

# Living Cities Closing the Gaps Network

Homeownership and Business Starts and Growth

Memphis Needs Assessment



September 2022

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## Context and Approach

Living Cities' Closing the Gaps (CTG) Network is a ten-year initiative that brings together leaders from cities across the country who are committed to imagining what an anti-racist society might look like, and to playing an important role in building it through the transformation of government policies, practices, and operations. In particular, CTG is anchored on a vision of closing racial inequities in income and wealth. In 2021, six cities in the CTG network participated in a "Year of Reckoning," in which they underwent a deep racial equity competency training led by People's Institute for Survival and Beyond (PISAB), Third Space Action Lab, and Black Womxn Flourish. As the six cities (Albuquerque, NM; Austin, TX; Memphis, TN; Minneapolis, MN; Rochester, NY; and Saint Paul, MN) emerge from the Year of Reckoning, they are eager to begin developing and implementing specific strategies in service of their shared anti-racist vision. Living Cities is providing technical support to the cities in this inaugural cohort to develop strategies in two focus areas: homeownership and business starts & growth. There are pronounced racial inequities in both areas, but they each also present outsized opportunities to create intergenerational wealth for communities of color. The cities partnered with [FSG](#), a mission-driven consulting firm supporting leaders to create equitable systems change, to conduct a community needs assessment to better understand the current state and the inhibiting and supporting drivers of racial equity in each focus area.

The needs assessment process had three objectives:

- Increase each city's understanding of the current state of racial inequities in home ownership and entrepreneurship, and the root causes of those inequities
- Identify key drivers and inhibitors of racial equity in homeownership and entrepreneurship in each city and specific opportunities for action
- Begin to lay the foundation for closer ongoing partnership between city governments and their communities in advancing equity in homeownership and entrepreneurship

**This report represents the findings of the needs assessment for Memphis and is intended to be a guide for city leaders and other stakeholders who are taking action to close the racial gaps in homeownership and entrepreneurship and to make the systems surrounding them more equitable.**

The needs assessment was conducted from February through August 2022. FSG worked with members of the CTG cohort and Living Cities to develop research questions, identify and connect with stakeholders to interview, and design our approach to engaging with residents

identifying as Black, Indigenous, and other People of Color (BIPOC)<sup>1</sup> with direct experience of the homebuying process and/or entrepreneurship.

The needs assessment synthesizes information from a variety of sources:

- Secondary research, including existing community plans and strategies
- Data compiled by the Urban Institute from the American Business Survey, American Community Survey, Decennial Census, and other data sources
- A focus group with four developers in Memphis, a focus group of 14 entrepreneurs of color, and two focus groups with a combined total of 12 home seekers and 7 homeowners.
- Interviews with 21 community stakeholders (see Appendix B for list of interviewees)

We are grateful to the community partners who shared their insight and expertise, co-hosted the focus groups, and spread the word about the focus groups. We also hold deep appreciation for the community members who shared their experiences and perspectives by participating in the focus groups. They made an invaluable contribution to this process.

## How to Use this Report

This document is intended to provide an overview of the trends and dynamics influencing inequities in homeownership and entrepreneurship in Memphis, the landscape of organizations working to address those inequities, and perspectives on opportunities for further action in advancing equity in homeownership and entrepreneurship. It is intended to help inform and inspire action planning for City government and other actors interested in advancing equity in Memphis, though is not intended to be fully comprehensive or directive. We encourage you to reflect on the following questions as you read:

- 1) What surprises you? What is staying with you?
- 2) After reading about each part of the system, how are you seeing the challenges and opportunities differently?
- 3) Which solutions are you best positioned to contribute to in your role? What is one step you can take to get started?

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<sup>1</sup> In this report we use the term BIPOC to capture the experiences of racially marginalized communities. However, BIPOC does not fully capture the unique harms, histories, and experiences of each of the populations encompassed in the term, such as the extent to which anti-Black racism specifically has caused the Black community to experience the deepest inequities in many cases. It also does not fully capture the ways in which race intersects with other forms of marginalization including gender, LBTQIA status, and ability. We acknowledge the harm that using blanket terms can have and the fact that communities want to be named specifically. While we use BIPOC to capture several identities, additional work needs to be done to capture and name the specific experiences of the varying identities. Additionally, our research does not fully capture the experience of the Indigenous population. This community has experienced disparate impacts from violent marginalization and displacement in this country, which has led to few indigenous people residing in Memphis and limited existing research to draw into this report. Indigenous populations deserve thoughtful analysis that we lacked the expertise and bandwidth to provide.

This document is organized around the following sections, which can be read as a whole or referenced as independently as needed:

- **Executive Summary** (*Page 6*): Summary of findings and identified opportunities
- **Historical and Current Factors Influencing the Wealth Gap in Memphis** (*Page 10*): Overview of the history of Memphis and current conditions with a focus on factors influencing racial inequities in socioeconomic status.
- **Homeownership** (*Page 21*): Deeper overview of factors contributing to racial inequities in homeownership, the landscape of actors working on homeownership, and opportunities for advancing more equitable homeownership
- **Business Starts and Growth** (*Page 39*): Deeper overview of factors contributing to racial inequities in entrepreneurship, the landscape of actors working on entrepreneurship, and opportunities for advancing more equitable entrepreneurship
- **Appendix** (*Page 52*): Themes from our three focus groups and acknowledgement of interviewees

## Executive Summary

The present racial inequities in homeownership and entrepreneurship in Memphis are inextricable from the city's history. From its founding as the largest inland slave and cotton market and subsequent rapid growth during the Great Migration, through its later deindustrialization, transition to a low-wage economy, and profound White flight, Memphis has formed and reformed its racial hierarchy across generations through acts of violence, policy, and community disinvestment. Today, Memphis' schools are more segregated than they were in the 1960s, the city has one of the highest poverty rates in the country, and residential segregation patterns follow the blueprint set out in 1930s redlining maps.

At the same time, the city has tremendous opportunity and assets to bring to bear in rectifying these injustices and creating a more inclusive, equitable, and vibrant city, including the growing explicit focus on racial equity among city and national leaders, a strong and committed network of nonprofits and philanthropy, a deep cultural heritage, and a wellspring of passionate and talented BIPOC residents. While this research focused on the opportunities to increase BIPOC homeownership and entrepreneurship as key pathways for building multigenerational wealth, we believe action in these areas must be undertaken in concert with advancing equity in other areas crucial to wellbeing and mobility, such as health, education, rental markets, workforce development and policy, and transportation.

Please see below a summary of the challenges and opportunities we identified in each area:

### Summary of Homeownership Findings and Opportunities

Homeownership in Memphis has been shaped extensively by redlining, which concentrated Black families in neighborhoods that have experienced significant disinvestment. This was exacerbated as the city annexed additional land to retain its tax base as residents moved further and further from the urban core. Later, Black and Latino residents were deeply impacted by the 2008 foreclosure crisis, to the extent that their homeownership rates in the city fell from ~70% in 2005-09 to ~40% ten years later. In the wake of the foreclosure crisis, a large number of foreclosed properties were sold to institutional investors, who converted them into single family rentals, resulting in higher rents for residents and a reduced supply of single-family homes in the ownership market. There are myriad other challenges for BIPOC homebuyers today, including experiences of discrimination in the homebuying process, challenges accessing financing, a limited supply of affordable homes, low property valuations, and a somewhat fragmented ecosystem of housing support organizations.

Despite these challenges, many BIPOC residents in Memphis continue to hold up homeownership as a personal goal for the opportunity to build multi-generational wealth, to remove themselves from the tumult and volatility of renting, and to experience pride of ownership. Moreover, there is a network of developers, support agencies, researchers, advocates, and public officials passionate about extending equitable opportunity for BIPOC homeownership. Through our research we identified a number of opportunities for building on these opportunities and advancing BIPOC homeownership. Please see additional detail on these in the homeownership Ecosystem and Opportunities section on page 31.

- 1. Increasing the Availability, Navigability, and Impact of Supportive Services:**
  - a. Increasing awareness and support for navigating available services
  - b. Increasing coordination and referrals between services
  - c. Streamlining access to down payment assistance grants
  
- 2. Supporting the Capacity of Affordable Developers and CDCs:**
  - a. Increasing collective advocacy by regularly convening CDCs and CDFIs to create a shared agenda and set of strategic priorities for housing development in Memphis
  - b. Exploring opportunities for shared infrastructure among CDCs
  - c. Developing new funding sources to support the CDC industry such as a shared “strategic projects fund” for philanthropy, channels for increased CRA lending, and a fund for land acquisition and pre-development loans
  
- 3. Increasing Investment and Funding Innovation:**
  - a. Conducting a comprehensive inventory, mapping, and gap analysis of funding sources
  - b. Strengthening relationships between local and national banks and CDCs and CDFIs to increase CRA investment in homeownership development
  
- 4. Establishing the tone and narrative for valuing equitable affordable housing in the city** by convening actors across the ecosystem.
  
- 5. Implementing changes in local policy and public practices:**
  - a. Continuing to streamline and consolidate public housing programs to reduce overhead and make them more navigable
  - b. Updating zoning to encourage accessory dwelling unit (ADU), infill, and small multifamily development
  - c. Increasing the utilization of city and county owned properties for affordable homeowner development and improve multi-generational property transfer
  
- 6. Instituting new public funding streams and incentives:**
  - a. Creating a dedicated and sustained funding stream for the Affordable Housing Trust Fund
  - b. Creating new, public, private, or public-private funds to help increase funding leverage
  - c. Strengthening public incentives to help overcome barriers to more equitable homeownership
  
- 7. Innovating and iteratively testing solutions to systemic issues:**
  - a. Home appraisals
  - b. Increases in investor ownership of single-family properties
  - c. State policy barriers

## Summary of Entrepreneurship Findings and Opportunities

As with homeownership, Memphis has stark racial inequities in entrepreneurship. As of 2017, 81% of the businesses in Memphis were owned by Whites, compared with 1.4% by Blacks and 7.5% by Latinos, despite White people only comprising 32% of residents that year. As a result, people of color in Memphis are far less likely to have the opportunity to build wealth and independence through business ownership and are also less likely to be able to build community centered businesses or to create a thriving and mutual reinforcing small business ecosystem. Memphis' high rate of poverty, which has been created and upheld by structural racism, results in BIPOC people having less capital and being less likely to know "the right" people who can help their business through mentorship or industry contacts. Moreover, Memphis' economic development systems are highly fragmented and have historically focused on landing "big fish" employers to move to Memphis, rather than focusing on developing local small business. In particular, there is a shortage of support available to microentrepreneurs.

Despite these challenges and as with homeownership, there are several passionate organizations committed to increasing BIPOC entrepreneurship in Memphis. The landscape is smaller and more fragmented than in housing, but several organizations work on both issues. Memphis also has several industry clusters that can be built on for further entrepreneurship and innovation, and through the Memphis 3.0 Comprehensive Plan's focus on developing neighborhood anchors and the Mayor's 800 Initiative BIPOC entrepreneurship is a rising political priority in the city. Above all, Memphis has a strong culture and legacy of Black entrepreneurship and a wellspring of Black talent, as well as new waves of Latinx, Asian, and African immigrants actively creating new businesses in the city.

In our research we found several opportunities for further supporting BIPOC entrepreneurship. Please see additional detail on these in the Entrepreneurship Ecosystem and Opportunities section starting on page 47.

1. **Modernizing and increasing awareness of, access to, and coordination among small business support services**
  - Increasing availability of services for micro-businesses
  - Increasing proactive outreach and awareness of available services
  - Increasing availability of resources and education on 21<sup>st</sup> century business practices (e.g., ecommerce)
  - Continuing to strengthen referrals and linkages between available services.
  - Exploring the creation of a shared services hub for small businesses
  - Investing in development and pathways to entrepreneurship for Memphis' IT sector
  - Support efforts to develop careers in the trades
2. **Exploring opportunities to scale access to nontraditional capital** for entrepreneurs, including investing in capacity development for CDFIs and other programs to help deploy available funding more quickly
3. **Refining city and institutional (hospital, university, and large corporation) MWBE contracting processes** to increase access and scale local purchasing from MWBE
  - Continuing to streamline certification and registration processes



- Continuing to encourage local large businesses to conduct more local MWBE purchasing
  - Working to de-bundle large contracts to create more opportunities for smaller businesses who otherwise would need to navigate sub-contracting relationships
  - Speeding up application and payment cycles to make contracts more accessible to smaller businesses with tighter cashflow constraints
  - Identifying opportunities to reduce bias in contracting, e.g., anonymizing bids, setting and tracking departmental targets for MWBE contracting, anti-bias trainings for departmental decision makers
  - Conducting more proactive outreach to potentially eligible vendors to encourage them to become certified and to participate
  - Embedding MWBE contracting more formally into city policy to reduce its vulnerability to de-prioritization during mayoral transitions
4. **Developing a shared and ambitious agenda for supporting BIPOC entrepreneurs** and small business in Memphis supported by the County, City, EDGE, the Chamber, philanthropy, community and other power centers in the city

## Historical and Current Factors Influencing the Wealth Gap in Memphis

### Memphis History

Memphis has long been a city at a crossroads of geography and race. Founded on Chickasaw Nation land in 1819 along the banks of the Mississippi River at the intersection of Arkansas, Mississippi, and Tennessee, and later rail lines and highways, the city quickly established itself as the “biggest inland cotton market,” as well as the largest inland market for the slaves that worked the cotton industry. During and following the Civil War, Memphis grew with an influx of former slaves fleeing plantations and farms, and by 1865, 39% of the population was Black. The growing community faced immediate racial violence in the 1866 Memphis Massacre, which killed 48 and destroyed homes, schools, churches, and businesses. The community rebuilt during Reconstruction and Memphis later became one of the first stops in the Great Migration in the early- and mid-1900s. Memphis experienced an industrial and economic revolution during this time, building on earlier cotton and wood trades to house major employers including Firestone, International Harvester, and the St. Jude Children’s Research Hospital. Memphis also experienced rapid population and geographic growth in the hundred years following the Civil War, growing from 162,000 to 620,000 people between 1920 and 1970 alone, and expanding from 24 to 217 square miles in that time.<sup>2 3</sup>

From its founding, the Black and African American community in Memphis made tremendous civic and cultural contributions including the creation of newspapers, businesses, churches, and schools. The Black community also built political power in the city, electing city and state leaders during Reconstruction and later establishing deep organizing infrastructure in the early 1900s. Memphis famously played a central role in the Civil Rights Era with a series of desegregation victories by the local NAACP chapter in the early 1960s and a new wave of African American elected officials. In 1968 the Sanitation Workers Strike and assassination of Dr. Martin Luther King Jr. precipitated continued advocacy and greater inclusion in job opportunities and school board representation.

Memphis also became a global cultural force in the early- and mid-1900s. Beale Street attracted artists like W.C. Handy and Muddy Waters who created the blues



Figure 1) Teachers, parents, and students protest unequal treatment of African Americans in schools, 1973. University of Memphis

<sup>2</sup> Memphis & Shelby County Division of Planning and Development. (2019). *Memphis 3.0 Comprehensive Plan*. <https://www.memphis3point0.com/>

<sup>3</sup> The University of Memphis Benjamin L. Hooks Institute for Social Change. (2019). *Mapping Civil Rights History*. <https://www.memphis.edu/benhooks/mapping-civil-rights/index.php>

by bringing together influences from cotton field spirituals with gospel and church music.<sup>4</sup> The blues set the stage for Memphis to later become “Soulsville USA,” as Stax Records and artists including Otis Redding, Isaac Hayes, and the Staple Singers carried on Memphis’ cultural legacy in the 60’s and 70’s.<sup>5</sup>

The 1970’s marked a turning point in Memphis. Following decades of strong economic and population growth, Memphis, like many other cities at the time, began to see a decline in industrial and manufacturing jobs. FedEx opened its operations in 1973, capitalizing on the same geographic positioning that had spurred Memphis’ initial growth. Amid a languishing economy, state and city leaders convened a Jobs Conference from 1979 and 1981 that prioritized warehousing and distribution, tourism, and agriculture as strategic industries for the city – all of which are characterized by low wage jobs.<sup>6</sup> As economist David Ciscel and historian Michael Honey observed, “Over the years, Memphis has, relative to its population, had a lot of jobs, but many were really not worth having.”<sup>7</sup>

At the same time, outward growth driven by white flight and Urban Renewal led to existing neighborhoods losing population while suburbs developed. In response, the city continued to annex land around the city to sustain its population and tax base. From 1970 to 2017, Memphis grew from 217 square miles to 324 square miles, while the population of the city remained largely flat. As a result, Memphis’ older neighborhoods, most often populated by lower income and Black and African American residents who could not afford to or chose not to move to the growing suburbs, experienced disinvestment as the city expanded services to newly annexed land. These neighborhoods also suffered from the “spatial mismatch” of jobs and housing created by rapid outward expansion, leading to a lack of transportation access due to a public transit system that was stretched thin by sprawl, a rise in poverty, and a decline in incomes as jobs become less physically accessible and local small businesses declined with population density.<sup>8</sup> In the 1990s the city began investing in reviving the downtown urban center with major development projects including Mud Island and the redevelopment of Beale St., as well as the implementation of HUD’s HOPE IV program, which created mixed income public housing developments, including around downtown. More recently, Memphis Housing Authority has continued development across the city, with a focus on increasing mixed development in areas with persistent concentrated poverty.

Memphis was hit hard by the 2008 recession, which created new challenges for the city including widespread job losses and a wave of foreclosures. In 2011 Memphis residents voted to surrender the charter to Memphis City Schools` and merge with Shelby County Schools since at the time Memphis taxpayers were paying both city and county taxes that went toward

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<sup>4</sup> Historic Memphis. (n.d.). *Beal Street*. <http://historic-memphis.com/memphis-historic/beale/bealestreet.html>

<sup>5</sup> Stax Museum of American Soul Music. (n.d.). *Story of Stax*. <https://staxmuseum.com/>

<sup>6</sup> Jones, T. (2017, June 1). *The injustice of a Memphis economy built on low-wage jobs*. MLK50. <https://mlk50.com/2017/06/01/the-injustice-of-a-memphis-economy-built-on-low-wage-jobs/>

<sup>7</sup> Ciscel, D., and Honey, M. (2016, September). *Memphis 50 Years Since King: The Unfinished Agenda. Poverty and Race Research Action Council (PRRAC), Volume 25(3)*. Retrieved from: <https://www.smartcitymemphis.com/2016/09/17866/>

<sup>8</sup> The City of Memphis Department of Housing and Community Development and Innovate Memphis. (2020, September). *The State of Memphis Housing 2020*. <https://www.memphistn.gov/wp-content/uploads/2020/09/Housing-Report-V8.1.pdf>

education. Immediately following, six wealthier and whiter suburbs voted to leave Shelby County Schools and form their own school district, which paired with decades of white flight resulted in low funding for Memphis schools and higher rates of school segregation than had existed in the 1960s.<sup>9</sup>

In recent years, Memphis has taken steps to turn the tide on sprawl. In 2014 the city's authority to annex additional land was voided by the State Legislature, and in 2020 and 2021 the city began to strategically de-annex land, reducing the population by 1% while shrinking the city's geographic footprint by 10%. In 2019 the city released the Memphis 3.0 Comprehensive Plan for "building up, not out" over the next 20 years through strategic investments and land use policies aimed at supporting and connecting neighborhood "anchors." The COVID-19 pandemic created an immediate obstacle to Memphis 3.0 implementation as the city prioritized immediate relief efforts for residents, renters, homeowners, and small business owners, all of whom were impacted significantly by the pandemic. At the same time, the pandemic catalyzed significant collaboration and innovation as housing actors implemented programs to support renters and landlords, prevent evictions, and support homeowners, and others created relief campaigns and grant programs for small business owners.

