

Do Immigrants Present an Untapped Opportunity to Revitalize Communities?



Global Network
LEADING **RUST BELT** IMMIGRANT INNOVATION



The Fiscal Policy Institute

The Fiscal Policy Institute (FPI) is an independent, nonpartisan, nonprofit research and education organization committed to improving public policies and private practices to better the economic and social conditions of all New Yorkers. Founded in 1991, FPI works to create a strong economy in which prosperity is broadly shared. FPI's Immigration Research Initiative examines the role of immigrants in the New York State economy and around the United States. Visit www.fiscalpolicy.org to learn more.

Welcoming Economies Global Network

Drawing on the lessons of the Rust Belt, the Welcoming Economies Global Network (WE Global) is a group of regional economic development initiatives working to tap into the economic development opportunities created by immigrants across a 10-state region (IA, IL, IN, MI, MN, MO, NY, OH, PA, WI). The network is designed to strengthen the work, maximize the impact, and sustain the efforts of individual local initiatives that welcome, retain, and empower immigrant communities as valued contributors to local economies. WE Global is a project of Welcoming America in partnership with Global Detroit. Learn more about WE Global Network at www.weglobalnetwork.org.



On the Cover

“It’s a victory to be a single mom and to own my home outright.”

— Myra and her 12-year-old daughter, Rebecca, on the steps of their Detroit home, which she purchased for \$4,000 and paid off in a year.

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Economic development officials seeking to revive underpopulated urban neighborhoods may be inadvertently overlooking a promising potential population to help renovate distressed housing: immigrants. This research is offered to start a deeper conversation about immigrants as an important component of any vacant and distressed housing revitalization strategy.

For many great American cities across the Northeast and Midwest, the last half-century has brought about tremendous challenges from suburbanization and the loss of population. The foreclosure crisis of 2010 exacerbated many of the underlying structural problems in housing and real estate. Distressed housing has crippled real estate markets and reduced quality of life in too many cities — especially in working-class, low-income, and minority neighborhoods. And, as cities from Detroit to St. Louis to Cleveland have experienced, when a city has a substantial amount of distressed housing, it experiences a downward fiscal spiral: fewer houses on the tax rolls means

“I want a functioning city. Two years ago, there were no lights here. I want to come home and walk my dogs and not worry about blight.”

— Sergio, one of the more than 700,000 DREAMers who were granted relief under the Deferred Action for Child Arrivals (DACA) program, having arrived in the U.S. at age 3, in front of his Detroit home. He is working to start a neighborhood committee to improve the area, and he also is trying to renovate other homes on his block.





reduced city revenues, which leads to decreased public services, which results in further decline in quality of life and further out-migration.

“Vacant, abandoned, and foreclosed properties are the discarded litter of a consumption society, but they are also the potential assets for building new relationships, new neighborhoods, and new communities,” notes Frank Alexander, co-founder of the Center for Community Progress, a leading national think-tank on land banks and vacant property issues.¹

Yet, too often efforts to match eligible buyers to distressed homes have overlooked the potential for immigrants as purchasers. That’s a real missed opportunity, since in many of the cities with a substantial stock of distressed housing the number of immigrants is growing even as the U.S.-born population continues to decline.

¹ Frank Alexander, *Land Banks and Land Banking*, Center for Community Progress, 2nd Edition, 2015, page 10.

Immigrants already contribute to urban revitalization in these cities in other ways. A recent report, for example, showed that immigrants are much more likely to be “Main Street” business owners, opening restaurants, retail shops, beauty salons – the kinds of small businesses that help revitalize commercial corridors and make neighborhoods more attractive places to live and work. In every area studied, immigrants were more likely to be Main Street business owners than their share of the overall labor force. Nationwide, immigrants make up 28 percent of Main Street business owners and 16 percent of the labor force, while only comprising 13 percent of the national population. It seems natural to think that buying homes could be part of that story of ground-up neighborhood revitalization.²

In May 2015, the Welcoming Economies Global Network convened 20 experts, including leaders from nine of the nation’s leading land banks – entities created to acquire, manage, maintain, and repurpose vacant, abandoned, and foreclosed properties – or local governments serving the function of land banks, to consider whether immigrants might be an overlooked source of potential buyers for distressed housing.³ What emerged from the conversation was a desire to see the numbers. Almost anyone working on vacant property issues in America can point to examples of where immigrants have purchased vacant or dilapidated homes in a distressed neighborhood. Do these stories of immigrant-led revitalization of distressed housing represent anecdotes or a substantial opportunity?

