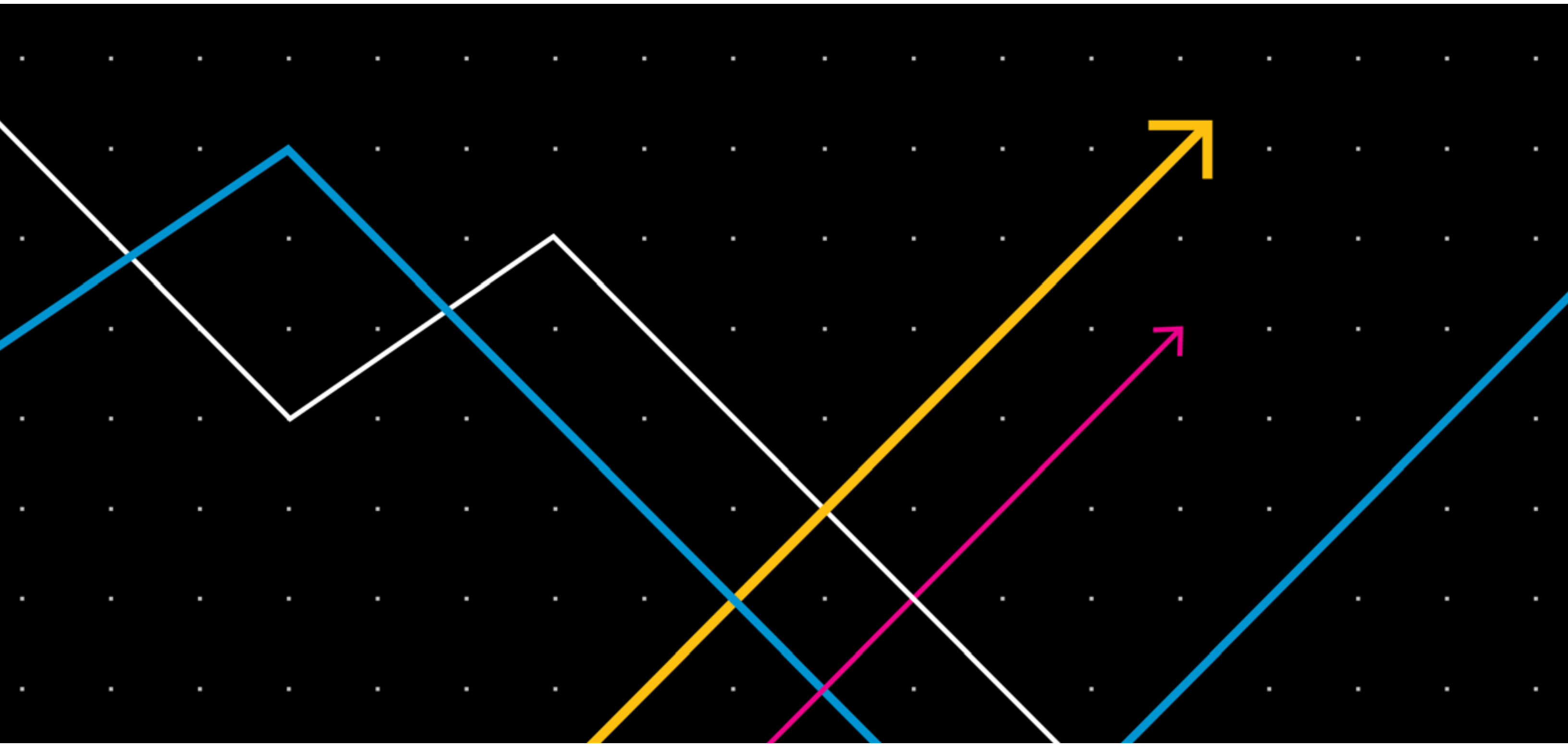

RESEARCH BRIEF

Neighborhood Disparities in Investment Flows in Chicago

Brett Theodos
URBAN INSTITUTE

Eric Hangen
I-SQUARED CONSULTING

Brady Meixell
URBAN INSTITUTE

Prasanna Rajasekaran
URBAN INSTITUTE

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Acknowledgments

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BOX 1

The Urban Institute's Collaboration with JPMorgan Chase

The Urban Institute is collaborating with JPMorgan Chase over five years to inform and assess JPMorgan Chase's philanthropic investments in key initiatives. One of these is Partnerships for Raising Opportunity in Neighborhoods (PRO Neighborhoods), a $125 million, five-year initiative to identify and support custom solutions for the unique challenges facing disadvantaged neighborhoods in US cities, with community development financial institutions (CDFIs) as critical partners in that effort. The goals of the collaboration include using data and evidence to inform JPMorgan Chase's philanthropic investments and informing the larger fields of policy, philanthropy, and practice. Urban Institute research is exploring capital flows in selected markets as part of this research.

Introduction

Capital has flowed inequitably to communities across the U.S. for decades, often with a racialized motivation or even when unintended, a racialized effect. Successive developments in policy and practice have attempted to address these inequities. It is unclear how much progress we have made, however. For example, the homeownership rate today for Black households stands at 43 percent—roughly where it was before the Fair Housing Act, and 31 percent below that of White households.[1]

Healthy cities and neighborhoods depend on a steady flow of various forms of investment to function—such as business loans, home mortgages and real estate investment. Both private-sector “market” investors, as well as “mission-driven” investors looking to achieve community development outcomes, play key roles in providing this capital (Theodos, Hangen, Hedman, and Meixell 2018). So too do local, city, and the federal government.

This report analyzes investment flows for Chicago from 2011 to 2017, studying what kinds of money have been flowing, and for what purposes, into the City’s neighborhoods over the past seven years. The report builds on previous investment flow studies we have conducted in other cities, such as Baltimore,[2] Detroit,[3] and Minneapolis and Saint Paul,[4] as well as studies that are national in scope.[5]

The study of investment flows in Chicago is of particular importance as the City seeks to address issues of social inequality across neighborhoods even as it has made steady progress recovering from the recession. As inequality grows in the U.S., it is perhaps inevitable that spatial inequality grows as well—and Chicago is a powerful canvas on which to observe these dynamics. One study found segregation to be especially harmful to the economic standing of African Americans: if the Chicago region had median levels of segregation (when compared with other regions), black per-capita income would be expected to be roughly $3 thousand higher annually (Acs, Pendall, Treskon, Khare 2017).

How equitable or inequitable are capital flows across neighborhoods? How does equitable access to capital vary by investment type? There is a strong history of examining investments into Chicago’s neighborhoods, most notably in single-family housing (Nolan 2018; Duda, Percel, and Smith 2018) and small business (Cowan 2017; Next Street and Community Reinvestment Fund 2019; Nolan 2018).

BOX 2

Summary Findings

- The median low-poverty neighborhood receives 4.3 times as much market investment per household as the median high-poverty neighborhood.
- Moreover, majority white neighborhoods receive 4.6 times as much market investment per household as majority African American neighborhoods, and 2.6 times as much investment as majority Latino neighborhoods at the median.
- Public and mission-driven investment sources generally flow the opposite way: public and mission-driven actors have invested 10 times more per household in high-poverty neighborhoods than they have in low-poverty neighborhoods when comparing median neighborhoods. Majority African-American neighborhoods receive 2.7 times the mission lending of majority white neighborhoods at the median. We find, however, that majority Latino neighborhoods do not fare as well as majority white neighborhoods. The median majority white neighborhood receives 1.3 times the mission lending of the median majority of Latino neighborhood.

To build upon and expand previous work, we analyze the dollar flows of different investments across census tracts in Chicago from 2011 to 2017. The investment flows we study are loans, sales and construction and rehab activity for four classes of real estate: multifamily, single-family, commercial, and industrial. We then review small business lending trends. We next explore “mission lending” by community development financial institutions (CDFIs) and other socially-motivated investors, and investments from certain federal community development programs including HUD housing subsidies and Community Development Block Grants. For each investment flow, we look at citywide trends, spatial distributions across the city, and how the poverty level and racial/ethnic composition of census tracts is correlated with the level of investment received. We end the report with a look at how neighborhood investment trends are related to indicators of gentrification.

To evaluate neighborhood access to each of these categories of investment, we first scale each investment flow by an appropriate denominator—for example, small business loan dollars per small business employee, or single-family loan dollars per owner-occupied household. We then compared the scaled flows across census tracts with varying levels of poverty and racial/ethnic population composition. Scaling the investment flows allows us to determine whether a dearth of investment may simply be due to a lack of employment or a certain type of real estate in a neighborhood, or whether a neighborhood should be expected to receive investment, but does not. In this way, our analysis can be thought of more as a study of capital gaps, than just capital flows.[6]

After calculating flow and scaling them by the appropriate denominators, we compared these indicators across tracts, as follows:

- Low poverty tracts (poverty rates under 10 percent) compared to high poverty tracts (poverty rates over 30 percent);
- Majority white compared to majority African-American tracts; and
- Majority white compared to majority Latino tracts.

To reduce the impact of outliers, we compared median values. For example, we took the median dollar amount of single-family loans per owner-occupied household for all low poverty tracts, and compared that to the median for all high poverty tracts.

Context

Since the end of the recession, Chicago has made steady progress in growing jobs and reducing poverty and unemployment. From 2011 to 2017, the number of jobs in Chicago grew by 6.7 percent, compared to 3.7 percent growth in Illinois.[7] Unemployment in the City dropped from 14.1 percent to 8.3 percent over the same time period, while poverty fell from 23.7 percent to 18.6 percent.[8] These figures are still higher than the entire Chicago metro area, which as of 2017 had an unemployment rate of 6.2 percent and a poverty rate of 11.8 percent. The population of the City was largely unchanged, growing by 0.3 percent from 2011 to 2017.[9]

Many Chicago neighborhoods are still experiencing high levels of poverty and unemployment. Over half of the city's census tracts are experiencing concentrated poverty, with poverty rates of over 20 percent—and over a quarter have poverty rates over 30 percent. Nearly half have unemployment rates of over 10 percent, and over a quarter have unemployment rates over 15 percent.[10]

As can be seen from the maps included in our Investment Atlas in the Appendix, Chicago remains racially segregated. Segregation goes hand in hand with neighborhood distress. Populations of color are much more likely to live in areas of high poverty and unemployment. In fact, over 95 percent of the census tracts experiencing concentrated poverty and unemployment are majority non-white or mixed-race. Seven percent of majority white neighborhoods have poverty rates above 20 percent. Over half of majority Latino tracts (52 percent) have poverty rates above 20 percent, as do 57 percent of tracts lacking a racial majority. Fully 84 percent of majority Black tracts have poverty rates above 20 percent.

Perhaps because of these conditions, Chicago has seen a significant loss of its African American population, which decreased in population by nearly eight percent from 2011 through 2017. The Latino population was unchanged, however. Chicago has made up for that loss largely through growth in the white population (up 3 percent), and also rapid growth in the small Asian population (up 26 percent but still only 7 percent of total population).[11]

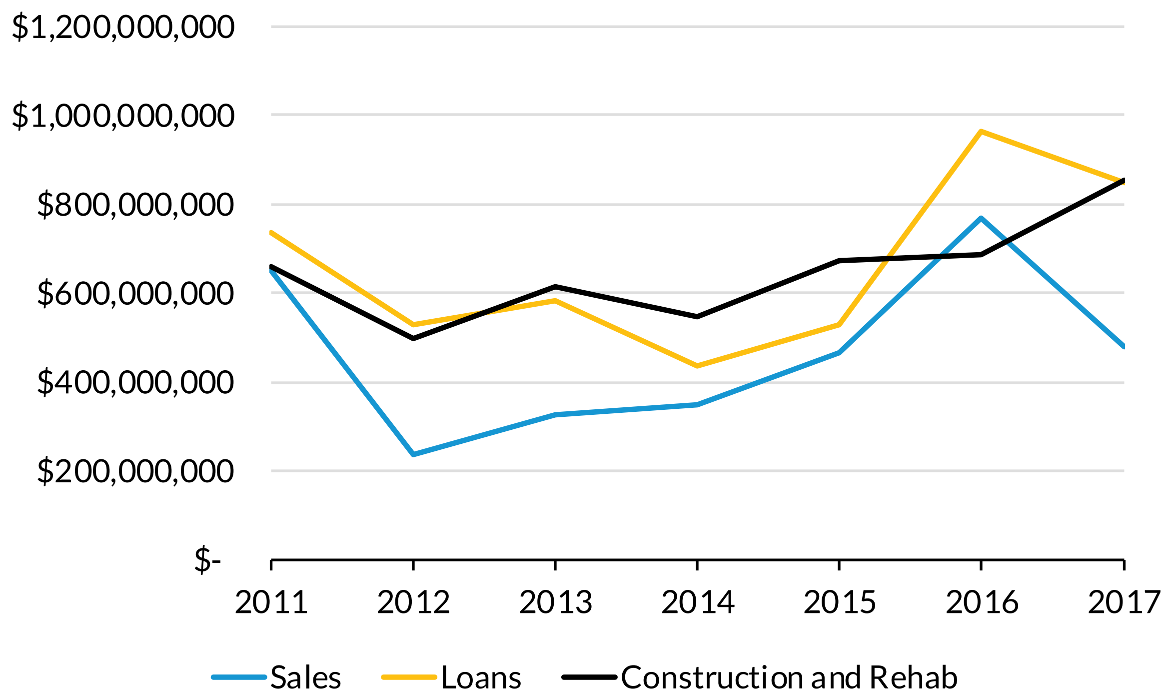
Multifamily Real Estate

We begin with a look at multifamily real estate, one of the investment flows that indicates private sector activity and confidence in Chicago and its neighborhoods. These capital flows are also affected by broader economic and regulatory events and trends.

Citywide investment trends. Multifamily investment activity—as measured by the dollar volume of construction and rehab activity, loans, and sales of multifamily property—dipped from 2011 to 2012, but has generally trended upwards since then. Comparing 2017 to 2011 by investment category, construction and rehab activity is up 29 percent and loans are up 15 percent by dollar volume. Sales are down 26 percent, despite steady growth from 2012 to 2016, due to a drop-off in 2017.