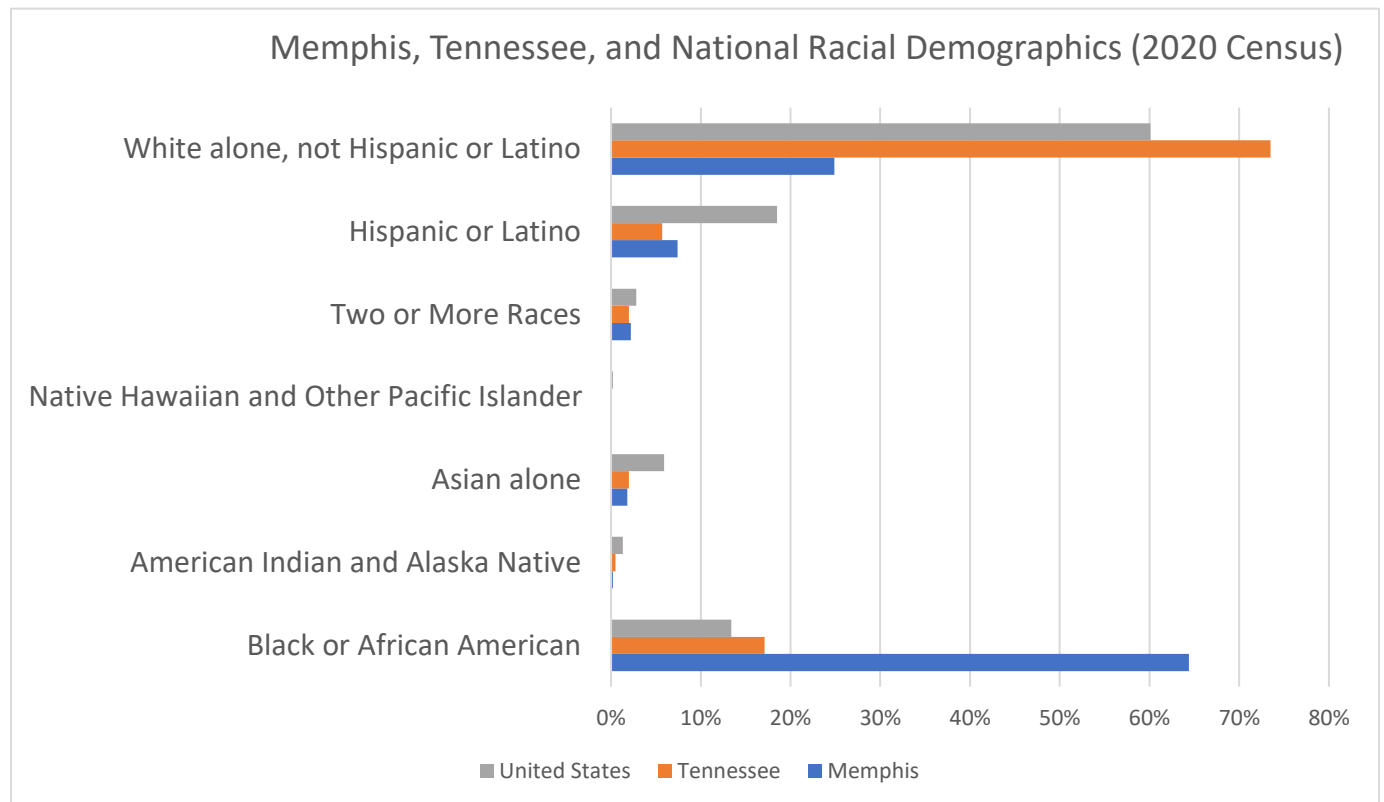
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<sup>9</sup> Pierre, J. (2020, February 5). *Decades after desegregation, problems remain in local schools*. Fox13Memphis.com. <https://www.fox13memphis.com/news/local/decades-after-desegregation-problems-remain-local-schools/I6AT3VJQVZGGNMBVFLYNR3ONAU/>

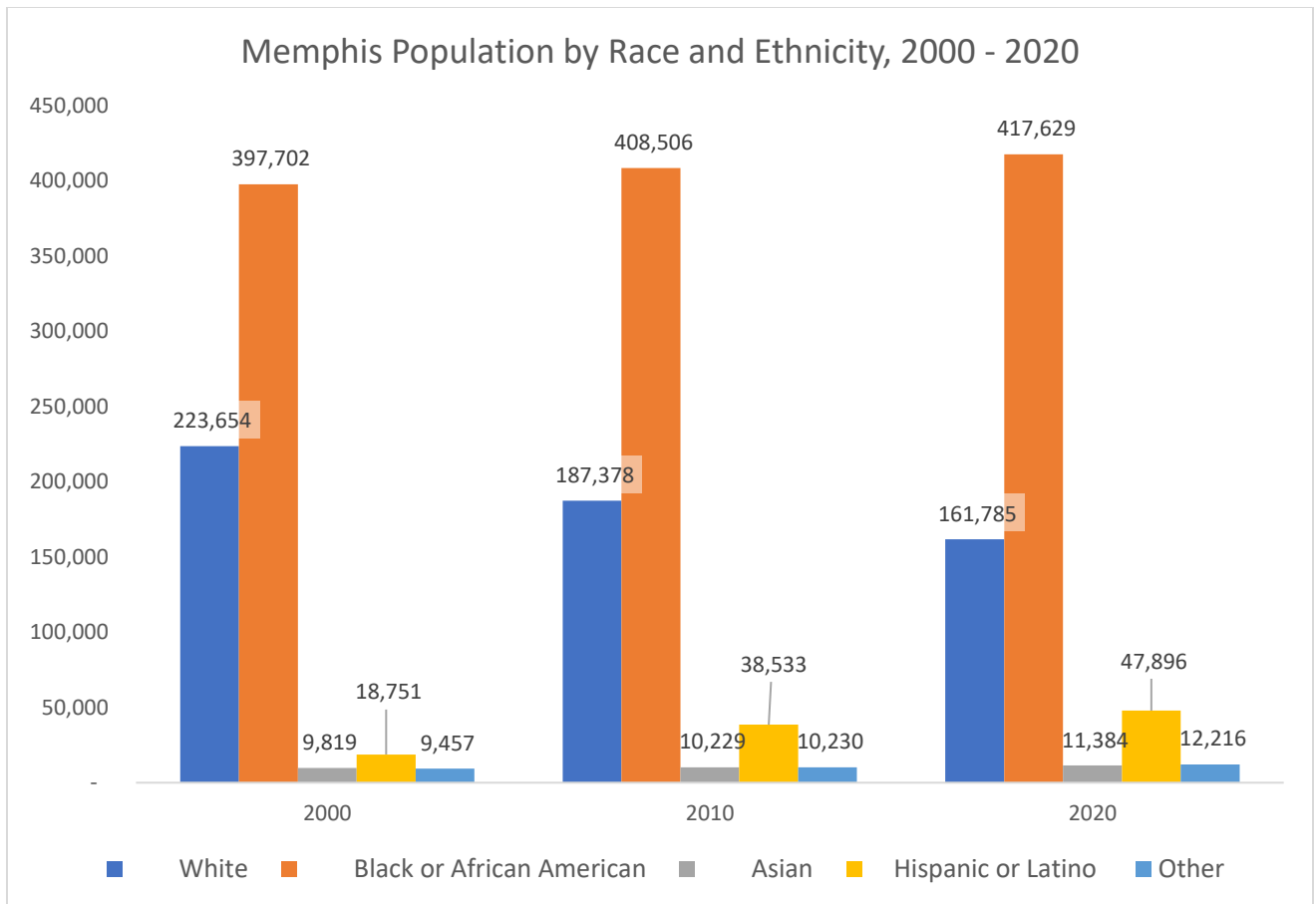
## Current Conditions in Memphis

### Demographic Trends

The population of Memphis today is 633,000, with Black and African American residents comprising the majority of the population (64%), followed by Whites (25%) and Hispanics and Latinos (7%). Notably, Memphis is one of the largest cities in the country with such a high percentage of Black residents.



While the overall population of Memphis has remained relatively flat over the past 20+ years, the demographics of the city have shifted continually as a result of White- and socioeconomic-flight. Between 2000 and 2020 the White population in Memphis declined by nearly 30%, but this population loss has been made up by increases of 5% in the Black population, 15% in the Asian population, and a striking 155% in the Hispanic and Latino population. These shifts are part of a much longer trend; in 1970 the city was about 60% White and 39% Black, while in 2020 those proportions had more than flipped.



BIPOC focus group participants prized the diversity of Memphis, its heritage, and the sense of community in city.

*“My favorite thing about Memphis is the diversity. I’ve lived in other states before and it’s not very diverse. I like that I get to meet new people and people from everywhere in the world.”*

*“I love that almost everyone here is Black. We are over 64% Black in Memphis. It’s really cool for me because whenever I’m in the Black community, I feel like I’m amongst friends and family. There is not racism there. You are cool with everyone, and no one blames you or points to you with accusing fingers or looks at you weird because your skin color.”*

*“I would consider buying a home in Memphis because it’s actually a community where almost everyone you come across is friendly and loving. It’s quite easy to relate with people around you. I’d say it has been comfortable for me and my family so far, so I do pray that I’m able to get my own home here soon.”*

*“I love the serenity. I feel like Memphis is a town. It is so serene. I love the vicinity. I also love the fact that it has a music history because there are a lot of things to see. It is beautiful here and there are a lot of things to do apart from stay home with my husband and kids.”*

Despite promising recent strategies, Memphis faces urgent challenges. Between the 2010 and 2020 Censuses the population of Memphis declined from 646,000 to 633,000, and the 2021 Census population estimate shows this trend continuing (partly attributable to the de-annexation process noted above). The COVID-19 pandemic has significantly impacted low-income residents in Memphis and Shelby County, with Shelby County seeing a 20% loss in low-wage jobs, while high-income jobs grew by 18%. Income in Memphis has fallen dramatically as well; between 2005 and 2019 median household income declined from \$86,515 to \$41,228, and from \$69,117 to \$32,779 for Black residents. In the Memphis MSA incomes have remained largely flat during that time, illustrating that the city of Memphis is not only experiencing White flight, but socioeconomic flight as well.<sup>10</sup>

Although Memphis is majority Black and has rising Hispanic and Asian populations, it has long grappled with racial and socioeconomic segregation. Despite research by Raj Chetty and others showing that less racial and income segregation creates benefits and increased opportunity across income bands,<sup>11</sup> segregation remains persistent in most cities including Memphis. This segregation is a biproduct of explicitly racist policies guiding investment and community development, including the well documented impact of “redlining” by the Home Owners Loan Corporation in the 1930’s – 60’s. As with most cities, Memphis’ redlining map from the 1930s is mirrored by current maps of residential demographics and income. More recently, a wave of development has driven an influx of development and residents in downtown. This development is predominantly market rate and luxury housing, resulting in many higher income White people moving downtown. This gentrification was preceded by displacement of Black residents, a pattern that many see beginning to repeat in South Memphis and Orange Mound.

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<sup>10</sup> Mattingly, P., Choi, J.H., Pang, D., Ratcliffe, J. (2022, March). *Keys Unlock Dreams Initiative: Memphis Market Research Report*. Urban Institute. <https://keys.nationalfairhousing.org/wp-content/uploads/2022/03/memphis-market-keys-unlock-dreams-initiative.pdf>

<sup>11</sup> Thompson, Derek. (2015). *The Curse of Segregation*. The Atlantic. <https://www.theatlantic.com/business/archive/2015/05/the-curse-of-segregation/392321/>

**1930's Redlining Map:**

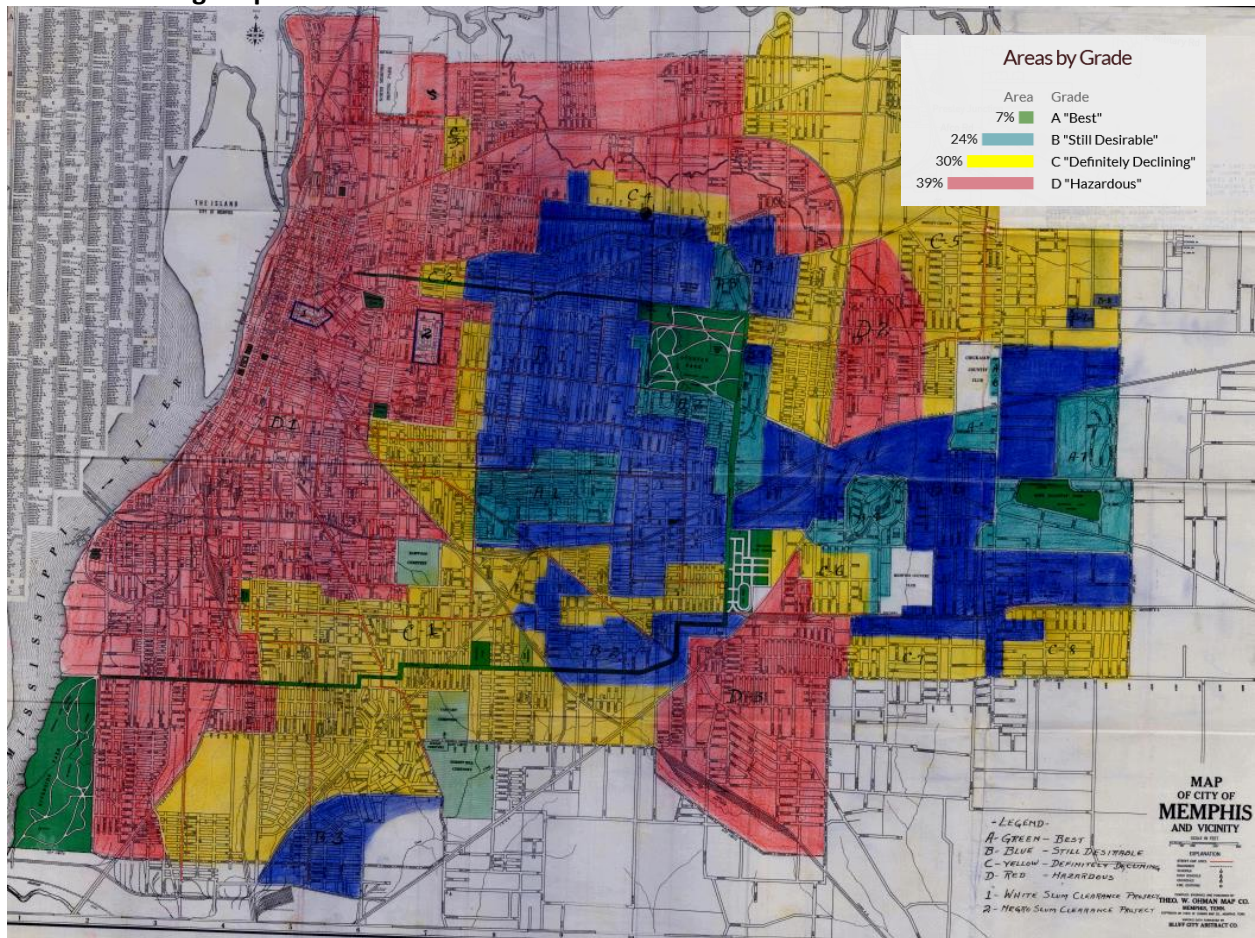


Figure 2) Memphis 1930s Redlining Map, Accessed from [University of Richmond's Digital Scholarship Lab](#)



### 2020 Residential Segregation

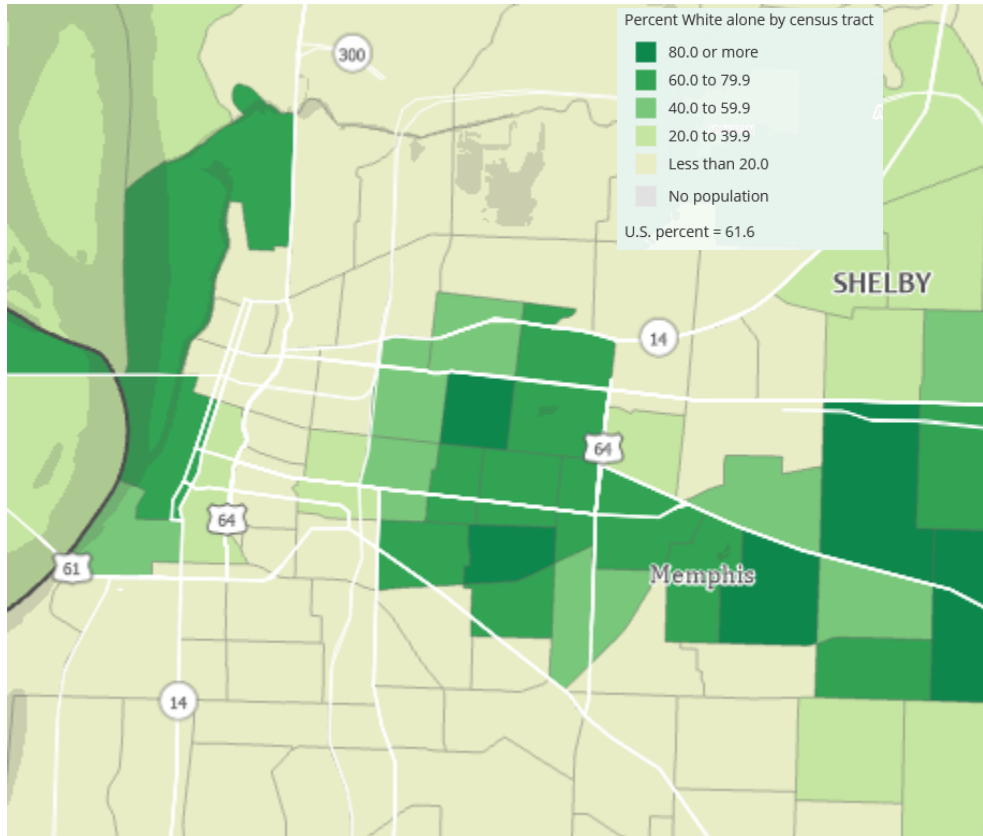


Figure 3) 2020 Percentage White Alone by Census Tract, [US Census Bureau](#)

### 2015 Housing Value

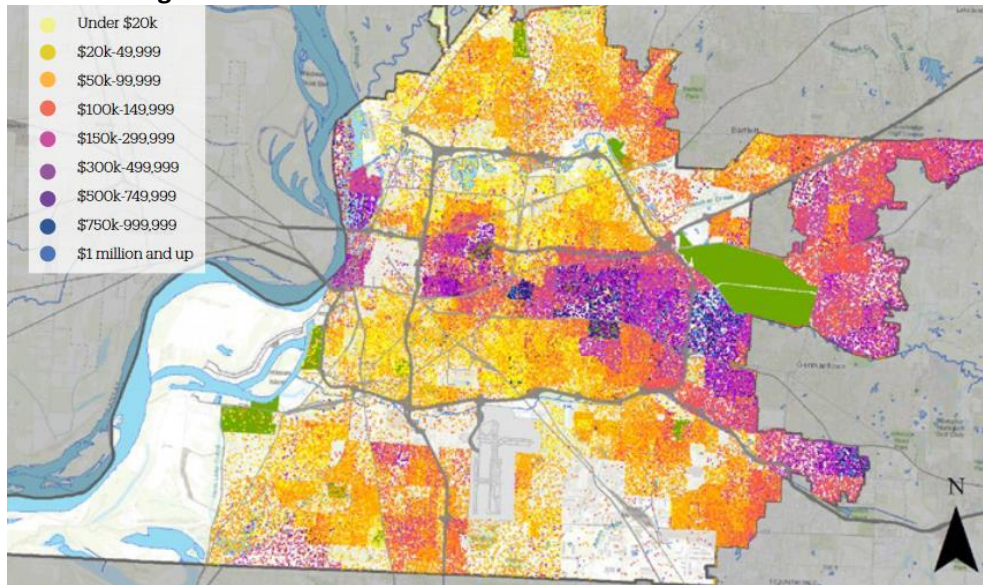
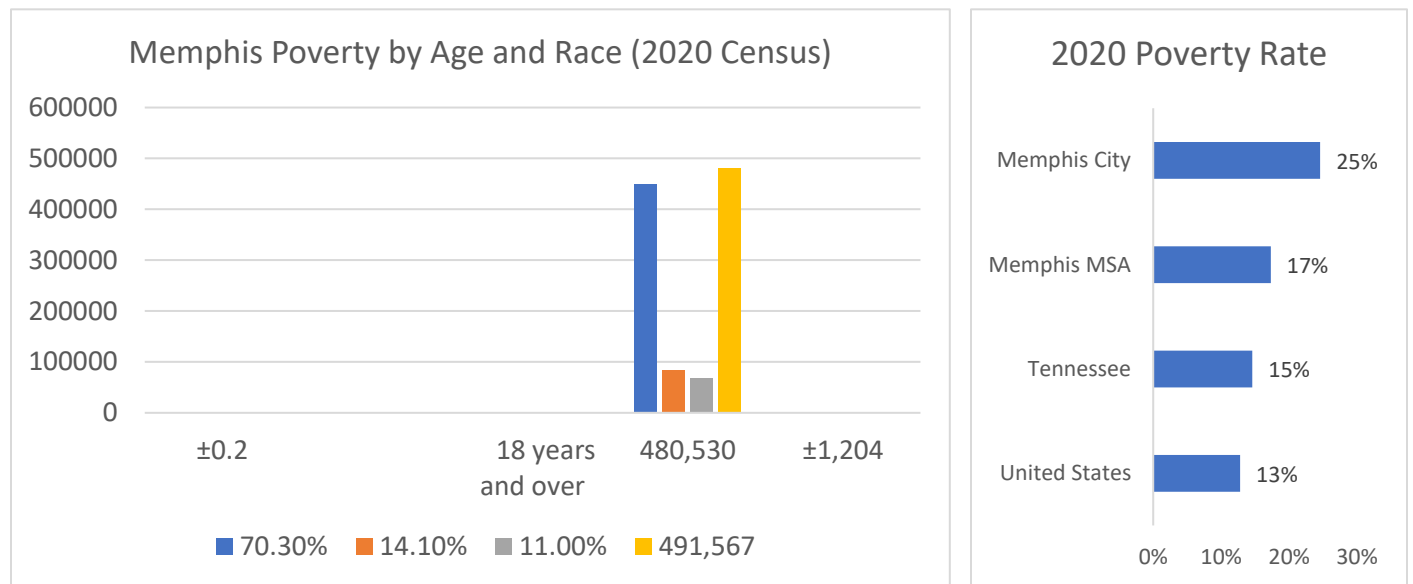


Figure 4) ACS Respondents Estimates of Owner-Occupied Property Values, produced by the Office of Comprehensive Planning, Screenshot from Memphis 3.0

## Poverty Rates

The most significant challenge Memphis faces today is its high rate of poverty, particularly among youth and BIPOC residents. Memphis has the highest overall and youth poverty rates in the country among MSAs with over 1 million residents, and the second highest among cities with more than 500,000 residents (behind Detroit). Memphis' overall poverty rate of 24% is twice the national average of 12%, with Black and Latino residents experiencing the highest rate of poverty (29%) and Black children under 18 experiencing a poverty rate of 46%.<sup>12</sup> Moreover, this combination of poverty and predatory legal practices have created an extremely high bankruptcy rate – in 2015 more bankruptcy cases were dismissed in the West Tennessee district than were even filed in 22 other states, and an analysis found that although nearly 50% more Black people filed for bankruptcy than White people, more White filers had their debt successfully discharged.<sup>13</sup> These high and inequitable rates of poverty are the direct result of the decades of deindustrialization, expansionary growth, disinvestment, and active marginalization of people of color in Memphis highlighted in the sections above.