This study was designed to answer this question, and to provide data at a level that is useful for each of the 23 cities chosen based on their relationship to efforts to address distressed housing and/or their engagement in immigrant economic development strategies. *For economic and community development practitioners who want their work to be driven by data, these findings are an opportunity to see where there are opportunities to reach out to communities whose potential may be underestimated.*

Immigrants as Prospective Buyers of Distressed Housing

To determine whether immigrants represent a missed opportunity for rehabbing homes, the Fiscal Policy Institute and WE Global developed an *interactive model* that takes into account three primary inputs.

1. Current renters in a given city. Users of the interactive model begin by choosing a city. The model then indicates how many households in that city are renters, since the first place to look for potential buyers of a distressed home in a city would be among people who already live there but who are not currently homeowners. Renters are people who have already expressed their desire to live in the city, rather than the suburbs, and rather than a different part of the United States. Renters are also potential first-time homeowners: under the right circumstances they may be interested in purchasing a home, and might have a particular interest in houses priced at an entry level, including those that may need rehabbing.

2 David Dyssegaard Kallick, *Bringing Vitality to Main Street: How Immigrant Small Businesses Help Local Economies Grow*, (New York: Fiscal Policy Institute and Americas Society/Council of the Americas, 2015).

3 For a full definition of a land bank, see Dan Kildee, *What Is a Land Bank*, Department of Housing and Urban Development (HUD) Neighborhood Stabilization Program Toolkit found at www.hudexchange.info/resources/documents/

landbankingbasics.pdf. According to the Center for Community Progress, there were only a “handful” of land banks in 2005, but by 2015 there were approximately 120 such entities. The convening took place at the National Reclaiming Vacant Property Conference hosted by the Center for Community Progress, and included participants representing land banks or local government actors from Baltimore, Buffalo, Cincinnati, Cleveland, Dayton, Detroit, Syracuse, Toledo, and the State of Michigan.

2. **Cost of home purchase.** Users can choose a different price point for the purchase and rehab of a home—from \$50,000 to \$250,000—and the model will reflect the estimated annual cost of water, fuel, property insurance, and property tax in the city chosen for a home at that price. The model will also add the cost of a mortgage at the value chosen, assuming a four percent interest rate.
3. **Household income.** Once these two parameters are chosen, users of the interactive tool will see how many households in the city have an income that would support purchase of a home at the price chosen. A common gauge for housing affordability is that the carrying costs should be less than 30 percent of annual income. To be a bit more conservative, the model takes 27 percent rather than 30 percent of annual income as a guideline.

The model shows the number of immigrant households in each city who could be eligible (i.e., renters who have the income necessary) to purchase a home, as well as how many households of U.S.-born whites, blacks, Asians, and Hispanics might be eligible. Immigrant households are those with at least one adult born in another country; this includes both documented and undocumented immigrants. U.S.-born race is for those where all adults are of the same race. “Other households” shows both mixed-race households and households with an individual with more than one race.

Other factors besides income should be considered when deciding whether an individual family is eligible to purchase a home. Savings for a down payment and credit history, among other factors, are also important considerations. But income levels give a good first approximation of populations where eligibility to purchase a home might be prevalent.

The model shows consistently that immigrants, on a per household basis, are at least as likely as other groups to be eligible for homeownership.



