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**Explaining the Wealth Gap in Chattanooga Through Housing Policy Design:
Do Chattanooga Housing Policies Contribute to the Wealth Gap?**

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Departmental Honors Thesis

The University of Tennessee at Chattanooga

Political Science and Public Service: Public Law

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ABSTRACT

Some scholars contend various public policies have continued to play a role in the creation and persistence of racial wealth inequalities particularly in housing. This thesis explains the wealth gap in Chattanooga through housing policy design and answers the question: Do Chattanooga housing policies contribute to the wealth gap? The thesis also explores local Chattanooga policies believed to influence the wealth gap such as the destruction of the Big Nine, the redevelopment of the Golden Gateway, and the many City of Chattanooga zoning codes (redlining). In addition, this thesis will examine federal policies that have contributed to the wealth gap such as the creation of Home Owners Loan Corporation (HOLC), The National Housing Act of 1934, and the G.I Bill. Throughout time, these policies have prohibited and limited economic opportunities for African Americans, especially within the housing sector. This thesis examines the relationship between public policy and the wealth gap. Specifically, a policy design framework is used to assess the relationship between local housing policies and the wealth gap in Chattanooga as expressed in homeownership. In addition, the thesis also examines additional political and socioeconomic factors thought to influence wealth inequities, the research suggests that government policies and programs play a role, whether intended or not, in the development and persistence of wealth-related disparities. By focusing on housing as a critical factor in the racial wealth gap in Chattanooga, this research aims to provide a deeper understanding of how current policies and historic policies continue to shape the outcomes for the communities in Chattanooga, specifically the African-American communities in Chattanooga. The most common entry point to accumulating wealth in America has been through the acquisition of property, specifically housing. Because property generally increases in value over time, Americans with access to it have been able to use the equity (property value less

the mortgage owed) in their homes to fund other activities that contribute to personal wealth. For example, acquiring additional property, funding higher education or private school, buying equipment to start a business, etc. With unrestricted access to property, white Americans have been able to accumulate wealth at a higher rate than any other racial group. Now, in 2024, not only is the wealth gap between Whites and Blacks as wide as it's ever been but also the diversification of the types of assets that make up the wealth of a typical White American has outpaced every other race as well. The more diversified an individual's assets are, the less likely they'll be subject to drastic increases and decreases due to outside economic factors. Currently, the average Black American's wealth is overwhelmingly based on home equity (44%). Conversely, home equity makes up only about 19% of the average White American's net worth. (NCRC article).

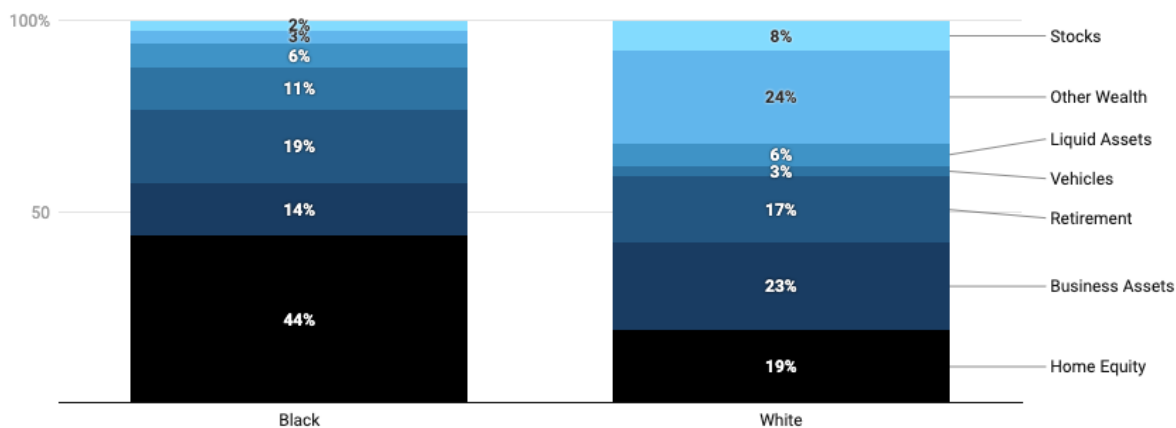
INTRODUCTION

Wealth is not just luxury, or about how much money you have in your pocket, wealth is a ticket to being able to take care of your family and create opportunities. Wealth refers to an amount that has been accumulated over some time and is the value of assets owned by a family or an individual minus outstanding debt. Accumulated wealth can be used as a source of retirement income, protection against economic shocks, and also provides a sense of security for future generations. Some common assets that contribute to wealth are real estate/property, stocks and bonds, cash on hand, precious metals, minerals and mineral rights, and business equipment. Wealth inequality refers to the distribution of net worth across the population. In the United States, the disparity in wealth between upper-and lower-income households is more pronounced than the income gap and has widened significantly in recent years. This thesis focuses on the wealth gap. The "wealth gap" refers to the asset disparity between households across race and

ethnicity. This racial wealth gap is substantial. “Even in the same income bracket, whites have on average twice the wealth of Blacks” (PBS, 2003). Wealth is not just based on an individual's effort, but external factors play a huge role as well. While the size of this wealth gap has changed over time, it has not diminished significantly. Wealth can be broken down into several different categories. There can be financial wealth, real estate, stocks, business ownership, personal property, retirement savings, inheritance, educational and agricultural wealth, and home equity. All of these categories come together to create a person's wealth or net worth. Exhibit 1 below shows the 2022 composition of net worth by race according to the Federal Reserve. On average, home equity is the largest asset for Black people.

Exhibit 1:

Composition of Net Worth by Race 2022



Author's calculation of Survey of Consumer Finance data. Composition of wealth is based on average figures from the SCF.

Chart: NCRC • Source: [Federal Reserve](#) • [Get the data](#) • Created with [Datawrapper](#)

Source: Federal Reserve Board

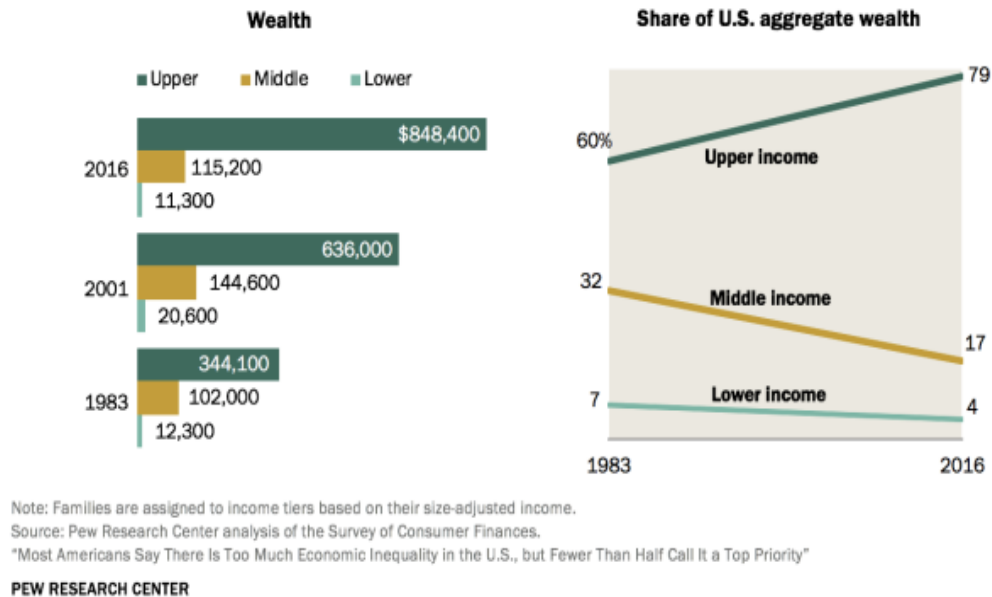
Harvard's 2022 "State of the Nation's Housing study reported that "the median wealth for a homeowner household in the U.S. was \$254,900 in 2019. By comparison, the median wealth for renter households was \$6,270. That means that homeowner households have 40 times