## Philanthropic and Policy Context

Amid Memphis' high rate of poverty exists significant wealth. The Memphis region is home to billionaires Fred Smith (FedEx) and Pitt Hyde (AutoZone) who along with a small group of other

<sup>12</sup> Delevega, E. (2022). *2021 Special Edition of the Memphis Poverty Fact Sheet*. The University of Memphis School of Social Work. <https://www.memphis.edu/socialwork/research/2021-memphis-poverty-fact-sheet.pdf>

<sup>13</sup> Kiel, P., Fresques, H. (September 2017). *How the Bankruptcy System Is Failing Black Americans*. ProPublica. <https://features.propublica.org/bankruptcy-inequality/bankruptcy-failing-black-americans-debt-chapter-13/>

wealthy Memphians wield concentrated power in the city and co-invest in significant philanthropic endeavors. Other foundations including the Community Foundation of Greater Memphis, The Kresge Foundation, the Pyramid Peak Foundation, and The Assisi Foundation also collaborate closely and direct significant investment in the city.

*“There is a philanthropic power center with the family offices that still hold a lot of power and influence, not just at local level but state level. Small but very influential circle. The majority white business community and wealth holders have a disproportionate amount of power and influence relative to the community.”*

*-Interviewee*

At the city level, there are several important developments that promise to unlock additional resources for meeting community needs. In 2025, Memphis will benefit from a “debt cliff” resulting from a restructuring of pension plans that will lead to \$50 - \$60M reduction in city debt payments at that time. The city is already taking advantage of the debt cliff through the Accelerate Memphis bond initiative, which is borrowing \$200M against those future savings to make immediate investments in the city and to help implement the Memphis 3.0 plan. Additionally, the city is examining an opportunity to receive Community Development Block Grant (CDBG) funding under a different HUD formula. Currently, the city receives 3 – 5 times less CDBG funding per capita than other cities with comparable poverty rates; changing the formula used for Memphis would rectify this disparity and dramatically increase the allocation of CDBG funding to the city. City leaders have been intentional about building relationships with state leaders and working together with other cities in the state to collectively advocate on issues affecting all cities in the state.

### Community Development Block Grant Funding Among Peer Cities

	PY20 CDBG Allocation <sup>1</sup>	CDBG Dollars Per Capita	Population	1940 Population	Poverty Rate	Median Income	Median Gross Rent
United States	NA	NA	322,903,030	132,164,569	13.1%	\$60,293	\$1,058
Detroit, MI (Formula B)	\$ 35,285,455	\$ 52.11	677,155	1,623,452	33.4%	\$29,481	\$836
Baltimore, MD (Formula B)	\$ 22,271,075	\$ 36.23	614,700	859,100	18.4%	\$48,840	\$1,057
Cleveland, OH (Formula B)	\$ 21,719,035	\$ 56.06	387,398	878,336	33.1%	\$29,008	\$706
St. Louis, MO (Formula B)	\$ 18,426,982	\$ 59.20	311,273	816,048	22.1%	\$41,107	\$830
Cincinnati, OH (Formula B)	\$ 11,697,236	\$ 38.94	300,357	455,610	25.2%	\$38,542	\$745
Louisville, KY (Formula B)	\$ 11,465,789	\$ 18.58	617,032	319,077	18.4%	\$44,806	\$713
<b>Memphis, TN (Formula A)</b>	<b>\$ 6,751,893</b>	<b>\$ 10.38</b>	<b>650,618</b>	<b>292,942</b>	<b>27.8%</b>	<b>\$39,108</b>	<b>\$836</b>
Nashville, TN (Formula A)	\$ 5,313,699	\$ 8.05	660,062	167,402	15.6%	\$55,873	\$1,117
Knoxville, TN (Formula A)	\$ 1,761,814	\$ 9.50	185,429	111,580	26.2%	37703	\$815
Chattanooga, TN (Formula A)	\$ 1,596,240	\$ 9.00	177,365	128,163	18.8%	43964	\$863
Jackson, TN (Formula A)	\$ 582,262	\$ 8.71	66,878	24,332	24.1%	41606	782

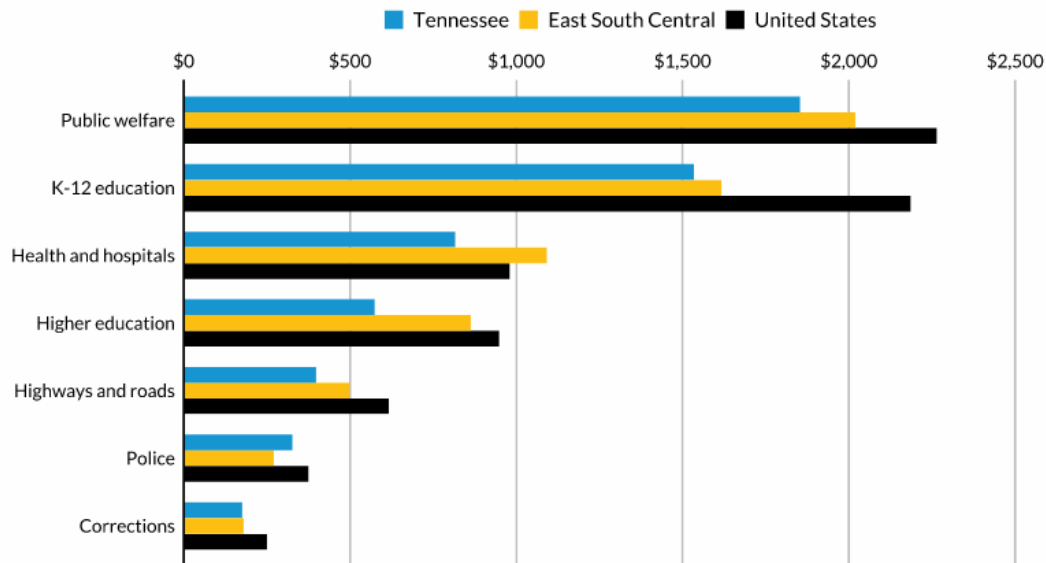
Figure 5) City of Memphis Department of Housing and Community Development Analysis of HUD and Census Data

Beyond the ways in which the local context has shaped inequities in the city, state level policy in Tennessee has played a major role in exacerbating and holding inequities in place. In many ways Memphis is a “blue dot in a sea of red,” which has a significant influence both on conditions in Memphis and how the city has to work within that context to advance its goals. One example cited in interviews is that Memphis government has a culture of fiscal conservatism influenced by the state context. Additionally, there is a perception that Memphis does not receive its fair share of state funding relative to the pronounced needs and poverty in the city, and that that shortfall is in part attributable to Memphis’s political inclinations and perhaps its status as a predominantly Black city.

Overall Tennessee is a low-tax state with no income tax, which means there is less state revenue to support housing and economic development programs relative to other states. Additionally, Tennessee has a highly regressive tax system; a 2018 study found that the lowest earning quintile in the state paid 10.5% of their income in state and local taxes, while the top quintile paid less than 5%, making Tennessee the sixth most regressive state that year.<sup>14</sup> The state’s underinvestment in services can be seen in the below graph from the Urban institute, which illustrates that per capita state spending across categories is lower not only than the national average, but of other states in the region as well, including Alabama, Kentucky, and Mississippi.

**Tennessee’s State and Local Per Capita Expenditures, Fiscal Year 2019**

Compared with national and regional averages



Source: US Census, Fiscal Year 2019.

Note: Medicaid spending is allocated to both public welfare and health and hospitals, with the majority of dollars allocated to the former. Census’s definition of the East South Central region includes Alabama, Kentucky, Mississippi, and Tennessee.

URBAN INSTITUTE

Figure 6) Urban Institute. (June 2022). State Fiscal Brief: Tennessee. <https://www.urban.org/policy-centers/cross-center-initiatives/state-and-local-finance-initiative/projects/state-fiscal-briefs/tennessee>

<sup>14</sup> Institute on Tax and Economic Policy. (2018). *ITEP Tax Inequality Index: Tennessee*. <https://itp.org/whopays/tennessee/>

## Homeownership

### Overview of the Current State of Homeownership in Memphis

The current state of homeownership in Memphis has been shaped significantly by predatory lending and the subprime mortgage crisis. In the late 1990s and early 2000s, there was a boom in subprime mortgage lending, first in the form of refinancing loans, and then later in loans for purchase. These loans often featured high-costs and fees, adjustable interest rates, or balloon payment requirements that put borrowers at risk, and were targeted by specialist sub-prime firms and national banks at borrowers with lower credit scores, and Black and African Americans in particular (including Wells Fargo, which settled with Memphis and Shelby County for \$425M in 2012).<sup>15</sup> In Memphis, borrowers in predominantly Black neighborhoods, many of which had been historically marginalized by redlining, such as Frayser, Whitehaven, Cordova, and others, took on a disproportionate amount of these high-cost loans.

As a result of these high-cost loans, annual foreclosures in Memphis tripled between 2000 – 2009, and property vacancies in the city more than doubled. Many of these foreclosed properties were in turn sold to investors who converted them into single family rental properties, while others remained vacant, increasing blight in the city. As a result of these dynamics, homeownership rates in Memphis today are significantly lower than in the early 2000's, with Blacks and Hispanics experiencing the greatest declines in ownership rates.<sup>16</sup>

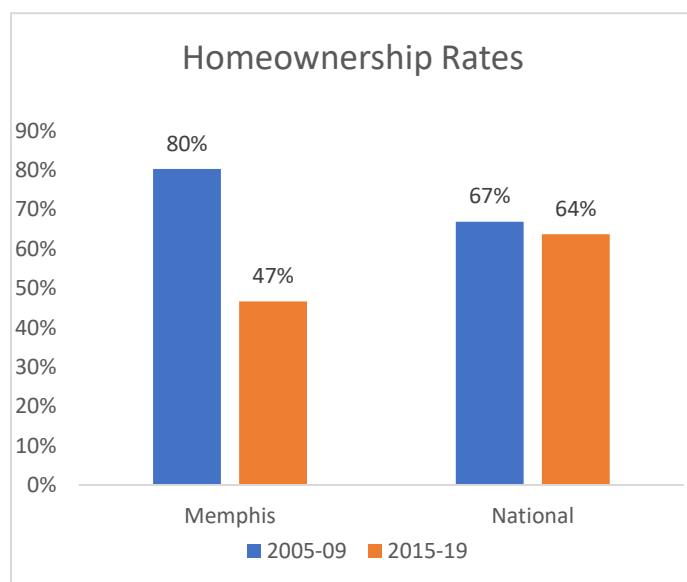


Figure 8: Keys Unlock Dreams Memphis Market Report

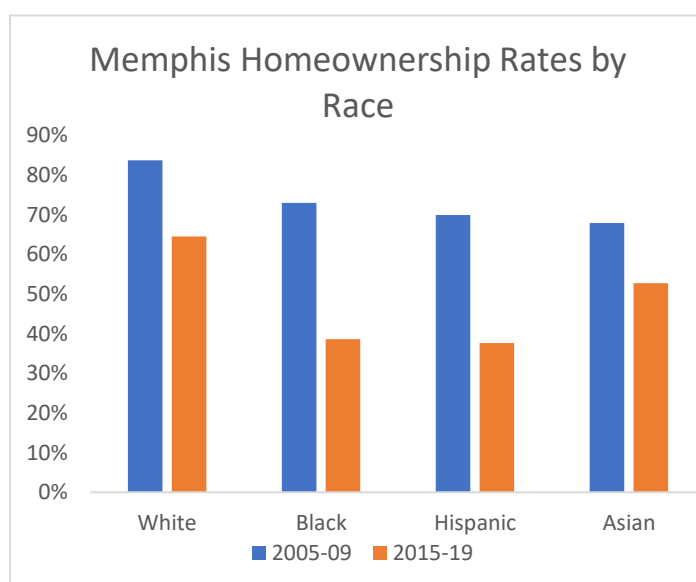


Figure 7: Keys Unlock Dreams Memphis Market Report

<sup>15</sup> Dries, B. (2012, May 30). *Wells Fargo, City Settle Discrimination Suit*. Memphis Daily News. <https://www.memphisdailynews.com/news/2012/may/30/wells-fargo-city-settle-discrimination-suit//print>

<sup>16</sup> The City of Memphis Department of Housing and Community Development and Innovate Memphis. (2020, September). *The State of Memphis Housing 2020*. <https://www.memphistn.gov/wp-content/uploads/2020/09/Housing-Report-V8.1.pdf>

Moreover, the people of color who do own homes in Memphis experience significant inequities in home value and resulting housing wealth.

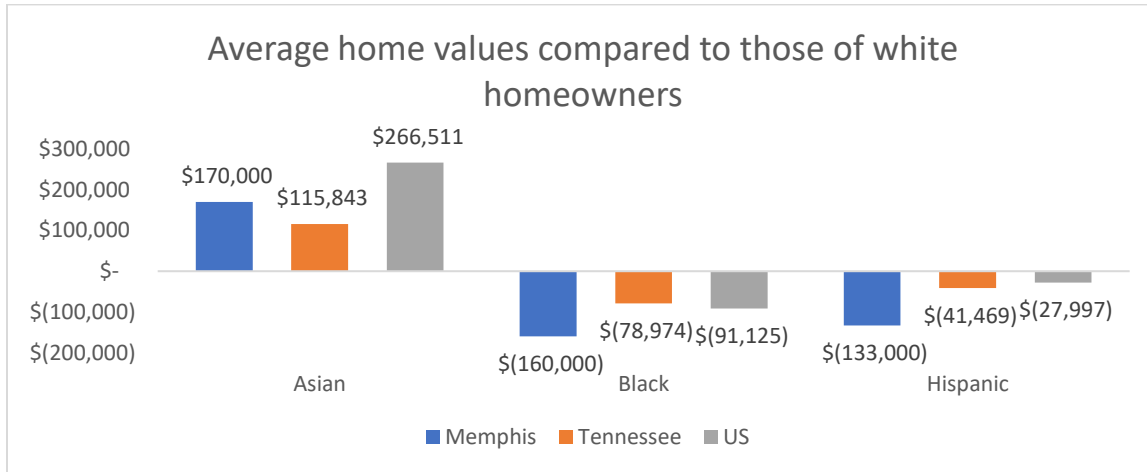


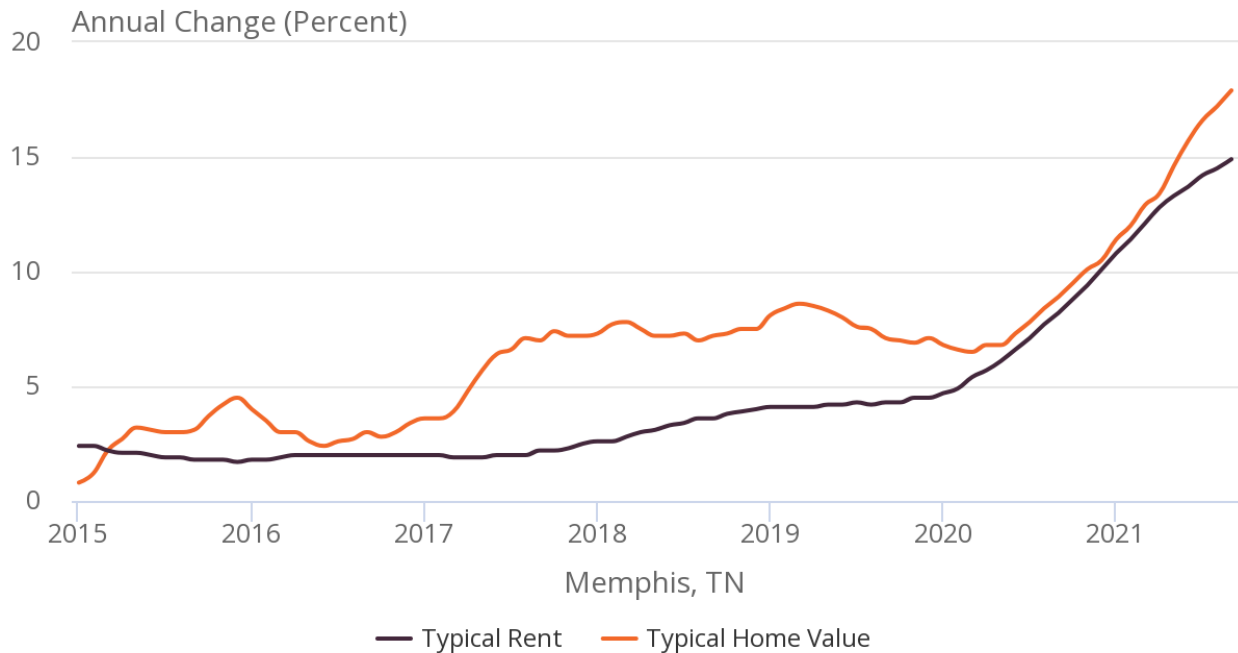
Figure 9: Urban Institute Analysis of American Community Survey Data

### Benefits of Homeownership for BIPOC Residents

Despite these challenges, homeownership remains an important vehicle for financial stability and wealth creation for people of color in Memphis. The housing cost burden (defined as the % of households spending more than 30% of monthly income on housing costs) for homeowners in Memphis (24.8%) remains much lower than the housing cost burden for renters (55.8%). And although racial inequities in property values persist, the median property value for homeowners in all racial groups has increased between 2018 – 2020,<sup>17</sup> and overall home prices are increasing faster than rent, as seen in the chart below.

<sup>17</sup> Mattingly, P., Choi, J.H., Pang, D., Ratcliffe, J. (2022, March). *Keys Unlock Dreams Initiative: Memphis Market Research Report*. Urban Institute. <https://keys.nationalfairhousing.org/wp-content/uploads/2022/03/memphis-market-keys-unlock-dreams-initiative.pdf>

## Rents Are Rising, But Home Prices Are Rising Faster



Notes: Rents are the mean asking rent for rental units in the 40th to 60th percentile range in a given market. Rents are indexed using a repeat-rent index and weighted to stock characteristics. Home value data reflects the typical value for homes in the 35th to 65th percentile range in each market, according to the Zillow Home Value Index. Gaps reflect lack of available data. For more detail, see Zillow's methodology.  
Source: Harvard Joint Center for Housing Studies tabulations of Zillow data.

Residents who participated in FSG's focus groups also strongly voiced their belief in the importance of home ownership. Additionally, participants observed that Memphis has historically focused primarily on single family homes for ownership, and that there is a need to create a greater diversity of ownership options to increase accessibility. Participants identified a range of benefits of homeownership:

- Freedom from the instability of renting, vulnerability to rent increases, and navigating racial discrimination among landlords when seeking and living in rentals
- The ability to make one's space their own through remodeling and investments
- Generation of wealth by building equity through payment of principal and property appreciation, the ability to pass that wealth to future generations, and to leverage that wealth for loans and investment in potential rental properties
- Improving the community through pride of ownership and maintenance that raises neighborhood property values, as well belief that local residents are more generous landlords to others in their community

### Quotes From Memphis Homeownership Focus Group Participants:

*"It's very important to own a house, you don't have to deal with rent increases or being sent notice, and you don't have to deal with discrimination from landlords."*

*"I think when you are renting nowadays it is so easy for the management company to sell it to somebody else, and then they can either cancel your lease or increase your rent"*

*another \$100 and then its inaccessible, so now you are scrambling to find another home.”*

*“I see owning a house as a way to generate wealth that your kids, your grandchildren can inherit.”*

*“If you upkeep your house, you are adding wealth to the city. If everyone maintains their home, it makes neighborhoods better, and helps the whole city be more valuable. It brings wealth not only to you, but also to the community around you.”*

## Barriers to More Equitable Home Ownership

Despite the understood benefits of homeownership, community members who participated in our focus groups acknowledged the difficulty of attaining homeownership and the structural challenges that many face in attaining it. As the preceding sections have explored, the roots of the current racial inequities in Memphis, including in homeownership, are complex and run deep. Similarly complex are the current state conditions and challenges that function to hold inequities in homeownership in place. In this section we will examine some of those factors in the following areas:

- Housing single family housing stock
- Property valuations
- Increasing rates of investor-owned property
- Buyer financing and experience
- Experiences of discrimination and bias
- State policy

### *Aging single family housing stock*

As a result of decades of outward expansion and underinvestment in Memphis neighborhoods, the current housing stock in the city is predominantly older, detached single family homes. 68% of homes in Memphis are detached single family, and 70% are older than 50 years old. Black homeowners are twice as likely as white homeowners to live in homes older than 50 years, with 60% of Black homeowners in homes older than 50 years, vs. 30% of White homeowners.<sup>18</sup>

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<sup>18</sup> City of Memphis and Shelby County. (2022 April). *Memphis and Shelby County Joint Housing Policy Plan*.



The implication of the aging housing stock in Memphis is that there is a profound need for investment in both new construction and housing rehabilitation, both for existing and new homeowners. The high rate of aging single-family homes that need repairs contributes to significant levels of blight and vacancy in many neighborhoods, which both suppress property values, making financing repairs more difficult, and places an increased transportation burden on remaining residents because low density makes public transit less viable. As the city moves forward with the Memphis 3.0 Comprehensive Plan, it must balance investing in denser, mixed use neighborhood anchors where services can be consolidated and extending housing preservation and blight reduction supports to residents in less dense neighborhoods.

*“Aside from downtown we do not really have a functional condo market in the city of Memphis. Considering the average median income in most of our neighborhoods, we absolutely should be developing that product to allow for more ownership opportunities.”*

*– Developer Focus Group*

#### *Low property valuations*

As a result of high rates of poverty and blight in many Memphis neighborhoods, property valuations in the city, particularly in predominantly Black neighborhoods, are low. As a result, many properties in Memphis and Shelby County face a gap in which the costs of redevelopment (including property acquisition and renovation) are on average \$62,000 *higher* than the sale price.<sup>19</sup> This creates a significant disinvestment for private investors and developers to rehabilitate homes across the city, and a barrier for non-profit developers seeking to establish a sustainable model for affordable home redevelopment for residents.