How the Tool Works: A Deep Dive into Detroit

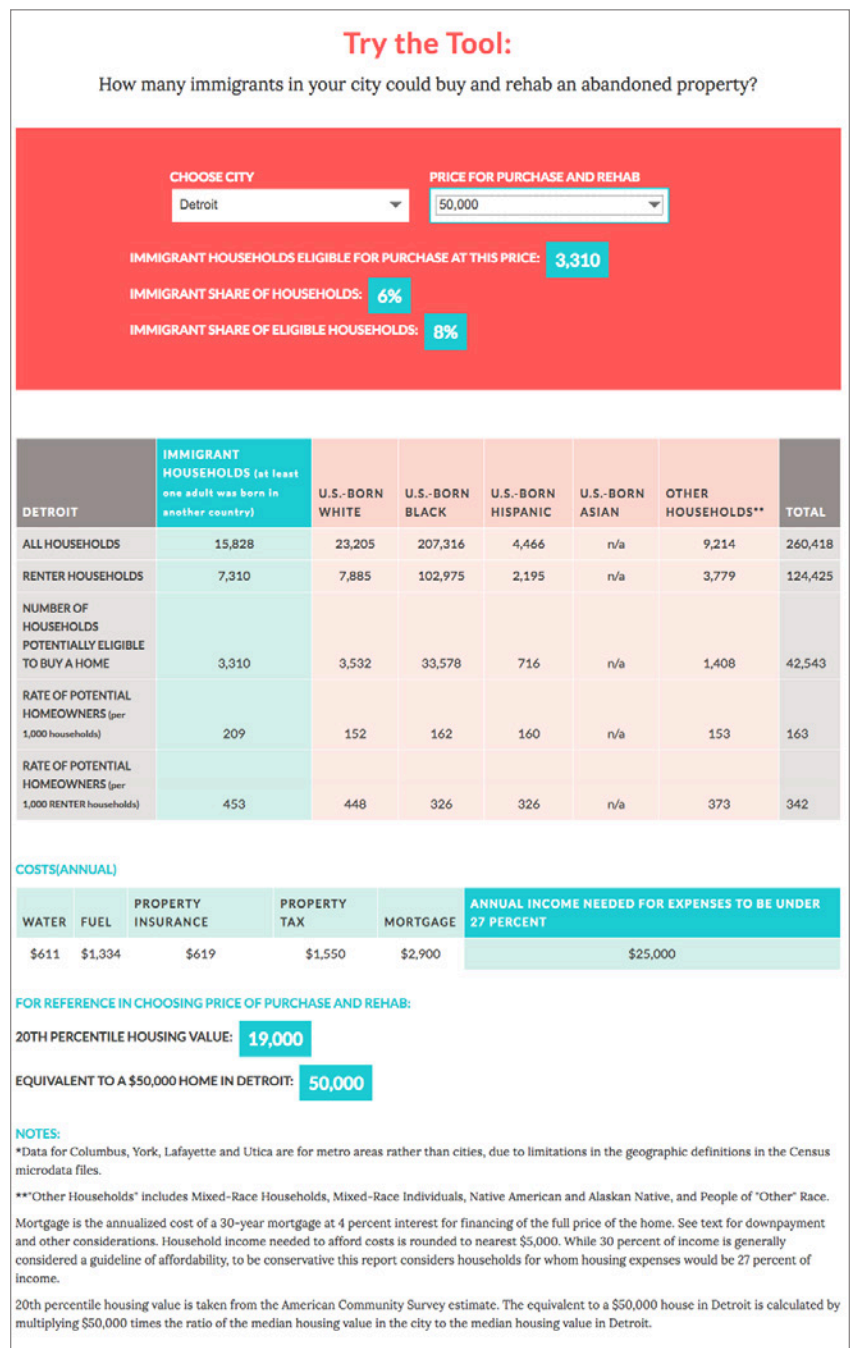
Access the interactive tool at www.weglobalnetwork.org/landbank.

Detroit is perhaps the city facing the biggest challenge around distressed housing. Based upon experience in recent years, Global Detroit, a key innovator in the revitalization of Southeast Michigan's economy and national leader in an emerging economic development field centered on welcoming, retaining, and empowering immigrant communities as valued contributors to regional growth, suggests that a reasonable price to buy and rehab a house in many working-class neighborhoods in Detroit is \$50,000.⁴

At this price, the model shows that there would be 3,300⁵ immigrant households who are currently renters, but with an income high enough that they could be potential homeowners. Immigrants make up six percent of the households in Detroit, and eight percent of those eligible to buy a house at \$50,000.

Immigrants in Detroit are hardly the only households that might purchase and rehab distressed homes. In Detroit, where 207,000 households are African-American – 80 percent of all households – there are 33,600 African-American households that could be eligible to buy a distressed home at \$50,000. In addition, 3,500 white households and 700 Hispanic households meet the eligibility criteria.