FIGURE 1

Citywide Multifamily Investment



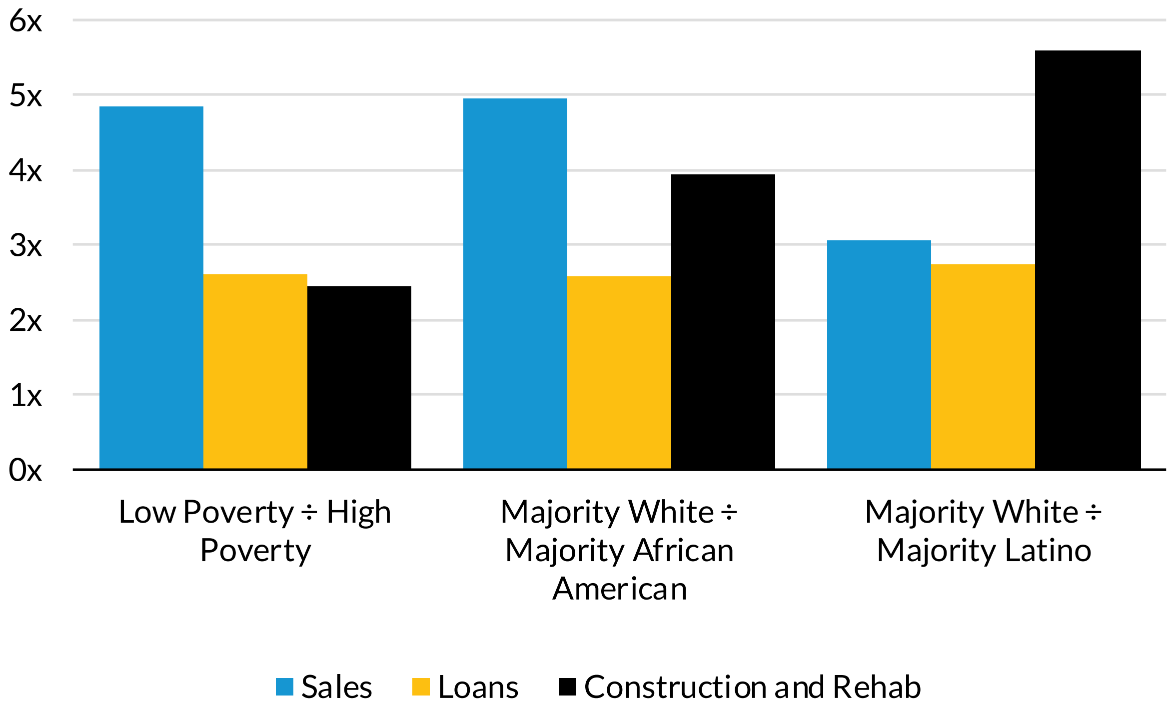
Sources: City of Chicago Department of Buildings; CoreLogic
Notes: Figures are in constant 2017 dollars.

Investment by race and poverty. We scale the capital flows to analyze neighborhood access for the multifamily asset class. We divided construction and rehab investment (as recorded in building permits), sales investment, and loan investment by the number of renter households.

Multifamily investment is highly unevenly distributed in Chicago, with low-poverty and majority white tracts receiving substantially more investment than high-poverty and majority non-white tracts. For example, low-poverty census tracts (those with under 10 percent poverty) see 2.4 times the investment in construction and rehab activity, 4.9 times the investment in sales, and 2.6 times the investment in loans that high-poverty tracts receive. Majority white tracts see 3.9 times the construction and rehab investment, 4.9 times the sales, and 2.6 times the lending activity of majority African-American tracts. When compared against majority Latino tracts, majority white tracks receive 3.1, 2.8, and 5.6 times the amount of sales, loans, and construction and rehab activity, respectively. These figures are ratios (or multiples), not percentages. To translate from ratios to percentages, subtract one and multiply by 100. For example, the majority white divided by majority Latino lending ratio of 2.8 means that majority white neighborhoods see lending levels that are 180 percent higher.

FIGURE 2

Investment Disparity Ratio for Multifamily Investment (at Median)



Sources: City of Chicago Department of Buildings; CoreLogic; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars. We do not include 19 tracts in our multifamily calculations because there are too few renter households in these tracts.

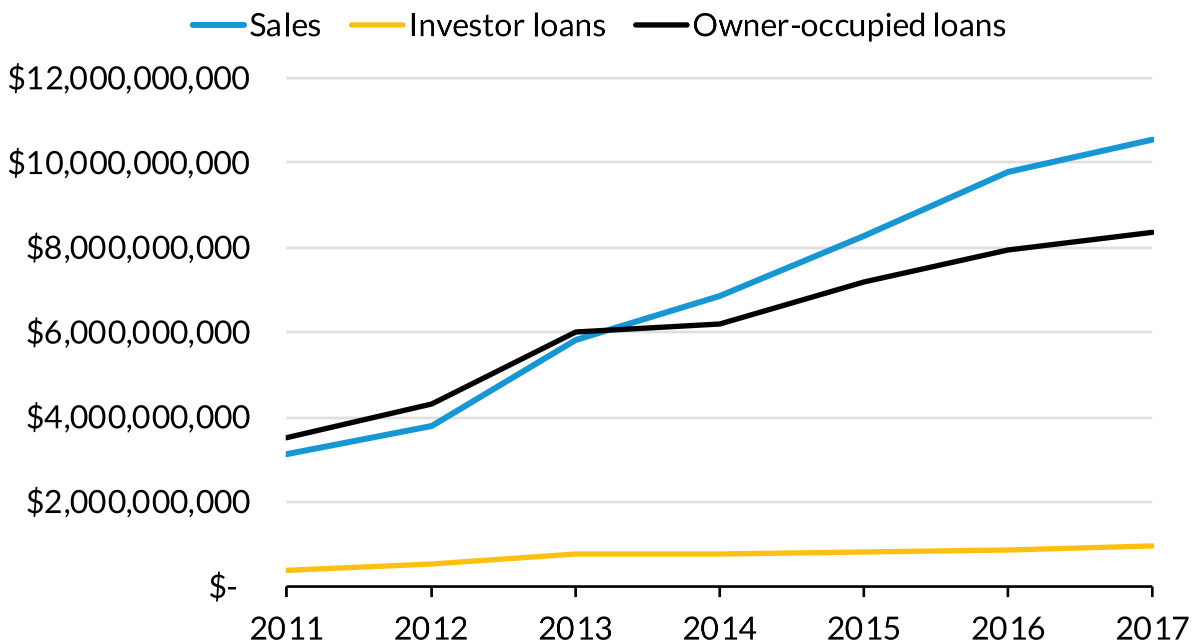
Neighborhood patterns. We created maps of multifamily investment activity per renter household, which are presented in the Investment Atlas. As can be seen in these maps, multifamily investment activity tends to be most concentrated along Lake Michigan and also on the near North-west side of the city.

Single-family Real Estate

Citywide investment patterns. Citywide data show rapid growth of both loans and sales of single-family real estate from 2011 to 2017.[12] Loan originations to owner occupants have grown tremendously—more than doubling from $3.5 billion to $9.3 billion. Loans to investors are smaller, but have grown as well—from $541 million to $959 million. Sales have more than tripled, growing from $3.1 to $10.5 billion. The data we obtained do not show a significant volume of building permit activity for single-family real estate, so we do not display those data below. The low volume may be due to recordkeeping practices or to the possibility that many homeowners make repairs and improvements without obtaining permits.

FIGURE 3

Citywide Single-family Investment



Sources: Home Mortgage Disclosure Act; Record Information Services
Notes: Figures are in constant 2017 dollars.

Investment by race and poverty. We use three scaled indicators for neighborhood access to capital in the single-family asset class:

- Sales investment (in dollars)[13] divided by the number of owner-occupied households;
- Home Mortgage Disclosure Act (HMDA)-reported loans to owner-occupants for home purchase and home improvement, not refinance (in dollars) divided by the number of owner-occupied households; and
- HMDA-reported loans to investor-owners (in dollars) divided by the number of renter-occupied households.

We do not include construction and rehab in this analysis due to the lack of robust data.

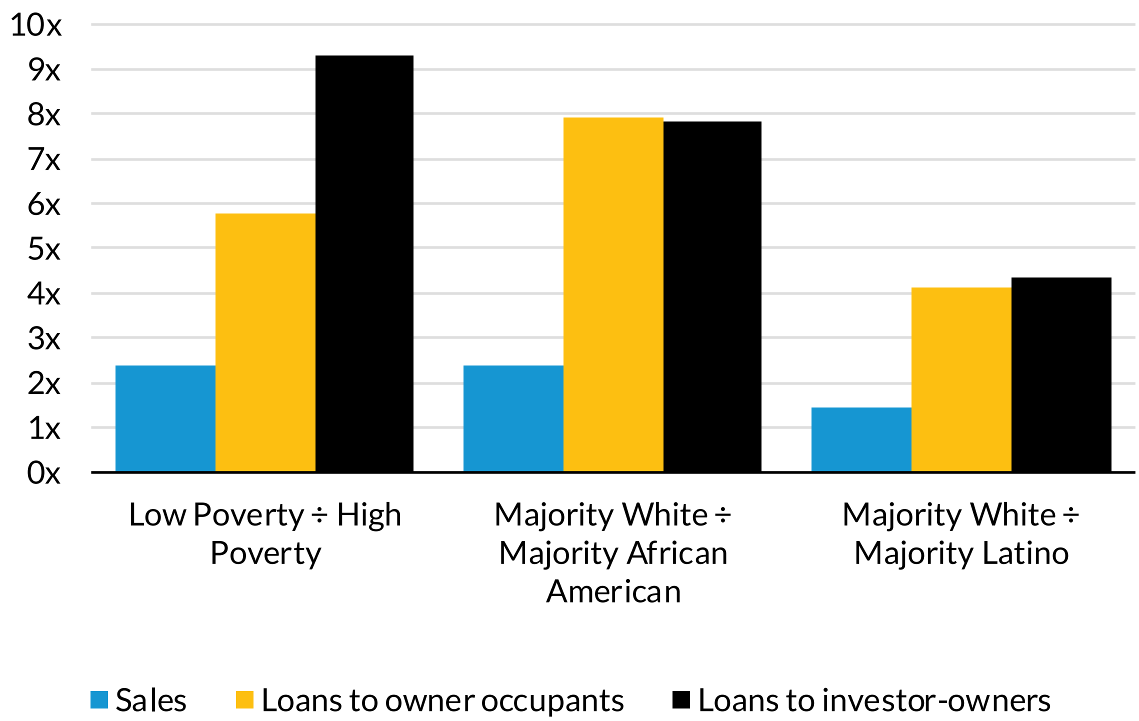
We find that higher-poverty census tracts see substantially less single-family lending than lower-poverty tracts. Looking at lending to owner occupants, tracts with poverty rates of under 10 percent receive 5.8 times the dollar volume of originations that high-poverty tracts receive at the median of each group. Investor-owners also access more home loans in low- than in high-poverty neighborhoods. In fact, the disparity is even more pronounced for loans to investor-owners: low-poverty tracts receive over 9 times as much lending by dollar volume as high-poverty tracts.

We observe a similar pattern of disparity when looking at neighborhood racial/ethnic composition. The median majority white neighborhood receives 7.9 times the dollar volume of loans to owner-occupants as the median majority African-American neighborhoods, and 4.1 times the dollar volume of loans as the median majority Latino neighborhoods. Similarly, majority white neighborhoods receive 7.8 times the dollar volume of loans to investor-owners as majority African-American neighborhoods, and 4.3 times the dollar volume of loans as majority Latino neighborhoods.

Single-family sales activity is unequally distributed, though not to the same degree that lending is. Low poverty tracts see 2.4 times the sales volume of high poverty neighborhoods, while majority white tracts had 2.4 times the sales of African-American tracts and 1.5 times the sales of Latino tracts (at the median for each).

FIGURE 4

Investment Disparity Ratio for Single-family Investment (at Median)

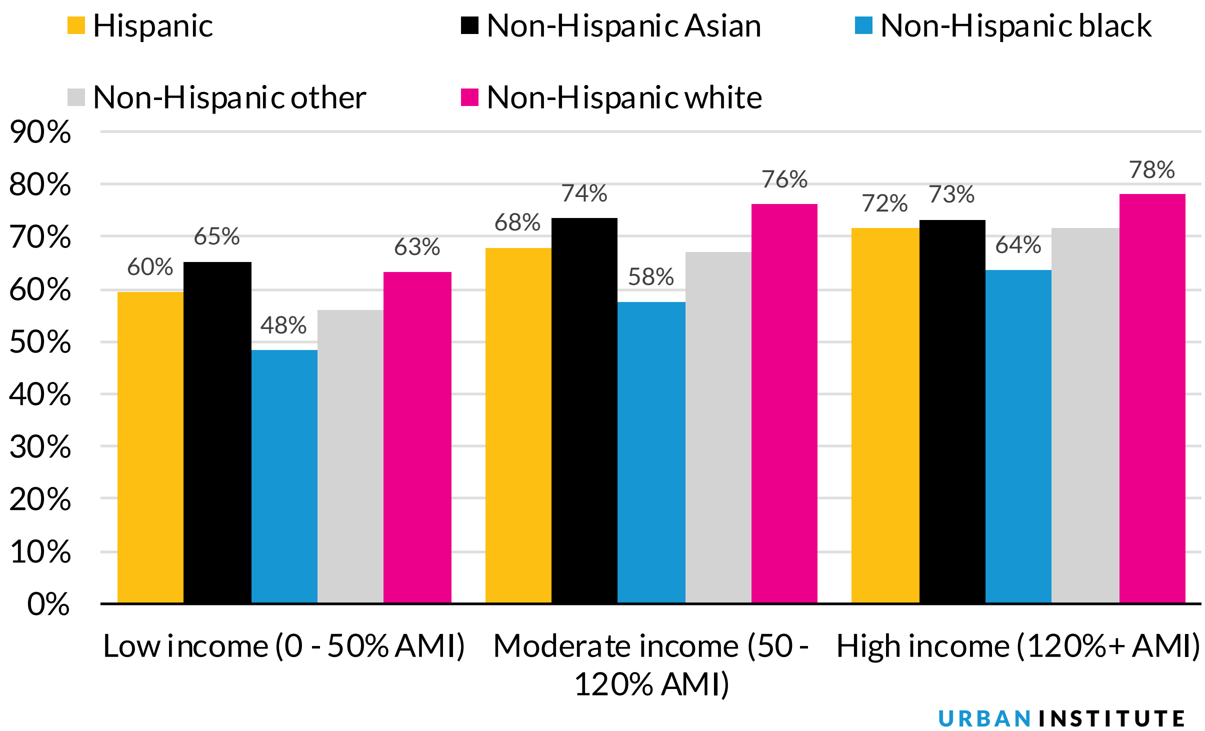


Sources: CoreLogic; Home Mortgage Disclosure Act; Record Information Services; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars. We do not include 39 tracts in our calculations of sales and owner-occupant loans because there are too fewer owner-occupied households in these tracts. We do not include 19 tracts in our calculation of investor loans because there are too few renter households in these tracts.

HMDA lending data also provide information on the race, ethnicity, and income level for all home mortgage loan applicants, along with the outcome of the loan application. Chicagoans of color—especially African-Americans—are less likely to have their loan application originated than whites, even when looking at applicants within the same income tier.

FIGURE 5

Single-family Home Purchase Mortgage Loan Origination Rates in Chicago by Race and Income, 2011 - 2017



Sources: Home Mortgage Disclosure Act; US Census Bureau, American Community Survey (2012 - 2016)
Notes: Figures are in constant 2017 dollars.