*“Orange Mound is going to have the same issue that Chelsea has right now in about five to six years. You have million-dollar homes and a golf course on one side of the train tracks. On the other, you have shotgun lots.”*

*– Developer Focus Group*

Moreover, in some neighborhoods, particularly in east Memphis where price pressure and competition are increasing, low appraisals and valuations also create a barrier for prospective buyers using FHA loans. Often the FHA appraisal will come in below the listing price, creating a purchasing barrier for lower-income buyers who are competing against institutional investors or higher income buyers for some homes. On the other hand, there is a concern among interviewees that valuations will increase rapidly in some of these neighborhoods, effectively pricing out many BIPOC residents.

<sup>19</sup> City of Memphis and Shelby County. (2022 April). *Memphis and Shelby County Joint Housing Policy Plan*.

### *Increasing rates of investor-owned property*

As described earlier, following the sub-prime mortgage crisis, Memphis had a high rate of Real-Estate-Owned (REO) properties that lenders had foreclosed on, many of which were then resold to investors and converted to single family rentals. Between 2010 and 2017 the number of non-owner loans originated for properties in Memphis increased three-fold,<sup>20</sup> and from 2018 – 2020 about 25% of property purchases in Memphis were by investors, double the rate in the Memphis MSA (14%) and four times the rate of investor purchases in the US (6%).<sup>21</sup>

This high rate of investor purchases and conversion of single-family homes to rentals has had a profound impact on the housing market in Memphis. First, it increases competition and reduces availability of single-family homes for purchase by prospective individual buyers, who have a particularly challenging time competing with institutional buyers who are able to make all cash offers, a problem compounded by the low property valuations described in the preceding section. Second, there is a perception among interviewees that investor owners are less likely than homeowners to invest in property upkeep and improvements, which in turn suppresses property values and changes the character of neighborhoods, and in the worst cases can lead to unsafe or unhealthy housing conditions for residents.

“My mama is ready to move out of her space because no one in the neighborhood is really owning a home. They all moved to Lakeland and Arlington. She is ready to move because the rent people are getting all the houses and they keep choosing tenants that don’t keep up the houses like they should.” -Focus Group Participant

“I’m renting and rent is high. I’m starting to live paycheck to paycheck unfortunately. I skip meals and it’s okay, I can, but it’s not how I want to live. That is not okay. I’d like an opportunity. Raise the minimum wage or something. I don’t know what they can do, but the government needs to do something.”

-Focus Group Participant

Lastly, the increasing rate of investor-owned properties increases rent prices for renters, who are already disproportionately experiencing a housing cost burden. Many neighborhoods, across the city have experienced a decline in the availability of affordable rental units between 2010 and 2019, and the housing cost burden rate of renters in Memphis has increased from 43% to 56% between 2005-09 and 2015-19. Today, the city faces a deficit of 32,719 affordable housing units for extremely low-income residents.<sup>22</sup> High rent creates instability for residents: between 2016 – 2019 there were an average of 31,633 evictions filed in Shelby County each year, affecting roughly 1 in 5 renters. This has a deep effect on residents’ financial stability and ability to save to purchase a home or start a business. This challenge was exacerbated by the pandemic,

<sup>20</sup> The City of Memphis Department of Housing and Community Development and Innovate Memphis. (2020, September). *The State of Memphis Housing 2020*. <https://www.memphistn.gov/wp-content/uploads/2020/09/Housing-Report-V8.1.pdf>

<sup>21</sup> Mattingly, P., Choi, J.H., Pang, D., Ratcliffe, J. (2022, March). *Keys Unlock Dreams Initiative: Memphis Market Research Report*. Urban Institute. <https://keys.nationalfairhousing.org/wp-content/uploads/2022/03/memphis-market-keys-unlock-dreams-initiative.pdf>

<sup>22</sup> National Low Income Housing Coalition. (2021, March). *The Gap: A Shortage of Affordable Homes*. [https://reports.nlihc.org/sites/default/files/gap/Gap-Report\\_2021.pdf](https://reports.nlihc.org/sites/default/files/gap/Gap-Report_2021.pdf)

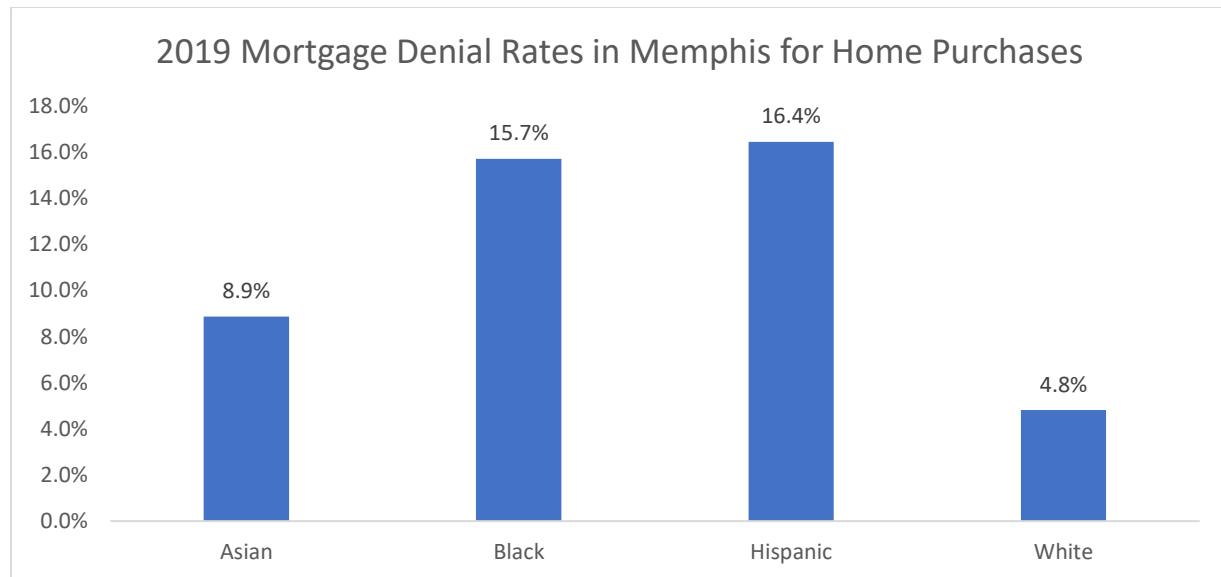
as many families needed to deplete their savings during lockdown and during periods of unemployment.

### *Rising mortgage rates and inflation*

Though data is not yet available, rising rates of inflation in 2021 and 2022 and resulting increases in the Federal Reserve’s benchmark interest rates are likely to have an effect on the housing market nationally and in Memphis. In mid-June 2022 average interest rates on 30-year mortgages increased to 6.28%, after reaching historic lows in 2020 and 2021,<sup>23</sup> and interest rates are expected to continue rising throughout the remainder of 2022. Rising mortgage rates may lower home prices while also increasing mortgage costs. It is too early to determine how these dynamics will impact homebuyers in Memphis, but they may suppress the availability of homes for sale and decrease the affordability and accessibility of mortgages for prospective buyers. Current homeowners, particularly those with adjustable-rate mortgages may also be impacted by rising mortgage costs, which could lead to increased foreclosures.

### *Buyer financing and experience*

Mortgage access and financing in Memphis is a significant challenge for homeowners and prospective BIPOC homebuyers in Memphis. Overall home loan (including purchase and refinance) denial rates in Memphis were 27% in 2019, 10% higher than the national average, and were disproportionately high for low income and borrowers of color. Mortgage denial rates for home purchases were much lower than for home refinancing, though racial inequities persisted.



<sup>23</sup> Olick, D. (2022, June 14). *30-year mortgage rate surges to 6.28%, up from 5.5% just a week ago*. CNBC. <https://www.cnbc.com/2022/06/14/30-year-mortgage-rate-surges-to-6point28percent-up-from-5point5percent-just-a-week-ago.html>

The most common reason for denial across racial groups was debt to income ratio, followed by lack of collateral and credit history. Also notable is that there are inequities in the percentage of renters that applied for mortgages in 2019 by race – only 2.2% of Black renters applied for a mortgage, compared with 4.9% for Hispanics and 10% for Whites. This correlates with racial inequities in poverty, income, and wealth in the city as well as rising rents, which make it more difficult for renters to achieve or sustain financial health and save for a down payment. Indeed, we heard in our focus groups that more families are living together to save money amid increasing

rents. The Urban Institute also hypothesizes that this inequity in mortgage applications by race could be a result of the challenges of accessing a FHA loan, particularly relative to the supply of

“I am going for an FHA loan so I couldn’t skip contingencies and that made it a lot harder competing-wise with people who have conventional loans.”

-Focus Group Participant

available properties for purchase. The high rate of denials among the Hispanic community is also notable due to their high rate of population growth and the limited number of organizations focused on helping Hispanic people achieve homeownership. Despite low application rates, data from the American Community Survey show that 16% of Black residents between 18 – 45 and 34.5% of Hispanic residents in that age range are “mortgage ready,”<sup>24</sup> indicating that there are many

more potential homebuyers than people who are applying. While the “mortgage ready” statistic is a simplified approximation, it illustrates a broader mindset of homeownership being unattainable that is shaped by high rents, lack of availability, and the difficulty of buying a house in Memphis:

*“Our CDC built beautiful houses for affordable purchase. I’m very proud of what we built, but we would get few Black folks to even come and look at them. In their minds they would think ‘this is not for me’ because they did not understand what is required to become a homeowner.”*

*“Homebuyer education courses are as full as they have ever been – there is not enough inventory and many people have credit issues, but we have not seen a dip in interest. If they go through the program and start looking, they realize that it’s going to take a while. That’s when interest wanes.”*

There are also racial differences in the type of loans utilized in Memphis. Black and Hispanic homebuyers are much more likely to use FHA loans than White or Asian homebuyers, which allow for lower down-payments and credit history, but which require inspections and appraisals, which can make purchases more difficult. Similarly, Black and Hispanic homebuyers are more likely to have much higher loan to value ratios on their home purchases, which is associated

“I’ve been trying to save up for months now. I’d say it’s been more than a year. During the pandemic, I had to take out of my savings because with the issue of the lockdown, the pandemic and all that, I needed some extra cash for myself and my family.”

-Focus Group Participant

<sup>24</sup> “Mortgage Ready” is defined by Freddie Mac using basic assessments including not having a current mortgage, a credit score of 661 or above, a back-end debt-to-income ratio not exceeding 25 percent<sup>3</sup>, no foreclosures or bankruptcies in the past 84 months, and no severe delinquencies in the past 12 months

with greater risk and a longer time horizon to building equity because borrowers have less equity at purchase and must pay mortgage insurance. About 17% of Black borrowers have a loan to value ratio of less than 90%, compared to about 45% of Hispanic and 58% of White borrowers. Additionally, one interviewee observed that Hispanic borrowers in particular are targeted by predatory rent-to-own schemes.

### *Experiences of Discrimination and Bias*

Racial bias also plays a prominent role in shaping BIPOC buyers' opportunity and experience in searching for homes, nationally and in Memphis. Nationally, Brookings Institution Senior Fellow Andre Perry found that homes in majority Black neighborhoods are valued 23% lower than comparable homes in White neighborhoods, amounting to a cumulative \$156B loss in Black wealth attributable to bias in appraisals.<sup>25</sup> The New York Times also reported several anecdotal examples of Black homeowners receiving second appraisals up to 40% higher than the first after removing family photos and having White neighbors stand in for them.<sup>26</sup> Bias is also prevalent in how BIPOC homebuyers are treated by real estate agents. A 2019 undercover study of real estate agents in Long Island found that agents treated people of color unequally 40% of the time, often steering them away from majority White neighborhoods regardless of their ability to afford a home.<sup>27</sup>

Focus group participants shared similar experiences in Memphis, highlighting experiences of bias with lenders, sellers, and realtors:

*"It has not been easy, and I feel it is probably because I am Black... Getting pre-approved for a loan is very, very difficult for a Black person. I think there is a stigma attached to being Black: that we all do not do legit things or have legit businesses. Like we all have our fingers in lots of dirty deals and drugs."*

*"I had my credit score in place and my initial deposit. I met with a financial advisor and we were discussing homes I should go for and the options I had in front of me. I contacted a couple of homeowners that were ready to sell and some, in my experience, would not sell to someone who is Black or Latino because of how the area was constituted. It was usually White people in the area...I feel like my racial identity influenced my ability to own a home in Memphis because homeowners were being cautious on whom to sell to."*

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<sup>25</sup> Perry, A., and Rothwell, J. (November 17, 2021). "Biased appraisals and the devaluation of housing in Black neighborhoods." Brookings Institution. <https://www.brookings.edu/research/biased-appraisals-and-the-devaluation-of-housing-in-black-neighborhoods/>

<sup>26</sup> Kamin, D. (August 25, 2020). "Black Homeowners Face Discrimination in Appraisals." The New York Times. <https://www.nytimes.com/2020/08/25/realestate/blacks-minorities-appraisals-discrimination.html>

<sup>27</sup> Ferré-Sadurní, L. (November 18, 2019). "What Happens When Black People Search for Suburban Homes." The New York Times. <https://www.nytimes.com/2019/11/18/nyregion/fair-housing-discrimination-long-island.html?action=click&module=News&pgtype=Homepage>

*“Some homeowners don’t sell to Black people or Hispanic people. I believe it’s probably associated with the stigma that you cannot pay for it. You know what I mean? Why do you want to come check the house when you cannot pay for it? They assume automatically that you are just window shopping.”*

*“I didn’t have any friends, any family, and nobody to guide me through all the processes – just my realtor. She didn’t tell me about schools, neighborhoods, or anything...When my kids started growing up and I realized the schools, that they were not that great. I said, ‘Why didn’t she tell me about all this before?’ If I had known that, if she had told me before, I would have chosen something different.”*

*“My experience when I started looking for a house, it was a little bit challenging. It starts with finding the right realtor. I tried to look for someone who could speak my language, so I didn’t get lost in translation. I called several people, and many did not call me back.”*

### State Policy

The state housing policy context in Tennessee impedes progress in equitable housing stability, affordability, and quality in different ways:

- **Preferential Taxation of Single-Family Homes:** Tennessee assesses a preferential tax residential rate for single family and owner-occupied duplexes, assessing everything over that at a commercial rate. This impedes development of “missing middle” housing – smaller 3 – 6-unit buildings which can increase rental supply and build wealth for occupying owners. As one interviewee said, *“For close to 100 years now we have created a regulatory and financial system that favors single family homes to the detriment of housing choice”*
- **Preemption of Inclusionary Zoning:** In 2018, the state passed a bill prohibiting cities from implementing inclusionary zoning policies, nullifying a law that had been passed in Nashville in 2016.<sup>28</sup>
- **Concentration of Affordable Housing Development in Low-Income Neighborhoods:** The Tennessee Housing Development Authority (THDA) has concentrated Low-Income Housing Tax Credit (LIHTC) development in low-income, predominantly Black neighborhoods where land is cheapest and school quality is low. None of the 18 developments approved in Memphis in the past 15 years are in middle or in high-income neighborhoods, even though mixed income development is proved to benefit residents’ mobility in both local and national research. Other states offer incentives for locating developments in middle or high-income neighborhoods and near amenities like

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<sup>28</sup> Reicher, M. (2018, March 5). *State Senate votes to block Nashville's affordable housing ordinance*. The Tennessean. <https://www.tennessean.com/story/money/2018/03/05/tennessee-senate-affordable-housing-nashville-inclusionary-zoning/397032002/>

transit, schools, and grocery stores, but when THDA staff raised a similar proposal it was rejected by the Board.<sup>29</sup>

- **Eviction Prevention During the Pandemic:** During the pandemic the state of Tennessee scored .53 out of a potential 5.00 points on the Eviction Lab’s COVID-19 Housing Policy Scorecard. Although the city undertook significant efforts to prevent evictions and the state did institute some relief measures, the state did not institute many of the best practices in eviction filing, court processes, and tenancy preservation, contributing to the increased housing instability generated during the pandemic.<sup>30</sup>

## Housing Ecosystem and Opportunities

There is an overall robust landscape of organizations working to advance more equitable housing in Memphis, and organizations are largely collaborative and work in coordination with one another. While there are opportunities to strengthen coordination and programs, on the whole Memphis has a strong housing ecosystem. This ecosystem includes organizations and programs in the following areas:

- Housing Counseling and Assistance
- New Housing Development
- Research and Advocacy
- Funders and Investors
- Local and State Government

Some organizations, such as CDCs and city agencies, have programs that span these categories. In each of the following sections, we will discuss the current organizations and programs, as well as opportunities for advancing more equitable homeownership relevant to each category.

### Housing Counselling and Assistance

Memphis has a comprehensive landscape of organizations offering education, counselling, and financial supports to increase access to homeownership and preservation:

#### Housing Counseling and Assistance Landscape Overview:

Program Type	Offering Organizations (not comprehensive)
Pre-Purchase Education and Counseling	<ul style="list-style-type: none"> <li>• United Housing</li> <li>• Mi Techo</li> <li>• Frayser CDC</li> <li>• NACA</li> <li>• NID</li> <li>• Operation Hope</li> </ul>

<sup>29</sup> Steimer, J. (2022, April 14). *How a Tennessee Housing Policy Concentrates Poverty, Denies Opportunity*. Next City. <https://nextcity.org/urbanist-news/what-we-learn-from-black-and-women-led-cooperative-practice>

<sup>30</sup> *COVID-19 Housing Policy Scorecard: Tennessee*. (2021, May 31). Eviction Lab. <https://evictionlab.org/covid-policy-scorecard/tn/>

<p>Mortgage Delinquency and Foreclosure Prevention Counseling</p>	<ul style="list-style-type: none"> <li>• United Housing</li> <li>• Mi Techo</li> <li>• Frayser CDC</li> <li>• Memphis Area Legal Services (also provides fair housing counseling for victims of discrimination and predatory lending)</li> <li>• NACA</li> <li>• NID</li> <li>• TN Housing Assistance Fund (THDA)</li> </ul>
<p>Down Payment Assistance</p>	<ul style="list-style-type: none"> <li>• Memphis Department of Housing and Community Development                             <ul style="list-style-type: none"> <li>○ Citywide DPA (all residents up to 80% AMI)</li> <li>○ Memphis Housing Authority (for current or recent MHA residents)</li> <li>○ Section 8 Homeownership Program (for current housing voucher holders)</li> <li>○ Targeted Area DPA (for purchase through MHA HOPE VI program)</li> <li>○ Homebuyer Incentive Program (up to 200% of AMI, only for purchases in designated areas)</li> </ul> </li> <li>• Shelby County Down Payment Assistance Program (maximum income of ~\$70k for family of 2 or \$80k for 3 or more)</li> <li>• THDA Down Payment Assistance</li> </ul>
<p>Favorable Home Lending</p>	<ul style="list-style-type: none"> <li>• The Works Opportunity Home Loan Fund</li> <li>• United Housing Cherry Mortgage</li> <li>• NACA</li> </ul>
<p>Home Repair and Weatherization</p>	<ul style="list-style-type: none"> <li>• City of Memphis Weatherization Assistance Program</li> <li>• Green and Healthy Homes Initiative</li> <li>• United Housing Home Repair Loans</li> <li>• Habitat for Humanity of Greater Memphis Aging in Place Home Repair program</li> <li>• LISC Memphis</li> </ul>

Despite the overall comprehensiveness of the landscape of services, available programs are limited in scale and utilization relative to the needs of current and prospective homeowners in Memphis. Specific opportunities for strengthening the landscape of these services that were identified by interviewees include the following:

- **Increasing awareness and support for navigating available services.** While current programs are generally already operating at or near capacity, participants in our focus groups indicated that the programs are relatively unknown. Additionally, there is a lack of centralized information and coordination among programs to help participants.
  - One resource designed to meet this need is the **Welcome Home Memphis (Home 901) platform**, developed by United Housing in collaboration with local public and nonprofit agencies. Further investment could increase awareness, and utilization, and keep information current.



- Additionally, the Memphis Mortgage Bankers Association **Convergence Memphis** initiative is hosting virtual and in person homeownership fairs to raise awareness of available resources.
- **Increasing coordination and referrals between services.** Interviewees cite opportunities for closer linkages between complementary services, such as home repair and weatherization programs, or rental assistance and purchase programs, to build homeownership pathways and ensure homeowners are receiving comprehensive supports.
- **Streamlining access to city down payment assistance grants.** In Fiscal Year 21 the city provided Down Payment Assistance to 89 households, 52% of its goal of serving 170 households.<sup>31</sup> While part of this limited uptake may be attributable to the effects of the pandemic, interviewees cite the pace of the down payment assistance process as a barrier for prospective buyers in a competitive market.

