



Olyvia Fabre for Race Forward, North Philadelphia 2024.



## ROOT CAUSES OF HOUSING AND LAND JUSTICE: FINANCIAL APARTHEID

For many generations, communities of color in the United States have suffered disinvestment and lack of access to public and private funding. The racial dynamics and current-day results of this historic disinvestment are clear. Communities of color are disproportionately affected by poverty, with Black and Latinx communities experiencing poverty rates more than twice as high as white communities leaving them with fewer resources and opportunities to thrive.<sup>1</sup>

One of the most well-known examples of discriminatory investment practices that harmed communities of color is the practice of redlining. Redlining refers to denying or limiting financial services, such as mortgages, to certain neighborhoods based on the racial or ethnic composition of the residents. In the 1930s, the federal government used redlining to systematically deny credit services such as mortgage loans to people in predominantly Black neighborhoods, making it much harder for Black homeowners to buy a home and build wealth<sup>2</sup>.

Redlining was made illegal but the practice continues today. The Department of Justice (DOJ) has announced five redlining cases against major banks since 2021 and settled three of them so far. In 2023, City National Bank settled for \$31 million with the DOJ for limiting mortgage lending services to majority-Black and Hispanic neighborhoods in Los Angeles County. Between 2017 and 2020 other banks received more than six times as many applications in majority-Black and Hispanic neighborhoods in Los Angeles County than City National each year. In addition, the bank only opened one branch in a majority-Black and Hispanic neighborhood in the past 20 years, despite having opened or acquired 11 branches during that time period<sup>3</sup>. The practice of denying home mortgages to Black and Hispanic households persists nationally, where as recent as 2019, loan applicants of color were 40%–80% more likely to be denied than white applicants, even accounting for factors that lenders said would explain disparities<sup>4</sup>.

Another example of discriminatory investment practices is tax increment financing (TIF). TIF is a property tax tool used by local governments to encourage economic development in specific

neighborhoods. A 2015 study, "Tax Increment Financing in Chicago: A Wonk's Guide to the Facts," published in the Journal of the American Planning Association, looked at TIF use in Chicago and found that TIF districts in predominantly white neighborhoods received more funding than those in predominantly Black and Latino neighborhoods. A 2022 study in Chicago found majority Black wards contributed nearly half of the \$2.3 billion in Chicago's TIF accounts as of January 2022 but the city's 18 Black wards received less TIF funding than the city's 14 majority white wards, which contributed less than a third of that money<sup>5</sup>. Additionally, TIF takes property tax revenue for economic development away from the more traditional use of funding public schools which in Chicago are composed of 80% students of color.

This lack of investment is also found in the access to capital for small businesses owned by people of color. A study by the National Community Reinvestment Coalition found that between 2008 and 2016, small business loans to people of color were denied at a rate higher than white-owned businesses in 61 metropolitan areas across the United States<sup>6</sup>. This lack of access to capital leaves businesses owned by people of color with fewer resources to grow and succeed.

Redlining, tax increment financing, and lack of access to capital for small businesses owners of color are just a few examples of disinvestment in areas with large populations of communities of color. These historic and systemic disinvestments fuel a vicious cycle of devaluation, displacement, and speculation. Devaluation is used to justify public policy displacing whole communities (i.e. urban renewal) and encouraging investors to profit from publicly subsidized revitalization (i.e. gentrification). It is essential that we acknowledge and address these disparities to break this cycle and create a more just and equitable distribution of public and private investments.



The Atlantic, Construction in downtown Detroit (Paul Sancya / AP)

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- 1 Annie E. Casey Foundation, [“Race for Results: Building a Path to Opportunity for All Children”](#), 2017.
  - 2 Richard Rothstein, *“The Color of Law: A Forgotten History of How Our Government Segregated America”* 2017.
  - 3 U.S. Department of Justice press release, [“Justice Department Secures Over \\$31 Million from City National Bank to Address Lending Discrimination”](#), 2023.
  - 4 Martinez, Emmanuel and Lauren Kirchner, Lauren, Associated Press and The Markup. [“The Secret Bias Hidden in Mortgage-Approval Algorithms”](#), 2021.
  - 5 Civic Lab, [TIF Illumination Project](#), 2023.
  - 6 National Community Reinvestment Coalition, [“Access Denied: A National Snapshot of Small Business Lending to Communities of Color”](#), 2018.

# ROOT CAUSES AND SYMPTOMS OF HOUSING AND LAND INJUSTICE