Figure 1: Snapshot of interactive online tool



4 While gaining consensus on the purchase and rehabilitation costs of a vacant home in Detroit is beyond the scope of our research, over the past two years Global Detroit has facilitated the purchase of a dozen vacant homes. Working through opportunities at the Detroit Land Bank Authority and the Wayne County tax foreclosure auction, most homes have been acquired in Southwest Detroit for only a few thousand dollars. Several rehabs have been completed for far less than \$50,000, but have relied upon significant sweat equity of immigrant owners.

5 Number of eligible households are rounded to the nearest hundred.

6 Quoted in Bringing Vitality to Main Street, Americas Society and Council of the Americas and Fiscal Policy Institute, 2015, page 23.



Minera bought her Detroit home for \$20,000, and her family is working with friends to replace faulty pipes, bad wiring, lead paint, a broken furnace, and more outdated features in the 1915 structure. She supervises work during the day, and her husband stays overnights to protect the house. "It's more work than we realized and can be very frustrating, but I feel pride that we own a home."

The model shows the statistical density of potential home purchasers in each group. In Detroit at a \$50,000 price point, the rate of home purchaser eligibility is 209 per 1,000 immigrant households, higher than for whites (152), blacks (162), or Hispanics (160). Part of the reason for this high rate is that immigrants are more likely to be renters to begin with. But even looking at the rate of potential homeowners per 1,000 *renters*, immigrants have the highest density: 453, compared to 448 for whites, 326 for blacks, and 326 for Hispanics.

The model does not suggest that immigrants are the only likely group to be potential new homeowners. But it does suggest that immigrants should be included in any outreach strategy. Where there are particular impediments to immigrant participation in programs, removing the barriers could be very productive. And, as the Philadelphia Office of Immigrant and Multicultural Affairs found in its efforts to make the program accessible to immigrants, institutions often also find out how to do a better job of opening the doors to hard-to-reach U.S.-born communities. Says the office's former head, Jennifer Rodriguez: "In trying to be intentional about including immigrants [...] you end up really thinking about the products and programs you've developed. The barriers that immigrants are facing are often the same that [other] residents are facing, but for one reason or another they have not been addressed."⁶

Don't Underestimate Immigrants

Overall in the 23 cities shown, immigrants make up 11 percent of the households and 13 percent of those eligible to buy a house at the \$50,000 price mark.

In each of these cities, immigrants are at least as likely to be financially eligible to buy distressed properties, with only one exception.

In some cases, immigrants are considerably more likely than average to be eligible. In Baltimore, for example, immigrants make up 10 percent of households and 14 percent of those financially eligible to buy a \$50,000 home. In Pittsburgh, immigrants are nine percent of households and 14 percent of those eligible to buy homes. There is also a four percentage point spread or more between immigrant share of population and eligibility for home purchase in Columbus, Des Moines, Indianapolis, and St. Paul. (Note that areas with an asterisk are calculated based on the metro area rather than the city due to geographic limitations in the Census Bureau data – these are Columbus, Lafayette, Utica, and York.)

Only in Dayton are immigrants a little less likely to be eligible to buy distressed properties. In Dayton, the immigrant share of households is five percent and the share of those eligible to buy homes is four percent.

While immigrants are a modest portion of the populations in these cities, they make up a significant and disproportionate share of the most likely prospects for buying and rehabbing homes.

In addition to being proportionately good prospects for homeownership, immigrants are also a growing population in nearly all of these 23 cities. Figure 3 shows that between 2000 and 2014 the U.S.-born population declined in all but six of these cities (population decline noted by light blue), while the immigrant population grew in all but three. (Population increase marked by dark teal.)

Indeed, in most of these cities – 14 out of 23 – the foreign-born population is growing even as the U.S.-born population shrinks. In Buffalo, for instance, the U.S.-born population declined by 15 percent while the number of immigrants grew by 74 percent.