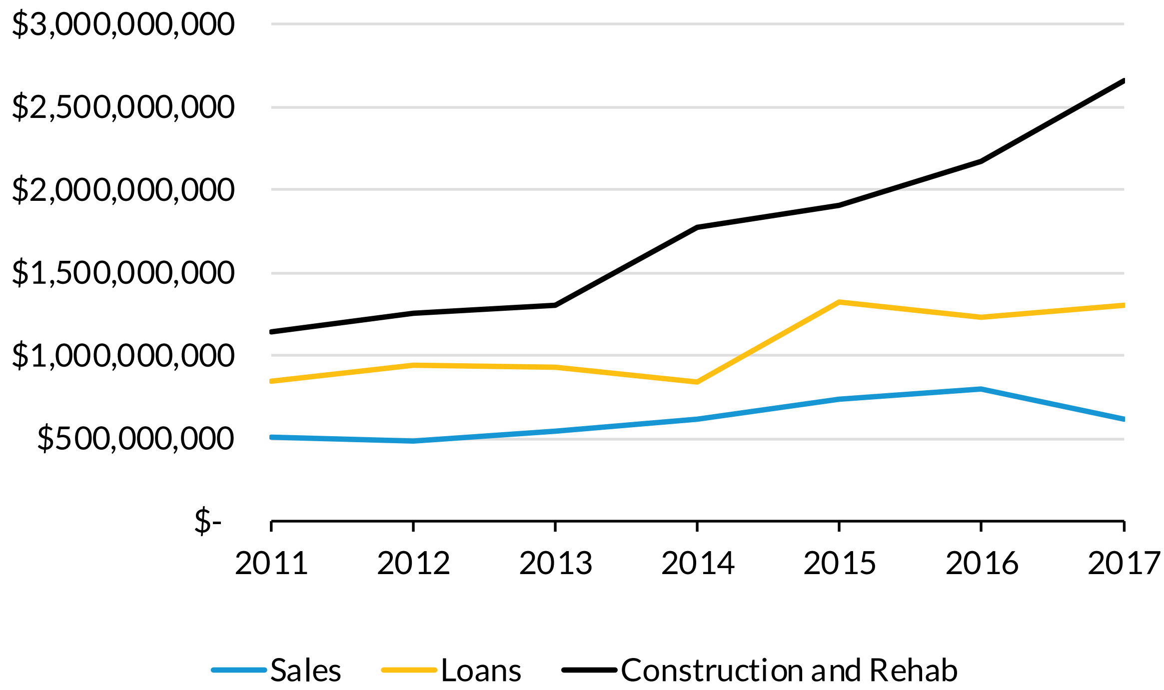
Neighborhood patterns. Among all the investment trends we examine in this report, single-family lending patterns are perhaps the most striking in their spatial pattern. As shown in the Investment Atlas, the near North and West parts of the City have succeeded in accessing loan capital, but lending rates are very low in most of the rest of the city. Single-family sales also show concentrations in the same communities as lending activity, but do exhibit some more dispersion as well.

Commercial Real Estate

Citywide investment patterns. Commercial investment activity has increased across the board from 2011 to 2017. Construction and rehab activity has more than doubled from $1.1 billion to $2.7 billion. Loans are up 54 percent and sales up 21 percent.

FIGURE 6

Citywide Commercial Real Estate Investment

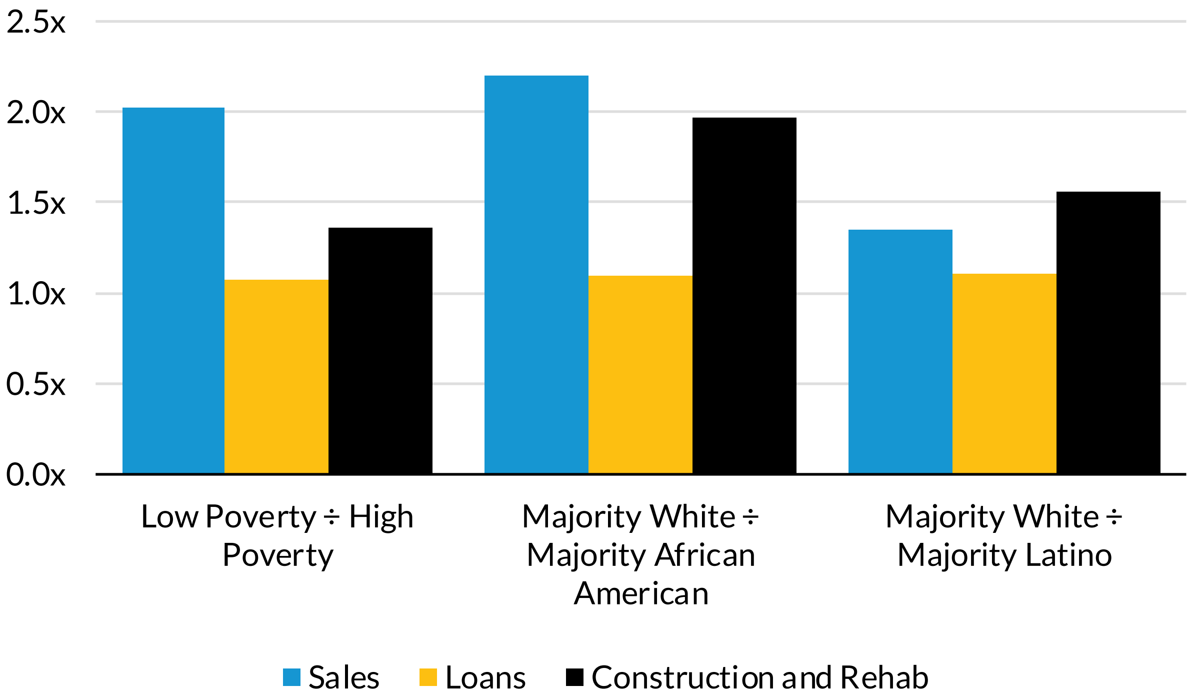


Sources: City of Chicago Department of Buildings; CoreLogic
Notes: Figures are in constant 2017 dollars.

Investment by race and poverty. To examine neighborhood investment disparities for commercial real estate, we scale commercial real estate lending, sales, and construction and rehab activity by the number of commercial-sector jobs[14] in each census tract. We find only a slight investment disparity in commercial real estate lending, but larger investment disparities for both sales and construction and rehab activity. Most notably, the median low poverty neighborhood sees twice the sales investment activity of the median high poverty neighborhood. Also, majority white neighborhoods see 2.2 times the sales investment activity and twice the construction and rehab activity of majority African American neighborhoods, at the median.

FIGURE 7

Investment Disparity Ratio for Commercial Real Estate Investment (at Median)



Sourcse: City of Chicago Department of Buildings; CoreLogic; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars. We do not include 176 tracts in our calculations because there are too few commercial jobs in these tracts.

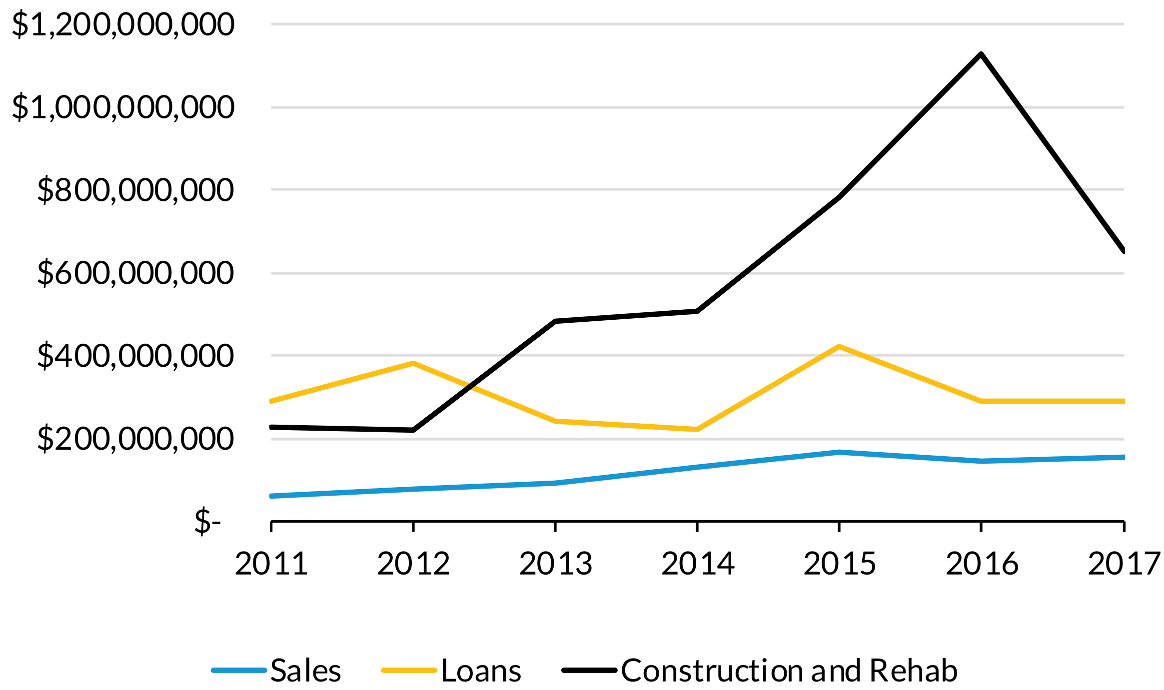
Neighborhood patterns. As shown in the map in the atlas, commercial real estate lending is fairly spread throughout the City of Chicago. A similar story emerges for commercial real estate sales and construction and rehab activity.

Industrial Real Estate

Citywide investment trends. Industrial real estate construction and rehab activity more than doubled by 2017 compared with 2011. Construction and rehab activity spiked in 2016 before returning to more normal levels in 2017. Industrial real estate sales started at a smaller base, but rose by almost the same percent as construction and rehab activity. Industrial real estate lending fluctuated year by year, ending 2017 at nearly the identical level as when our observations began in 2011.

FIGURE 8

Citywide Industrial Real Estate Investment

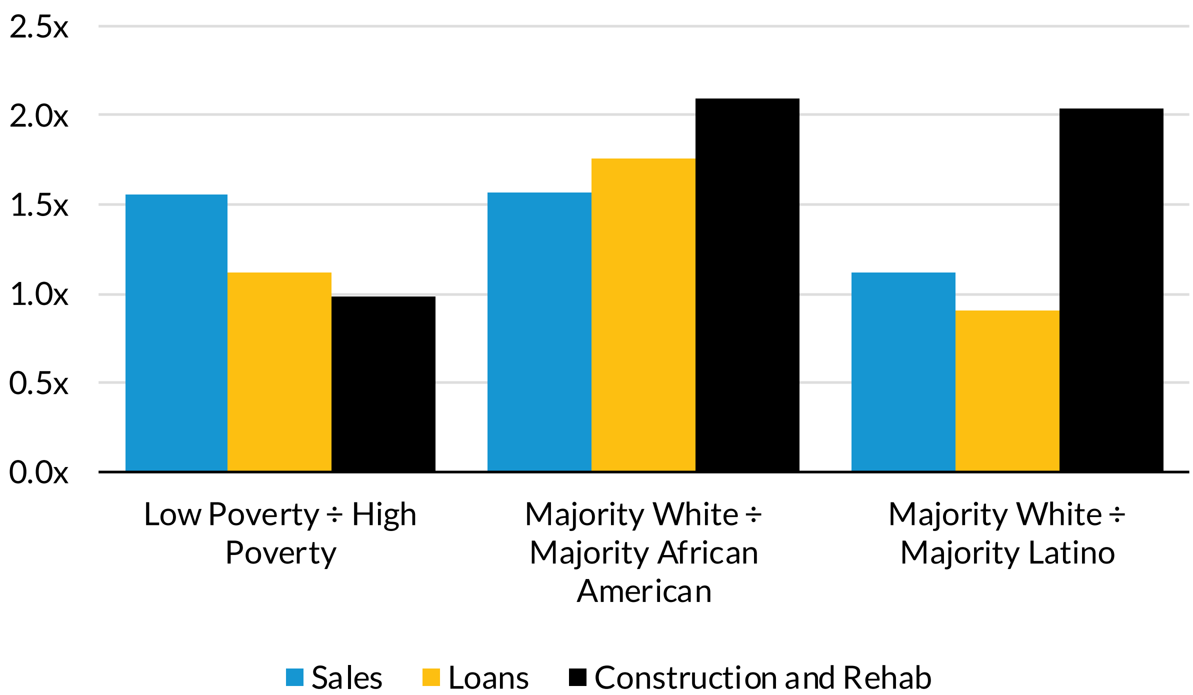


Sources: City of Chicago Department of Buildings; CoreLogic
Notes: Figures are in constant 2017 dollars.

Investment by race and poverty. To examine investment disparities for industrial real estate investment, we scale industrial real estate sales, lending, and construction and rehab activity by the number of industrial-sector jobs[15] in each census tract. Investment disparities are generally less pronounced for industrial real estate than for single-family investment. The largest disparities are racial disparities in construction and rehab activity: majority white neighborhoods receive twice the investment of majority African American and majority Latino neighborhoods in construction and rehab activity at the median. However, we actually see that the median majority Latino neighborhood receives slightly more investment than the median majority White neighborhood. (This is evident in figure 9 by a ratio below 1x.) This is the only category of investment in any asset class where investment patterns do not favor majority White neighborhoods.

FIGURE 9

Investment Disparity Ratio for Industrial Real Estate (at Median)



Source: City of Chicago Department of Buildings; CoreLogic; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars. We do not include 553 tracts in our calculations because there are too few industrial jobs in these tracts. A ratio below 1x for Majority White ÷ Majority Latino industrial loans indicates that the median majority Latino tract received more investment than the median majority white tract.

Neighborhood patterns. As evidenced by the three industrial real estate maps in the Investment Atlas—and important in understanding the disparities findings above—there are a relatively few number of tracts with sufficient industrial activity in Chicago for us to calculate investment ratios. Those that do receive investment are located along some of the major transit thoroughfares, along with some other tracts across the city.

Small Business Lending

We examine small business lending trends using three sources of data. Note that all three datasets overlap one another, so the true trends are not cumulative across all three but a hybrid of them.