the wealth of those who rent” (Harvard, 2022). According to the Federal Reserve Board, the average wealth for Black families in 2019 was \$24,100 compared to \$188,200 for White families. This report also shows that even though the wealth of Black families has increased more rapidly than White Americans since the Great Recession, Black families experienced larger and more prolonged declines from 2007 through 2023 (Federal Reserve Bank of San Francisco, 2021). According to the U.S. Census Bureau, Black people made up 20.1% of the population in poverty in 2022 but made up only 13.5% of the total population. This results in a ratio of 1.5, which means that the Black population was overrepresented in poverty. This rate of poverty is higher than any other group in America. In 2016, the median wealth of upper-income families in the U.S. was 7.4 times higher than that of middle-income families and 75 times higher than that of lower-income families. Exhibit 2 shows the gaps in wealth between upper-income and middle- and lower-income families are rising and the share held by middle-income families is falling. The gaps between the upper middle and lower are drastic. According to the U.S. Census Bureau, 17.1% of Black people in the United States were living below the poverty line in 2022. “Estimates from the Current Population Survey Annual Social and Economic Supplement (CPS ASEC) show the Black population was one of the only major demographic groups to experience a significant change in poverty between 2021 and 2022” (U.S. Census Bureau 2023).

Exhibit 2:

The gaps in wealth between upper-income and middle- and lower-income families are rising, and the share held by middle-income families is falling

Median family wealth, in 2018 dollars, and share of U.S. aggregate family wealth, by income tier

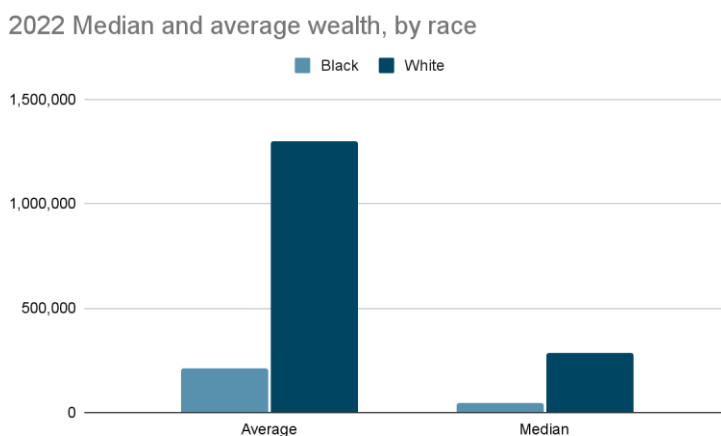


Source: Pew Research Center

So what contributes to this wealth gap? There are many causes of wealth disparities and an equal number of effects. These wealth gaps do not stem from a single source, which makes them challenging to tackle. However, economists highlight many contributing factors. These factors include but are not limited to access inequality (education, healthcare, high-paying jobs), income inequality, unfair housing policies, and more. For example, interest rates charged to borrowers can differ substantially by race. Research also shows that those with high incomes frequently have access to better schools, healthcare, and job opportunities. Previous research suggests that credit markets depress African Americans' ability to accumulate wealth (Chiteji, 2010). Brookings Institute reports for every \$100 in wealth held by White families, Black families have only \$15 in wealth. Further, Black wealth lags behind other racial groups including Hispanic and Asian Americans (Perry, Stephens, Donoghoe, 2025).

Exhibit 3 shows the median and average wealth by race. According to the United States Census, the average American household wealth was \$211,450 in 2022, and the average White household wealth reached a record high of \$1.3 million. The median wealth was \$44,800 for Black people and \$285,000 for White people. The differences are striking. The dark blue identifies the white community, and the light blue identifies the Black community. Several public policies and structural systems are thought to have contributed to this wealth gap (Assante-Muhammad et al, 2017). It is argued that structural, policy-driven discriminatory practices in housing, taxation, banking, and higher education have led to lower wealth creation for Blacks. Historical evidence illustrates this.

Exhibit 3: Median and Average Wealth by Race



Source: 2022 NBC News

Between 1619 and 1779, the Headright program granted White heads of households fifty acres and tools to work the land for coming to America (Knott-Dawson, 2023). Between 1865 and 1915, the Homestead Act gave over two hundred and forty acres of free land, which was mainly land stolen from the Native Americans, to heads of White households (Knott-Dawson, 2023). Government-sponsored aid was provided to struggling White farmers while denying it to most Black farmers from the 1930s right through the 1980s, The GI Bill extended tuition-free

college education, vocational training, and affordable mortgages to over two million White World War Two veterans, but excluded veterans of color from accessing these benefits.

While much of the literature focuses on the effect federal policies had on contributing to the wealth gap, some scholars have begun examining the issue at the local level. For example, De La Cruz-Visca et al (2018) examine racial wealth inequality in Los Angeles. They question why the gap persists even when policies were created to address inequities and they offer broad policy solutions to diminish the gap. Solutions include addressing racial disparities through emergency literacy and school programs, improved police-community ties, increased affordable housing, more job training programs, upgraded healthcare services, and more efficient public transportation. These broad policy solutions address aspects of the structural issues but do not address how cities can or should implement such strategies. This research aims to provide specific, actionable policy strategies that can be implemented by the City of Chattanooga. When we begin to understand what has taken place in the past, then we can learn to develop more impactful policies in the future.

Wealth Gap in Chattanooga

Chattanooga, Tennessee is known for its scenic landscape and rich culture, but it also exemplifies a pervasive national issue: the racial wealth gap. The economic growth has been present but has not always been equally shared among all residents of Chattanooga. The contrasts between income are shocking and the historic implications of certain policies remain a problem today. The wealthier communities in Chattanooga have access to better amenities, schools, healthcare, and job opportunities. While the less fortunate communities are faced with significant challenges and limited educational opportunities, insufficient healthcare, and limited job opportunities. The wealth gap in Chattanooga is greater than just income inequality. It also

extends to systemic issues like racial segregation. Many policies have perpetuated these inequalities. Predominantly Black and low-income communities were specifically targeted by these policies. According to the Urban League State of Black Chattanooga, Black Chattanooga mortgage applicants are denied almost 108% more often for mortgage loans compared to White people in Chattanooga. Black-owned businesses in Chattanooga are significantly underrepresented, with less than 2 percent of employer businesses being Black-owned. Black residents in Chattanooga own only 2.2% of the employer firms in the city, despite comprising 29.4% of the population. Exhibit 4 shows this wealth gap directly in Chattanooga.