Figure 2: Immigrants Highly Eligible to Rehab Distressed Housing

Assumes \$50,000 Purchase Price	Immigrant Share of Households	Immigrant Share of Eligible Households
Akron	5%	8%
Baltimore	10%	14%
Buffalo	9%	9%
Chicago	26%	26%
Cincinnati	6%	9%
Cleveland	6%	7%
Columbus*	9%	14%
Dayton	5%	4%
Des Moines	14%	20%
Detroit	6%	8%
Indianapolis	10%	14%
Lafayette*	13%	16%
Manchester	12%	14%
Minneapolis	18%	21%
Philadelphia	15%	17%
Pittsburgh	9%	14%
Rochester	11%	11%
St. Louis	8%	8%
St. Paul	21%	28%
Syracuse	11%	14%
Toledo	5%	6%
Utica*	8%	10%
York*	5%	6%
Average for 23 cities	11%	13%

Source: FPI/WE Global Network model used for calculations. Immigrant households are those with at least one adult born in another country. Eligible households are those that are currently renting, for whom the cost of carrying a \$50,000 loan would be less than 27 percent of income.

*For statistical reasons, the metro area is used instead of the city. Average is the unweighted average.

Figure 3: Population Change in 23 Cities, Ranked by Total Population Change

	Population Change from 2000 to 2014		
	Total	U.S.-Born	Immigrant
1. Columbus	100,299 14%	56,541 9%	43,758 92%
2. Indianapolis	52,232 7%	15,821 2%	36,411 100%
3. Philadelphia	29,370 2%	-26,580 -2%	55,950 41%
4. Lafayette	13,738 24%	12,719 25%	1,019 23%
5. Minneapolis	11,972 3%	7,890 2%	4,082 7%
6. Des Moines	8,014 4%	307 0%	7,707 49%
7. St. Paul	4,577 2%	-7,271 -3%	11,848 29%
8. Manchester	3,059 3%	-1,481 -2%	4,540 45%
9. York	2,928 7%	1,869 5%	1,059 53%
10. Utica	1,173 2%	-2,828 -5%	4,001 55%
11. Syracuse	-2,678 -2%	-8,584 -6%	5,906 53%
12. Rochester	-9,305 -4%	-12,435 -6%	3,130 19%
13. Akron	-18,596 -9%	-20,852 -10%	2,256 33%
14. Dayton	-24,417 -15%	-26,885 -16%	2,468 76%
15. Pittsburgh	-28,518 -9%	-32,672 -10%	4,154 22%
16. Baltimore	-28,883 -4%	-45,896 -7%	17,013 57%
17. St. Louis	-29,462 -8%	-31,439 -10%	1,977 10%
18. Toledo	-29,655 -9%	-29,941 -10%	286 3%
19. Buffalo	-32,689 -11%	-42,244 -15%	9,555 74%
20. Cincinnati	-33,545 -10%	-36,360 -11%	2,815 23%
21. Cleveland	-86,279 -18%	-83,532 -18%	-2,747 -13%
22. Chicago	-183,356 -6%	-122,008 -5%	-61,348 -10%
23. Detroit	-255,833 -27%	-246,340 -27%	-9,493 -21%

Fiscal Policy Institute analysis of 2000 Census and 2014 American Community Survey five-year data.

In only one of these cities was there a substantial increase of the U.S.-born population – in Lafayette, where the U.S.-born and foreign-born populations both increased by about the same amount, 25 and 23 percent respectively. In no instance was there growth in the U.S.-born population without growth in the immigrant population.

The Importance of Connecting African-Americans and Other Populations

Even after the Great Recession and the home foreclosure crisis of 2010, it is important that local actors not underestimate the continued importance of homeownership as access to the American Dream and as a source of asset building and wealth creation for low-income people, especially low-income people of color, and as a strategy for stabilizing neighborhoods.

U.S.-born households still represent large majorities in our study area. Substantial U.S.-born black, Hispanic, and white populations mean that there are a lot of potential vacant property purchasers within these groups. In addition, the history of redlining, discrimination against people of color in the labor market, and school segregation all point to a need to pay special attention to make sure that strategies, policies, and practices to expand immigrant access to homeownership consider the opportunities that exist within a broad spectrum of minority groups as well.

Many advocates working for immigrant inclusion in economic development strategies, including members of WE Global, are developing new models of vacant property rehab by concentrating on immigrant residents and pioneering new pathways to ensure access to vacant property rehab and homeownership opportunities.

In fact, many of the same opportunities and challenges that immigrant residents face are experienced within the African-American and U.S.-born Hispanic or Latino communities.