- Loans to businesses with less than $1 million in annual revenues, as reported under Community Reinvestment Act (CRA) requirements – $3.9 billion in originations citywide from 2011-2017.[16]

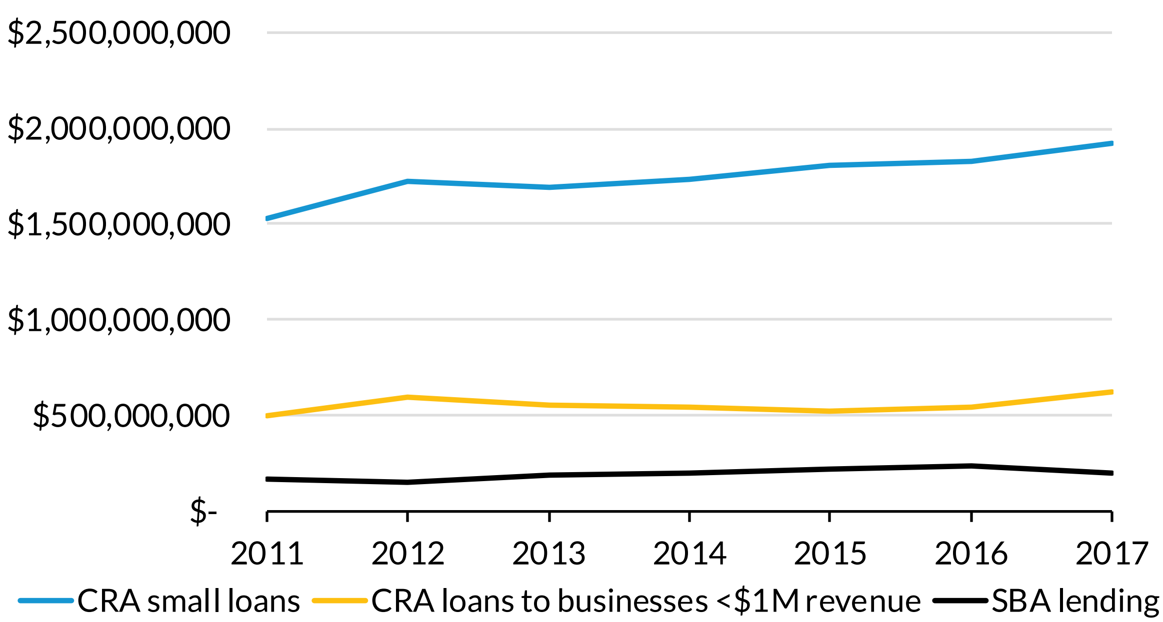
- Business loans of under $1 million in size, as reported under CRA requirements – $12.2 billion in originations citywide from 2011-17.
- Loans guaranteed by the Small Business Administration's (SBA) 7(a) and 504 programs – $1.3 billion in originations citywide from 2011-2017.

To study investment disparities across neighborhoods, we create scaled indicators for each of these investment flows, dividing lending activity in each census tract by the number of employees at small businesses (i.e. firms with 20 or fewer employees) in the tract.

Citywide investment patterns. Looking at citywide trends, we see that CRA lending as measured by loans of under $1 million in size has been trending upward, rising from $1.5 billion in 2011 to $1.9 billion by 2017. CRA lending activity to small businesses with under $1 million in revenue has also grown moderately from $499 million in 2011 to $624 million in 2017. Finally, SBA lending shows has risen from $173 million in 2011 to $200 million in 2017, though 2016 was the high point at $238 million.

FIGURE 10

Citywide Small Business Lending Trends



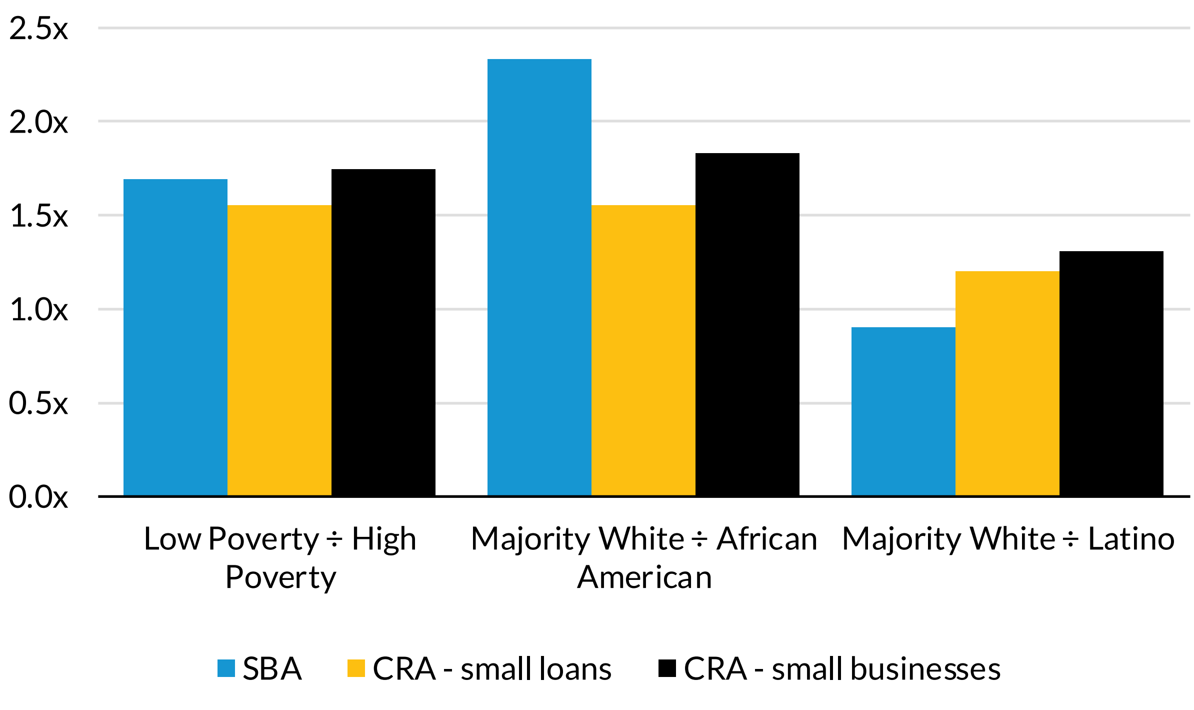
Sources: Community Reinvestment Act (CRA); Small Business Administration
Notes: Figures are in constant 2017 dollars.

Investment by race and poverty. We find disparities in small business lending levels by census tract poverty rate. Looking at the CRA data for businesses with revenues under $1 million a year, we find that the median low-poverty census tract (tracts with poverty rates of under 10 percent) receives 1.8 times the dollar volume of small business loans as the median high-poverty census tracts (with poverty rates of 30 percent or higher), even after factoring in the number of small business employees in the tract. The disparity is roughly the same for SBA loans—low-poverty tracts receive 1.7 times the loan volume per small-business employee as high-poverty tracts at the median.

We find similar disparities when looking at census tract racial/ethnic composition. Majority white census tracts receive 1.8 times the CRA small business investment, 1.6 times the CRA small loans investment, and 2.3 times the SBA investment as majority African-American tracts at the median. They also receive 1.3 times the CRA small business investment and 1.2 times the CRA small loans investment as majority Latino tracts. However, majority Latino tracts had a slightly higher SBA lending volume than majority white tracts.

FIGURE 11

Investment Disparity Ratio for Small Business Lending (at Median)



Sources: Community Reinvestment Act; Small Business Administration; US Census Bureau, American Community Survey (2012 – 2016)

Notes: Figures are in constant 2017 dollars. “CRA – small loans” in the legend refers to loans reported to CRA because they are under $1 million in size; while “CRA – small businesses” refers to loans to businesses with less than $1 million in revenues. We do not include 384 tracts in our calculations because there are too few industrial jobs in these tracts.

Assuming that more businesses in communities of color are owned by people of color, these results are consistent with findings of a small business owner survey conducted by Next Street and the Community Reinvestment Fund in Chicago (2019). The study found that businesses owned by people of color applied for smaller loan amounts and had less success obtaining financing.

Neighborhood patterns. Maps of CRA and SBA lending by neighborhood indicate that lending activity is concentrated around the Downtown and North side of Chicago, as can be seen in the Investment Atlas. They also reveal clearly that many tracts on the South and West side do not have enough small business activity for us to reliably calculate a capital gap measure. When looking purely small business capital flows, however, we see that activity in these communities is quite limited.

Mission and Federal Investment Flows

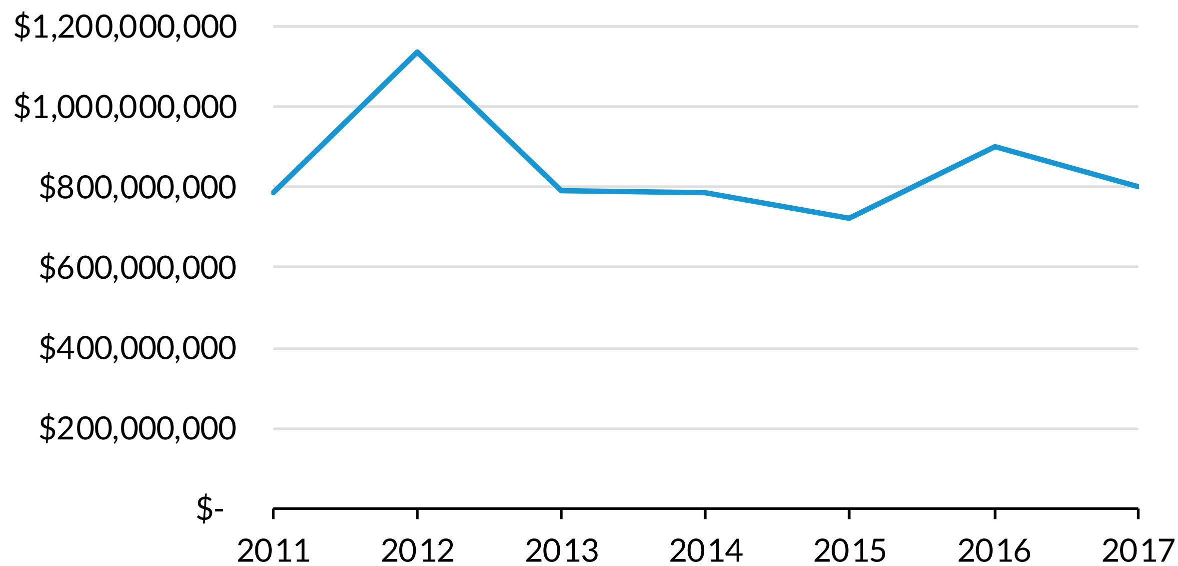
Mission and federal investment flows are indicators of the level of social sector commitment to Chicago and its neighborhoods. They are also affected by broader trends in government funding, philanthropic giving, and other forms of support for social sector organizations.

“Mission-driven” actors include CDFIs, faith-based organizations, government agencies, and philanthropies. Our analysis does not capture the full range of activities these organizations conduct. Rather, we report on loans made by mission-driven entities. “Mission lending” activity also includes investments made pursuant to the New Markets Tax Credit (NMTC) program. Federal grant programs are discussed after mission lending.

Citywide investment trends. Mission lending spiked during 2012, but has otherwise remained fairly flat in Chicago during the time period we studied.

FIGURE 12

Mission Lending



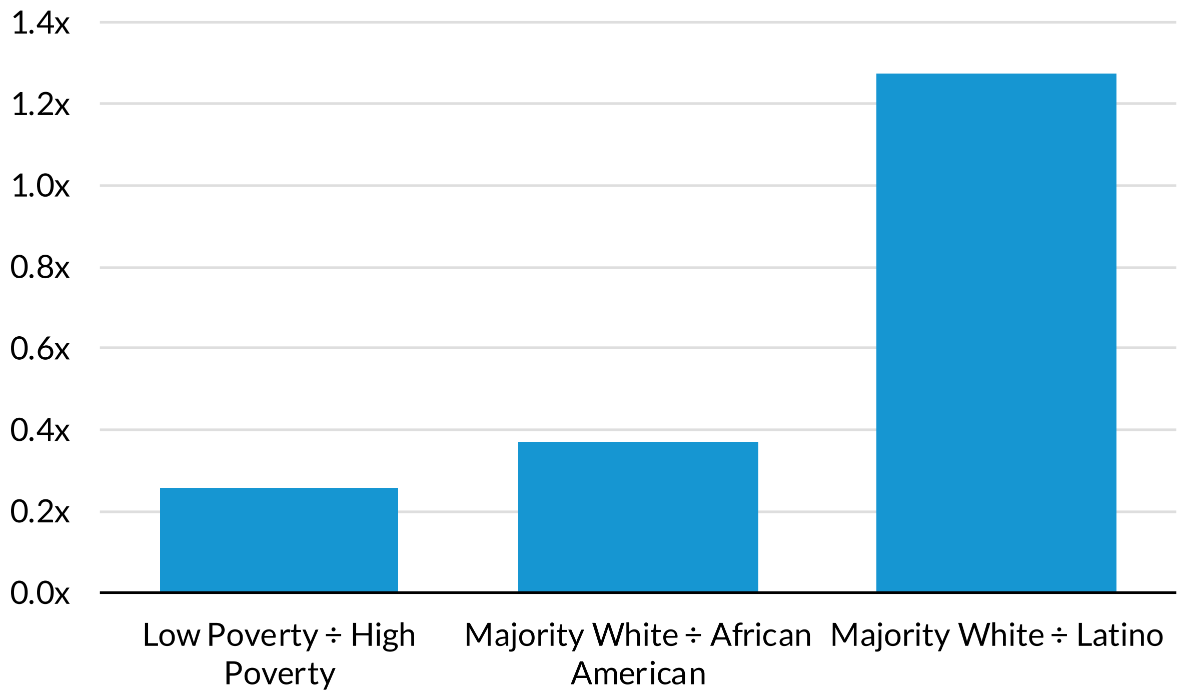
Source: CDFI Fund; CoreLogic; Opportunity Finance Network
Notes: Figures are in constant 2017 dollars.

Investment by race and poverty. We scale mission lending by the number of households in a census tract to make comparisons of investment trends by poverty level and racial/ethnic composition. Mission lending is distributed much more progressively than any of the market investment flows presented earlier in this report.

- High-poverty neighborhoods receive almost 4 times the mission lending of low-poverty neighborhoods at the median. Note that the resulting "investment disparity ratio" is 0.25, as we calculate the ratio with low-poverty tracts in the numerator and high-poverty tracts in the denominator.
- Majority African-American neighborhoods receive 2.7 times the mission lending of majority white neighborhoods at the median, for an investment disparity ratio of 0.37.
- We find, however, that majority Latino neighborhoods do not fare as well as majority white neighborhoods. The median majority white neighborhood receives 1.3 times the mission lending of the median majority of Latino neighborhood.

FIGURE 13

Investment Disparity Ratio for Mission Lending (at Median)



Sources: CDFI Fund; Opportunity Finance Network; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars.

Community development financial institutions are an important source of mission lending to neighborhoods. We find that non-NMTC CDFI lending is even more progressively distributed than mission lending overall. High-poverty census tracts receive 13.6 times the non-NMTC CDFI lending of low-poverty tracts. Majority African-American census tracts receive 8.4 times the non-NMTC CDFI lending of majority white tracts, and majority Latino tracts receive 2.4 times the CDFI lending of majority white tracts.

Federal Investment Flows. We obtained data on the dollar value of investments into Chicago's neighborhoods from a variety of federal community development programs, including allocations of Low Income Housing Tax Credits, Community Development Block Grants, the HOME program, HUD operating subsidies to public and assisted multifamily housing, Choice Neighborhoods Awards, and Housing Choice Vouchers. We find that these investments are very heavily concentrated in high-poverty and majority non-white neighborhoods. The median majority white neighborhood, in fact, receives zero dollars in investment from 2011-17 across these sources, as does the median low-poverty neighborhood. By comparison, the median high-poverty neighborhood receives $1,752 annually per household, and the median majority African American neighborhood receives $1,678 annually per household.