### Housing Development and Advocacy

Memphis has a number of high-capacity organizations working to increase the supply of affordable homeownership and rental housing through direct development as well as research and advocacy, including the following (not exhaustive):

Type	Organizations (not comprehensive)
Affordable Housing Developers	<ul style="list-style-type: none"> <li>● CDCs including The Works Inc., Frayser CDC, Binghampton DC, Memphis Medical District Collaborative, and United Housing</li> <li>● Habitat for Humanity</li> <li>● ComCap Partners</li> </ul>
Research and Advocacy Organizations	<ul style="list-style-type: none"> <li>● BLDG Memphis</li> <li>● Community LIFT</li> <li>● Innovate Memphis</li> <li>● Neighborhood Preservation Inc. (now part of the Works Inc.)</li> <li>● The University of Memphis</li> <li>● Urban Land Institute Memphis Chapter</li> <li>● National organizations working in Memphis, including the Urban Institute and Enterprise Community Partners</li> </ul>

While these organizations are doing admirable and creative work to increase access to affordable home ownership, the scale of their efforts are limited. Between 2015 and 2020, CDCs in Memphis developed a total of 312 new rental units and 178 new homeowner units, far below the scale of need.<sup>32</sup> Affordability focused developers are limited by market conditions, particularly the gap between low property appraisals and redevelopment costs, as well as an overall shortage of community development investment and financing. Funding that does exist

<sup>31</sup> City of Memphis. (2021). *Consolidated Annual Performance Evaluation Report (CAPER)*. <https://www.memphistn.gov/download/625/planning-and-policy/46929/caper-memphis-py20-fy21-final.pdf>

<sup>32</sup> CommunityLIFT and BLDG Memphis. (2021). *2021 State of the CDC Industry Report*.

often follows tax incentives including Payment in Lieu of Taxes (PILOTS) and Tax Increment Financing (TIFs), which are concentrated in specific neighborhoods

Interviewees highlighted that although there is a perception of fragmentation among affordability focused developers, the organizations frequently collaborate with one another, and that higher-capacity CDCs frequently offer mentorship and capacity building to smaller CDCs. Moreover, Memphis benefits from high quality research and data from both local and national organizations (cited throughout this report). Policy changes and increased funding will ultimately be most impactful for helping affordable developers operate at greater scale, but there is also an opportunity to continue to develop and support the sector. The 2021 State of the CDC Industry Report developed by CommunityLIFT and BLDG Memphis identified a number of opportunities to continue development of the sector:

- **Increasing collective advocacy** by regularly convening CDCs and CDFIs to create a shared agenda and set of strategic priorities for housing development in Memphis, enabled by increased capacity building and education around public and private funding sources, requirements, and emerging local government priorities.
- **Exploring opportunities for shared infrastructure** such as shared pools of funding for technical assistance, shared back-office services, board recruitment and development, and marketing to raise the profile of the CDC industry.
- **Developing new funding sources to support the CDC industry** such as a shared “strategic projects fund” for philanthropy, channels for increased CRA lending, and a fund for land acquisition and pre-development loans.

#### Funders and Investors

Memphis has a wide range of public and private funders working to support equitable homeownership:

Type	Organizations (not comprehensive)
Community Development Financial Institutions (CDFIs)	<ul style="list-style-type: none"> <li>• River City Capital</li> <li>• LISC Memphis</li> <li>• Communities Unlimited</li> <li>• Pathway Lending</li> <li>• Liberty Bank</li> </ul>
Local Commercial Banks	<ul style="list-style-type: none"> <li>• Triumph Bank</li> <li>• First Horizon Bank</li> <li>• Pinnacle Financial Partners</li> <li>• Patriot Bank</li> <li>• Landmark Community Bank</li> <li>• Bank of Tennessee</li> </ul>
Foundations	<ul style="list-style-type: none"> <li>• Assisi Foundation of Memphis</li> <li>• The Hyde Family Foundation</li> <li>• The Kresge Foundation</li> <li>• Pyramid Peak Foundation</li> </ul>

<p>Public Funding Streams and Incentives (by administering agency)</p>	<ul style="list-style-type: none"> <li>• City of Memphis Division of Housing and Community Development (HCD)             <ul style="list-style-type: none"> <li>○ Affordable Housing Trust Fund</li> <li>○ Community Development Block Grant (CDBG)</li> <li>○ Emergency Solutions Grant (ESG)</li> <li>○ HOME Investment Partnership (HOME)</li> <li>○ Housing Opportunities for Persons with AIDS (HOPWA)</li> </ul> </li> <li>• Community Redevelopment Agency (CRA)             <ul style="list-style-type: none"> <li>○ TIFs</li> </ul> </li> <li>• Economic Development Growth Engine (EDGE)             <ul style="list-style-type: none"> <li>○ PILOTs</li> <li>○ TIFs</li> </ul> </li> <li>• Tennessee Department of Economic and Community Development (TDECD)             <ul style="list-style-type: none"> <li>○ Opportunity Zones</li> </ul> </li> <li>• Tennessee Housing Development Agency (THDA)             <ul style="list-style-type: none"> <li>○ Low Income Housing Tax Credit (LIHTC)</li> </ul> </li> </ul>
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While a range of funding sources exist, they currently are not operating at the scale needed to support equitable access to and preservation of homeownership in Memphis. Interviews, focus groups, and prior research and planning efforts including the *2021 State of the CDC Industry Report* have surfaced a number of opportunities for increasing housing funding and innovation, including the following:

- **Conducting a comprehensive inventory, mapping, and gap analysis of funding** sources to help raise awareness of the funding landscape and support navigation for affordable developers, and to inform dialogue around gaps in funding and prioritization of how to address them. This mapping can also provide a foundation for coordinating and reducing the complexity of funding across public, private, and philanthropic sources.
- **Building relationships between local and national banks and CDCs and CDFIs** to increase CRA investment in homeownership development.

#### Local and State Government

Housing policy and programs serving Memphis are administered by several departments at the city, county, and state level, including:

Type	Organizations (not comprehensive)
City Departments	<ul style="list-style-type: none"> <li>• Blight Authority of Memphis</li> <li>• Memphis Division of Housing and Community Development (HCD)</li> </ul>
County and Joint City-County Departments	<ul style="list-style-type: none"> <li>• Community Redevelopment Agency</li> <li>• Economic Development Growth Engine (EDGE)</li> <li>• Memphis Housing Authority</li> <li>• Memphis and Shelby County Division of Planning and Development</li> <li>• Shelby County Land Bank</li> </ul>

Utilities	<ul style="list-style-type: none"> <li>• Memphis Light Gas and Water (MLGW)</li> </ul>
State Agencies	<ul style="list-style-type: none"> <li>• Tennessee Housing Development Authority (THDA)</li> </ul>

Despite effort to consolidate city and county programs where possible (e.g., through joint departments), interviewees and researchers perceive fragmentation in local housing programs and opportunities for further streamlining them. Additionally, sources identify opportunities for policy innovation to help address some of the systemic homeownership barriers in the city. In particular, the recent *Memphis Housing Policy Plan* is an important and comprehensive step forward in the city's housing policy vision and provides a roadmap for making transformative changes in Memphis' housing landscape. Here are some specific opportunities for action, including some of the policy recommendations from the *Housing Policy Plan*:

- **Establishing the tone and narrative for valuing equitable affordable housing in the city.** Participants in our focus group with developers emphasized that local government has the opportunity to lead in establish clear shared values on equitable housing in the city. They believe there is a need for city government to convene sectors to create a shared understanding of the challenges to affordable housing and generate momentum around the solutions that emerge.
  - *"The government can come in and control the narrative to keep the costs down."*
  - *"It is a question of what our city values. What we value is shown by what we choose to invest in and we need to show that we value our people."*
- **Implementing local policy and public practice changes:**
  - **Continuing to streamline and consolidate housing programs.** Consolidating programs can help to reduce administrative overhead so that more resources can be directed to program delivery and can also help simplify service access for residents and partners.
    - **Opportunities for consolidation are particularly evident in the areas of homebuyer and homeowner assistance** (including down payment assistance, homebuyer counselling, and repair assistance and weatherization services).
    - Some nonprofit partners desire increased **streamlining in permitting and inspection processes** to help reduce costs associated with permitting delays when rehabilitating homes.
  - **Updating zoning to encourage ADU, infill, and small multifamily development** following the recommendations in the Memphis Housing Plan.
  - **Increasing the utilization of city and county owned properties for affordable homeowner development and improve multi-generational property transfer.** Additionally, some interviewees highlighted recent tensions between the Blight Authority of Memphis (BAM) and the Shelby County Land Bank that have impeded data sharing and collaboration. This needs to be addressed to improve the efficiency of property acquisition and redevelopment. Additional opportunities include:
    - **Increase affordable, nonprofit developer access to city and county owned properties.** Developers highlighted that they previously had a form of "right of first refusal" to acquire Land Bank properties but did

not have sufficient capacity or capital to utilize this acquisition strategy at meaningful scale. As a result, this right was removed, and now affordable developers feel they cannot compete with the resources and capacity of private developers who have increased investment in Memphis. BAM, the Land Bank, and affordable developers can reconvene to identify strategies for improving property transition to affordable development, e.g., by agreeing on priority neighborhoods or by reinstating early notice practices.

- **Identify MWBE certified construction companies to be the primary contractor** on new affordable housing developments and renovations on existing housing stock. Ensure that the development of these contracts is inclusive and accessible to businesses owned by people of color.
  - **Create an Heir Title Assistance Program** to ensure properties remain in families and are not lost due to “tangled titles” that result when a homeowner dies but their heirs do not receive the deed to the home.
- **Instituting new public funding streams and incentives:**
    - Creating a dedicated and sustained **funding stream for the Affordable Housing Trust Fund**.
    - Creating **new, public, private, or public-private funds** to help increase funding leverage, such as:
      - A **loan loss reserve fund** for CDCs and affordable developers to help increase their access to capital
      - A new financial product to fill the **gap between appraised values and development costs**
      - **Public financing guarantees** to help expand mortgage access to potential homebuyers (e.g., through mortgages that use alternative forms of credit assessment, rehab/purchase loans, etc.)
      - Direct **investment in developing alternative, affordable homeowner units as proof-of-concept** for new zoning regulations and to support access to ownership, including small multi-family buildings, co-ops, rent-to-own units, and mixed-income developments.
    - **Strengthening public incentives** to help overcome barriers to more equitable homeownership, including:
      - Exploring the expansion of the **Community Investment Tax Credit** or the creation of a program similar to the Neighborhood Assistance Program in Pennsylvania, which provides substantial tax credits to individual and corporate investors who invest in CDCs
      - Providing **property tax abatements** for property tax increases resulting from needed repairs
      - **Tax relief for existing homeowners** in majority Black neighborhoods experiencing gentrification
      - Providing **tax rebates on 2 – 6 unit buildings** that are taxed by the state as commercial properties

- Exploring **new opportunities to use state and federal funding and incentives to support development of affordable housing for purchase.** For example, some CDCs, including Habitat for Humanity of Greater Memphis, are beginning to use **New Market Tax Credits (NMTCs)** to help finance for-sale developments.<sup>33</sup>
- **Innovating and iteratively test solutions to systemic issues:**
  - **Home Appraisals:** Work with lenders (including members of Living Cities), and the local Mortgage Bankers Association to research and pilot ways to combat bias in real estate and appraisals, e.g., through the use of technology, updating comp standards, etc. The city can also create an “appraisal value guarantee program” for homebuyers who invest in specific neighborhoods.
  - **Increases in Investor Ownership of Single-Family Properties:** Uphold high standards for institutional owners of single-family rentals to promote the financial stability of renters and to sustain housing quality and property values. Strategies might include continuing to strengthen tenant rights and anti-eviction policies and increasing the frequency and targeting of code enforcement inspections.
  - **State Advocacy:** Continue to build relationships at the state level to advocate (in collaboration with state advocates and other Tennessee cities) to end preferential taxation of single-family properties over small multi-family properties and to ensure Memphis receives an equitable distribution of state resources.
  - **Utility Cost Burden:** Work with MLGW to explore ways to make hook up costs more manageable, for example by spreading them across the first 1 – 3 years of payments.

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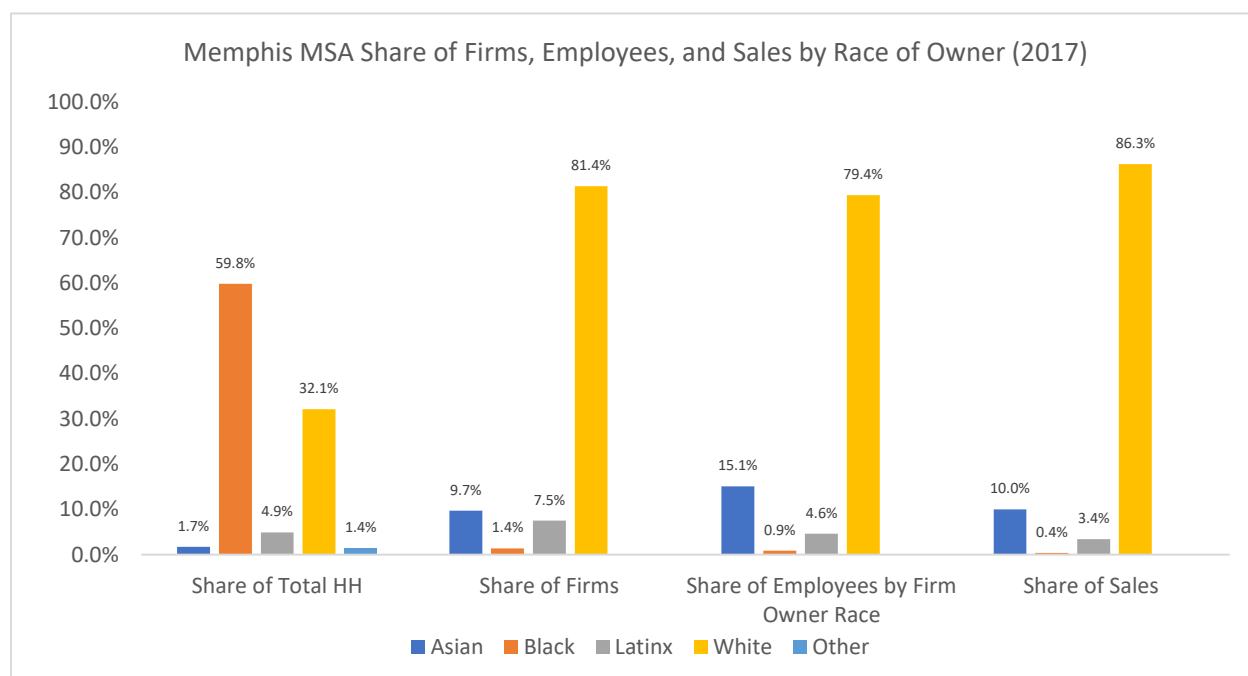
<sup>33</sup> Morrison, J. (August 18, 2022). *A model for neighborhood renewal*. The Washington Post. <https://www.washingtonpost.com/business/2022/08/18/for-sale-homes-for-low-income-buyers/>

## Business Starts and Growth

### Context on the Current State of BIPOC Entrepreneurship in Memphis

From the founding of Memphis through present day, the Black and African American community has made tremendous civic and cultural contributions to the city including the creation of newspapers, businesses, churches, and schools. These leaders faced many barriers, many driven by racism, and were harmed by urban sprawl, white flight, and inequality of opportunity – yet they maintained a strong presence in city. Today, these barriers persist and create profound inequities in Black entrepreneurship relative to other groups.

Following the 2008 financial crisis, Memphis began seeing a large increase in Asian, Hispanic, and Middle Eastern entrepreneurs. Between 2007 and 2012, the metro area saw a nearly 9% drop in White-owned firms.<sup>34</sup> At the same time, the number of Asian and Hispanic businesses that employ at least one worker rose by 63%, or 600 firms, to about 1,550. Many immigrants arriving from other cities across the country are attracted by personal networks for family and friends. While just over 5% of the population, immigrants made up nearly 9% of the metro’s business owners and are 26% more likely to be entrepreneurs than people born in the United States.<sup>35</sup>



In 2017, there were more Asian, Latinx, and White-owned firms than African American owned firms, despite African Americans making up the majority of the city’s population. Black-owned

<sup>34</sup> Evanoff, T. (2016). *Asian entrepreneurs now outnumber Memphis' black-owned firms*. Commercial Appeal. <https://archive.commercialappeal.com/columnists/ted-evanoff/Immigrant-entrepreneurs-now-outnumber-black-firms-372604592.html/>

<sup>35</sup> New American Economy Research Fund. (2018). *New Americans in Memphis*. <https://research.newamericaneconomy.org/report/new-americans-in-memphis/>

firms are also less likely to have employees and make up only .04% of all sales in Memphis. The gap in African American entrepreneurs is a result of a long history of oppression that continues to challenge their communities.

According to an analysis of the entrepreneurship ecosystem of 100 MSA's, Memphis ranks as the 15<sup>th</sup> worst city to start a small business.<sup>36</sup> Rectifying these headwinds for entrepreneurship, with a particular focus on supporting Black business owners, can unlock a new wave of more equitable prosperity for the city. According to a recent Brookings report, if Black-owned businesses employed people on parity with other businesses in the city and if the number of Black owned businesses matched their population size, they would create approximately 465,535 new jobs.<sup>37</sup> If Black-owned businesses were able to pay their employees the average income of all businesses, employees would see an estimated increase in total pay of \$411,486,848.<sup>38</sup>

The COVID-19 pandemic had a significant impact on small businesses, and BIPOC owned small businesses in particular. Because these businesses were less likely to have up to 10 days of capital to continue operating and are less likely to have access to legal and accounting services that could speed up their application to protection programs that emerged during the pandemic, Black-owned businesses were particularly vulnerable to the pandemic.<sup>39</sup> Among the challenges already mentioned, having less-established relationships with their banks also caused a delay in receiving aid.<sup>40</sup> Additionally, businesses with no employees did not qualify for the Payroll Protection Program loans that were available during the pandemic.<sup>41</sup> Because Black entrepreneurs are less likely to have access to capital or existing wealth, they are less likely to have employees. Nationally, all of this culminated in African American business owners receiving less aid from the Small Business Administration and 44% of Black owned small businesses closing permanently between February and April of 2020.<sup>42</sup>

In Memphis, city government and other actors quickly mobilized to offer relief to small businesses impacted by the pandemic. The City's Office of Business Diversity and Compliance

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<sup>36</sup> Delfino, D. (2021). *North Carolina Offers Best Places to Start a Small Business*. Lending Tree.

<https://www.lendingtree.com/business/small/best-places-for-new-small-businesses/>

<sup>37</sup> Perry, A., Broady, K., Seo, R., Barr, A., & Romer, C. (2022). *Black-owned businesses in U.S. cities: The challenges, solutions, and opportunities for prosperity*. Brookings.

<https://www.brookings.edu/research/black-owned-businesses-in-u-s-cities-the-challenges-solutions-and-opportunities-for-prosperity/>

<sup>38</sup> See footnote 30

<sup>39</sup> See footnote 32

<sup>40</sup> Flitter, E. (2020). *Few minority-owned businesses got relief loans they asked for*. Biz Journals.

<https://www.bizjournals.com/memphis/news/2020/05/19/few-minority-owned-businesses-got-relief-loans.html>

<sup>41</sup> *COVID-19 will hobble some Black women entrepreneurs. But it won't render them extinct*. (2020).

Commercial Appeal. <https://www.commercialappeal.com/story/news/2020/07/09/black-women-owned-businesses-memphis-find-ways-survive-covid-19-challenges/5385315002/>

<sup>42</sup> Ramsey, A. (2020). *Studies show 41 percent of black-owned businesses closed because of COVID-19*. Fox 13. <https://www.fox13memphis.com/news/local/studies-show-41-percent-black-owned-businesses-closed-because-covid-19/N6KE7IUEQVH47EUE6UFSIAIUOI/>



released a pandemic recovery resource guide for women and minority businesses.<sup>43</sup> The team produced a two-hour video, with supporting documents and contracting opportunities for women and minorities to compete for hundreds of millions of dollars. Additionally, the team administered business stabilization grants that the city created with CARES Act funding. EDGE, River City Capital and the Community Foundation of Greater Memphis, the Medical District Collaborative, Pathway Lending, Communities Unlimited, and others also created grant and loan programs to help support small businesses through the pandemic and to complement PPP loans. Following the killing of George Floyd and the subsequent Black Lives Matter protests across the country, Black businesses in Memphis received new-found support. That spike in support was short-lived. The ebbs and flow of consumer support can be detrimental to some entrepreneurs who may overstock or expand too quickly in the wake of that fleeting support.<sup>44</sup>

### Barriers to More Equitable Business Starts and Growth

Today, BIPOC entrepreneurs in Memphis face significant barriers to starting and scaling their businesses. Some of the barriers highlighted in our research include the following:

- High rates of poverty created and upheld by structural racism
- Inclination of talent to create nonprofits
- Experiences of racial bias by customers, lenders, and partners
- Inequitable access to funding and opportunity
- Lack of a shared vision for small business in Memphis

Below we explore each of these barriers in further depth.

#### High rates of poverty created and upheld by structural racism

As described in the opening of this needs assessment, Memphis has one of the highest rates of poverty among cities in the United States. This poverty is concentrated in majority Black neighborhoods experiencing persistent poverty over time and has been created by patterns including violence against Black businesses, flight from the city and disinvestment in neighborhoods, and decisions to base the city's economy on low-wage industries. These historical and present conditions inhibit BIPOC entrepreneurship in several ways, including the following:

- **The trauma of racially motivated violence:** For much of American history, but particularly between 1880 and 1930, the United States has experienced lynchings targeting African Americans across the economic spectrum. Lynching was used as a tactic to instill fear and reinforce a racial hierarchy that placed Whites at the top of the political, social, and economic pyramid. The pattern of racialized violence is seen in the

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<sup>43</sup>Anthony, K. (2021). *Memphis releases recovery guide for women and minority-owned businesses*. Action News. <https://www.actionnews5.com/2021/06/30/memphis-releases-recovery-guide-women-minority-owned-businesses/>

<sup>44</sup>Price, T. (2021). *After wave of support, Black entrepreneurs are back to business as usual*. The Tennessean. <https://www.tennessean.com/story/news/american-south/2021/08/30/black-owned-businesses-year-after-the-black-lives-matter-protests/8251194002/>

assassination of Dr. King. Because of the heavy overlap between business leaders and political figures, African Americans faced many forms of violence which deterred them from climbing the social economic ladder or encouraged them to take their talent elsewhere. According to one long-time Memphian, *“You had a generation after Dr. King that didn’t think they could make it in a place like Memphis. Now you have a generation that wants to make it, but they don’t feel like they can. If they cannot, they will leave.”* Interviewees noted that such violence also led to generations where fewer Black residents pursued high profile leadership positions since success came with the price of a target on their backs.