If strategies to match potential homeowners to distressed housing stock are successful, this should improve the neighborhoods, and benefit the neighbors as well as the new homeowners. Making sure immigrants are included in the mix of potential homeowners can be an important strategy, especially when done in connection with redoubled efforts to reach out to U.S.-born communities of color and U.S.-born white communities.

Where to Go from Here

This modeling tool should help local actors to understand their potential markets. These estimates should make it clear where those seeking to generate prospective home purchasers shouldn't underestimate immigrants.

There are plenty of opportunities to reach out to immigrant communities. Immigrant communities tend to be clustered with strong information networks and channels different from mainstream media and/or traditional information sources. Focusing on immigrants can be a way of improving the process of outreach to everyone. Immigrants may face particular problems with their credit



Mukith is a master gardener and homeowner in Detroit who dreams of beautifying his neighborhood by planting trees on his street, as well as purchasing land to create a community garden. He wants to teach others to garden and grow food so they can bring money into the community.



history, for example, but plenty of U.S.-born residents also face these problems. Finding alternatives for one group can be a way of expanding alternatives for everyone.

Many WE Global members and other immigrant welcoming initiatives are well poised to assist in such endeavors. Often they have built strong direct connections to immigrant residents, community and civic organizations, faith institutions, schools, and other critical partners.

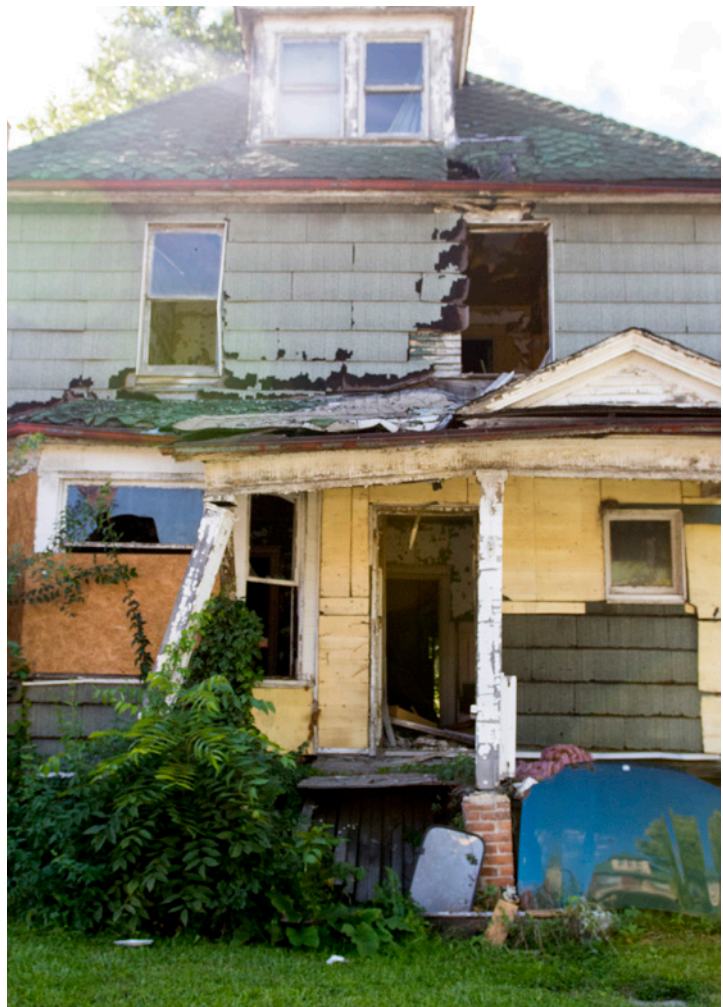
This report and the connected data tool shows that immigrants have strong rates of potential homeownership in these target cities, and suggest that marketing, education, recruitment, and training efforts that encourage homeownership and/or vacant property purchase could yield significant returns by targeting immigrant groups.

The findings of this report raise a series of questions that deserve further investigation. Below are some of the types of challenges that immigrants and others may face in taking on ownership of a distressed property. These challenges and solutions are just broad indications of the directions that might make sense to pursue. Further research is needed to establish which of these strategies are most effective, and to identify best practices within each strategy.

