

BUSINESS

Milwaukee homes draw less value in Black neighborhoods. More diverse appraisers could reduce that housing discrimination.

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Discrimination in the home appraisal industry means Black people face a tougher time getting a fair shake when trying to sell or refinance their homes.

The Washington Post published an article in January highlighting a Colorado couple who dealt with racial discrimination through appraisal practices.

The Denver couple received a value \$95,000 lower than their estimation while the husband, who is Black, was present. They discovered the appraiser used comparable sales data from a predominantly Black neighborhood near the couple's home.

The couple decided to schedule a second appraisal and ran an experiment. The wife, who is white, decided to be present for the appraisal alone. This time, the appraiser set the value \$50,000 higher than their original estimation — an increase of \$145,000 from the first appraisal.

"Race obviously played a role in how we were treated," the wife told The Post.

Racial discrimination in the appraisal industry, like the case in Colorado, is an issue many Black people deal with across the country, including in Milwaukee, said Bethany Sanchez, senior administrator for fair lending with the Metropolitan Milwaukee Fair Housing Council.

Sanchez has heard of an example where a white family received an appraisal for a lot in Brewers Hill using comparable homes on the city's east side across the Milwaukee River, more than a mile away.

In comparison, appraisers used comparable sales data from the surrounding neighborhood of the new subdivision development Josey Heights near North 12th and West Lloyd streets in the city's Lindsay Heights neighborhood, Sanchez said.

"The (comparable homes) they pulled did negatively impact the initial appraisals," said Michael Emem, president of the Emem Group, the company leading the development of new homes in Josey Heights.

Emem would have preferred to see the value of newly constructed homes based on their state-of-the-art design as opposed to valued based off the older homes in the neighborhood. He repeatedly made this case to the appraisers overseeing the valuation of the Josey Heights subdivision.

Inconsistency in appraisal practices, such as seeking comparable homes in different neighborhoods simply on the basis of race is illegal under the Fair Housing Act of 1968, which outlawed discrimination based on race, religion, national origin or gender.

The Brookings Institution conducted a devaluation study in 2018 where it compared the values of homes in neighborhoods based on the percentage of Black population while considering physical qualities of the home and neighborhood amenities.

Although structural characteristics and neighborhood amenities do not fully decide the valuation of a home, including them in the study allowed Brookings to isolate race as a prominent, if not the main, factor in home devaluation for majority Black or partially Black neighborhoods.

The study said the Milwaukee metropolitan area has an average home devaluation of negative 34.3% in majority Black neighborhoods versus neighborhoods with no Black residents. The study found that as the number of Black residents rises, the

median list price of owner-occupied homes decreases.

The study concludes that homeowners in neighborhoods with Black residents are on-average likely to see their home valued at one-third less than if it were in a neighborhood that has no Black residents.

Racial discrimination in housing is not a new phenomenon. Redlining, the practice of restricting access to housing in certain areas of the city due to being deemed a financial risk, was a tactic used in the past that continues to affect housing today.

"I believe what we're experiencing today with the appraisal issue in Black communities is a direct result of redlining practices throughout Milwaukee," Emem said.

"The reason the values are what they are today is because those values were suppressed 40, 50, 60 years ago, thus decreasing the amount that families have as equity in their homes."

Diversity in the appraisers pool

Fair appraisal practices would help alleviate some of the housing discrimination in Milwaukee.

Sanchez, a member of MKE United's Housing Committee, along with MKE United Project Director Tony Panciera, believes one issue lies in the appraisal industry's geographic and racial makeup.

The group is working to create a program "in order to help broaden the diversity of the pool of people doing those appraisals and include people who are more familiar with the neighborhood," Sanchez said.

"If you are not familiar with the neighborhood, how are you going to find accurate comparable (data)?" she said.

Panciera says the group is in the early stages of creating the program but acknowledges the need for a program.

"We recognize the current dynamics of the appraisal industry; racial bias can be a factor in that decision, and we want to put forward an effort to make sure appraisers are more reflective of the community," Panciera said.

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