

**Opinion: A Response to Auditor Rhodes: Misunderstanding of Report's Findings**

10 August 2021

On August 2<sup>nd</sup>, Mr. Rhodes, Hamilton County Auditor, published an opinion piece in this newspaper critiquing the "[Franklin County Auditor Report: Investigating the Appraisal Process](#)," released in 2021, authored by the Kirwan Institute for the Study of Race and Ethnicity, and prepared on behalf of the Franklin County Auditor. We take this opportunity to respond to Auditor Rhodes' misinterpretation of our findings and offer additional context and clarification to support our claims. We appreciate Auditor Rhodes' critique of the report. All critiques are helpful to the extent of catching errors as well as providing an opportunity to clarify issues. We hope that our clarifications will shed sufficient evidence to buttress the accuracy of the findings and its conclusion for the public to understand and accept.

Auditor Rhodes offers several critiques of our report, all which stem from three misinterpretations of terms or historical facts key to the very occupation of county auditor. Throughout this piece, we will outline how Auditor Rhodes appears to (1) conflate the meaning of individual bias and systemic disparities, (2) misunderstand the impact of racially motivated historic housing and development policies and the present-day impacts from these policies, and (3) misunderstand our research conclusions on property grading and valuation disparity. As a result, it is understandable how he arrived at the conclusions about our report. We clarify these terms as well as historic and contemporary facts in addition to addressing specific claims made by Auditor Rhodes below.

Auditor Rhodes conflates the meaning between individual bias and systemic disparities. These are somewhat dissimilar terms that do not focus on the same scales and have different meanings. An individual bias is something that an individual has against another individual or group. Systemic disparity is present within a system and involves a difference in treatment of people based on a demographic status. An example of systemic disparity is the gender pay gap. Although such a disparity may affect an individual, these disparities occur at the system-level, affecting everyone in the system, positively and negatively. Based on the distinctions in terms, our recommendations are provided for system-level processes and procedures to counteract systemic disparities we identified.

Furthermore, we did not examine individual- or household-level data; we also did not examine individual appraiser characteristics. We did not claim racial bias exists because the limits of the data prevented us from looking at disparity at the individual level. We claimed that systemic disparities exist and showed this gap through rigorous spatial-statistical analysis.

Regarding point 2, Auditor Rhodes suggests "Historical inequities such as 'redlining,' housing policies, and home ownership have nothing to do with the current market value of a property." This statement is factually incorrect. Historic policies like redlining have had lasting impacts on property values in diverse neighborhoods throughout metropolitan space, negatively impacting many urban communities<sup>i</sup>. Moreover, the impact of these policies is most felt today in wealthy suburban and urban enclaves, which have maintained their property values and benefitted from discriminatory policies like redlining and the use of racially restrictive covenants in home deeds<sup>ii</sup>. In Franklin County, home ownership rates are highest in wealthy suburban areas. The effects of green-lining and racially restrictive covenants used through the late 1940s, have continued to exclude racial and low-income minoritized groups through exclusionary zoning policies, lack of non-discrimination protections, and overt discrimination from homeownership<sup>iii</sup>. Ignoring or disregarding this well-known history by assuming the appraisal process is "race blind" further exacerbates existing disparities and undermines the credibility of the appraisal profession.

Related to point 3, Auditor Rhodes states, “The charge that some areas were systematically over-valued resulting in higher property taxes and others under-valued resulting in lower property taxes remains unproven after 43 pages of statistics and opinion cloaked in academic language” (para. 4). This statement is contrary to our stated findings. Systemic overvaluation was statistically demonstrated by examining valid sale prices compared to their respective appraisal valuations and linking those values to their respective neighborhood race and income. We found the disparities using the International Association of Assessing Officers standard sales ratio approach, one of many methods Auditor Rhodes states as a valid approach, that Black and lower income neighborhoods were overvalued prior to 2017 and that neighborhoods that were more than 90% White had consistently been undervalued, which is unexplained by income differences. Our findings are consistent with other, national studies<sup>iv</sup>.