On one hand, it seems logical, even laudable, to target scarce federal community development dollars to neighborhoods that have trouble accessing other forms of capital. However, a limited amount of affordable housing investment in low-poverty and majority white neighborhoods is concerning, in that it may serve to reinforce patterns of economic and racial segregation in the city.

Neighborhood patterns. Mission lending is most concentrated in the North and South sides of the City. The West side of Chicago has, by and large, received fewer mission investments. As shown in the federal investment map, these capital sources are very heavily deployed on the West and South sides of the City.

Gentrification and Investment

In areas where investment occurs, it is reasonable to ask whether that investment is also accompanied by gentrification—that is, a demographic change in the neighborhood towards higher-income, higher-educated, and white residents, often accompanied by an increase in real estate values. We use several indicators from decennial census and American Community Survey data to assess whether gentrification may have occurred.[17] These include changes between 2000 and 2016 across the following: Percentage point change in the share of residents with a bachelor's degree or higher; Dollar change in median family income; Percentage point change in the share of non-Hispanic white residents; Change in average housing burden, a composite measure of change in median home value and change in median gross rent, both divided by the change in MSA median household income.

Note that gentrification is not always accompanied by displacement (the loss of low-income residents), and we do not evaluate neighborhoods for whether displacement has occurred. We combine the indicators above into a single, standardized measure, and then defined as "gentrifying" any census tract that scored at least 1 standard deviation above the national mean for this measure of gentrification.

We then compared investment trends in these gentrifying areas to other census tracts in Chicago:

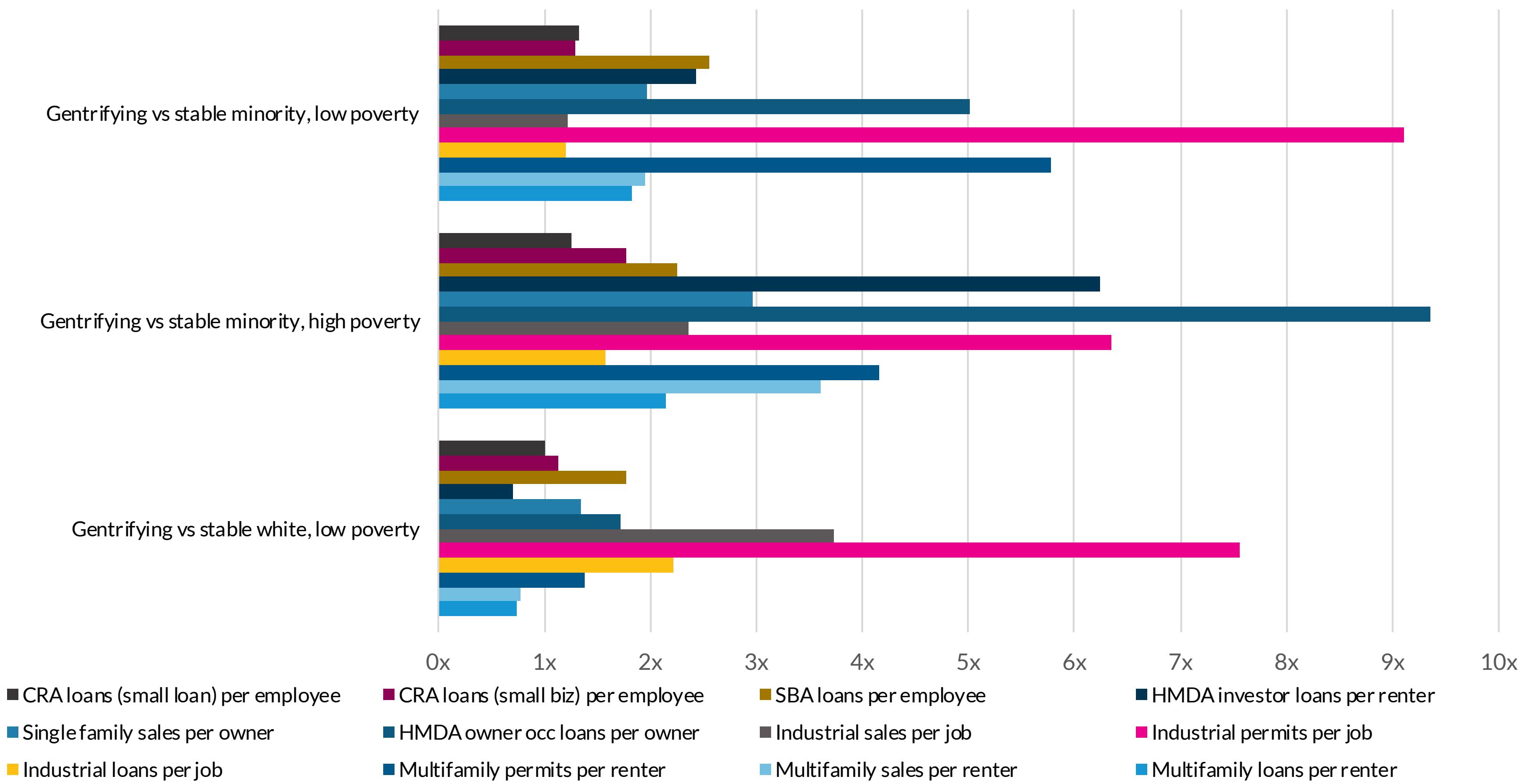
- "Stable" (non-gentrifying) tracts with a majority white population and low poverty rates (under 20 percent);

- Stable (non-gentrifying) tracts with a majority population of color and high poverty rates (20 percent or higher); and
- Stable (non-gentrifying) tracts with a majority population of color and low poverty rates.[18]

As seen in the figure below, gentrifying neighborhoods receive more investment than stably white, low-poverty neighborhoods along most categories of investment. And, more pronounced, gentrifying neighborhoods receive significantly more market investment than stable neighborhoods of color (regardless of their poverty status).

FIGURE 14

Market Investment Disparity Ratio: Gentrifying Tracts Versus Other Neighborhood Types (at Median)

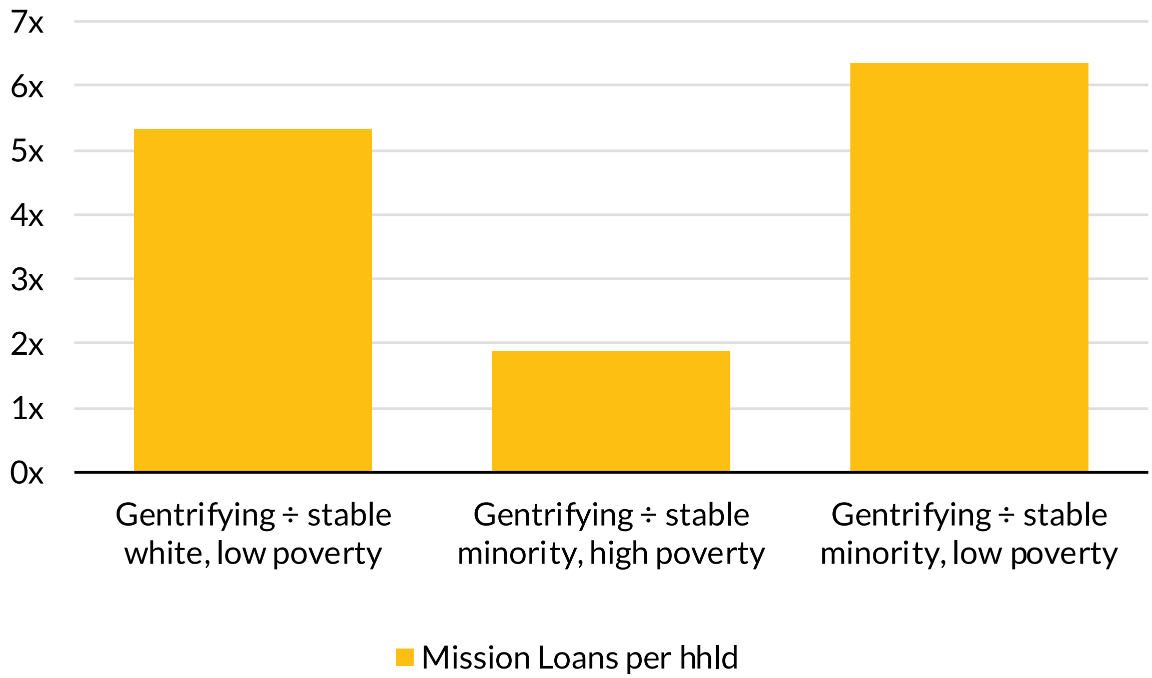


Sources: CDFI Fund; CoreLogic; Community Reinvestment Act; Home Mortgage Disclosure Act; Opportunity Finance Network; Record Information Services; Small Business Administration; US Census Bureau, American Community Survey (2012 – 2016)

Notes: Figures are in constant 2017 dollars.

FIGURE 15

Mission Investment Disparity Ratio: Gentrifying Tracts Versus Other Neighborhood Types (at Median)



Sources: CDFI Fund; Opportunity Finance Network; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars.

It turns out that mission lending also goes disproportionately to gentrifying neighborhoods. In the chart above, mission lenders make 5.3 times the loan volume per household to the median gentrifying census tract than they do to the median stably white, low-poverty tract. However, this finding is not so surprising. One would not expect CDFIs to focus their lending in white, low-poverty tracts. On the other hand, it is also notable that mission lenders also make 1.9 times the amount of loans per household to gentrifying census tracts than they do to stable minority, high-poverty tracts at the median.

Taken as a whole, the data appear to suggest that when investment does reach neighborhoods of color, it usually co-occurs with gentrification. Our data are insufficient to address the question of whether that dynamic is good or bad, for example, whether mission lenders are helping incumbent residents and businesses remain in place versus not. Some CDFI efforts are predicated on preserving access to neighborhoods for existing residents (Reynolds, Edmonds, and Poethig 2019).

The glaring exception to this rule, however, is public community development funding (such as HUD funding and Low-Income Housing Tax Credits). Stably majority non-white, high-poverty neighborhoods receive 3.6 times the public community development funding per household as gentrifying neighborhoods. In other words, public community development funding does not appear to be associated with gentrification. Additionally, the median stably-white, low-poverty neighborhood receive no public community development funding.

Investment in Opportunity Zones

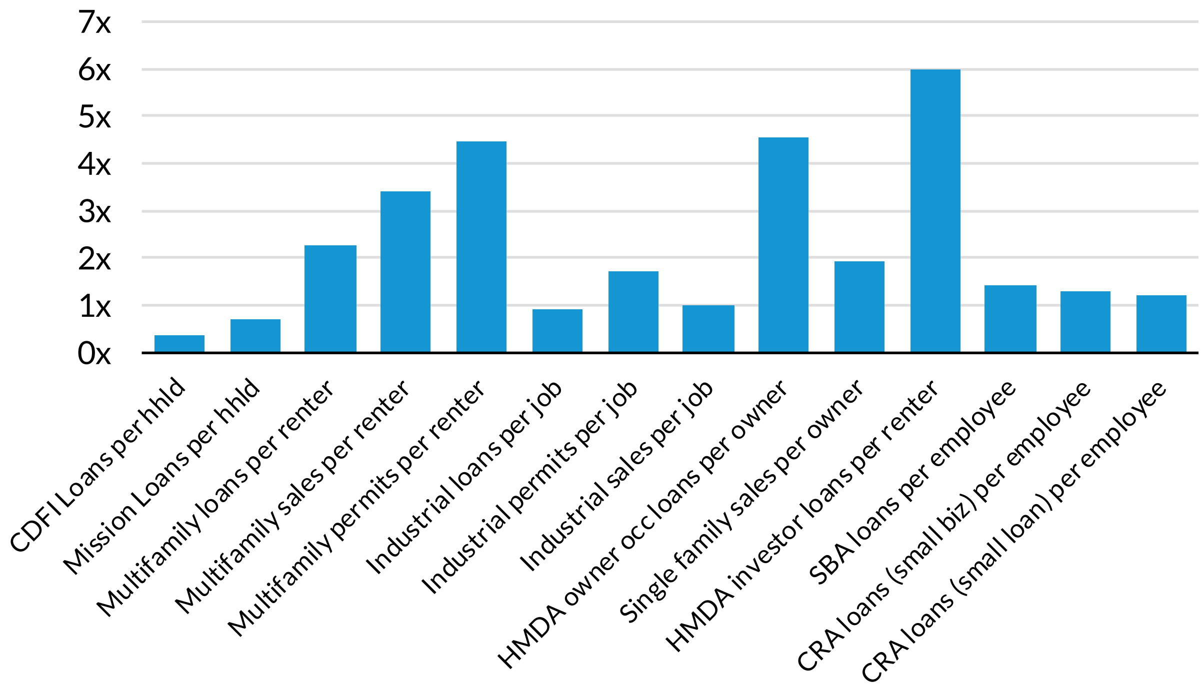
The new federal Opportunity Zones program is intended to address issues of unequal access to capital by incentivizing investment in disadvantaged census tracts. Specifically, the program provides tax advantages for taxpayers who re-invest capital gains into real estate or other businesses within designated Opportunity Zone tracts. In Chicago, 603 census tracts were eligible for designation and 198 were ineligible. The State of Illinois subsequently proposed and the Department of the Treasury designated 135 of the eligible tracts as Opportunity Zones. We detail capital flows into Opportunity Zones in this section; for a more thorough treatment of Chicago and Cook County's Zones as well as how public and philanthropic actors can support equitable development, see Theodos and Meixell 2019.

We find that census tracts eligible for designation as Opportunity Zones do, indeed, exhibit symptoms of a lack of access to capital when compared to ineligible tracts. Depending on the indicator studied, we find that ineligible tracts receive anywhere from 1.3 times to 6 times the private market investment of eligible tracts during 2011-2017. Industrial lending is an exception where eligible tracts receive modestly more investment than ineligible ones.

Mission investors also favors Opportunity Zone-eligible tracts. As show in the figure below, the median Opportunity Zone ineligible tract receives 37 percent of the CDFIs investment that the median eligible tract does. Or, said differently, the median Opportunity Zone eligible tract receives 2.7 times the CDFIs investment that the median ineligible tract does. For mission lending, the median Opportunity Zone ineligible tract receives 71 percent of the investment that the median eligible tract does, meaning that eligible tracts get 1.4 times the mission lending that ineligible tracts do at the median. Moreover, the median ineligible tract receives no investment from the federal community development sources we tracked (such as HUD funding and Low-Income Housing Tax Credits).