- In an interview with Bloomberg Quicktake, Ernest Strickland, the president and CEO of the Black Business Association of Memphis describes the challenge that first-generation entrepreneurs face in running a business: *“We suffer from being first generational entrepreneurs and having that delay that comes with it.”*<sup>45</sup>
- **Inequities in individuals’ and communities’ available capital:** The stark income and wealth inequities in Memphis have the effect of limiting the availability of capital individuals and their networks have at their disposal to invest in starting or scaling their businesses. Practically, this means that BIPOC entrepreneurs have less ability to take risks and to “fail up.” One interviewee described this dynamic: *“We intend entrepreneurship to contribute to thriving economy, but we have a high poverty rate, and need to be careful about over promising what entrepreneurship can do for individuals and families – it involves a lot of personal and family financial risk...there is a tension in what entrepreneurship can do to build wealth and what’s involved and the risks.”*
- **Neighborhood conditions and lack of business density:** Generations of urban sprawl and neighborhood disinvestment have led to inequities in community wealth, home values, and education, which have created substantial headwinds for small businesses in neighborhoods across Memphis. As incomes declined and jobs moved further and further from majority Black neighborhoods, so too did neighborhood small businesses close. The lack of business density and transportation in many Memphis neighborhoods makes it hard for new business owners to find locations where they will benefit from regular customer traffic and the “network effect” of other small businesses being nearby. Moreover, one focus group participant also highlighted the impact that the poor quality of public water and sewer infrastructure have had on his business, which is also a product of the city’s sprawl and disinvestment.

### Inclination of talent to create nonprofits

Some interviewees anecdotally observed that there is a cultural inclination in Memphis for individuals with an entrepreneurial spirit to found non-profits rather than businesses. This may

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<sup>45</sup> YouTube. (2022.) *How Memphis Can Lead the Way for Black Entrepreneurs.*  
[https://www.youtube.com/watch?v=jW\\_NN8u1q4c](https://www.youtube.com/watch?v=jW_NN8u1q4c) [https://www.youtube.com/watch?v=jW\\_NN8u1q4c](https://www.youtube.com/watch?v=jW_NN8u1q4c)

be driven by a number of factors, such as the city's high poverty rate and the presence of deep inequities that need to be addressed, individual's deep commitment to their communities, the presence and generosity of foundations, and misperceptions about how nonprofits, particularly CDCs, function. While there are many positive aspects and results that have come from Memphians' passion for giving back to their community, some interviewees observe that this trend has contributed to a proliferation of and lack of coordination among nonprofits and missed opportunities for individual and communal wealth building. If some of the many talented and entrepreneurial young people of color creating nonprofits instead launched businesses, they could create employment opportunities, contribute to the small business ecosystem, and build equity and wealth as founders.

### Experiences of racial bias by customers, lenders, and partners

Beyond the effects of structural racism highlighted above, interviewees and focus group participants highlighted explicit racial discrimination among customers, partners, and lenders as a barrier to BIPOC business growth. This manifests in several ways:

- **Perceptions of customer bias:**
  - *"I truly think my race impacts my business growth, though, in a negative way. Not happy about that, but yes, it's what is happening. There's I think some customers who don't come to my shop because of my skin color."*
  - *"I feel if not for racism, I would have had a lot more customers."*
  - *"You come in contact with a lot of racists who don't like you because you're Black and it doesn't matter if your business is producing high quality products, with you in the picture the quality doesn't matter."*
- **Bias from landlords:** One focus group participant shared that when looking for a new space for their business, one landlord refused to rent them an available property and then rented the property to a White business owner at a lower price
- **Bias in institutional contracting and purchasing:** Interviewees highlighted that despite minority and women-business enterprises (MWBE) purchasing programs and commitments by the city and local anchor institutions, BIPOC owned businesses still only get a small percentage of contracts in part because of structural barriers, but also because of individual bias among decision makers. Despite the adoption of the City's Equal Business Opportunity Ordinance (the "EBO" Program), a 2016 disparity study found that the city of Memphis only utilized MWBE for 6.57% of all prime contracts.<sup>46</sup> According to the study, Black commodities, construction, and professional services firms would have been expected to receive \$54.5 million of county spending from 2012-2014.<sup>47</sup> Instead, they received \$11.1 million to fulfill commodities, construction, and professional services contracts. The study cites discriminatory lending, perceptions of

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<sup>46</sup> Griffin & Strong, P.C. (2016). City of Memphis. <https://www.memphistn.gov/wp-content/uploads/2020/04/memphis-executive-summary-office-complete.pdf>

<sup>47</sup> Steimer, J. (2021). *Shelby County government is studying racial contracting disparities again: Here's why that matters*. MLK 50. <https://mlk50.com/2021/06/07/shelby-county-government-is-studying-racial-contracting-disparities-again-heres-why-that-matters/>

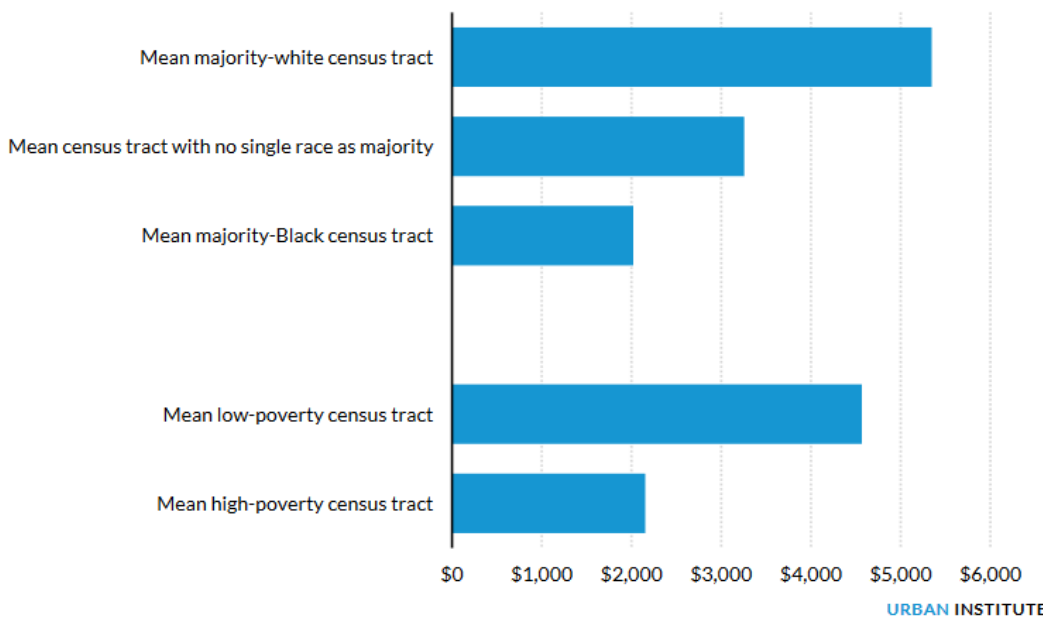
informal networks controlling procurement processes, certification costs, bonding and insurance requirements, lack of familiarity with resources, and contract compliance administration as challenges to better utilizing MWBE businesses.

FSG’s interviewees allude that many of these challenges persists. Some described the certification process as being slow, inaccessible, and costly. One interviewee stated, *“For many, the certification process wasn’t worth it. It is an onerous process to then get involved in onerous procurement processes.”* Interviewees also shared that large companies also have challenging procurement processes. According to one interviewee, *“Unless we address the systemic issues of bias and racism to start convincing corporations that they should support vendors of color and their small businesses, we will not see change.”* Currently the city is conducting a new disparity study that will help better illuminate the current state and opportunities to address these barriers.

### Inequitable Access to Funding and Opportunity

These contextual, structural, and interpersonal barriers also influence BIPOC entrepreneur’s access to finance and business resources and networks. At a macro-level, this impact can be seen in the below charts from the Urban Institute<sup>48</sup> highlighting the geographic and racial inequities in small business lending in Memphis. This data illustrates that average small business lending to majority-White and low-poverty rate census tracts was more than twice the rate than to majority-Black and high-poverty census tracts between 2005 and 2019.

**Lending to Businesses with Revenues of Less Than \$1 Million per Small-Business Employee**  
 For the mean census tract with given race and poverty characteristics, 2005–19

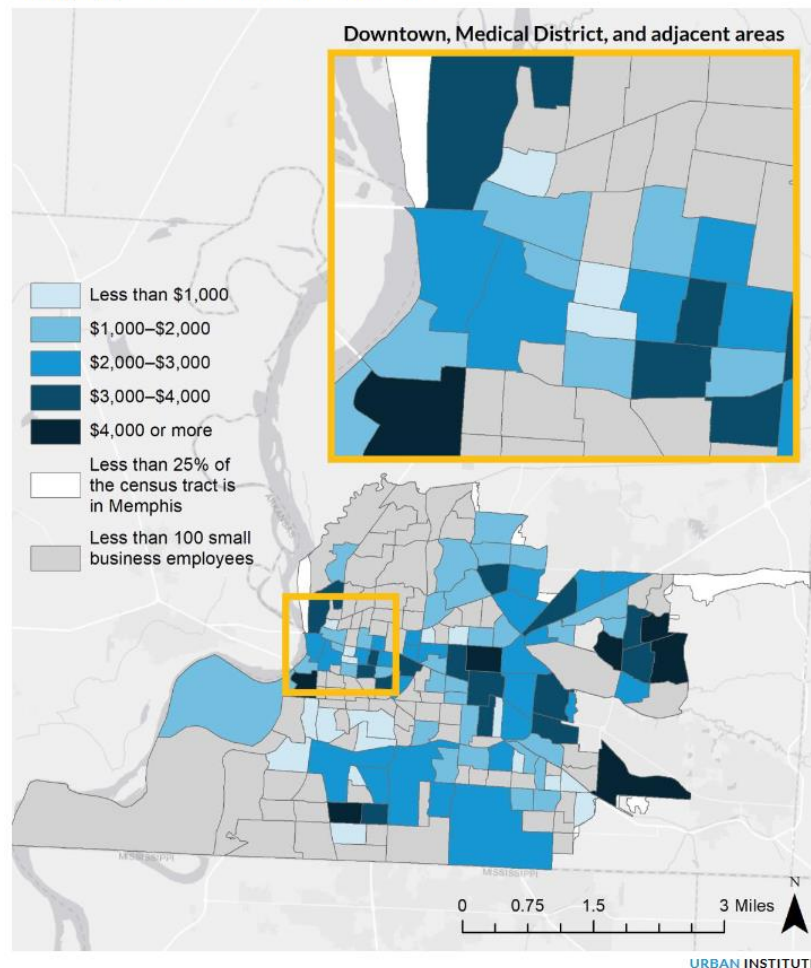


*“Banks don’t have vehicles designed for small business to have access. They loan money to people and businesses who don’t need it. There is a void of funding resources for businesses that operate below a certain level.”* -Interviewee

*“There is a lack of trust of financial institutions for good reasons. When entrepreneurs are approaching an institutional investor or an angel investor there is a lack of trust to open the books up, or lack of knowledge to put together comprehensive financial documentation for some types of capital access.”* -Interviewee

<sup>48</sup> Theodos, B., González-Hermoso, J., & Meixell, B. (July, 2021). *Community Development Finance in Memphis*. The Urban Institute. [https://www.urban.org/sites/default/files/publication/104511/community-development-finance-in-memphis\\_0.pdf](https://www.urban.org/sites/default/files/publication/104511/community-development-finance-in-memphis_0.pdf)

Average Annual Loans to Businesses with Revenues of Less Than \$1 Million per Small-Business Employee, by Census Tract in Memphis, 2005–19



Beyond access to capital, BIPOC business owners also have less access to business networks and resources that can help them grow their businesses. Multiple participants in our focus groups shared about the impact that mentors had had in helping them grow their business, yet too few BIPOC entrepreneurs have access to mentors or inroads to supplier and industry networks.

*“A founder of color who has been at it for years can lose funding to a White founder who has the right networks, even if they have a worse business model.”*

*“One large contract can make or break a small business. A major barrier is the [lack of] connections and relationships which would allow you to go from being a small struggling business to one that brings significant success and ROI to whoever is investing with you.”*

*“I know of several immigrant owned construction companies that are not well connected to opportunities with CDCs and the city, in part because of the language barrier and lack of relationships.”*

## Lack of a Shared Small Business Vision and Coordination Across the Ecosystem

Interviewees highlighted that despite the range of organizations and leaders committed to advancing BIPOC entrepreneurship in Memphis, the region lacks a shared, comprehensive vision for small business, which limits progress across the ecosystem. One particular barrier highlighted by interviewees is a historic focus on landing “big fish” employers from outside the region who have the potential to bring significant resources and jobs to the city. Recent examples of this include Amazon’s expansion in the area as well as the new nearby electric Ford F-150 plant. Both bring the promise of new jobs to the area, but the overall perception is that the focus on landing big employers has come at the expense of cultivating a homegrown small business ecosystem that could create greater local wealth creation and economic resilience.

*“A lot of pressure is on them to get the big wins. Sometimes the ability to build from within, while it might seem incremental, has the potential to be far more impactful than reeling in the big fish every couple of years.”*

*“We as a city or county don’t have a shared understanding of what good looks like. It’s very old school. When FedEx came here, it had a ton of jobs. We assume a big fish will save us again, but Memphis was not FedEx’s first call. Little Rock turned them down. We were their Plan B.”*

Relatedly, several interviewees highlighted the lack of clear vision and leadership on small business in Memphis. Interviewees noted that the county, city, EDGE, and the Greater Memphis Chamber all separately set economic development agendas for the region and that there is insufficient coordination and alignment on how to advance small business in Memphis.

*“We recommended that economic development agencies put together an equitable economic strategy that looked at the responsibilities and powers of each agency to get stronger alignment around the power, authority, and money used to support entrepreneurship. Unfortunately, that hasn’t advanced like our other system planning efforts. The key to supporting entrepreneurship is getting those organizations in the fold and coordinated on their strategy to support local entrepreneurship.”*

*“If we become even less competitive as a 21st century city it will be because no one can get on the same page. Everyone wants it to be their show. Our economic development system is 30 years behind peer cities. It is under resourced. It has become a political football when it doesn’t need to be.”*

*“We have two governments, EDGE, and the Chamber. The question is who is leading economic development for the region? It can be a barrier if we are not all moving in the same direction. For example, does everyone buy into the Chamber’s plan for economic competitiveness? What happens to that plan if it does not have buy in?”*

Some interviewees emphasized that the lack of coordinated vision around small business development in Memphis is particularly concerning as local anchor industries like logistics are increasingly vulnerable to automation.

## Assets and Benefits of Entrepreneurship

Despite these challenges, interviewees and focus group participants believe in the potential benefits of entrepreneurship. Focus group participants highlighted their pride in their ventures and the value of being able to provide for their families or supplement their income. Several focus group participants also mentioned how much they valued their employees, alluding to the multiplier effect that small business can have in communities.

Moreover, Memphis has several assets for supporting small business development that interviewees highlighted:

- An ecosystem of strong and committed organizations working to advance BIPOC entrepreneurship (discussed in the next section)
- Strong industry clusters that can be further developed and harnessed to support small business growth in areas including logistics and supply chain, ag tech, healthcare, and medical devices
- The Memphis 3.0 Comprehensive Plan's focus on developing vibrant community anchors organized around civic, cultural, and small business hubs
- A strong cultural heritage and music legacy that can be better leveraged to promote Memphis tourism and creative industry development (as Nashville has had success with, in part due to state grants)
- A wellspring of Black talent that can help to lead the city's economic development revolution, particularly amid a growing national focus on racial equity

## Entrepreneurship Ecosystem and Opportunities

As with homeownership, there is a strong set of organizations committed to advancing BIPOC entrepreneurs in Memphis. While excellent services and committed advocates exist in Memphis, on the whole the ecosystem of organizations working to advance entrepreneurship is less robust and coordinated relative to the homeownership ecosystem. Interviewees observed the following dynamics:

- There has been a recent wave of leadership transitions at many organizations focused on entrepreneurship support, including the Greater Memphis Chamber, the City Office of Business Diversity and Compliance, and Epicenter. This has naturally contributed to organizations focusing on their own development and programs rather than building a shared vision or collaboration.
- The COVID-19 pandemic has also contributed to reduced coordination between organizations in the entrepreneurship ecosystem as organizations have focused on stability and supporting businesses through the pandemic.

In the below sections we go deeper in describing some of the dynamics and opportunities within the following different areas of the ecosystem:

- Small Business Counselling and Assistance
- Funders and Investors
- Local Minority and Women Owned Business Purchasing Initiatives
- Economic Development Leaders

## Small Business Counselling and Assistance

There are a number of organizations in Memphis that provide a range of services to small businesses and entrepreneurs including general education and resources on business startup and growth, tailored one-on-one counseling and coaching, and networking and cohort-based experiences. Many organizations providing these services explicitly focus on supporting entrepreneurs of color. Some of the organizations offering these types of services include (not exhaustive):

- Black Business Association of Memphis
- City of Memphis Entrepreneurs Network Center
- Communities Unlimited
- Epicenter
- Memphis Area Minority Contractors Association
- Midsouth Latin Chamber of Commerce
- SCORE
- Tennessee Small Business Development Center
- The 800 Initiative

While there is a fairly robust landscape of services available for entrepreneurs and small business owners in Memphis, interviewees and focus group participants highlighted additional opportunities to strengthen the service ecosystem:

- Increase the availability of **services for micro-businesses** with fewer than 5 or 10 employees. Currently there is perception that most services are tailored to either businesses that have already reached a certain size threshold, or which are in high-growth industries (tech, medical device), leaving a gap in services for community based small businesses. Communities Unlimited does offer tailored coaching services for these businesses, and there is a perception that micro-businesses can be a greater focus of the ecosystem overall.
- Increasing **proactive outreach and awareness of available services**. Focus group participants were not aware of any available coaching resources and encouraged providers to conduct more awareness raising and to consider in person proactive outreach. Some of the above organizations are pursuing a more proactive community presence; Epicenter for example has partnered with CDCs such as the Frayser CDC and the Power Center CDC in Hickory Hill to offer entrepreneurship classes to small business owners and aspiring entrepreneurs in those communities.
- Increasing availability of **resources and education on 21<sup>st</sup> century business practices**. There is a perception that the majority of business counselling and education resources in Memphis are fairly traditional and that there is a need for more education on topics such as social media marketing, ecommerce, and digital business services.
  - *“A couple of businesses have told me that they felt like a lot of the traditional business resources are not in a language that is aligned to current trends in hip hop or millennial language. They are doing business on Instagram and not coming to an economic development agency for that. Things are changing rapidly. And we need to keep up with emerging tools and need to direct people in a timely way.”*



- Continuing to **strengthen referrals and linkages between available services**. Interviewees believe there is currently a high level of organic collaboration in the ecosystem and see opportunities for increased coordination across services.
- Exploring **the appetite and potential for a shared services hub for small businesses**, which some interviewees hypothesized could help strengthen the small business ecosystem. This might include back-office support, but also potential wrap around services like childcare and employee assistance programming.
- **Investing in development and pathways to entrepreneurship for Memphis' IT sector** to better position the city for higher paying 21<sup>st</sup> century jobs and enterprises. Memphis does have existing IT skills development programs, such as CodeCrew, and Tech901; interviewees believe there is a need to increase focus in this area and to increase linkages between basic tech skills courses and entrepreneurship programs. Additionally, some interviewees believe there is an opportunity for city government to play a role, potentially by creating IT apprenticeships within its own departments to help increase access to skills building work opportunities.
- **Support efforts to develop careers in the trades**, which can provide pathways to family supporting careers for people without higher education or who are formerly justice system involved. Additionally, interviewees point out the demand for skilled tradespeople and the need to continue developing trades to help address the housing crisis in Memphis.

#### Funders and Investors

A number of organizations (including many who also provide small business counselling) provide non-traditional capital to small businesses and entrepreneurs in Memphis. This primarily includes lower cost, more flexible loans and small grants. Here is an inexhaustive list:

- Communities Unlimited
- City of Memphis Entrepreneurs Network Center
- Downtown Memphis Commission
- EpiCenter
- Pathway Lending
- River City Capital
- The 800 Initiative

Interviewees did not feel that more capital alone is the primary need for BIPOC entrepreneurs in Memphis but did encourage organizations providing investment to continue exploring ways to increase the availability, flexibility, and capacity to quickly deploy capital to BIPOC entrepreneurs and business owners in the city. Interviewees highlighted the importance of quickly accessible, low barrier to access funding, such as that provided by CDFIs, as well as more targeted investment programs like the 800 Initiative that aim to achieve specific business growth goals through combined investment and technical assistance. Some interviewees called for the city to explore ways to invest its own assets, such as a small portion of the pension fund, in Memphis businesses. Interviewees also valued programs like those offered by the Downtown Memphis Commission that provide not only grants to small businesses, but also vacant storefronts to help launch retail businesses. The Memphis Medical District Collaborative also provides small improvement grants to local residential and commercial properties.