Exhibit: 4

	<i>Hamilton County</i>		<i>Chattanooga</i>	
	<i>White</i>	<i>Black</i>	<i>White</i>	<i>Black</i>
Median Household Income	\$65,477	\$36,700	\$55,463	\$34,261
Median Family Income	\$86,100	\$46,975	\$77,321	\$37,069

Source: US Census, American Community Survey, 2019

Some examples of these policies include the redevelopment of the Big 9 neighborhood, the redevelopment of the Golden Gateway, as well as Chattanooga rezoning policies. The educational divide is also a huge element of the wealth gap in Chattanooga. Good schools are more prosperous in wealthy communities and also receive better funding. The disparity in Chattanooga is an aspect that sustains the wealth gap and wealth disparity. Many students in these disadvantaged communities don't get quality education and are unable to acquire the knowledge needed to pursue high-paying jobs and therefore perpetuate this cycle of poverty that exists already. The Chattanooga racial wealth gap is still very much present. There are still

significant disparities in income, opportunities, and resources. There are racial and economic segregation, housing disparities, gentrification, and educational inequalities that are present in Chattanooga right now.

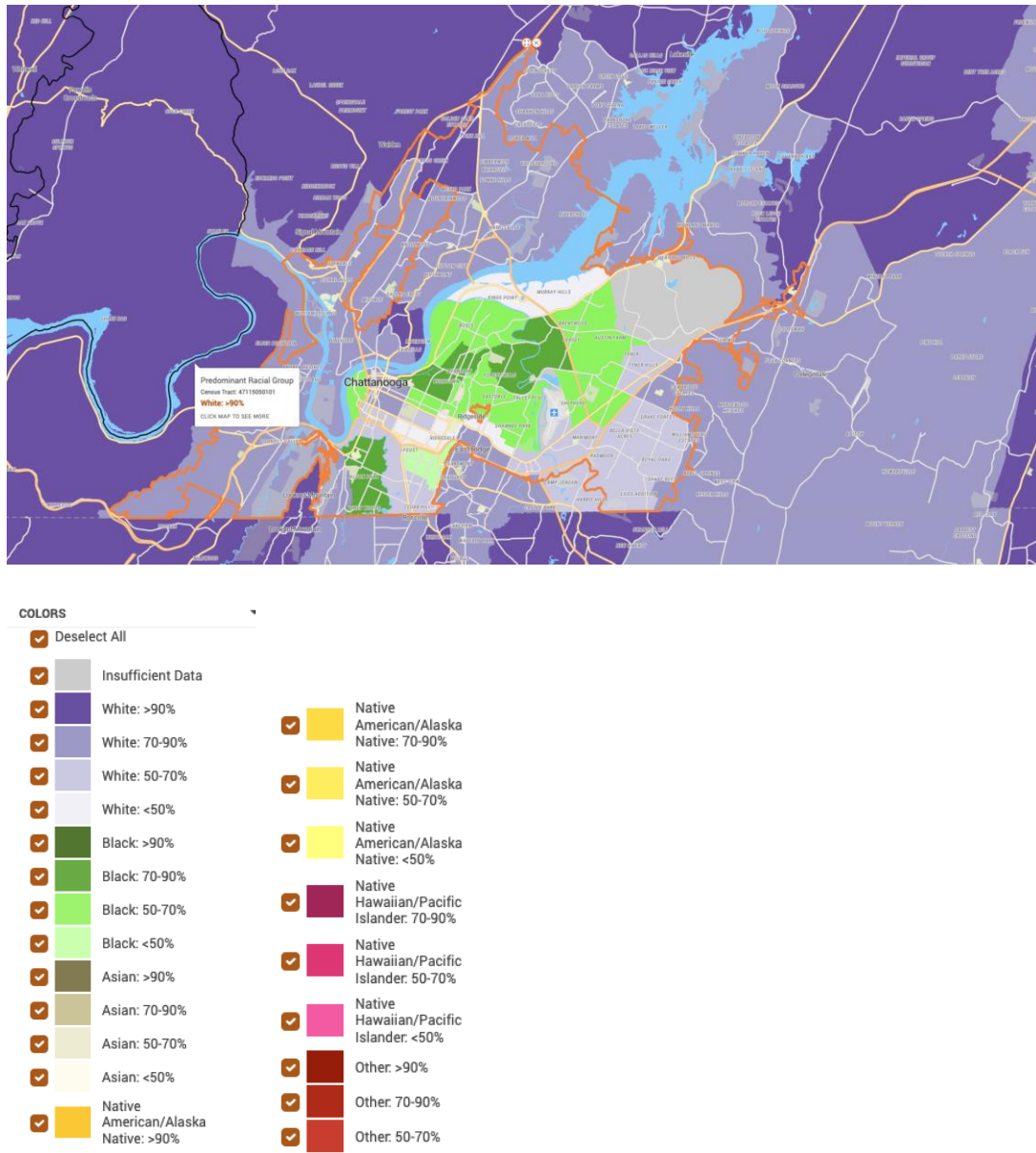
Housing is the primary focus of this thesis. Rising property prices and gentrification in many parts of Chattanooga have increased housing costs and have displaced many low-income families. This therefore limits low-income families from accessing quality education and high-paying jobs. Most of these families affected are families of color. Historic redlining and discrimination has left a lasting impact on the way that wealth is distributed in Chattanooga. Acknowledging and discussing this wealth disparity is key in tackling it head-on and working towards ending this wealth gap and leading to a more effective and sustainable Chattanooga for everyone. When we discuss these issues we can work towards ensuring a better and more equitable future for all communities despite their location.

Over fifty years after the Fair Housing Act, Black neighborhoods in Chattanooga are still segregated. In Chattanooga, seven predominantly Black areas were designated as “hazardous” by the FHA through redlining. Areas such as Clifton Hills and Rossville Boulevard were specifically known for their “negro” population. (McClane, 2018) Also, the area near Cameron Hill, now BlueCross BlueShield, was redlined due to the high concentration of Black people living there. The story of Clark White and his family is one of the many examples that show how redlining existed in Chattanooga, why Chattanooga is segregated the way it currently is, and why the wealth gap exists. The Whites were a middle-class Black family living in Chattanooga. Clark White was just a young boy when his father decided to buy their family a home. He witnessed how his family, despite having the funds, and despite his father's good credit, was denied a loan for a house (McClane, 2018). Clark White’s father was a World War II veteran and wanted to

use the G.I. bill to buy a house. White clearly remembers the banker telling his father, “We are not loaning you people money west of Cherry Street”. After the war, Americans were becoming homeowners at a high rate and the economy was booming. Homes were the way that families built wealth and had access to quality schools. Black Chattanoogaans did not have this opportunity. A White family living in Chattanooga in the 1950s could have the choice to live anywhere they wanted as long as they could afford it. Residential segregation remains a reality in Chattanooga. 2024 census data shows several areas in Chattanooga remain nearly entirely White or entirely Black (Census Bureau, 2024). Chattanooga has a vibrant musical past and was a city known for its Black talent. In the early 1900s through the 1960s, Chattanooga was the destination place for the most talented blues, jazz, and soul artists in the South. Martin Luther King Blvd used to be called Ninth Street, or the “Big 9”, and was the epicenter of the Black community of Chattanooga. Black live music, entertainment, and restaurants thrived on Ninth Street. Some of America's biggest music artists like Ella Fitzgerald stayed at the Martin Hotel on Ninth Street which was located where the Bessie Smith Cultural Center is today. At the time, the Martin Hotel was the largest African-American hotel in the South. Chattanooga's “Big 9” was comparable with places like Memphis’s Beale Street and New Orleans’s Bourbon Street. Ninth Street was renamed Martin Luther King Blvd. in 1981. Black wealth was prominent on Ninth Street. There were Black lawyers, doctors, educators, and store owners. The Ninth District was destroyed in the early 1970s in an effort by the city to improve blighted conditions and redevelop the area for new residential and commercial projects. This resulted in the loss of economic opportunities for Black Chattanooga. So much of Chattanooga's Black wealth came from the Big 9.