FIGURE 16

Market Investment Disparity Ratio: Opportunity Zone-ineligible Tracts Divided by Opportunity Zone-eligible Tracts (at Median)

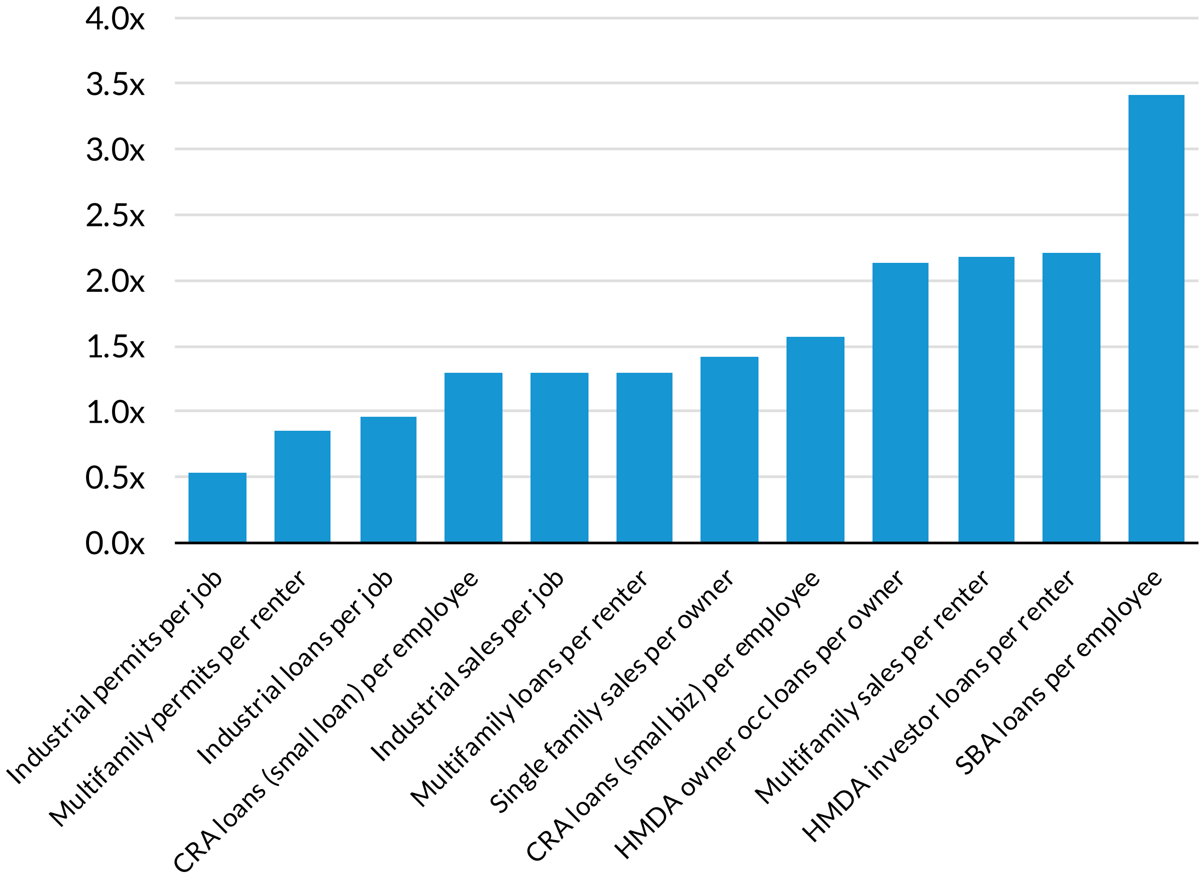


Sources: CDFI Fund; Community Reinvestment Act; CoreLogic; Home Mortgage Disclosure Act; Opportunity Finance Network; Record Information Services; Small Business Administration; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars.

In Chicago, we also find that the tracts actually designated as Opportunity Zones receive less market investment than tracts which were eligible but were not designated. For example, eligible-but-not-designated tracts receive 3.4 times the SBA lending and 2.1 times the HMDA-reported lending to owner-occupants of designated Opportunity Zones. The exceptions are industrial and multifamily construction and rehab activity. Designated Opportunity Zones receive 2.7 times the mission lending, 3.1 times the CDFI lending, and 3.8 times the public community development funding of eligible tracts that were not designated.

FIGURE 17

Market Investment Disparity Ratio: Opportunity Zone-Eligible, Non-Designated Tracts Divided by Designated Opportunity Zones (at Median)



Sources: CoreLogic; Community Reinvestment Act; Home Mortgage Disclosure Act; Record Information Services; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars.

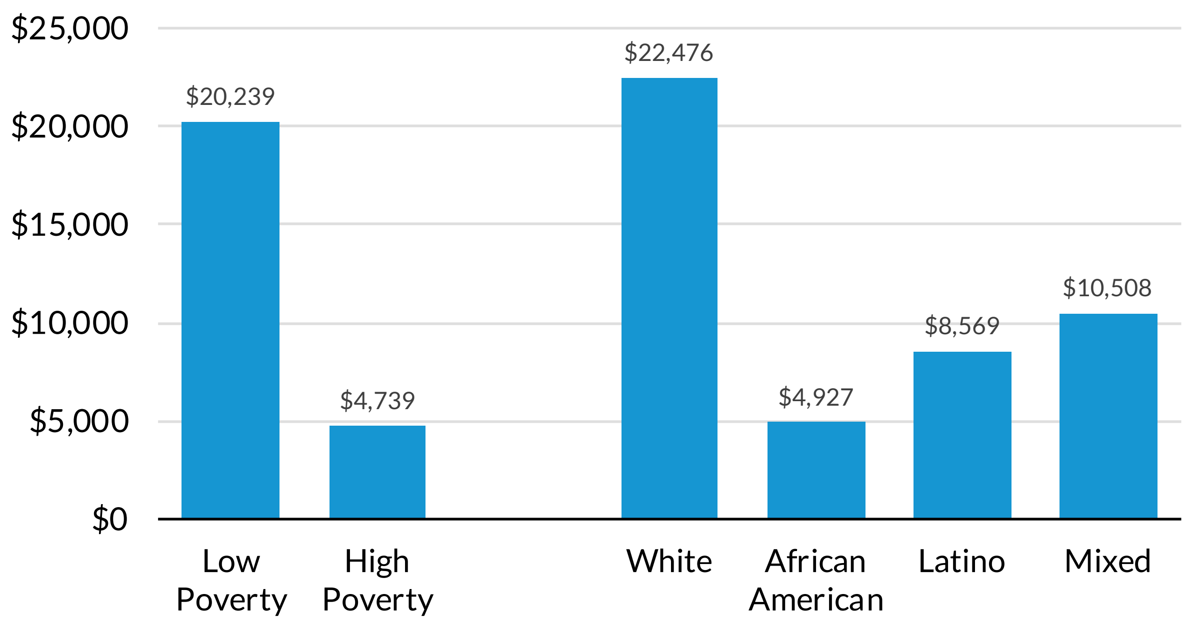
Putting the Pieces Together

We observe a consistent pattern in which market sources of investment—such as home mortgages, small business loans, and commercial real estate investment—flow disproportionately to white and low-poverty neighborhoods. The combined effect on capital flows is that low-poverty neighborhoods receive 4.3 times as much market investment per household as high-poverty neighborhoods at the median. Moreover, the median majority white neighborhood receives 4.6 times as much market investment per household as the median majority African American neighborhood, and 2.6 times as much investment as the median majority Latino neighborhood.

Below, we present the raw numbers: private market actors invested an average of $20,239 per household in low-poverty neighborhoods every year from 2011 to 2017, compared to just $4,739 per household in high-poverty neighborhoods at the median. Similarly, private market actors invested $22,476 annually per household in the median majority white neighborhood, compared to just $4,927 per household in the median majority African-American neighborhood and $8,569 per household in the median majority Latino neighborhood.

FIGURE 18

Average Annual Market Investment per Household (at Median)

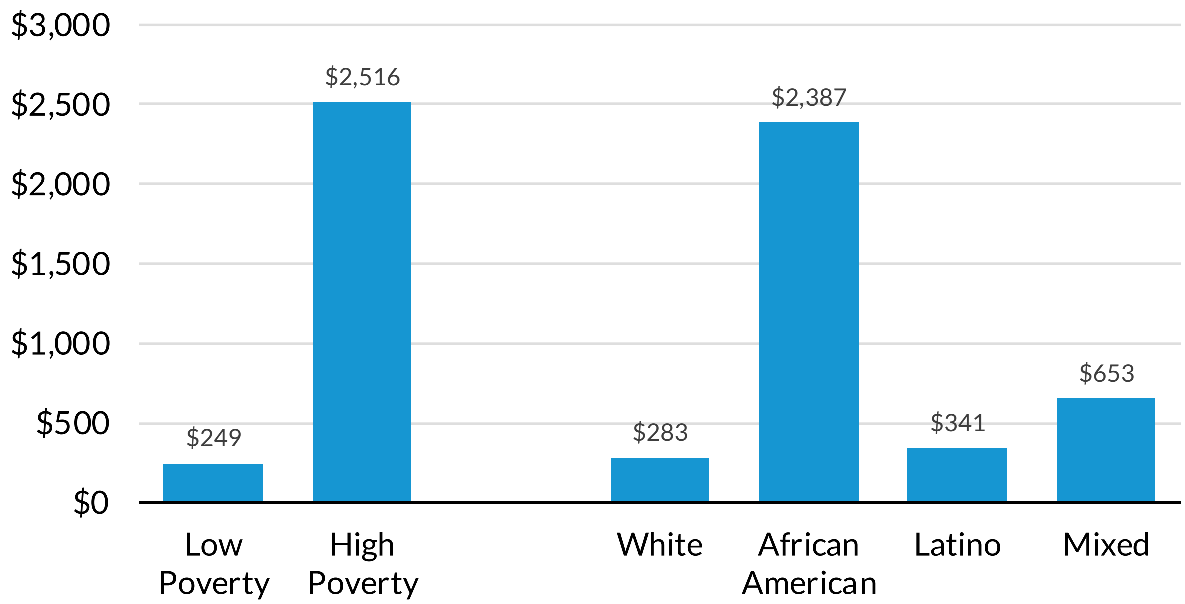


Sources: CoreLogic; Community Reinvestment Act; Home Mortgage Disclosure Act; Record Information Services; Small Business Administration; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars.

Public and mission-driven investment sources flow the opposite way: public and mission-driven actors have invested 10 times more per household in high-poverty neighborhoods than they have in low-poverty neighborhoods at the median.

FIGURE 19

Average Annual Mission Investment per Household (at Median)



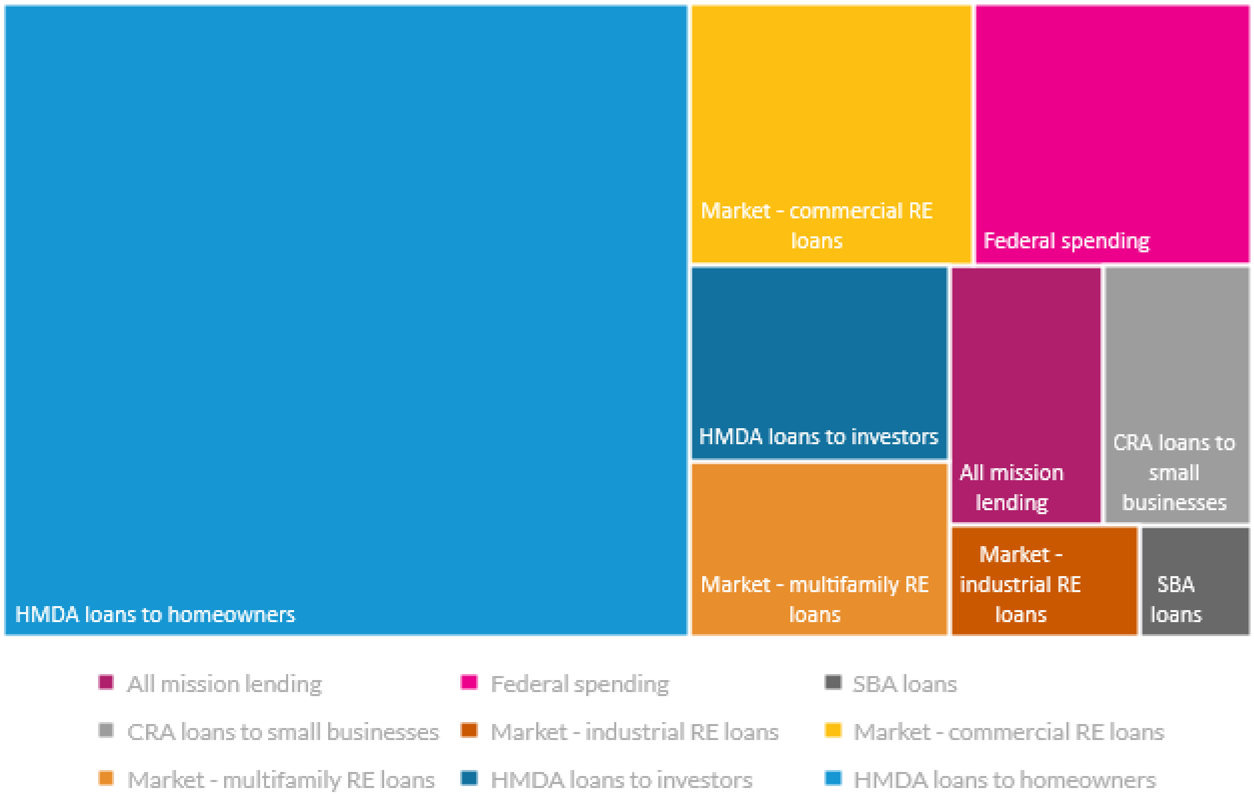
Sources: CDFI Fund; Opportunity Finance Network; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars.

While mission lending flows are much more progressively distributed than market lending activity, it is important to note that their volume is quite small compared to the level of market activity. From 2011-17, market sources provided $67 billion of lending capital, between commercial, industrial, and multifamily real estate loans and CRA small business and HMDA-reported single-family lending. This figure compares to $4.0 billion of mission lending over the same time period. (Of this latter amount, CDFIs accounted for $1.9 billion).

Market investment sources are so much larger, that mission investments only do a little to stem the problem. After all investments are taken into account, majority white neighborhoods still receive 2.9 times as much investment as majority African American neighborhoods. Moreover, the concentration of some kinds of public community development investments in high-poverty neighborhoods and neighborhoods of color —in particular, affordable housing funding—may not always be a good thing, insofar as it could reinforce patterns of racial and economic segregation. An additional dynamic worth further study is that mission lending investments appear to be associated with some level of neighborhood gentrification, although we cannot say whether that gentrification is associated with displacement, or is a positive reflection of investment helping to create and retain economic diversity.

FIGURE 20

Aggregate Lending in Chicago, 2011-17



Source: CDFI Fund; Community Reinvestment Act; CoreLogic; Home Mortgage Disclosure Act; Opportunity Finance Network; Small Business Administration; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars.

Concluding Thoughts

The investment disparities presented in this report are sobering. And while they are striking, and merit urgent and robust attention, they are not altogether different from the investment trends we have seen in Detroit and Baltimore—two other hyper-segregated cities.