*“There is a lot of funding available, and more to come, but not enough capacity within CDFIs to get it out – technology, people, knowledge, etc. – are way too slow. The capital is there, but it is not well understood and is very frustrating and slow for entrepreneurs who have to move on and miss opportunities to purchase equipment and fulfill orders.” - Interviewee*

### Local Minority and Women Owned Business Purchasing Initiatives

Another important way that local government and private sector organizations seek to support BIPOC owned small businesses in Memphis is through local minority purchasing campaigns, programs, and commitments. A number of such initiatives exist, including the following:

- City of Memphis Office of Business Diversity and Compliance
- Downtown Memphis Commission Equal Business Opportunity Program
- Greater Memphis Chamber of Commerce’s Buy Memphis Initiative
- Memphis Medical District Collaborative Buy Local Initiative
- Shelby County Locally Owned Small Business Program

Interviewees appreciate and support these programs, and in particular commend Mayor Strickland for prioritizing MWBE contracting and the development of Black owned businesses. At the same time, interviewees believe there is a critical need to further refine MWBE programs to increase access and scale of local purchasing from Minority and Women Owned Businesses. Some interviewees noted in particular that to date these programs seem to have benefitted women more than BIPOC business owners, that certification and contracting processes can be cumbersome to the point that they preclude participation from many small businesses, and that experiences of bias and tokenization also inhibit participation. Interviewees also acknowledged that efforts are underway to strengthen programs, particularly the City of Memphis’ efforts through the upcoming Disparity Study to update the study conducted in 2014, and the City’s efforts to increase awareness of its programs and services.

*“I know several businesses owned by African American women and Latinas. For them, the (MWBE) certification process wasn’t worth it. It is an onerous process to then get involved in an onerous procurement process once you are in it.”*

*-Interviewee*

**Opportunities for strengthening programs to explore include:**

- Continuing to streamline certification and registration processes
- Continuing to encourage local large businesses to conduct more local MWBE purchasing
- Working to de-bundle large contracts to create more opportunities for smaller businesses who otherwise would need to navigate sub-contracting relationships
- Speeding up application and payment cycles to make contracts more accessible to smaller businesses with tighter cashflow constraints
- Identifying opportunities to reduce bias in contracting, e.g., anonymizing bids, setting and tracking departmental targets for MWBE contracting, anti-bias trainings for departmental decision makers
- Conducting more proactive outreach to potentially eligible vendors to encourage them to become certified and to participate
- Embedding MWBE contracting more formally into city policy to reduce its vulnerability to de-prioritization during mayoral transitions (the next mayoral election will be in 2023)

“A Black-owned business contractor in construction told me she felt like she is treated as a box to be checked and is not taken seriously as someone to get the lead contract. There is a lot of lip service around minority contracting, but they are just needed to check a box.”

-Interviewee

### Economic Development Leaders

Multiple interviewees noted the lack of a clear, shared economic development agenda for Memphis, and identified the following organizations as all playing important, but insufficiently coordinated roles in the economic development ecosystem:

- The City of Memphis
- Shelby County
- The Economic Development Growth Engine (EDGE)
- The Greater Memphis Chamber of Commerce

In particular, interviewees highlighted the lack of a shared agenda on supporting small business, and the imperative of creating a shared vision and commitment to supporting homegrown BIPOC entrepreneurs. There is an opportunity for these organizations to come together with others in the ecosystem, philanthropic and business powerbrokers, and community members to align on a shared vision and strategy.

## Appendix A: Focus Group Synthesis

### Homeowners and Home Seekers

In June 2022, FSG held an in person and virtual focus group with home seekers and homeowners of color in Memphis, Tennessee. FSG's goal was to better understand their perspectives and experiences in navigating the local real estate market and understand how they could better be supported by the city. This following is a summary of their experiences and input.

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#### Who was in the room?

Across both focus groups that focused on homeownership, FSG engaged a variety of homeowners and home seekers. Many were African American and Latinx, and several immigrated from African countries. The participants that owned their homes have done so for under five years. Those seeking a home were at various points in their journeys: some have gone through home buyer assistance programs and were days away from closing, and others were just getting started on their own. Many have lived in Memphis for over a year, and some were newer to the community.

#### Quotes from the focus group

"I just graduated college in December. I graduated as a civil engineer and started working full-time just this year. I do not own a home but am in the process of buying one. I've been trying to buy a house since I was 18 and moved here."

"I'm 35, Black, have two kids, and own a home in Memphis."

"I lived in Knoxville for five years. I went to school at UT Knoxville, and I am Texas-born, but I am Memphis-raised. I've spent most of my life here."

All participants believed that homeownership was a critical to achieving housing security, agency, and dignity. Some also mentioned that homeownership was an important way to create generational wealth, as a home is an asset that can be passed along to their children.

#### Quotes from the focus group

"It is very important to have your own personal house with no strings attached like paying rent. Your rent could get increased by your landlord suddenly for no reason. The landlord may not be comfortable with having a Black person in their house and kind of give you a quick notice before packing. [Owning a home] takes care of the whole hassle of being harassed or paying rent generally."

"I think it is very important to own a home because it saves you from paying rent. Also, it is a form of investment and well, something you can leave behind for your family when you are no more."

“I think when you are renting nowadays it is so easy for the management company to sell it to somebody else, and then they can either cancel your lease, increase your rent to \$100 and then it’s inaccessible, so now you are scrambling to find another home.”

All participants stated that they would like to remain in Memphis, if possible, for a variety of reasons, including Memphis’ diversity, neighborly culture, history with music, and vibrancy.

#### Quotes from the focus group

“My favorite thing about Memphis is the diversity. I’ve lived in other states before and it’s not very diverse. I like that I get to meet new people and people from everywhere in the world.”

“I love that almost everyone here is Black. We are over 64% Black in Memphis. It’s really cool for me because whenever I’m in the Black community, I feel like I’m amongst friends and family. There is not racism there. You are cool with everyone, and no one blames you or points to you with accusing fingers or looks at you weird because your skin color.”

“I would consider buying a home in Memphis because it’s actually a community where almost everyone you come across is friendly and loving. It’s quite easy to relate with people around you. I’d say it has been comfortable for me and my family so far, so I do pray that I’m able to get my own home here soon.”

“It is very important to own a home. You have more control over your costs, and you have the ability and freedom to make changes. Owning a home brings a lot of stability, and for me, I would look at the fact that owning your home has a long-term stable growth and value. The appreciation in the long run could come in handy.”

“I love the serenity. I feel like Memphis is a town. It is so serene. I love the vicinity. I also love the fact that it has a music history because there are a lot of things to see. It is beautiful here and there are a lot of things to do apart from stay home with my husband and kids.”

“I know everyone hates Memphis, but I love it. I love it here so much. I would never want to leave. I would love to live here.”

Many participants believed that owning a home can help create wealth in the community since it gives residents greater control over their neighborhoods. Specifically, many felt that they could help mitigate rising rental costs by renting to tenants at more reasonable rates.

#### Quotes from the focus group

“It can be beneficial to the community when you lease it. Maybe you sublet at a cheaper rate for people who cannot afford expensive houses. That is a benefit for the community if you lease the home out at a cheaper rate. You can also earn extra income to worry less about when you retire.”

“You can foster this love and respect and this communal feeling when you lease your buildings out at a cheap rate. You can be much more flexible with your tenants.”

Many participants desired to live in an area with low crime, high-quality schools, low blight, safe traffic, wildlife control, grocery stores, and commercial areas.

#### Quotes from the focus group

“I don’t want to live in no area where there is a lot of crime. I’m hoping it is a newer house, maybe five years old, and I want my neighbors to be nice because you don’t know what kind of neighbors you have. I would like to have a gated community.”

“Try not to live in a busy street because people drive [you] crazy. We try to avoid areas with a lot of stray animals. It’s also important to feel safe in your neighborhood.”

“I also think it is important to have stores and grocery stores nearby. If they are sketchy and dangerous, I don’t want to live by that.”

#### What challenges do Memphians of color face on their path to homeownership?

##### **Affordability**

Most people referenced the rising costs of housing and limited inventory as the main challenges to becoming homeowners. In regard to the rising costs, people referenced the rising cost of renting making it more challenging to save money. It is also driving people to live in less desirable circumstances such as crowded housing or lower quality units.

#### Quotes from the focus group

“I am renting with a friend. We are roommates. I have my kid and she has two of her kids. It is \$1,700, so almost \$900 apiece. It is a lot.”

Some participants noted a shift in the homeowner dynamics around them. They are feeling like there are no longer homeowners in their areas because corporate investors who primarily rent out their homes have purchased many of the homes in the community. Many lamented that inventory was already limited in the communities where they were hoping to live, and that the homebuyer market has become overcrowded.

#### Quotes from the focus group

“My mama is ready to move out of her space because no one in the neighborhood is really owning a home. They all moved to Lakeland and Arlington. She is ready to move because the rent people are getting all the houses and they keep choosing tenants that don’t keep up the houses like they should.”

“In my experience, I’ve seen more people deal with management companies as opposed to individual landlords. My mom was staying at this one house that was owned by a local company, but it was bought out by a bigger company. The only reason we knew was because the website changed and you could see they had properties around the country.”

Many were concerned about affording their down payments. Others described not having a credit score that would allow them to qualify for a mortgage.

#### Quotes from the focus group

“I have considered buying a house, but not now though because my credit score is not really sufficient to get a house. It’s something I’m considering and trying to work towards in the future.”

“I would say the biggest challenge was the down payment. My home was quite expensive for me. The down payment had to cover as much as \$50,000. It was quite difficult for me. I had to dig deep into my savings just to get a large chunk of money...Getting my mortgage also. I had issues with my credit score. I had to take out loans with high interest rates.”

“In the Hispanic community, some barriers people face is that they do not have good credit to access a loan...They cannot afford a mortgage because they live day by day. They get stuck paying a rent, until they can save up for a down payment. Once they do, they might not have enough money to make the monthly payments they need to. When you don't have economic stability, it gets difficult.”

Some participants referenced Memphis' limited job market opportunities as being a source for low wages. Many felt that Covid-19 introduced a period of increased financial uncertainty for home seekers, which made them pause on looking for a home.

#### Quotes from the focus group

“I'm renting and rent is high. I'm starting to live paycheck to paycheck unfortunately. I skip meals and it's okay, I can, but it's not how I want to live. That is not okay. I'd like an opportunity. Raise the minimum wage or something. I don't know what they can do, but the government needs to do something.”

“At first, they told me I was too young, so they told me to wait a little bit. And when I tried again two years later, I was pre-approved. I had a realtor. I was searching everything, but COVID hit and then I decided that maybe I should just wait. I didn't know what working was going to look like at the time so I decided to wait.”

“I've been trying to save up for months now. I'd say it's been more than a year. During the pandemic, I had to take out of my savings because with the issue of the lockdown, the pandemic and all that, I needed some extra cash for myself and my family.”

“Before Covid, I was doing DoorDash and Instacart, and I was making so much money. I was like, 'Oh my god, I can finally save up and buy me a home!' and then Covid hit and it's like, inflation, prices went up. The job I'm working now, there are so many people doing it that the pay sucks. So now I'm like, 'Oh I cannot buy a home now.'”

“The issue was kind of finding a house. It took me about a little over a month from the day I first went to look at a house to the last house I got the offer accepted and everything, mostly because houses were selling in like a day and people were offering no contingencies like \$20K over the asking price, and that was hard to beat.”

“The only issue I have is that I'm not the only one that wants to buy a house. It is very difficult to get a house in the area where I live because it is a very busy area where people are always looking to own houses. That is why I am trying to move away from the surrounding area altogether. Memphis is very crowded. I might have to move to the outskirts of the city to get a home. It can be very difficult to get a home. It is easy to find an apartment to rent, but buying a home is difficult.”

“Getting all the paperwork was easy. What was hard was looking for the houses because what is available, and the pricing is an issue.”

### **Stigma**

While some participants did not believe that their race was an impediment to homeownership in Memphis, others felt like their choices in the properties they could buy were limited and they faced a negative stigma about their race in the home search.

#### **Quotes from the focus group**

“It has not been easy, and I feel it is probably because I am Black...Getting pre-approved for a loan is very, very difficult for a Black person. I think there is a stigma attached to being Black: that we all do not do legit things or have legit businesses. Like we all have our fingers in lots of dirty deals and drugs.”

“I had my credit score in place and my initial deposit. I met with a financial advisor and we were discussing homes I should go for and the options I had in front of me. I contacted a couple of homeowners that were ready to sell and some, in my experience, would not sell to someone who is Black or Latino because of how the area was constituted. It was usually White people in the area...I feel like my racial identity influenced my ability to own a home in Memphis because homeowners were being cautious on whom to sell to.”

“Some homeowners don’t sell to Black people or Hispanic people. I believe it’s probably associated with the stigma that you cannot pay for it. You know what I mean? Why do you want to come check the house when you cannot pay for it? They assume automatically that you are just window shopping.”

### **Lack of networks**

Many who are unfamiliar with the home searching and buying process rely on their personal networks for information. When they do not have those personal connections, they struggled to find trustworthy partners in their home search. In some instances, they felt like their needs were neglected or information was kept from them by their realtors.

#### **Quotes from the focus group**

“What really helped me was working in construction. I am a roofer and that helped ease the process a bit. I have friends in the real estate business who put me through the procedures I should follow. What are the things I should do. How do I get a mortgage and calculate everything before deciding to buy a house.”

“I didn’t have any friends, any family, and nobody to guide me through all the processes – just my realtor. She didn’t tell me about schools, neighborhoods, or anything...When my kids started growing up and I realized the schools, that they were not that great. I said, ‘Why didn’t she tell me about all this before?’ If I had known that, if she had told me before, I would have chosen something different.”

“The process was not really stressful for me because we had one of our cousins that was into real estate. The first thing people need to do is to find a real estate agency or someone to help them with their search.”

Even after finding a home, some owners struggled to integrate into their new communities. They also felt unprepared for the community dynamics.



### Quotes from the focus group

“The main challenge was not looking for a house, but afterwards when I had already settled into my home. Just trying to seek schools and different activities just because the neighborhood was not that great and I didn’t know that. Nobody told me anything. I was new in Memphis and I was just looking for a home to stay and buy. I didn’t really have much help with that.”

### ***Aging housing stock***

Some participants were concerned about the declining housing quality within some neighborhoods and believe that community wealth can be generated when there is a shared sense of responsibility to maintain good housing quality.

### Quotes from the focus group

“I feel like a lot of people who have lived in these houses for so long do not have the money to fix up their house, so it starts depreciating in value slowly. If the houses start going like that, prices go down for other houses in the neighborhood and people start moving out.”

“If you keep your home clean and you fix it, you have a nice roof, and make sure it is all nice, you are adding wealth to the city. If everyone has a house that looks nice and neat, you attract more people to the neighborhood.”

### How did participants experience resources in Memphis?

Many participants were unfamiliar with the city’s resources to help them navigate the homeownership process. The few who were noted that the resources have been instrumental in their journey. Participants recommended advertising the city’s resources on social media, billboards, and local businesses to raise awareness for the resources.

### Quotes from the focus group

“I didn’t know these resources were available for anyone to use. I really didn’t have any idea. This is my first time actually finding out this much.”

“If I knew there were things like this online, that would really go a long way in helping me navigate the whole procedure.”

“Most people actually have the dream of getting their home since they were kids...I feel like they could put information out at strategic locations like supermarkets, share out flyers, pay for sponsored post, use video advertisements online. That would really go a long way.”

“The last time I applied for pre-approval, the person I spoke with was very helpful. He explained that there are down payment assistance options that most people did not know about. Local ones and federal ones. There were even options that you didn’t have to pay back that were grants...He put me in touch with the person that gave me my loan that I am using now. I opted for an FHA loan and I also used down payment assistance to cover the closing costs. That is how I am able to buy a house now.”

“I recommend that anyone who wants to buy a house to take the home buyer’s education class with THDA. It is \$99, which I know is a lot of money, but it lays out everything you need. By the end of it, you do a phone call with someone, and they help you plan out your budget.”

After that, you get a certificate in the mail that you can show to your lender. I was really grateful for it...I really recommend it to anyone buying a house right now even if the \$99 is hurtful.”

While there are many resources participants can leverage to help with buying a home, many participants that were familiar with the resources stated that they were notorious for having long waitlist.

#### Quotes from the focus group

“I have a voucher from the Memphis Housing Authority. I’ve been on the waitlist ever since 2017 and this year they said that we would be served...I remember when I was 21 and had my first child, I called and the waitlist was two weeks. I’m 35 now... they just sent me the email today saying that they will keep my name around the drawing, and if they get something available they will let me know. It can take several years.”

Some participants, particularly those who did not speak English as a first language, thought it was helpful to find resources who speak their native language.

#### Quotes from the focus group

“My experience when I started looking for a house, it was a little bit challenging. It starts with finding the right realtor. I tried to look for someone who could speak my language, so I didn’t get lost in translation. I called several people and many did not call me back.”

“Not everyone knows about the resources the city offers. And as much as they are providing these services, they should remember that not everybody speaks English. When you have the same language, you feel more safe and comfortable with someone that can understand you.”

In addition to navigating language barriers, participants noted that Memphis’ undocumented community has very limited resources they could access. They face specific challenges in determining credit worthiness and can also face challenges with digital literacy.

#### Quotes from the focus group

“I get calls all the time from people who want a house but are undocumented. I just refer them to United Housing because they are part of Driving the Dream. The biggest thing is not having a social security number. They could get credit through a local bank if they show two years of credit history.”

“The undocumented community is at a disadvantage from the get-go, because credit is hard for them. They may not have a lot of literacy which is challenging. Then there is also digital literacy. Because they lack these connections, they are also more likely to be scammed.”

Those who had access to pre-approval and FHA loans mentioned feeling like they were not able to compete with those who had conventional loans or were out of state investors. In fact, several participants talked about corporate investors having the upper hand in the seller market because they had access to capital, making it much more challenging for individuals to purchase a home.

**Quotes from the focus group**

“I am going for an FHA loan so I couldn’t skip contingencies and that made it a lot harder competing-wise with people who have conventional loans.”

“My mom was trying to buy a house last year and the more affordable houses were only open to investors. It was really weird to see...on Zillow they have some kind of disclaimer like ‘This is for investors.’”

“I would like to see legislation that makes it harder for these big management companies to be able to buy homes that are foreclosed, and then flip then and run people out of there. Or limiting sellers from selling to just investors. They are gatekeeping those homes and regular people cannot access that.”

If the home gets appraised for a different amount than the pre-approved loan, it is up to the buyer to make up the difference. Given that sellers have the advantage in the market at the moment, any hesitation or delay can result in sellers going to another buyer. This is a challenge for people who are using public or non-profit services to support their home buying journey since there is less flexibility built into those services.

**Quotes from the focus group**

“I’m waiting on the appraisal. I’m supposed to get it tomorrow and I am concerned. If it falls under the price, then the lender usually won’t lend you the money for that. They will lend you whatever the house was appraised for and you either cover the difference or you can negotiate with the seller to split the difference. Since it is a seller’s market it is hard. They will most likely drop you and just find somebody who is willing to pay that.”

**What did participants recommend to the city?**

Some participants mentioned wanting city leaders to align on a direction for the city’s development.

**Quotes from the focus group**

“It starts with city leaders. They do not know which direction they want to go.”

Some recommended that the city play a more active role in creating public classes on homebuyer and homeowner education.

**Quotes from the focus group**

“The city should offer some sort of public classes about [homeownership] or maybe do some more engagement with the community. It is an issue in the city that not a lot of people are educated to buy a house.”

“The city should focus on offering more public classes about homeownership or how to fix your home, how to maintain your home. Maybe some programs could help people pay for remodeling if they want to fix a roof or something.”

Some participants recommended that city play a role in improving the images and conditions of different neighborhoods without relying on outside investment, which can drive gentrification.

People named Frayser, Parkway Village, Hickory Hill and Raleigh as areas to watch for gentrification.

**Quotes from the focus group**

“Memphis is very zone divided. There are 17 neighborhoods and if you walk from one to the other, you go from being in a super nice neighborhood to being in the middle of a horrible neighborhood. It changes within seconds. I feel like the city of Memphis’ government does not make an effort to uplift those neighborhoods. If they do, they do it in way that is harmful. They let outside investors buy houses and fix them and sell them to people with more money. Then they start this gentrification. It’s a huge issue in Memphis because they just kick out people who have been living here for such a long time. They cannot afford their houses anymore because taxes go up.”

“I think what the city government is doing is gentrifying areas, and I don’t think that eliminates crime, it just pushes it out a little bit. Once you gentrify an area, it’s not accessible to the people who were living there, so I don’t think you are eliminating the problem – just shifting it.”

“The Parkway Village is where my mom is staying, they increased her rent even before the house got bought by another company. Once she moved out, she couldn’t renew her lease. Now all the rent there is \$1400.”

## Developers

On June 16<sup>th</sup>, 2022, FSG held a focus group with five developers in Downtown Memphis. FSG's goal was to better understand their perspectives on the real estate market in the city and understand how they could be better supported to help people of color become homeowners and entrepreneurs. The following is a summary of their experiences and input.

### Who was in the room?

Participants joined the focus group from an array of experiences working in community, economic, and real estate development in various communities across Memphis including Frayser, Orange Mound, Binghamton, White Haven, the Medical District, and others.

#### Quotes from the focus group

*"We have been around for 50 years and provide affordable housing to community members by managing and selling properties."*

*"A large degree of what we do is stitch together cultural, social, economic, and built economic fabrics between anchor institutions and the communities in which they sit."*

*"We work on building human capital in community, water and wastewater, and helping entrepreneurs improve their business."*

### What could equitable homeownership unlock for Memphis?

Participants described homeownership as a pathway to a stable retirement and opportunity to create generational wealth. They also agreed that high-quality affordable housing can change the trajectory of many neighborhoods by leading to improved conditions in education and crime.

#### Quotes from the focus group

*"My mom retired, and I cannot imagine her retiring without her house being paid off or having that pension to help pay mortgages on it. When I'm her age, I do not want to be a renter."*

*"You have to look at the whole picture. Homeownership – affordable housing and clean housing that is well maintained – like what is provided by Works Inc. Once you do all that, you can transform a community. Schools will do better, and crime will go down."*

*"We have read all the reports and we have been in a crisis. It has all fallen on deaf ears and people don't seem to understand: if you fix [access to affordable housing], you will fix crime."*

### What is challenging about developing affordable housing in Memphis?

Developers are seeing increased costs to developing housing due to rising material costs and an increased demand for land. These conditions have attracted investors interested in flipping single-family homes and developing rental units. Even among non-profit developers, there appears to be a prioritization on providing rental units to provide housing security, rather than homeownership to build generational wealth.

