advocacy the past couple years, and these efforts are beginning to bear fruit.

During NAR's legislative meetings in May 2022, thousands of REALTORS® delivered to Congress comprehensive talking points around policies and actions to improve access to homeownership, especially for people of color, with an emphasis on efforts to increase housing inventory.

In April 2022, I joined Gene Sperling, American Rescue Plan Coordinator and Senior Advisor to President Biden, and Erika Poethig, Special Assistant to the President for Housing and Urban Policy, for an event with Third Way to discuss how to solve the housing crisis.

We discussed the need for a plan that includes zoning reforms, investment in new construction, expansion of financing, and tax incentives to spur investment in housing and convert unused commercial space to residential, all important steps in addressing not only housing supply, but housing equity as well.

We are pleased that in May 2022, the White House released a comprehensive Housing Supply Action Plan designed to ease the burden of housing costs by boosting the supply of housing in every community (White House Briefing Room, 2022). Most significantly, the Administration announced it would use its bully pulpit to provide incentives for communities to reform their zoning and land-use policies to make them more housing and development friendly.

For too long, land-use restrictions have driven up the cost of housing in many



communities. NAR supports policies encouraging states and localities receiving federal dollars to explore high-density zoning and other land-use rules that open up opportunities to house more families. We also support the Administration's proposal of new grant programs for localities to enact pro-housing policies. We advocate for creative incentives in the tax code to promote zoning and land-use changes, such as tax credits or other support to localities that ease zoning rules that limit the supply of homes, like minimum lot sizes, parking requirements, and bans on multi-family housing.

While we've come a long way from the zoning ordinances of the early 1900s that explicitly mandated community segregation by race, we know that even in the 21st century, many "race-neutral" zoning and land-use restrictions have continued to have that effect. Myron Orfield at the University of Minnesota wrote, "[B]y [promoting] the development of housing that only the better-off can afford, these local policies effectively exclude the poor and people of color from the places that erect those policy fences" (Orfield & Mcardle, 2006). In 2010, Jonathan Rothwell and Douglas Massey found that suburbs that restricted density of residential construction between 1990 and 2000 produced more socioeconomic segregation in the metropolitan area than those with more permissive density zoning regimes. "This arrangement," they said, "perpetuates and exacerbates racial and class inequality in the United States" (2010).

In fact, the notion that suburban land-use restrictions would produce housing shortages in metropolitan areas and limit the housing prospects of people of color has been a feature of housing policy

discussions for decades, all the way back to the time of the Fair Housing Act's passage in 1968 (Waters et al., 2022).

In *Affirmatively Furthering Fair Housing: The Rule is Back, but Can It Make a Difference?*, Alexander van Hoffman at Harvard's Joint Center for Policy Studies wrote:

When Congress discussed the fair housing legislation, Senator William Proxmire (D-WI) and Edward Rutledge, executive director of the National Committee Against Discrimination in Housing, doubted that simply prohibiting discrimination would do the job. They pointed to suburban land-use restrictions, such as zoning ordinances and building codes, that prevented the development of small houses and multi-family apartment buildings, and thereby excluded low-income people, many of whom were Black. (2021)

Today, Proxmire's home state of Wisconsin has a Black homeownership rate of 25%, one of the lowest in the country. This is nearly 50 percentage points lower than the rate for white Wisconsinites (NAR Research Group, 2022). The Milwaukee metropolitan area, where the majority of Wisconsin Black Americans live, is the most segregated metropolitan area in the country (Frey, 2018).

For more than a half-century we've witnessed how land-use decisions can limit housing development, affordability, and equity. We cannot stand by and lament this lack of progress. Now, it is time to act.

Bryan Greene

Bryan Greene is vice president of Policy Advocacy at the National Association of REALTORS® (NAR). Greene spent his first year at NAR as director of fair housing policy. Before joining NAR, he served for ten years in the U.S. Department of Housing and Urban Development's Office of Fair Housing and Equal Opportunity. Greene earned his degree in Government from Harvard University.