Exhibit 5 shows the demographics of Chattanooga between 2018-2022. Most areas of Chattanooga are entirely White or entirely Black. The map also shows that the inner city is highly populated with Black people and the suburbs of the city are densely populated with White people.

Exhibit 5: Chattanooga Racial Demographics, 2018-2022



Source: Policy Map

BACKGROUND

Housing and Wealth Overview

Homeownership is seen as an entry point to building wealth. Homes are the way families build wealth, access quality public schools, and offer financial security to their children. However, this entry point is harder to attain if you are a Black American. The equity in homes is the reason why wealth creation is homeownership. Homeownership creates a plethora of wealth-gaining opportunities for a family. Home value appreciates over time, meaning the price and value of your home will go up every year you own it. You can use the money from your home to then buy a higher-value home. “Taking out a mortgage, holding onto a property, and then cashing out tax-free at a low-interest rate (as long as the property is your primary residence) is one of the best ways to build wealth,” (Dawn Pfaff, president of My State MLS). Homeowners tend to earn higher incomes than renters, they tend to have more savings, and they also benefit from the tax advantages that a home brings.

In 2024, Black Americans have an average household wealth of \$44,000 compared to \$284,000 for White families, and \$62,000 for Hispanic families. Studies show that the wealth breakdown for White individuals is much more diverse than the wealth breakdown for Black individuals. According to a study by the National Community Reinvestment (NCRC), nearly half of Black net worth came from home equity alone, compared to less than 20% for White households (Dean, 2024). This breakdown includes: stocks, other wealth, liquid assets, vehicles,

retirement, business assets, and home equity. Overall, Black households' wealth tends to rely more on non-investment property and non-financial assets. White households generally have more access to financial resources, education, and networks that allow them to invest in high-return assets such as stocks and other business ventures thus leading to greater wealth growth. Owning a home is a large asset. Which is why this thesis focuses on housing. "Even in the same income bracket, whites have on average twice the wealth of Blacks. Much of the difference lies in the value of their homes" (PBS, 2003). This thesis examines how racism, manifested through a history of discriminatory government housing policies contributed to the wealth gap.

Historically, White Americans have gotten a head start to build wealth. "Government housing programs and policies helped generate much of the wealth that so many white American families enjoy today. By lowering down payment requirements and extending the term of home loans from 5 to 30 years, revolutionary New Deal programs like the Federal Housing Administration made it possible for millions of average Americans to own a home for the first time" (PBS, 2003). This thesis will focus on one of the many reasons why Black Americans have so little wealth compared to their White counterparts which is largely due to housing policies such as the National Housing Act of 1934, the 1935 Home Owners Loan Corporation, Servicemen's Readjustment Act of 1944 (G.I. Bill), Urban Renewal Programs (1949-1974), racial covenants and gentrification. Homeownership, which is the main driver of wealth, was encouraged by the United States government in the 1930s and 1940s through several policies that extended low-cost loans to millions of Americans. Unfortunately, these policies led to widespread redlining and systemic racism. The people of color who did own homes have fewer benefits and returns on their investments. Discrimination in housing markets led to employment discrimination, and segregation has led to few educational opportunities and fewer employment opportunities for

people of color. (Sanchez-Moyano, Shrimali, 2021) This led to Black people having lower wages and unstable jobs. All of these housing inequalities are passed down through families and affect many generations over time. Today, these discriminatory practices are illegal. However, these policies have left a legacy of discrimination and left Black people with a huge wealth disadvantage. This legacy of discrimination continues to affect the Black community in Chattanooga today as well as the Black people all across America. “To bring African-Americans to broad economic security – the landscape envisioned in NCRC’s Just Economy Pledge, where most Black people are homeowners and their median wealth is near the national median – will require meaningful policy change”.

KEY HOUSING POLICIES

The National Housing Act of 1934

The National Housing Act of 1934 was a big contributor to the wealth gap. The National Housing Act of 1934 was enacted to improve housing standards and conditions in an attempt to improve the state of housing after the Great Depression. This act was a landmark legislation and was supposed to improve the state of housing. The act had a huge impact on the American housing market and economy because it made homeownership accessible to millions of Americans who could otherwise not afford a home for their families. Although the National Housing Act was meant to do well for all communities, it ended up creating a lot of damage to the Black community and held Black Americans back from building generational wealth. The

government was focused solely on providing housing to White, middle-class, lower, and middle-class families leaving out people of color. These people of color were instead pushed into urban housing projects. This act established the FHA (Federal Housing Administration) which contributed largely to the wealth gap in the United States. One of the major practices associated with the FHA was redlining. Neighborhoods with a large Black population were marked as red and labeled as high risk which made it essentially impossible for the people in these neighborhoods to obtain loans. The act refused to insure mortgages in and near African-American neighborhoods and required that no homes be sold to African Americans. The FHA's underwriting manual had guidelines in place that discouraged approval of loans for African Americans, offered mortgages in white-only neighborhoods, and concluded that no loan would be economically correct if the property was located in a community that was or could become populated by Black people. The reasoning behind this was the fear that if African Americans bought homes near these suburbs, the value of the homes would go down and the loans would be at risk. This legitimized the practice of redlining on a federal level which ultimately withheld credit from homebuyers in mostly Black neighborhoods. This all greatly contributed to the wealth gap. A direct example of this is in the 1938 FHA manual highlighting the negative impact of being near Black people on credit risk. Saying, "Usually the protection from adverse influences afforded by these means includes prevention of the infiltration of business and industrial uses, lower class occupancy, and in harmonious racial groups." Even though this act was in 1934, and it is currently 2024, Black people are still experiencing the effects of this act today. Many of these homes bought by White Americans were then passed down for several generations and therefore increased the amount of wealth in White families and decreased the opportunity for Black people to start building wealth when White people did. Not only did the

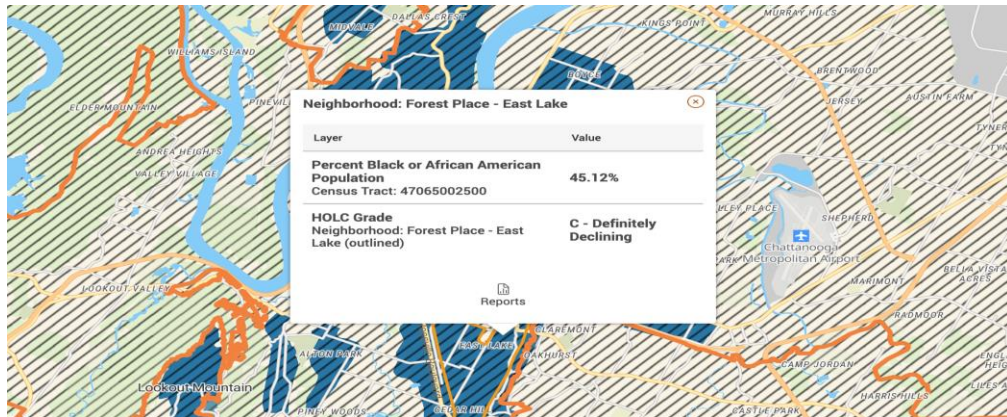
National Housing Act of 1934 create the FHA that was extremely harmful, but it also created Restrictive Covenants, economic disparities, and segregation. The effects of this act played a huge role in why the wealth gap is so large today.