What then can be done? This is not principally a solutions document, though we offer a few thoughts, questions, and would also refer to other's work on the Chicago capital ecosystem (Hacke et al. 2016; Boston Consulting Group 2019 [19]). We note first that Chicago has grown an exceptional community development and mission finance infrastructure. And yet, the sums these sources are investing are still small relative to market capital flows, and many neighborhoods are not adequately served by either mission or mainstream finance. It will be necessary to grow and deepen the mission finance sector, but mainstream capital must also be drawn into a broader set of neighborhoods.

In developing a specific strategy set, it will be necessary to explore what systemic weaknesses exist in the “development ecosystem” that is needed to generate investable projects and businesses in areas receiving low investment. We offer several matters for strategic consideration.

- Is there a need for greater technical assistance to developers, business owners, landlords, homeowners or other investees to help them get ready to access market capital?
- How do business owners, landlords, homeowners and other potential investees view the current opportunities for capital available to them? Do they need better information, more encouragement, or more confidence in neighborhood market conditions to use financial tools that may already be available?
- Do market investors need better information about the market opportunities and risks in low-investment areas? Is better information needed to support stronger appraisals for property in low-investment neighborhoods?
- Are there regulatory barriers to getting more investment in under-invested areas? For example, are there overly stringent requirements for rehabilitation of older buildings? Are additional resources or new approaches needed to facilitate investment in brownfields?
- Conversely, are new regulations or stronger regulatory enforcement needed to drive more market investment in under-invested areas? Do anti-discrimination regulatory practices need to be strengthened?
- Are greater credit enhancements or other “carrots” needed to stimulate market investment in under-invested neighborhoods?
- Are targeted efforts needed to stimulate specific neighborhood markets and build investor confidence in them, before moving on to the next neighborhood?
- What additional mission investing products could help to address unmet capital needs in high-poverty neighborhoods and neighborhoods of color? Are more flexible financing mechanisms needed for the smaller investment opportunities that might typically be found in higher-poverty neighborhoods? Are affordable equity capital or subordinate debt mechanisms needed? Are new products needed to provide affordable financing with flexibility around loan-to-value, debt-to-income, or credit score requirements?

- How can capitalization of the mission investing sector be built up to deliver a greater counterweight to the disparities seen with market investing? Can community development actors collaborate to increase their visibility and access to capital? Are new investment vehicles needed that could facilitate placement of investor capital in mission-oriented funds? What incentives or credit enhancements are needed? How can Opportunity Zones incentives help to support additional capitalization of mission-oriented funds?
- What dynamics are occurring on Chicago's West Side that must be addressed to increase both mission and market investing?
- Finally, what policy changes are needed to more evenly distribute federal affordable housing investments around the City, including generating more affordable housing in low-poverty areas?

As illustrated by these questions, action is needed at multiple levels from multiple parties. Not all of the burden sits locally. At the federal level, we need a more robust and modernized CRA, more funding for CDFIs via the CDFI Fund, and a better targeted Opportunity Zone incentive. Funding for the Community Development Block Grant is now just 22 percent of its peak, and the HOME program is just 40 percent of its peak, while the need has not diminished (Theodos, Stacy, and Ho 2017).

Local government and Chicago's strong philanthropic sector have key roles to play in supporting mission lenders. This includes creating flexible subsidy financing sources for smaller projects, making more capital available for subordinate debt, and helping build equity-capital vehicles devoted to community benefit. Efforts like Benefit Chicago and other place-based investing strategies are valuable, and will need to be scaled (Ashley and Ovalle 2018). Investing in capacity building and technical assistance is key too. For example, an effort to grow and expand is the City's Neighborhood Opportunity Fund which helps prepare entrepreneurs of color in business planning, site acquisition, and capital access.[20]

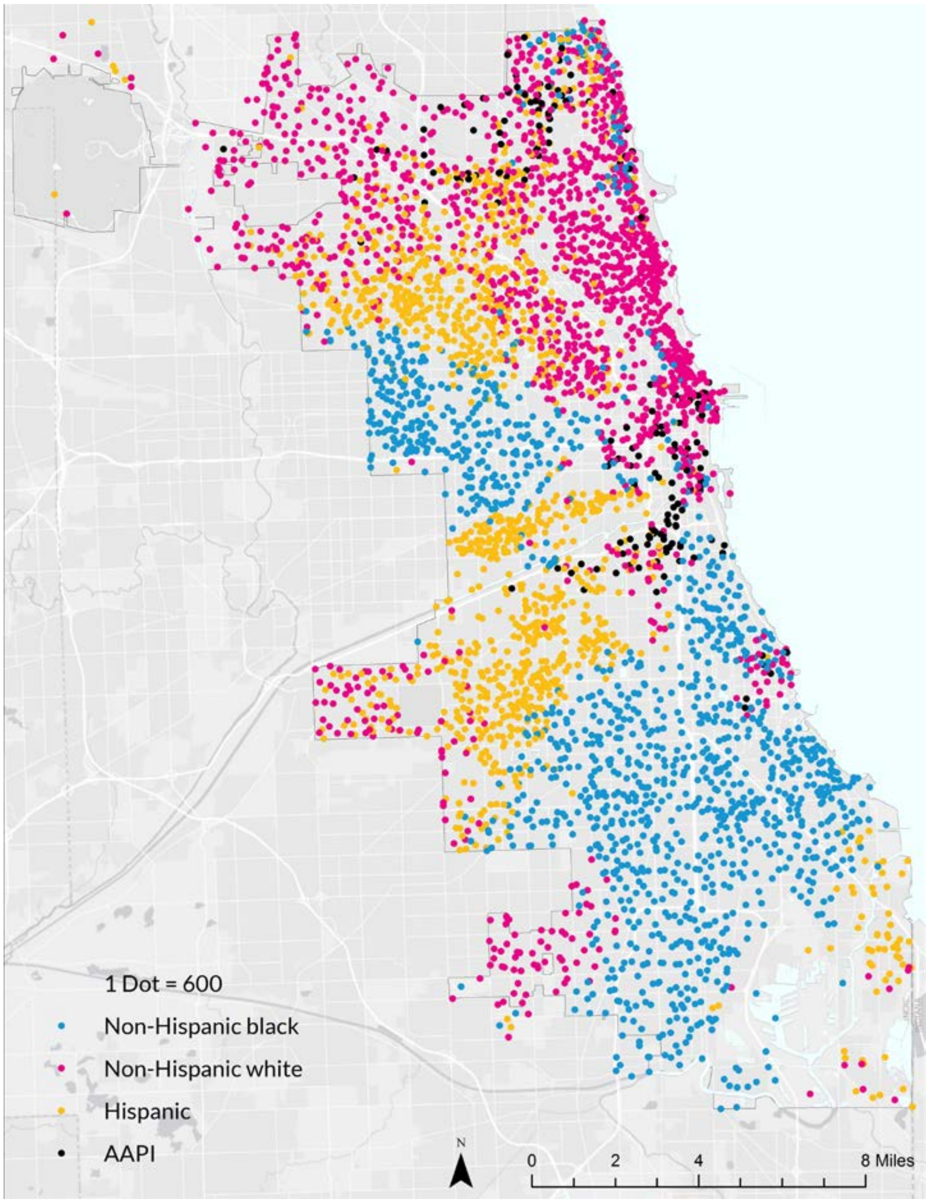
Efforts beyond financial supports will be needed, and while we cannot do the full scope justice, it is important to consider many other dimensions and how they relate to community investment trends. This includes addressing discrimination, growing equitable transit and infrastructure, reconsidering where affordable housing is located, and adequately investing in human capital development.

In sum, high-poverty neighborhoods and neighborhoods of color are being starved of private market capital. There are many reasons for this, including that project sizes are smaller and market rents are lower in these communities. But while the city as a whole has been gaining ground since the recession ended, white and non-poor neighborhoods receive many times over the investment that goes to neighborhoods of color and poor neighborhoods. When investment does reach neighborhoods of color, the data suggest that such investment usually co-occurs with gentrification of the neighborhood. While mission-driven and public sources are directed to such neighborhoods, those investment sources are not currently adequate to create a level playing field. Extensive and sustained public and private action will be required to generate financial opportunities for all of Chicago's neighborhoods.

Investment Atlas

FIGURE A.1

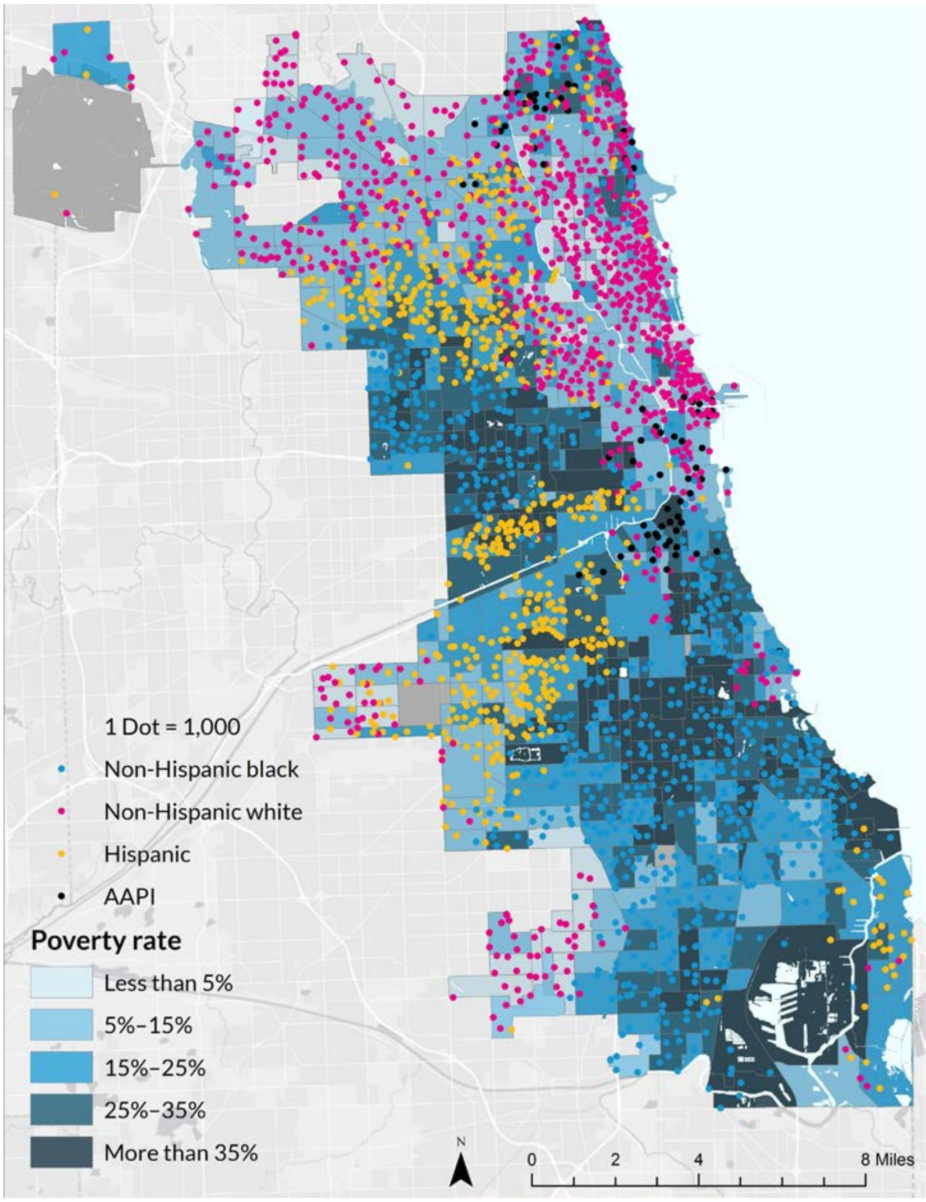
Population Distribution of Residents by Race or Ethnicity



Source: US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

FIGURE A.2

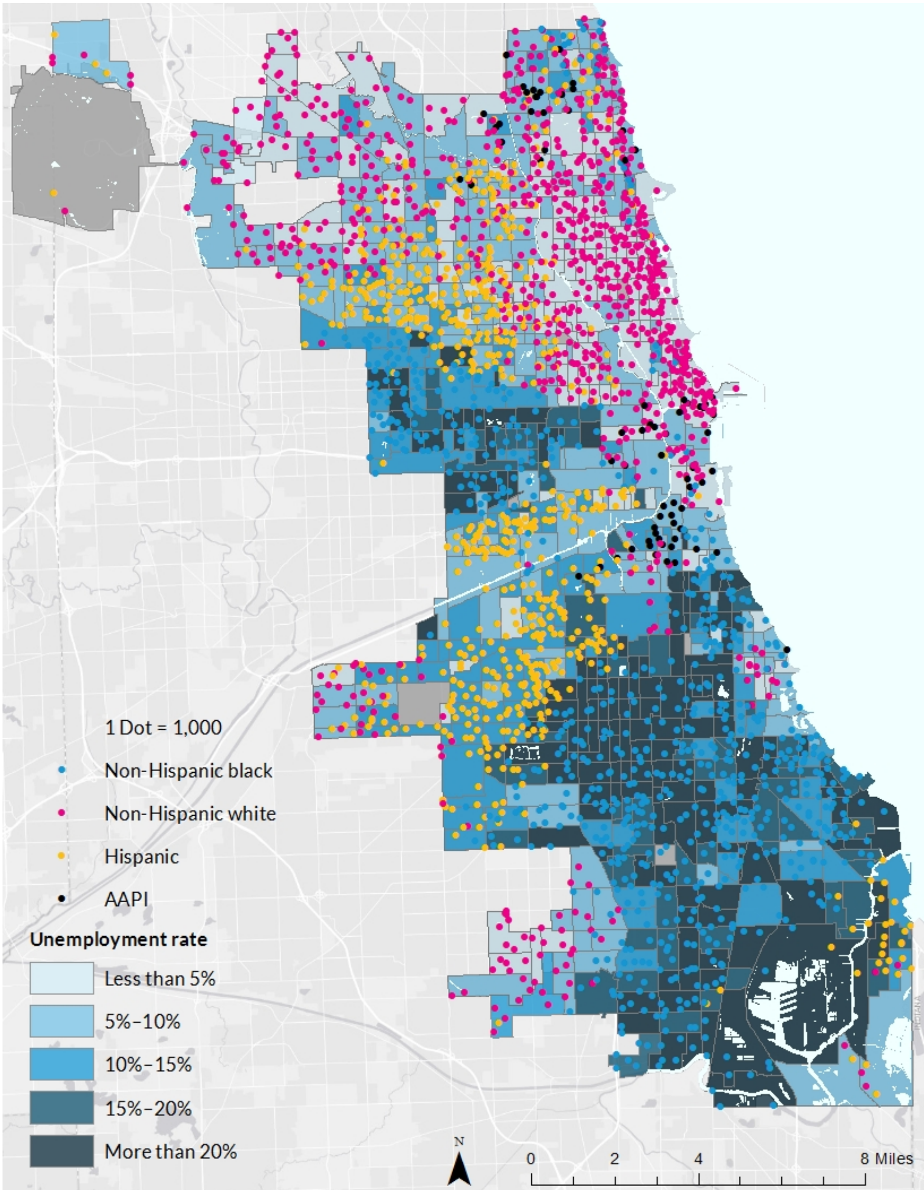
Population Distribution of Residents by Race or Ethnicity and Poverty Rate



