# UC Center Sacramento Policy Brief

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## Past Structural Racism and Present Home Prices

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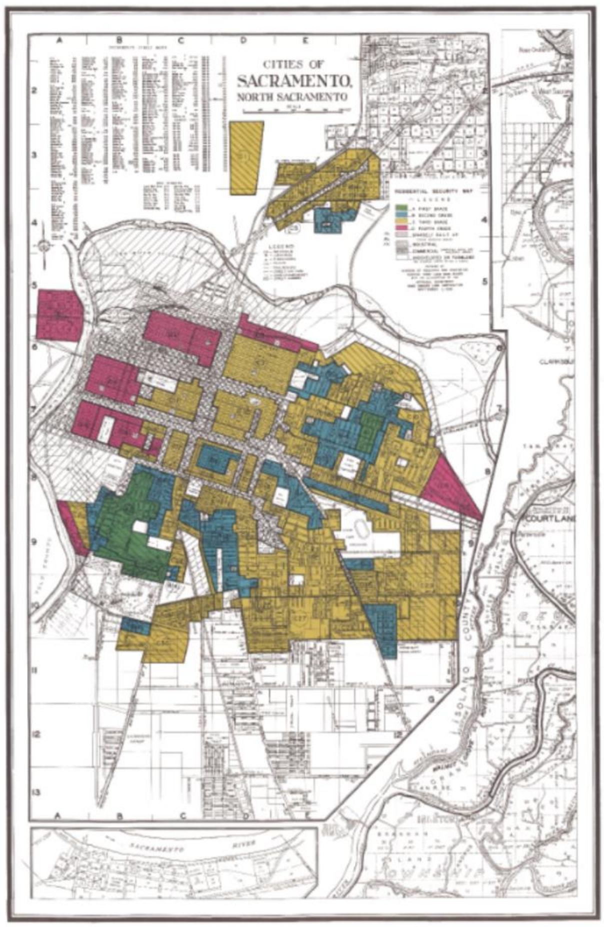
*This study examines the enduring consequences of racist housing policies on generational wealth disparities in the City of Sacramento. I investigate the impact of neighborhood grading by the U.S. Federal Homeowners' Loan Corporation (HOLC) in the late 1930s on present-day housing prices. These findings reveal a significant price disparity between neighborhoods assigned different HOLC grades, even 80 years after the initial grading. In 2020, homes located in red or yellowlined ("riskiest") HOLC neighborhoods endured a price penalty of approximately 13% compared to homes in green or bluelined ("safest") neighborhoods. This accounting of past racism in housing and neighborhood practices is vital as California and the U.S. confront the realities of racial inequities created and perpetuated by government systems.*

The color-coded maps produced by the U.S. Federal Homeowners' Loan Corporation (HOLC) in the late 1930s have received significant attention in recent years. Previous research indicates that the HOLC maps reflected the then-contemporary opinions of real estate and mortgage lending professionals about the relative "safety" of mortgage lending in specific city neighborhoods, but today, these maps (Figure 1 for the City of Sacramento) are widely perceived as appalling representations of structural racism in housing and biased neighborhood policies against persons of color, especially Black Americans.

This study builds on past work (Appel and Nickerson 2016, Aaronson et al. 2021a, 2021b) to test whether similar homes in different HOLC-graded neighborhoods sell for different prices in the City of Sacramento 80 years after the neighborhood received its grade.

Figure 1: Federal HOLC Residential "Security" Map for Sacramento*




### Findings

- I detect long-term effects of structural racism on housing sales, mortgages, zoning, and the location of government amenities and disamenities in specific Sacramento neighborhoods stemming from housing policies in the 1930s.
- Specifically, in 2020, homes located in a 1938 HOLC red or yellowlined ("riskiest") neighborhood experienced a 13% lower home-price penalty than homes located in a green or bluelined ("safest") neighborhood.
- A Blinder Oaxaca decomposition indicates that one-third of the $195,000 home price difference between these HOLC's "safest" and "riskiest" neighborhoods cannot be explained due to factors accounted for in our model. These unaccounted factors are likely the legacy of the bigoted practices captured qualitatively in HOLC's prejudiced risk assessment (Table 1).

### Implications

- This study empirically confirms that systematized housing discrimination and the prevention of BIPOC Americans from acquiring wealth through home equity have contributed to persistent wealth inequalities between Black and White Americans. This wealth divide can, at least in part, be attributed to divergent starting points as a result of the past injustices like those documented here.
- This research has significant implications for public policy aimed at rectifying historical injustices and promoting equity for Black Americans and other Americans of color through targeted interventions, stricter measures to prevent exclusionary housing practices meant to preserve higher residential property values (Wassmer and Williams 2021), and discussions on reparations and calls for more conscious "reparative planning" (Rashad 2020).

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**Table 1: Information from Written Evaluation Sheets Submitted by HOLC Evaluators in Support of Neighborhood's Grade Given***

| Grade/Neighborhood | Foreign Born Families | Black Families | Relief Families | Deed Protected | Relevant "Remarks" on "NS Form 8" (Area Description completed by HOLC Evaluators*) |
|---|---|---|---|---|---|
| **A or Green ("safest")** | | | | | |
| **A1 – East Sacramento** | None | None | None | Yes | *In addition to having deed restrictions, it is zoned single-family residences. Is a high degree of homogeneity…* |
| **A2 – Swanston Park & Land Park Terrace** | None | None | None | Yes | *[H]omogeneity of social and income levels is fair to good.* |
| **A3 – College Trac and Land Park Tract** | None | None | None | Yes | *[H]as adequate deed restrictions and is zoned single-family residential.* |
| **D or Red ("riskiest")** | | | | | |
| **D1 – Washington in Yolo County**** | 30% | None | Many | NA | *The particular hazard is "racial"; 30% of the population is foreign, including Orientals, Mexicans, and low-class Italians.* |
| **D2 – Old City** | 50% | Few | Many | No | *[W]ithout deed restrictions… Italians predominate but with a sprinkling of Mexicans, Negros, and Orientals.* |
| **D3 – Old City** | Few | None | NA | Minimal | *Subversive races are a definite hazard—an area without deed restrictions … except for the extreme eastern portion.* |
| **D4 – Old City** | 75% | 10% | Many | No | *[M]elting pot… [C]ontains the principal Japanese colony and the greatest concentration of Negros in the city. [No] deed restrictions.* |
| **D5 – (Unnamed)** | None | None | Few | No | *[N]o deed restrictions, and zoning permits 2-family residences… [H]owever, improvements consist of … old and obsolete [dwellings].* |
| **D6 – Old City** | 30% – 40% | 2% | Many | No | *It is the "bon ton" Oriental and Negro residential district in the city. Many diverse influences, from a mortgage standpoint…* |
| **D7 – West End Bath Tract** | 50% | None | Few | NA | *Infiltration of Orientals is slowly occurring.* |

*All information available at Nelson, R. K., Winling, L., Marciano, R., & Connolly, N. (2021). Mapping inequality (R. K. Nelson & E. L. Ayers, ed.). American Panorama. Retrieved November 14, 2021, from https://dsl.richmond.edu/panorama/redlining.

**House sales data from this HOLC area is not included in the analysis because it is currently part of the City of West Sacramento. It is offered here as another example of the mindset of Sacramento-area HOLC evaluators who put together their ratings for Sacramento in 1938.