Home Owners' Loan Corporation (HOLC) and the 1935 Residential Security Maps:

Eighty years ago, the Home Owners' Loan Corporation (HOLC), created Residential Security maps for major American cities. The Home Owners' Loan Corporation was created by the Home Owners' Loan Act of 1933. This legislation was part of the New Deal program initiated by President Franklin D. Roosevelt to address the hardships citizens faced after the Great Depression. The HOLC aimed to refinance home mortgages to prevent foreclosures. The goal was to provide affordable mortgage terms to homeowners that were struggling in the economy, and aimed to stabilize the housing market. The HOLC created Residential Security Maps to help with its goals. The maps showed loan officers, appraisers, and real estate agents' asset mortgage lending risk during the period just before the surge of suburbanization in the 1950s. Residential Security maps classified the neighborhoods using four different color codes. These color color codes include green (Best), blue (Still desirable), Yellow (Definitely Declining), and red (Hazardous). Neighborhoods deemed high risk or "Hazardous" were frequently "redlined" by lending institutions, resulting in the denial of capital investment that could have enhanced the housing and economic opportunities for residents. The HOLC ended up being one of the worst things for the people of Chattanooga and was extremely harmful to Black and low-income citizens. The HOLC played a significant role in preventing Black people from building wealth in the United States and Chattanooga. Today, 74 percent of these neighborhoods that the HOLC deemed as high risk are low income, and of that 74 percent nearly 64 percent are minority neighborhoods today. Black people were denied mortgages and home improvement

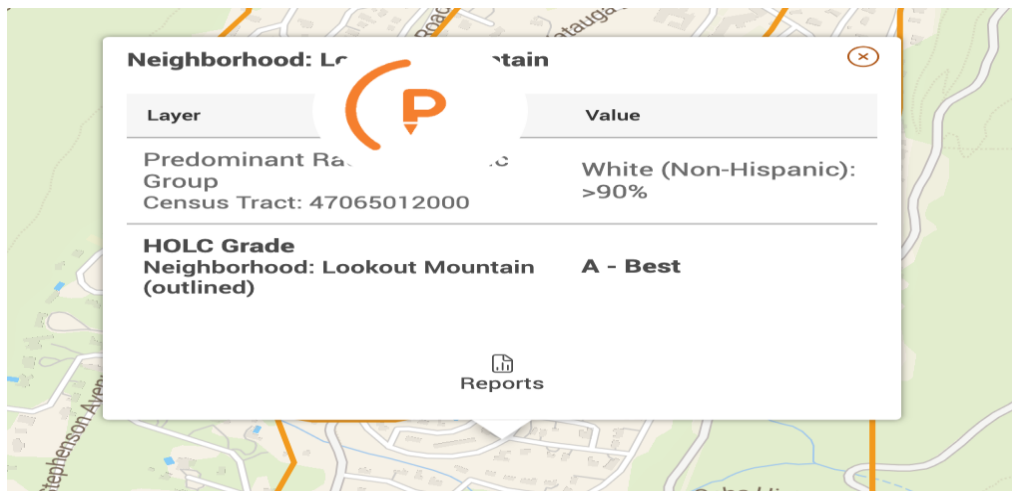
loans which prevented Black people from purchasing homes which then limited their ability to build wealth through homeownership. Redlining also led the housing in the “red zone” where mostly Black people lived, to have far less value than that of a house in a green area where White people lived. Lower value meant fewer financial resources. These red zones did not attract business investment. Businesses did not want to invest in a neighborhood that was declining, and the government did not want to build quality schools in these areas. Therefore, to find a good school zone, these communities would have to travel very far. The more business attraction and business investment means higher home values and home appreciation. Home appreciation is the increased value of a home over time vs the original selling price. Businesses and the government were hesitant to invest in schools, infrastructure, and services in redlined neighborhoods which also contributed to the poverty in these neighborhoods. Since most of these redlined neighborhoods were people of color, this policy just increased the wealth gap even more. White people moved to neighborhoods with the best schools, best services, and best healthcare and ultimately were more successful which trickled down for generations. On the other hand, people of color were given the worst services, schools, and healthcare. Exhibit 6 provides an example. The map shows the percent of Black or African-American Population in East Lake and the 1930s HOLC grade received. 45.12% of East Lake in 2022 is African-American and the HOLC grade was a C- Definitely Declining. In comparison, Exhibit 7 shows Lookout Mountain which is greater than 90% White (Non-Hispanic) and had a previous grade of A-Best.

Exhibit 6: Example of Chattanooga HOLC Grades - East Lake Neighborhood



Source: Policy Map

Exhibit 7: Example of Chattanooga HOLC Grades - Lookout Mountain Neighborhood



Source: Policy Map

The redlining of East Lake has contributed to the amount of homeowners in the area. Over 60% of people in East Lake rent homes. As stated earlier in the thesis, homeownership is the entry point of wealth accumulation. Lookout Mountain has a homeownership rate of 92.76 percent. These effects are still present today. This shows maps of homeownership rates, however, the pattern remains the same with the quality of education, quality of development, and resources put into each area. It is significantly worse than the resources put into Lookout

Mountain. This is just one example of the wealth gap in Chattanooga showing how people of color are disadvantaged in 2024 by policies enacted over 80 years ago.

Servicemen's Readjustment Act of 1944 (G.I. Bill)

The Servicemen's Readjustment Act, also known as the G.I. Bill, was enacted in 1944. The legislation was signed into law by President Roosevelt. The bill was designed to provide benefits for returning World War II veterans (referred to as GIs). This bill provided financial assistance for veterans in the form of mortgage loans and scholarships for continuing education. This bill was a crucial part of post-war efforts and contributed to the growth of the middle class. Although the G.I. Bill was intended to benefit *all* veterans, it unfortunately did not. This bill was discriminatory. The GI bill limited extending its benefits to only White men. The bill's language didn't specifically exclude African-American veterans, but structural discrimination prevented 1.2 million Black World War II veterans from receiving its benefits. The bill enabled White America to thrive and build wealth White contributing to the widening of the wealth gap between White and Black Americans. This bill specifically contributed to the wealth gap by implementing discriminatory education policies, denying housing loans to people of color, and discriminating on employment to people of color. Black veterans were unfairly denied equal housing, education, and employment.

Racial Covenants

Racial covenants were legal agreements embedded in property deeds that prohibited the sale of homes to non-Whites. These covenants were widespread in the early to mid-20th century and were legally enforceable until 1948, when the Supreme Court ruled them unenforceable in

Shelley v. Kraemer. Despite this ruling, the legacy of racial covenants continued to shape housing patterns and opportunities for many years.

Below is a table summarizing the intent and outcomes of the preceding policies.