#### Quotes from the focus group

*"We were really good pre-pandemic when we were able to build a three-bedroom home for \$100,000. That price has escalated to about \$135,000 to \$136,000."*

*“If you find a house, you need to close on it within a week because it is going to have multiple bids on it.”*

*“In the Speedway Terrace and Carnes Galloway neighborhoods, we see people rehabbing homes and putting them in the market at close to \$400,000. This is sitting next to a home that is appraised for \$150,000. The first question we need to ask ourselves is who can get that \$400,000 mortgage? All it takes is one family, one person, to pay cash and the entire submarket is perverted. That then encourages other rehabbers to come in and all of a sudden, the entry point is \$400,000.”*

*“The biggest player building new facilities in Memphis is the Works Inc. They do great work and develop amazing facilities, but they are mostly adding rental units.”*

*“We should provide more incentives to encourage primary ownership. They should be the first people to be offered the house. If it doesn’t sell to them in a certain amount of time, then sellers could consider secondary ownership.”*

*“A third of the lots in Orange Mound are owned by nonprofits that hold lots to offer Section 8 government vouchers. That isn’t what we need to build legacy wealth.”*

*“The availability of land and properties is especially challenging to where we are right now. The prices we are facing is tied to the availability of property right now.”*

*“There are properties there, but they are selling extremely fast – within days of them going on the market and the property value has skyrocketed.”*

*“There was no distinction between primary and secondary homeowners. We went to state legislature to talk about it to get some legislation to protect the primary buyer. They said it was interesting, but they were discouraged by all it would take.”*

In addition to driving up prices, increased competition among buyers and the financial power and capacity of corporate investors is making current interventions such as down payment assistance and financial literacy programs less effective at helping people achieve homeownership.

#### **Quotes from the focus group**

*“While it is good that the county does have down payment assistance, but you need everyone to come together to figure out how to make it work. You have corporate entities coming in, outbidding residents, and buying houses before the six-week period where residents wait to get approval for down payment assistance.”*

*“We send people to Operation Hope or United Housing when their credit score is too low. It gives them a chance to fix it by offering them financial literacy classes. [Residents] go through all that work and get their hopes up, but then there is no house available. Even if you get voucher through HUD or Memphis Housing Authority, there are no houses in Orange Mound now.”*

Even if residents can purchase a home, without the financial resources and knowledge to navigate home repairs, they can lose their investments and face additional financial strain. This is particularly a challenge for older homeowners whose housing instability would prevent them from ageing in place. It also becomes a challenge when there is a transfer of ownership after the death of a Memphian.

**Quotes from the focus group**

*“When people just stop renting and get into homes and things break down, they are too used to calling their landlord. Well, now you don’t know who to call. The buyers couldn’t afford to maintain that house and a lot of these places become boarded up.”*

*“A lot of houses in Orange Mound that are owned by elderly people are in bad shape. The money we get from the city for the Trust funds goes to some repairs. But it’ll offer \$20,000 worth of repairs when you really might need \$35,000 or \$40,000 because there is foundation work involved.”*

*“I think that the debate from a financial point of view is the time and material to build a new home versus the time and materials for fixing up an old home. You’d be able to sell the latter at a much lower price. Where the economy is, we don’t know which is better, but that is something developers can address in community.”*

*“When there is that change in ownership people usually have to take the entire house up to code and pay for assessments to keep things up to code. Generally, that is a situation where now the child or children may not be able to own the property. They were scared to sell any.”*

*“You see property managers in more middle-income areas where there is a block or two of condos. The housing belongs to a particular development, so they assess all the maintenance they have to do like roofs, siding, sidewalks, etc. If we could do that at the lower-income level, it can make all the difference in the world.”*

In addition to repairing their homes, developers were concerned about rising property taxes that come with community development. Again, older Memphians who have fixed incomes are particularly vulnerable to any increase in costs.

**Quotes from the focus group**

*“I do not want to worry about developing in a neighborhood and pricing out a woman who has lived in her home for 50 years because of property tax increases.”*

*“Property taxes can be higher than a mortgage!”*

Nearly all developers noted Tennessee’s tax system as a barrier to developing multifamily condominiums.

**Quotes from the focus group**

*“The most regressive tax policy we have in the state of Tennessee is that if you develop a multi-family property of more than four units, you will be taxed the commercial rate of 40%. Anywhere before that four-unit cap is at 25%.”*

*“[The state policy] prevents a condo market from being developed. It prevents density from being developed. When you only encourage horizontal geographic growth, so many people are going to have to have a vehicle, which comes with a considerable expense in the state of Tennessee.”*

Developers noted that there is a lack of coordination among the key stakeholders who can develop affordable housing within the city. They named the misalignment between and within the county and the city as a major barrier to affordable housing development and economic development.

**Quotes from the focus group**

*“Well politics will always interfere or enhance whatever development comes along. That will probably be outside the control of the developer unless they do a lot of lobbying within the city council.”*

*“No corporations are going to move to Memphis until this city gets its politics right.”*

*“We had a councilman interested in building homes in Orange Mound and Frayser. We walked him through the math, and he never showed up for another meeting.”*

*“To get the county to fund MATA for the first time was a tremendous undertaking. It was awful. Finally, they gave us that \$2.5 million. Now they are going to increase it with the next vote that comes up, but to get them to understand that we need a viable transit system so our people can get to the low-wage jobs they created without a car was hard for them.”*

*“The politics is a real downside in Memphis. There is no other major city that has two mayors that don’t really play well with each other.”*

*“The public and private investment is a big barrier.”*

*“One thing Memphis lacks is commerce. We have a few places that offer a lot of jobs, but there is not much industry here. That would attract young people to buy homes and fix them up. Or to build new homes and live there for 40 years. The whole world seems to be at a turning point and there may not be any companies like that anymore.”*

*“In the south it is really hard to bring people together. One group says, ‘Help everyone.’ The other says, ‘Help yourself.’ We see that in the county and city dynamics.”*

Participants were concerned about rapid development displacing existing residents without protections being implemented for them.

**Quotes from the focus group**

*“Orange Mound is going to have the same issue that Chelsea has right now in about five to six years. You have million-dollar homes and a golf course on one side of the train tracks. On the other, you have shotgun lots. Because it is a shotgun lot, you don’t have much room to put a house on it unless you buy both lots. There are a lot of restrictions to do that...if nothing is done Orange Mound will be gone in 20 years.”*

*“When Frayer started building, they were replacing run down houses. Then the evaluations went way off the charts. The Frayser CDC was building, and private development came in to capitalize on that.”*

*“Every major city in the United States faces the same thing. People bid up the prices so they can get closer to the amenities of the city and that pushes other people out.”*

*“The same thing that has happened up in North Memphis at Chelsea, where you got Crosstown just pushing its way over. I like what they are doing to protect Klondike from being taken over by giving people who have lived there all their lives control over 300 lots or whatever they have.”*

Without a shift in the accessibility of affordable homeownership, quality education, and quality employment, residents (particularly youth) and companies take their talents elsewhere.

**Quotes from the focus group**

*“The kids who graduated in the last couple of years in a pandemic and you look at their declining rates of college matriculation; I cannot blame them for seeing things in a really bleak*



*way. Their parents are still paying off their own educations and the financial struggles they've had and what they have witnessed, they are like, 'Is this the life I want?'"*

*"We pay people \$2.50 cents to serve you at Red Lobster and you let them get the rest of their earnings from tips. They don't get healthcare. We treated people like crap and guess what? We are paying for it now. The sad part is that discouragement gets passed on and prices are going up. It's a vicious circle. At the end of the day, we did a really poor job at treating our people who work at distribution centers, food companies, and agriculture."*

*"General participation drops off at minimum wage. There is a feeling that no matter what I do, things will not get better."*

*"This is how bad it is. Google came in and built a little but when Mississippi changed their flag, they decided to move to South Haven...there is no reason that Memphis should not be an attractive place to live. We have a big waterfront – you can put all kinds of condominiums there. We've got a lot of stuff going on. You will never run out of water... We've got all these things, but they are waiting for the big shift. We cannot even get a hub to come in. We begged Southwest and Frontier to come into the airport, they both said no."*

### What would equitable homeownership in Memphis look like?

Many shared the view that achieving racial equity in homeownership goes beyond developing single family homes for people of color; it would involve diversifying Memphis' housing stock and ensuring that residents have the agency and support to successfully navigate the real estate market.

#### Quotes from the focus group

*"We could create a system of home agency where you have a number of ways that people can have safe, stable, affordable housing – whether that is renting or owning. We could bake in other mechanisms that allow for community wealth building to be baked in and give people agency."*

*"The difficulty with co-ops is that it is hard to sell because most people want their own control."*

*"You can see three generations in one house where they all chip in and they make sure things keep going when mom passes away. In terms of government work, commercial work, you are going to have that element of family...a lot of times that is missing in development. You make everything look nice in a policy, but does that policy fit the next generation that is coming in?"*

The neighborhoods in Memphis are unique and building more equitable homeownership would require deploying a variety of strategies including land trusts, co-operative, rent-to-own homes, condominiums, mixed-income housing, and increased coordination across sectors. Fortunately, Memphis 3.0 and new financing trends among banks are making block-by-block development easier to do and better coordinated.

#### Quotes from the focus group

*"When you look at the broad scheme of things, when you go to Frayser you are going to need a lot of different things than you would in Orange Mound. You would want to handle Chelsea and Klondike a lot different than Orange Mound because Chelsea is under the weight of St. Jude and Crosstown. It is being gentrified, so you handle that different. You cannot come at*

*this with just one way or process. You have to be strategic in every community that you move into and define how you want to do it.”*

*“Not all home ownership needs to be single family home on a lot. There are other methods of homeownership. In some areas we need apartment buildings where renters can own units.”*

*“We should have more land trusts and co-ops as an option.”*

*“Aside from downtown we do not really have a functional condo market in the city of Memphis. Considering the average median income in most of our neighborhoods, we absolutely should be developing that product to allow for more ownership opportunities.”*

*“There are communities on the edge of becoming nice communities. And others being foreclosed down the street. Lots of investors are interested in buying them up, fixing them up, and selling them to people that are low income. There are a lot of ways you could do it, but it’s hard to get anything done. No one thinks the same.”*

*“Banks are now willing to give loans if you have the strategy to build street by street.”*

### How could Memphis create equitable, anti-racist homeownership?

Developers urge the city government to convene sectors to create a shared understanding of the challenges to affordable housing and generate momentum around the solutions that emerge. The city can demonstrate a commitment to affordable housing by better funding the Affordable Housing Trust Fund.

#### Quotes from the focus group

*“I know the government does not want to make things more complicated, but they can get the right people in the room to sit down and talk it out. We can come up with beneficial ways that help people with affordable housing.”*

*“It takes private, it takes public, it takes the government to get us together.”*

*“The tax assessor should be involved because the county controls certain things and the city controls certain things. It’s getting utilities to alleviate their hookup fees. If you can get everyone together to understand each other, you don’t have to worry about city council and the commissioners.”*

*“The CDCs need to be involved too. You cannot just come willy-nilly walking into their neighborhood.”*

*“Most of the time, people who are affected by unaffordable housing are not in the rooms they need to be in. We need the actual people, not advocates for them.”*

*“The city can put together a committee to get folks to come in and talk about affordable housing.”*

*“We spoke to folks from New Orleans, Atlanta, St. Louis...All these other cities come in and they always ask us, ‘How much money do you have in the Affordable Land Trust?’ It was created in 2015 and before they got some money from the pandemic there wasn’t even a million dollars in it. Compared to other cities, we are underfunding it. We now have \$7.5 million and it goes to repairing and multi-unit rentals.”*

City government can also take more ownership over establishing a shared narrative of the housing market in Memphis. It can use that narrative to make affordability a priority in the city.

**Quotes from the focus group**

*“The government can come in and control the narrative to keep the costs down.”*

*“It is a question of what our city values. What we value is shown by what we choose to invest in and we need to show that we value our people.”*

Many of the focus group participants were interested in preserving existing homeowners through shifts in local tax policies.

**Quotes from the focus group**

*“A tax cap for just the people who already live in that community would be helpful. People who move in will need to pay whatever they need to pay. I’m not saying rent control or mortgage control either. I’m just talking about property tax. The money will still be coming in, just not at inflated rates.”*

*“I’d love a tax freeze for my neighbors who are aging by Crosstown. They will be pushed out because certain things like upkeep, taxes, and being able to afford the skyrocketing cost of living.”*

*“In Mississippi, when you hit 65 your property tax increases much less. They maintain a decent level. They do not freeze, but the dividends are very small.”*

*“In Atlanta, when my mother hit 65, they removed the largest piece of her taxes, which went to schools. She doesn’t have kids anymore; they moved. Now her taxes are like nothing because they take all that off the burden of the elderly that live there.”*

*“Mississippi and Georgia both have homestead...I know it sounds complex, but it’s not. There are really simple things you could do.”*

*“Do we develop better neighborhoods or lower taxes? The amount of money we need to make a difference involves convincing citizens that we need to raise taxes.”*

While participants agreed that Memphis Light, Gas and Water – the nation’s largest three-service municipal utility – could use some reformation, there was less consistency in views about how to do that. Some suggested that they required a different form of accountability and others suggested that they could identify alternative funding for hook-up fees.

**Quotes from the focus group**

*“Would adding new customers be profitable if you can waive the hookup fees?”*

*“If Georgia Power needs help with wiring because of a storm, they can call Alabama Power to send trucks over. MLGW is all by itself.”*

*“You can spread the hook-up costs over three years and get a loan to cover the period while the money is being repaid...If you can spread that cost over 36 months, it becomes a proper utility bill for every month and a little easier for the homeowner to get there without all the back fees coming down on them.”*

*“MLGW is municipally owned, but completely autonomous. The city is not the customer, which is mind boggling to me. It should just be an arm of the municipal government.”*

An emphasis on building agency and dignity among residents by encouraging housing choice, community development, support for labor organizing, and entrepreneurship could retain residents and help them grow their contributions to the city.

**Quotes from the focus group**

*“We have an issue where so few jobs are unionized now. Those job opportunities just don’t exist in the same way. We have a huge service sector, people who are cosmetologists and mechanics, who are operating at the margins. Those jobs should be viewed and treated like how union jobs were in the past.”*

*“Once we see an investment, not just in dollars but other resources like Boys and Girls Clubs, administrators and teachers, counseling services, wrap around services, we will see an impact on home ownership and development.”*

*“There is a difference between the top down and bottom-up approach to development. If we are making the incremental investments in people and the human infrastructure to allow the city to become a more foundational place for entrepreneurial activity to occur at a smaller scale, we will see that attract larger scale investors.”*

*“There is a Pop-up on Mainstreet model where some vacant buildings that the city owns can let businesses use the space for nothing or near nothing for a year or six months. I would love to see more of that here. Currently, they are so competitive, like in the Medical District.”*

Potential home buyers would continue to receive information and support on navigating the real estate market and banking systems, and there would be alternative tools to measure their eligibility for financing.

**Quotes from the focus group**

*“CDFIs can be good partners because they help people get ready for a loan.”*

*“Before you even pre-apply, [CDFIs] get residents ready to make sure that they’ll get past loan processing. Their loan package is already put together before they even approach a financial institution. Then [the CDFI] is electricity: they know you, they trust you, and it can all happen pretty quickly. It is easier for them to finance, too, because a CDFI is not a traditional bank.”*

While housing quality remains a challenge in the city, an investment in trades education can ensure that we have a higher-income workforce and the talent to maintain the city’s existing and future housing stock.

**Quotes from the focus group**

*“In the mid-south, education investments are a big chunk missing in our social fabric. It has hurt the south for generations. We forget about the trades when we talk about educating people. The South is hurting for trades right now. Many companies are dying out and retiring. It is hard to get a licensed electrician now.”*

*“Let’s take a different step and bring in a second chance for people who have been incarcerated that are out now and trying to find work. You can build electricians, plumbers, HVAC...I mean it’s a good win-win for the city.”*

## Entrepreneurs

In June 2022, FSG held a virtual focus group with entrepreneurs of color in Memphis, Tennessee. FSG's goal was to better understand their perspectives and experiences in running a business in the city and understand how they could better be supported by the city. The following is a summary of their experiences and input.

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### Who was in the room?

The focus group consisted of various entrepreneurs who ran businesses across different industries including coaching services on diversity, equity, and inclusion, antique stores, and restaurants. Some entrepreneurs had immigrated to the United States from African and South American countries. Others identified as African American and Latinx Memphians. The entrepreneurs were at different stages of their business: some were still ideating on what they could offer, others have been in business for over five years. Many entrepreneurs were driven by their passion for the products and services they could offer the community. All of the businesses aspired for their businesses to grow and reach more customers.

#### Quotes from the focus group

“The goal of my business is to bridge the gap between local organizations and the Latinx community in Memphis...My goal of my business is to provide workshops, provide consulting through a diversity, equity, and inclusion lens.”

“I own an antique shop; we sell collectable items like furniture or works of art...My aspiration for my business is to reach out to more customers by introducing online marketing and delivery service...I started this business because of my special love for antiquities.”

“My aspiration is to make my business really blown. I'm just setting up, so I need a wide space to make it known where people could come to take a studio session...I choose Memphis because I love the city. I think my business would serve it well, so that is why I choose Memphis as a spot to start my business.”

“I live here and run a business here in Memphis. I deal tools like rakes, sickle, etc. I also do large equipment like tractors. I basically just sell tools and instruments used for farming. My aspiration is to be one of the biggest providers/supplies of farm tools.”

### What challenges do entrepreneurs of color face in Memphis?

Some entrepreneurs cited that Memphis has limited commercial real estate that would place their businesses in a prime location to receive foot traffic. Because of this, entrepreneurs feel like they are paying a lot of money for strategic placement. The limited inventory for commercial real estate is also driving up the price.

#### Quotes from the focus group

“The biggest challenge to my business' growth is its location. I feel like I'm not growing as fast as I could be because of where my business is located. It is very hard to secure the premises, but then I found that if I would have found a premises which is more open, the place would

be busy. Because where my shop is located, it's not as busy...Now finding new premises is very hard because most, if not all, of them are already occupied because businesspeople are always looking for a good location."

"The challenge I faced is having a specific location where people can come and buy things from the store."

"My main challenge is the cost of housing, which is very expensive. In order for me to grow my business to what I need, I need a lot of space. A very big space where I could do a studio section, and also space where I could employ a lot of people who could do the pencil sketches and draw customers. In the city of Memphis, the cost of housing is way beyond what a starter could afford. Saving is really stressful because you need to do a lot of work and those needs come from the little money you do save. It's taken me a while to save up so I could afford the cost of housing."

In addition to the high cost of commercial real estate in the city, housing costs create several challenges for entrepreneurs. Entrepreneurs, their employees, and customers all face high housing costs, which makes it more difficult for them to invest time and money into local businesses.

#### Quotes from the focus group

"The biggest challenge I face is the cost of housing. Getting a place to start up your business is very expensive here in Memphis and you have to save up a lot more now. When you are just starting, you will notice that you get faced with a lot of problems because you cannot really keep the money, you tend to use it for something else because people don't really know about the brand."

Some entrepreneurs felt like customers have negative stigmas against them due to their racial identity, however because Memphis has many Blacks and Hispanics it can benefit the business to have POC ownership.

#### Quotes from the focus group

"When it comes to my racial identity, I would say there is a challenge because you would notice that people are a lot more discriminative on the street. You'll notice that you come in contact with a lot of racists who don't like you because you are Black, and it does not matter if you are giving out quality in your business."

"I think customers do not come to my shop because of my skin color."

"There are a lot of Blacks in Memphis and that has not escaped my eye. Having a lot of Blacks in the city is good because they are always coming to my business. I have African antiques because I love them too."

"I receive little visits from white people at my store. I really love when Black people come to my shop."

Despite being a major distribution center, entrepreneurs had concerns about transporting their products to customers across the country and having goods transported to them for their businesses.

**Quotes from the focus group**

“One of the disadvantages we have is location. Most of my customers come from remote areas not really inside Memphis. Since a lot of my customers are from outside Memphis, to get delivery and shipping is everything.”

“I think the greatest barrier that I am going to face right now, I think, will be trying to source fresh produce for my restaurant...I am trying to have a diverse offering, so getting products from Africa, Asia, and sourcing fresh produce from farmers there...it’s going to be a heavy one.”

**What resources do entrepreneurs leverage to support their businesses?**

Some entrepreneurs opted to go to the Entrepreneurial Network Center to receive resources on grants, loans, and support with customer acquisition. There is a perception that the resources offered are for businesses that are at particular stages of their operation.

**Quotes from the focus group**

“The first place I would seek help from is the Entrepreneur Network Center where I could see what I’ll need to get a grant or a long-term loan. I could use it to pay up for a space or something I need to set up. If I got the space and put a lot of advertisements out there, that would be very helpful...What I would term difficult is the requirements that they need. You'd notice that you tend to face with a lot of requirements.”

“You can just go to them and say you want to set up a business. They wouldn't pay attention to what you want to say, but rather, they want to see a business that has been set up for a couple of years. And that's really sad because you might have a vision...definitely this is going to work out, then you should be given the grant alone, but then they need a kind of business that has gone on for years. And the collateral, also, is taken on the loan, like what you pay for getting such a loan, the amount being put in place is also really disheartening.”

## Appendix: B Acknowledgements

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### Local Government Partners

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# Living Cities Closing the Gaps Network

## Homeownership and Business Starts and Growth

### Memphis Needs Assessment

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