Another misunderstanding (also point 3 Auditor Rhodes claims that “The Kirwin [sic] Institute’s study points out that there is a disparity between property grades in their defined neighborhoods. They report, “Properties in black majority neighborhoods are most likely given C or D+ grades (68.9%) versus (28.4%) in white majority neighborhoods” (Outrich et al., 2021; para 7). Rhodes concludes, “If that is accurate, it means properties in what they call ‘black majority neighborhoods’ will have lower values than those in ‘white majority neighborhoods,’ completely contrary to the reported result since property grade is another factor in setting values after sales information” (para 8).

We state that there was an unexplainable ½ letter property grade disparity between properties located in majority White neighborhoods versus those located in majority Black neighborhoods, even when correcting for neighborhood income. Property grades are one of many components that affect the overall property appraisal valuation. Our findings indicated that the grades did not reduce the appraisal valuation disparity and thus properties in majority Black and low-income neighborhoods remained overvalued for property tax assessment purposes.

Additionally, related to point 3, Auditor Rhodes argues that “Completed reappraisals go to the Ohio Department of Taxation to review sales ratios in each tax district. The Tax Commissioner has the authority to reject a reappraisal if he or she finds the values do not fairly reflect the market as evidenced by recent sales” (para. 5)

Completed reappraisals reported to the Ohio Department of Taxation reflect the sales ratios reported within each tax district. As Auditor Rhodes is well aware, a key limitation of this method is that it ignores neighborhood-level appraisal valuation differences. This issue is especially pronounced in taxing districts that are made up of dozens of individual neighborhoods used to derive the aggregate valuation.

For example, taxing district 010, Franklin County’s largest taxing district by far, is made up of 204 individual appraisal neighborhoods. The process identified by Auditor Rhodes would not capture the differences between each of the 204 appraisal neighborhoods. This issue is significant because if certain appraisal neighborhoods are overvalued and others within the taxing district are undervalued, it looks like there is no disparity, but in practice there are significant disparities just as our report indicates.

In conclusion, we hope our response has clarified Auditor Rhodes’ concerns and shed a light on the standard practice of housing valuation and appraisals that has maintained racial disparities in the appraisal process. We look forward to the incorporation of our recommendations and continued collaboration with the Franklin County Auditor’s office to develop a more equitable process for all.

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<sup>i</sup> Massey, D. S., & Denton, N. A. (1993). *American apartheid: Segregation and the making of the underclass*. Harvard University Press; Katznelson, I. (2005). *When affirmative action was White: An untold history of racial inequality in twentieth-century America*. W.W. Norton & Company; Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright Publishing Corporation.

<sup>ii</sup> Glotzer, P. (2020). *How the suburbs were segregated: Developers and the business of exclusionary housing, 1890-1960*. Columbia University Press; Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright Publishing Corporation. Keating, W. D. (1994). *The suburban racial dilemma*. Temple University Press; Silver, C. (1997). The racial origins of zoning in American cities. In M. J. Thomas & M. Ritzdorf (Eds), *Urban planning and the African American community: In the shadows*. Sage Publications; Massey, D. S. & Denton, N. A. (1993). *American apartheid: Segregation and the Making of the underclass*. Harvard University Press.

<sup>iii</sup> Glotzer, P. (2020). *How the suburbs were segregated: Developers and the business of exclusionary housing, 1890-1960*. Columbia University Press; Rothstein, R. (2017). *The color of law: A forgotten history of how our government segregated America*. Liveright Publishing Corporation.

<sup>iv</sup> Avenancio-Leon, C. & Howard, T. (2019). The assessment gap: Racial inequalities in property taxation. <https://ssrn.com/abstract=3465010>; Berry, C. (2021). Reassessing the property tax. <http://ssrn.com/abstract=3800536>