Exhibit 8: Housing Policy Intent vs. Outcome

Housing Policy	Intent	Outcomes
The National Housing Act of 1934 Source: Massachusetts Budget and Policy Center	<ul style="list-style-type: none"> ● Stabilize the mortgage market ● Improve housing standards ● Increase American homeownership ● Reduce the cost of borrowing ● Low-interest loans ● Ensure stability and value housing investments 	While it succeeded in expanding homeownership, it only did so for White Americans. Minority communities were excluded from benefits. The act created: <ul style="list-style-type: none"> ● Racial Discrimination ● Redlining ● Appraisals were racially biased ● Increased and widespread racial segregation
G.I Bill Source: Massachusetts Budget and Policy Center	<ul style="list-style-type: none"> ● Financial support to Veterans ● Loan guarantees for veterans to purchase homes ● Support for the reintegration of veterans into the workforce ● Economic stability for veterans 	<ul style="list-style-type: none"> ● Discriminatory admissions practices denied entrance for Black veterans/low-quality education/institutions ● Denied loans to Black veterans ● Job market discrimination
Home Owners Loan Corporation (HOLC) Source: Massachusetts Budget and Policy Center	After the great depression, the HOLC was established as part of Franklin D. Roosevelt's New Deal. The intended use was: <ul style="list-style-type: none"> ● Stabilize housing market ● Access risk associated with lending in different neighborhoods ● Preventing foreclosures 	Areas with minority populations were often, marked as red or yellow, making it hard for residents of these areas to secure loans and insurance
Destruction of Ninth Street (Big Nine) Source: National Geographic, 2022	The destruction of the Ninth District was aimed at removing “blighted” conditions and redeveloping the area for new residential projects.	This led to the loss of culture and economic opportunities for Chattanooga's Black Community. Black Businesses, homes, and communities were destroyed. The redevelopment projects that followed did not

		adequately replace the old.
City of Chattanooga zoning codes Source: Tennessee Lookout, 2021	The intended result of these zoning laws was to maintain neighborhood “character” and property values.	Limited access to affordable housing and perpetuated racial segregation. This policy reinforced socioeconomic and racial divides in Chattanooga

LITERATURE REVIEW

The thesis applies a policy design framework to understand how housing policies affect the wealth gap. Policy Design is the process of developing different strategies to address public issues through the creation of policies. Policy design focuses on public policy processes to improve ways that policies achieve optimal results from the expenditure of government resources (Howlett and Mukherjee, 2018). Unfortunately, in the public policy process, there is often a disconnect between the policy problems and the legislative solutions designed to address those problems.

Smith and Larimer (2017) suggest that policy content is not typically viewed objectively by policymakers or citizens. The authors further note, “The process of assembling policy content is based on highly subjective interpretations of who justifiably deserves the costs or benefits of a policy, what values should be backed by the coercive powers of the state, and who (or what) should have their freedom of action promoted or constrained to uphold those values” (pg. 71). They also contend that policy design is manipulative and deliberate as opposed to being a rational response to societal problems.

Much of the policy literature focuses on political aspects of policy formulation and implementation but often neglects the linkages between policy content and the underlying causes

and consequences of the problem being addressed through policy. If policy design is a “knowledge and information-based activity where stakeholders formulate solutions to collective problems” (Capano and Woo, 2017), then examining how policy designs reflect the causes and consequences of policy issues becomes important. As Howlett (2018) suggests, policy design is about understanding the nature of public problems, the government resources available, and the capabilities and requisites of policy tools that can be used to address problems. Policy design is difficult as policy problems are complex and poorly defined. In addition, the linkages between policy actions and expected outcomes are uncertain (Capano and Woo, 2017).

Policy design also considers the contents of the policy and includes the following observable elements: a) target populations; b) underlying values; c) rules promoting or inhibiting certain actions; d) policy justifications, and e) policy assumptions (Smith and Larimer, 2017). Target populations refer to those who benefit or take on costs associated with public policy initiatives. Values are inherent in policymaking. The values are deliberate and subjective (Smith and Larimer, 2017). Values are evident in how problems are defined, how the causes and consequences of problems are interpreted, and how solutions are crafted. The values are thus reflected in the rules promoting or inhibiting actions through the deliberate use of certain policy tools.

Policy tools are the various mechanisms used to put policies into action. Governments employ these mechanisms in different combinations to encourage or discourage behaviors of target populations in such a way as to effectively achieve policy goals. Policy tools carry assumptions about both the policy problems and solutions. Further, tools are thought to have capabilities and technical requisites that must be carefully aligned with expectations of their use (Howlett, 2018). The policy tools are vital in comparing the linkages between a described

policy problem and prescribed solutions to that problem. Policy design is not value-free, however, the tools used should be aligned with defined problems in such ways as to justify their use. Policy justifications include statements of why a policy solution is needed. Justifications are closely tied to the theoretical assumptions about policy formation and resulting problems.

The preceding discussion frames the analysis and helps to address how local housing policies affect the wealth gap. The design of policies is very essential for understanding the link between housing policies and the wealth gap. Essentially, policy design refers to the structured and intentional formulation of policies to achieve specific outcomes. The concept implies that the policies are crafted thoughtfully and logically to effectively address an issue. If these outcomes are not reached or if new issues come about, then a reevaluation and redesign is needed.

DATA AND METHOD

Data

Data used in the analysis come from five Chattanooga housing policies. These housing policies are all recent and are aimed at making housing more affordable in Chattanooga. These policies include: Chattanooga's 2024 zoning reform efforts, the 20-year tax break project, the Step Up supportive housing project, the Purchase-Rehab-Resale Program, the Highland Park and Oak Grove Housing project, and lastly the Espero Project

Each of these housing developments is huge for Chattanooga. Chattanooga's 2024 zoning reform efforts are a project that the city plans to tackle in 2025, however, they are beginning the first stages of planning now. The city plans to create new zoning regulations. They will do this by allowing different housing types within the same zone and plan to reduce the lot size

requirements for a single home from 7,500 to 5,000 square feet and 7,500 to 6,000 in the suburbs¹. This new development will encourage the development of more homes on single-unit lots and will allow for more apartments and townhomes. With the new zoning regulations, no one will lose their lot or their rights but instead will be given the same entitlement by allowing for more uses. The city will use a mapping process to decide how the new zones will replace the previous zones. The next city housing policy is the 20-year tax break project that the city of Chattanooga is working on. The City of Chattanooga is working with Chattanooga Neighborhood Enterprise to create a 20-year tax break for a 32-unit housing project which would allow for at least half of the apartments in Chattanooga to be made affordable for people of all walks of life specifically for those making as little as \$45,000 per year. This project shows elements of policy design by having a target population and tools promoting or inhibiting behavior. However, the critical question is how will this help improve the wealth of homeowners. The Chattanooga Neighborhood Enterprise expects this project to cost \$5.9 million. This three-building project will happen on 2003 Bailey Avenue and will create 32 units. Of the 32 units, 20 would be one-bedroom and 12 would be two-bedroom apartments. There would also be 25 parking spaces for tenants and nine street parking spaces². This non-profit is also taking steps to make sure already existing housing is affordable as well. They have received eight vouchers from the Chattanooga Housing Authority to cover a portion of rent for eight of the 32 units. Federal funding has allowed for seven of the units to be reserved for people earning

¹ Times Free Press. "Historic Zoning Reform in Chattanooga Passed." *Chattanooga Times Free Press*, 27 July 2024, www.timesfreepress.com/news/2024/jul/27/historic-zoning-reform-chattanooga-passed-an/. Accessed 4 Aug. 2024.