- **Getting a mortgage for a distressed property is hard.** Banks are not much interested in making a loan of \$50,000 for a distressed property in these target cities. In Detroit, for instance, homes often do not appraise for the market value price agreed upon by buyer and seller. Moreover, the amount of work a bank may be required to do in order to process a loan this size may not justify

“Vacant, abandoned, and foreclosed properties are the discarded litter of a consumption society, but they are also the potential assets for building new relationships, new neighborhoods, and new communities.”

— Frank Alexander, co-founder of the Center for Community Progress





the small amount of income they hope to make in return. These can be challenges for all potential buyers of such properties. There may be even larger barriers for immigrant families who are more likely to have informal sources of income, may not speak fluent English, or may not be familiar with U.S. banking practices.

- **Lack of savings for a down payment.** For all low-income families, having a down payment is a very significant challenge—it requires a large degree of savings, and often help from other family members. There are good reasons to require a down payment in order to ensure the ability of a family to manage payments; it will not help immigrants or neighborhoods if people get into debt they cannot manage. But there are also ways to reasonably lower a down payment through sweat equity, for example. And there are models for financial education that can help people save. In some cases, groups of people can band together to purchase a house that they might not individually be able to afford.
- **Problems with a credit record or identification.** Newcomers to the United States may not have a credit record at all, or they may have one, but it is in another country and not accounted for by U.S. credit reporting agencies. There are, however, strategies to assist immigrants in building a credit history recognized by U.S. credit reporting agencies. There are also alternative forms of lending available.⁷ Nonprofit groups and community development corporations can help people to establish a traditional credit record. And, if having a current U.S. identification card stands in the way of getting a loan or having a bank account, government entities can establish identification cards that can help.⁸ Even undocumented immigrants can and do buy homes, and even get loans from banks using Individual Taxpayer Identification Numbers (ITINs).

7 Some nonprofit programs may lend money based on a borrower's "character" that is established through participation in finance, home buyer, or entrepreneur training programs. For example, did the borrower show up for financial literacy classes regularly, did they respond well to advice, did they participate in lending circles?

8 In fact, municipal ID cards are being issued or planned in Detroit, Pittsburgh, Cincinnati, New York City, and several other communities in the WE Global footprint.

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- **Information about opportunities.** Sometimes, the barrier to homeownership may simply be a matter of people who could afford it not knowing that the opportunity exists. Ensuring that information is marketed in linguistically and culturally accessible ways can make tremendous difference for any program seeking to include immigrants. Institutions can hire people from the immigrant communities to do outreach. Language access and cultural competency can be fully integrated into all of their work. Social opportunities can bring together immigrants with people who live in the areas with distressed housing, so that they feel welcome and both groups feel comfortable together. And in areas where Muslims are put off by mortgages that require paying interest, it is possible to set up systems for reba (interest)-free loans.

Conclusion

This research is offered to start a deeper conversation about immigrants as an important component of any vacant and distressed housing revitalization strategy. There are thousands of immigrant households in each of these cities who currently rent and have the income to support themselves as purchasers and occupiers of vacant housing. Our research indicates that they are often the most likely prospects for homeownership opportunities at modest prices.

The numbers suggest that immigrant communities may be one of the most fertile places to market vacant property and new homeownership programs and opportunities, yet they are often ignored or considered as a mere afterthought. The experience of WE Global members suggests that such programs should be adjusted to reflect the linguistic and cultural norms of the communities they seek to enroll. We hope this research sparks additional research and commentary about how to develop and hone such efforts.

The research, while clarifying that there are real and tangible opportunities for immigrant homeownership and vacant property acquisition in these cities, raises additional questions about the nature of, and potential barriers to, immigrant homeownership. Some of these potential questions are identified in our report, while others are likely to emerge through the dialogue that we hope the research generates. It is our clear intent that the research deepens the interest in, research of, and collaboration around investing in programs that tap the immigrant potential for homeownership and vacant property rehabilitation.

We are excited to partner with the many land bank, community development, affordable housing, urban planning, and other actors who are actively working to revitalize distressed urban housing and property markets. We hope that our research adds valuable insight into the immigrant opportunities that exist within these and other cities.



These homes are part of the Banglatown neighborhood, an immigrant community along the Detroit-Hamtramck border.



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