² Times Free Press. "Chattanooga Neighborhood Enterprise Seeks Tax Increment Financing for Affordable Housing." *Chattanooga Times Free Press*, 2 Dec. 2023, www.timesfreepress.com/news/2023/dec/02/chattanooga-neighborhood-enterprise-seeks-tax/. Accessed 4 Aug. 2024.

60% of the area median income or less. The next policy that Chattanooga is working on is the Step Up supportive housing project. This housing project is about two years old and aims to address homelessness in the city. Mayor Tim Kelly is attempting to model a housing facility on Vine Street in Hollywood, California that was completed by a non-profit organization called Step Up. Step Up plans to compete for the project in Chattanooga when the city opens its requests for proposals for a developer. Another Chattanooga housing policy is the Purchase-Rehab-Resale Program. The Purchase-Rehab-Resale Program will create homeownership opportunities for marginalized communities by allowing the Chattanooga Neighborhood Enterprise (CNE) to increase homeownership opportunities by equipping themselves to compete with external investors and allowing them to pay cash for purchasing properties. This project will create a minimum of 20 first-time home buys. The Highland Park and Oak Grove Housing project will work with the CNE to create 82 new affordable and high-quality housing units in two of Chattanooga's biggest areas of concern: Highland Park and Oak Grove. Lastly, Chattanooga is working on the Espero project which will provide 60 units of permanent, affordable, and supported housing to Chattanooga's vulnerable disadvantaged residents. The Espero Housing project will be located at 1815 Main Street.

Method

This analysis uses content analysis to examine the relationship between policy design and the wealth gap. A policy content analysis can help understand the influence of policy design on the wealth gap. When applied to the context of the wealth gap, policy content analysis allows researchers to quantify and critique how certain themes or languages related to socioeconomic inequality are shown in articles and policy. For example, using policy content analysis,

researchers can dissect the language used in articles discussing the racial wealth gap and can catch any bias written. These researchers will then be able to come to conclusions about the hidden messages conveyed in the texts. According to the Columbia University Irving Medical Center, “Sources of data could be from interviews, open-ended questions, field research notes, conversations, or any occurrence of communicative language” (Columbia University Irving Medical Center, 2024). Hall and Steiner (2020) describe content analysis as a “close, comprehensive, and organized reading of a set of texts to identify themes, intent, or patterns” (2020, p. 4).

This research uses content analysis to examine the Chattanooga housing policies and their relationship to the wealth gap as reflected in homeownership. Each policy is treated as a case and analyzed using a policy design framework that focuses on: the target population, underlying values, policy tools, policy justification, and policy assumptions. The presence of each policy design element is determined from a line-by-line reading of each of the state policies. The line-by-line reading allows for the identification of words and phrases that correspond with the design element.

ANALYSIS/FINDINGS

This Policy Design Elements Summary Table (Exhibit 8) shows the results of the content analysis. The four Chattanooga policies included are the Purchase-Rehab-Resale program, the Highland Park and Oak Grove Housing project, the Espero Project, and the Chattanooga Zoning reform efforts.

Purchase-Rehab Resale Program

The Purchase-Rehab-Resale program was adopted on July 26, 2022, and was an agreement with the Community Foundation of Greater Chattanooga to provide homeownership

opportunities to at least 20 first-time buyers by enabling CNE to compete with outside investors by paying cash to purchase properties. This project will purchase homes within the city of Chattanooga that are within the \$50,000- \$200,000 range to keep them affordable to households earning 80% or less of the area median income. The Purchase-Rehab-Resale program will address the wealth gap by allowing middle-class communities to be homeowners. If executed correctly, this project will combat some of the striking differences between the number of renters in the Chattanooga area and make them new homeowners. If executed incorrectly, this project allows for companies to have tax write-offs and does little to nothing for the Black community. Without careful planning, a project like this could ultimately lead to Gentrification and the displacing of long-term residents in the area. The target population for this project is mid and low-income buyers within the city of Chattanooga. The administration has recommended an investment of \$1 million. The underlying values of this project are multifaceted and focus on social, economic, and community Aspects. This project focuses on community developments as the program aims to restore and rehabilitate homes to help stabilize property values and encourage further investment into the communities. This project also focuses on affordable housing by adding to the available housing stock, especially in low-income areas. The program ensures that low-to-moderate-income families have access to quality housing. When conducting this project, the CNE has to pay close attention to building codes and compliance in the areas of focus. This project assumes that the CNE has the necessary capacity and financial resources to execute this program. This project also assumes that there will be no significant changes in government policy that would impact the project negatively. This project also assumes that there are enough distressed or foreclosed properties available in the target area to resell.

Highland Park and Oak Grove Housing Project

The second project is the Highland Park and Oak Grove Housing project. This project will once again work with Chattanooga Neighborhood Enterprise to create 82 new affordable and high-quality housing units in a specific neighborhood in Chattanooga. There will be 32 in Highland Park and 50 units in Oak Grove. The project's main goal is to serve 82 households earning at or less than 80% of the area median income. The project will cost approximately \$1.5 million. This project will hopefully address the housing crisis in Chattanooga by creating one to five-person apartments in Highland Park and Oak Grove. Median housing prices have increased from 80.7 percent since 2015. The target population of this project is 82 households earning at or less than 80% of the area median income. This is because the project focuses on helping low-income families in one of Chattanooga's most vulnerable communities: Highland Park and Oak Grove. The project focuses on affordability and accessibility by focusing on providing affordable housing units to low-income families through creating more affordable housing units in the Highland Park and Oak Grove Housing Neighborhoods. Another focus of the project is to create quality and livability in these spaces. The CNE is focusing on making their units safe, comfortable, and durable. The CNE has to follow building codes and standards such as making a percentage of units handicap accessible and making sure the new housing units meet diverse needs. This project is very much needed currently in Chattanooga because Chattanooga is in a housing crisis and after the pandemic many residents could no longer afford to live in their homes (Chattanooga.gov, 2024). This is why the development of supportive housing units is very important.

Espero Project

The third project is the Espero Project. The Espero project will provide 60 units of affordable, permanent, and supported housing to the City's most vulnerable and marginalized

citizens. The construction will be of fifty-two 1-bedroom and eight 2-bedroom units in the East Main Street area of Chattanooga. A minimum of 19 units will be set aside for chronically homeless individuals and the project will also focus on Chattanooga residents with mental health issues. My critique of this project is that this project needs to have an onsite person to handle issues mental health issues that may arise. Many people do not know how to calm and de-escalate a mental health situation and the concern is when housing many people who have mental health issues in one community, crises sometimes arise. “When finished, Espero – which means hope in Spanish – will feature a total of 52 one-bedroom and eight two-bedroom units. Some units are set aside for those with mental health issues” (Chattanooga, 2024). This project will also provide housing and supportive services which are both difficult to find in Chattanooga. This project addresses the wealth gap in Chattanooga because it focuses on Chattanooga residents making at or below 80% of the area's median income and focuses on the city's most vulnerable residents including chronically homeless individuals. The project addresses the root causes of homelessness and poverty: stable living environments and supportive services. The Espero project's target audience is individuals who are struggling financially to afford rent. In the City Council meeting discussing these new developments, the City Council stated that they have already received support dollars for the supportive housing from the Tennessee Department of Mental Health and Substance Abuse Services. The Espero project's focus is equity and inclusion and affordable housing. According to data found on Policy Gap, East Main Street is 72% Black and Hispanic, and 45% of households have an annual income of less than \$50,000. The project focuses on equity by not having a base rent and deciding what an individual will pay by how much they make annually. Like many of the other projects, this project will need to make sure

they comply with building codes and building standards. This project assumes that this new development will create improvement in the quality of life of the individuals it will serve.

Zoning Reform

A Chattanooga ordinance was passed amending the Chattanooga city code to rezone property located in specific parts of Chattanooga. Each section of Chattanooga will be rezoned one at a time. The Tim Kelly Administration is working to build support for rewriting the city's decade-old zoning laws. This project will allow for different housing types within the same neighborhood and will reduce the lot size requirements for single-family homes. The project will change the lot requirements from 7,500 to 5,000 square feet for the urban core, and 7,500 to 5,000 square feet in the suburbs. This project addresses the wealth gap in Chattanooga by creating more affordable housing options for low-income families, more diverse neighborhoods, and more affordable housing options. Reducing the lot size requirements encourages the construction of more homes which will allow the city to accommodate more residents and potentially lower the costs of housing. The target population for this project will be current residents who may benefit from increased housing availability, and diversity in their neighborhoods and also future residents who may be attracted to the new housing option created by rezoning. The other target population will be disadvantaged and marginalized communities. This project hopes to make it easier for disadvantaged groups to find affordable housing in diverse neighborhoods. The goal of the project is to make it possible for everyone who wants to be able to live and thrive in Chattanooga. In an article written about this rezoning project, Chris Anderson, the spearheader of this project, says "Everyone who wants to live in Chattanooga should be able to live in Chattanooga. That has been the guiding principle for changing the zoning code" "People are moving farther out. Firefighters can't afford to buy a house in the city"

(Times Free Press, 2024). This project will also create diverse neighborhoods. As stated earlier in the thesis, some areas of Chattanooga are still entirely White or entirely Black. By allowing for a mix of housing types, the project promotes diversity in communities and caters to many different socioeconomic groups. This project assumes that they will have support from residents in the community. The project is currently tackling this by allowing neighborhood groups and community members to have their say in the continuing process.

Exhibit 9 shows the target population (who the project intends to help), Underlying Values (the principles and standards that guide the actions of the program creators), Rules promoting or inhibiting certain actions, policy justification (why the policy is necessary), and policy assumptions (the underlying beliefs and expectations of the program).

If these policies are not designed to target racial minority homeownership, don't reduce the cost of homeownership, or do things such as capping interest rates, eliminating or reducing down payments, then we can assume they have little effect on the wealth gap. My concerns are that these projects may lead to capital gains for developers. My other concern is how the City will make sure the property's conditions are in good standing. A similar Nashville affordable housing project left many residents unhoused. This Nashville affordable housing project was called RiverChase. "The recent development plans have impacted residents significantly," says Tamika White, Equity Alliance director of programs and special projects. "It has displaced over 250 families in [the RiverChase] community. And they're still suffering from the displacement" (Nashville Scene, 2020). These policies were created as a way to mitigate the housing crisis in Chattanooga, they were not created specifically with the wealth gap in mind. However, they do aid in closing the wealth gap if done correctly. Owning a home is a big contributor to building wealth and these policies set low-income and minority communities up to begin building wealth.

Policies like the Espero project allow for rent to be income-based, and residents will also have access to housing vouchers made available by the Chattanooga Housing Authority. This is huge progress towards closing the wealth gap because it allows individuals to save and build wealth but also allows them to pay an affordable housing price when they would probably have had to pay much more without these programs. Re-zoning Chattanooga will aid the wealth gap because it will allow increased housing supply, and will break down segregation. Given the history of certain housing policies, we have to be very critical.

Exhibit 9: Chattanooga Housing Policy Overview

	TARGET POPULATION	UNDERLYING VALUES	RULES PROMOTING OR INHIBITING CERTAIN ACTIONS	POLICY JUSTIFICATION	POLICY ASSUMPTIONS

POLICY 1: Purchase-rehab-resale program <i>Source: City of Chattanooga Government</i>	Mid and low-income buyers (Households earning 80% or less of the area median income)	-Affordable housing -Community Development -Economic empowerment -sustainability	Rehab standards (building codes, and compliance)	This policy was created to provide affordable homeownership and home repairs to Chattanooga residents.	-CNE has the necessary capacity and financial management to execute the program. -There are no significant changes in government policy -Availability of Distressed Properties
POLICY 2: Highland Park and Oak Grove Housing project <i>Source: City of Chattanooga Government</i>	Highland Park and Oak Grove community	-Affordability and Accessibility -Quality and Livability	Rehab standards (building codes, and compliance)	Median housing prices have increased by 80.7 percent since 2015.	Assumptions are: there will be no significant changes in government policy that would negatively impact this program
POLICY 3: Espero Project <i>Source: City of Chattanooga Government, Times Free Press</i>	Chattanooga's most vulnerable and marginalized and homeless citizens	-Affordable rental housing creation -Equity and Inclusions	Building standards (building codes, and compliance)	Addresses the critical need for affordable, permanent, and supported housing in Chattanooga.	Assumptions are: there will be no significant changes in government policy that would negatively impact this program
POLICY 4: Chattanooga Zoning reform efforts <i>Source: Chattanooga Times Free Press</i>	Current and future Chattanooga residents -Disadvantaged and Marginalized communities	-Everyone who wants to live in Chattanooga should be able to	Public input, Flexibility in Zoning Codes	New zoning regulations allow for nobody's lots or rights to change while completing this project. No property will automatically be rezoned as a result of new laws.	Assumptions are: there will be no significant changes in government policy that would negatively impact this program -Community Acceptance

Source: One Chattanooga Relief and Recovery Plan Exhibit 9

CONCLUSION

My thesis is limited to explaining the wealth gap in Chattanooga through housing policy design and discussing and examining the policies surrounding this topic. While this work provides valuable insights, it only begins to scratch the surface of the extensive policy-driven research that needs to be done to fully understand the wealth gap in Chattanooga. Beyond housing, future research could examine education, healthcare, the criminal justice system, transportation, technology, and more. The additional areas are crucial for an overall analysis of the wealth gap as they intersect with one another and contribute to systemic inequities. This thesis shows the wealth gap in Chattanooga is significant as highlighted through local and federal policies. Although this issue is still very present today, Chattanooga Mayor, Tim Kelly, and his team are working on tackling it. Specifically within housing with their One Chattanooga Relief and Recovery Plan. Although these policies seem good, we have to be very critical and aware of the intended outcome versus the actual outcome. The goal of my thesis is to help find ways to strengthen the wealth gap of Black Chattanooga residents, and therefore I think the policies written by the Kelly Administration need to make sure Black Chattanooga residents can afford these new developments especially if market demands are high and with inflation, and they need to make sure that they keep the low-income citizens in mind throughout the whole process. These new policies and developments need to be affordable and attainable to the Black community and need to prevent displacement and further redevelopments. My research on the wealth gap is not done. As stated earlier, education is another critical issue in Chattanooga, equally as important as housing. I also plan to focus future projects on addressing the wealth gap in Chattanooga through an educational lens.

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