Source: US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

FIGURE A.3

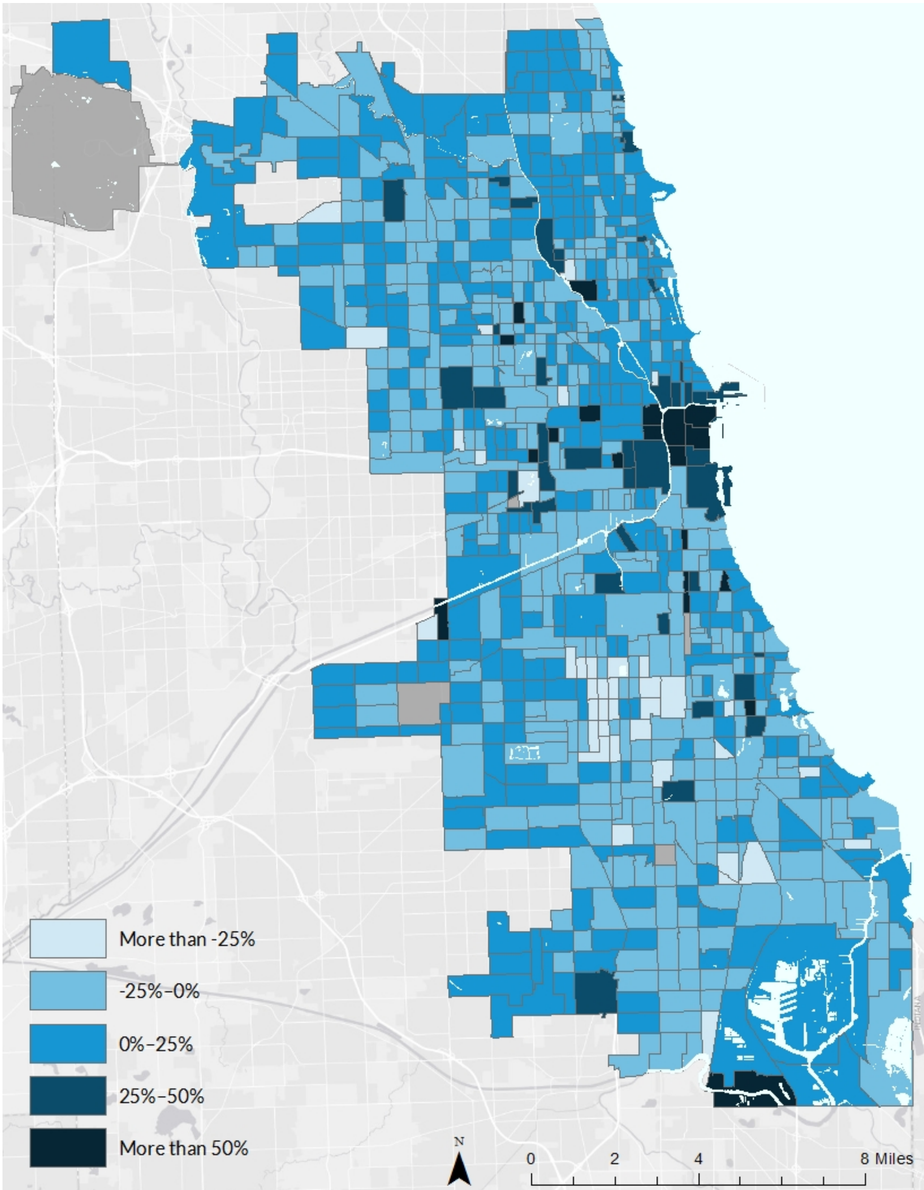
Population Distribution of Residents by Race or Ethnicity and Unemployment Rate



Source: US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

FIGURE A.4

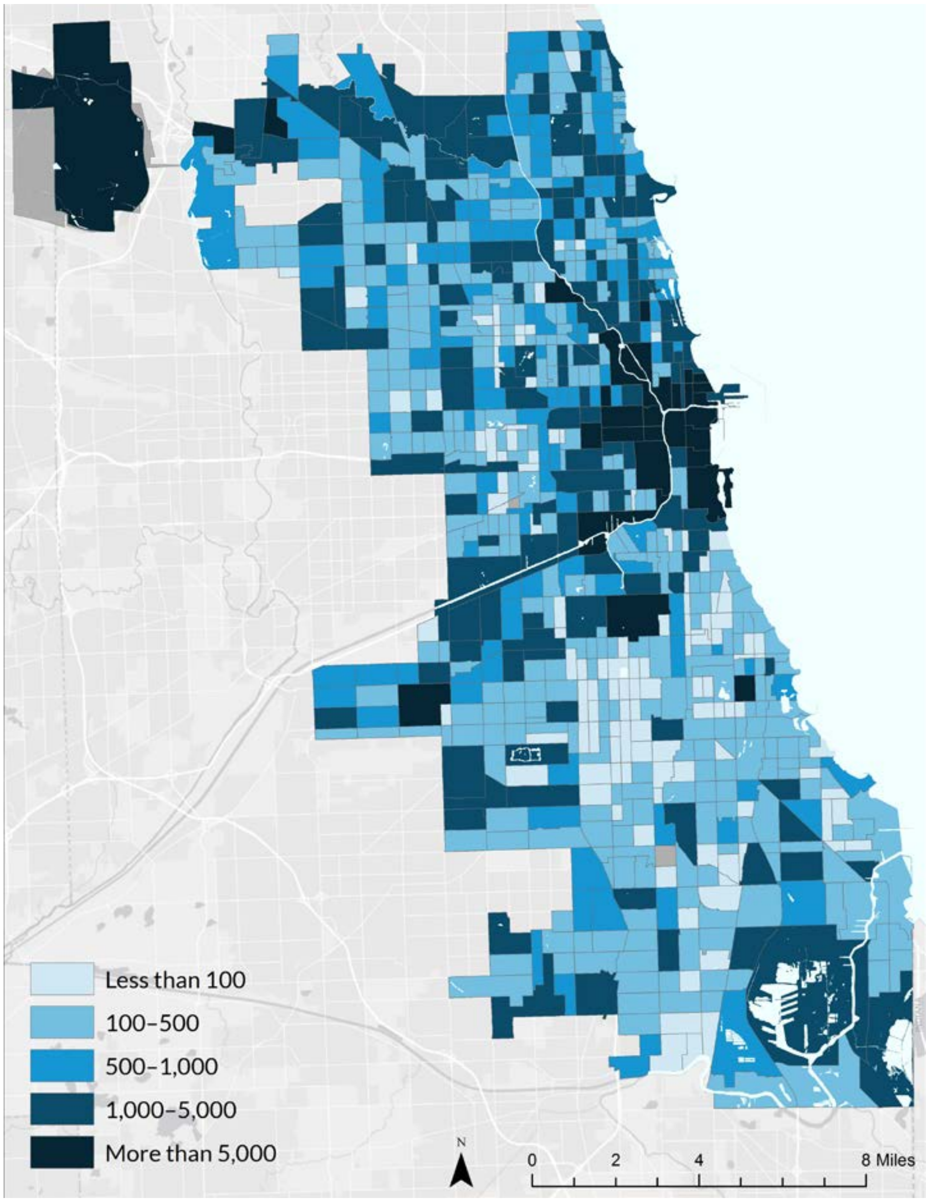
Population Change Between 2010 and 2017



Sources: US Census Bureau, American Community Survey (2006-10 and 2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

FIGURE A.5

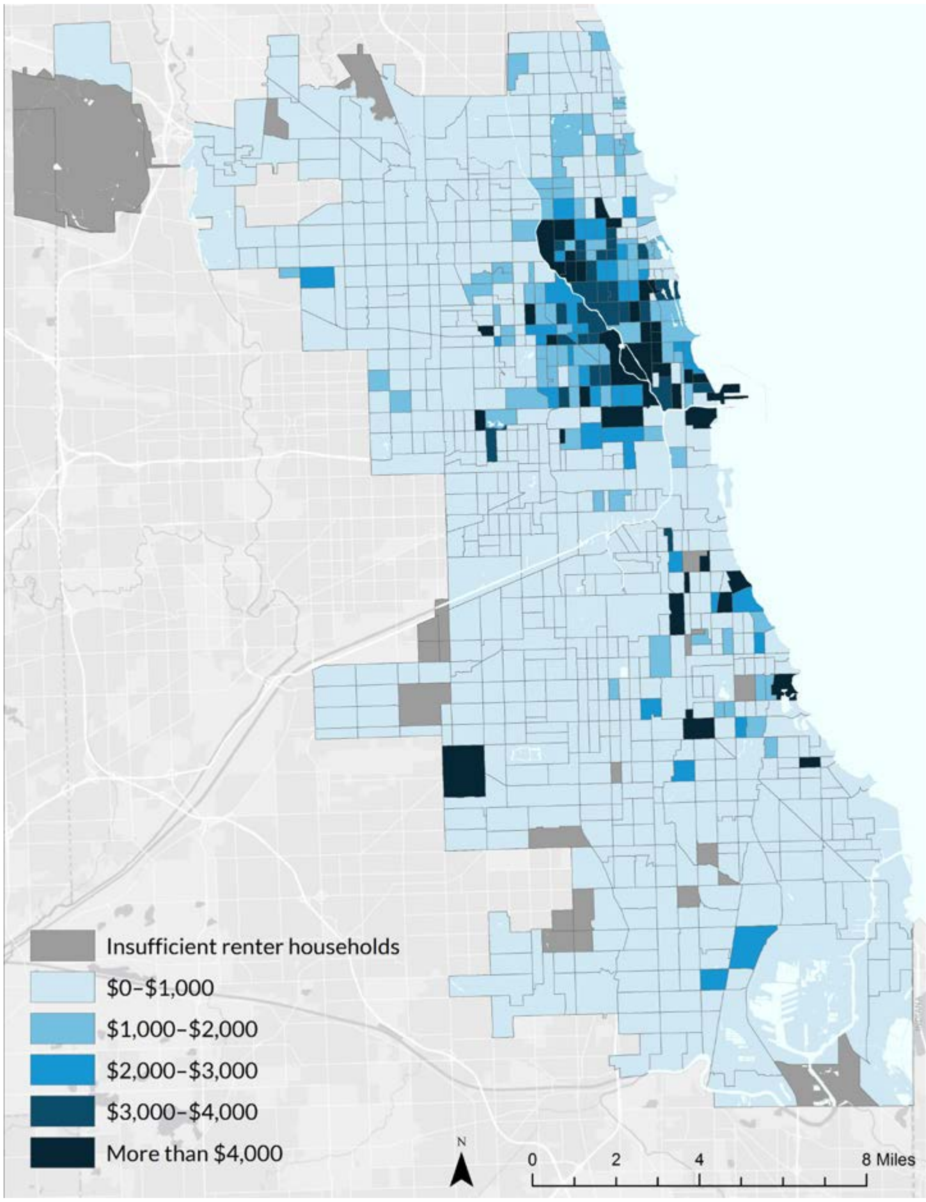
Average Annual Jobs, 2013-15



Source: Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics 2013-15; Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.6

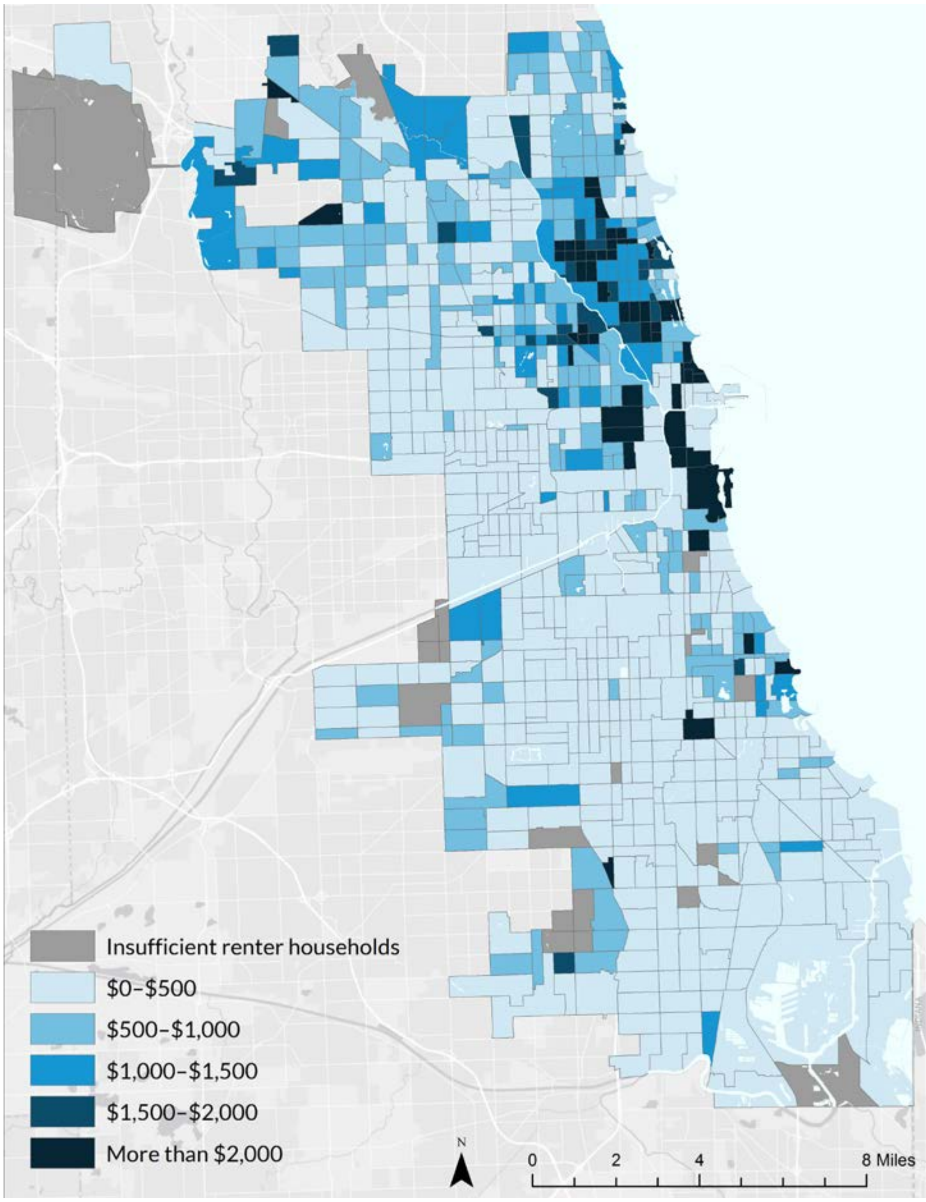
Average Annual Multifamily Construction, Rehab, and Demolition Volume Per Renter Household, 2011-17



Sources: City of Chicago Department of Buildings; US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.7

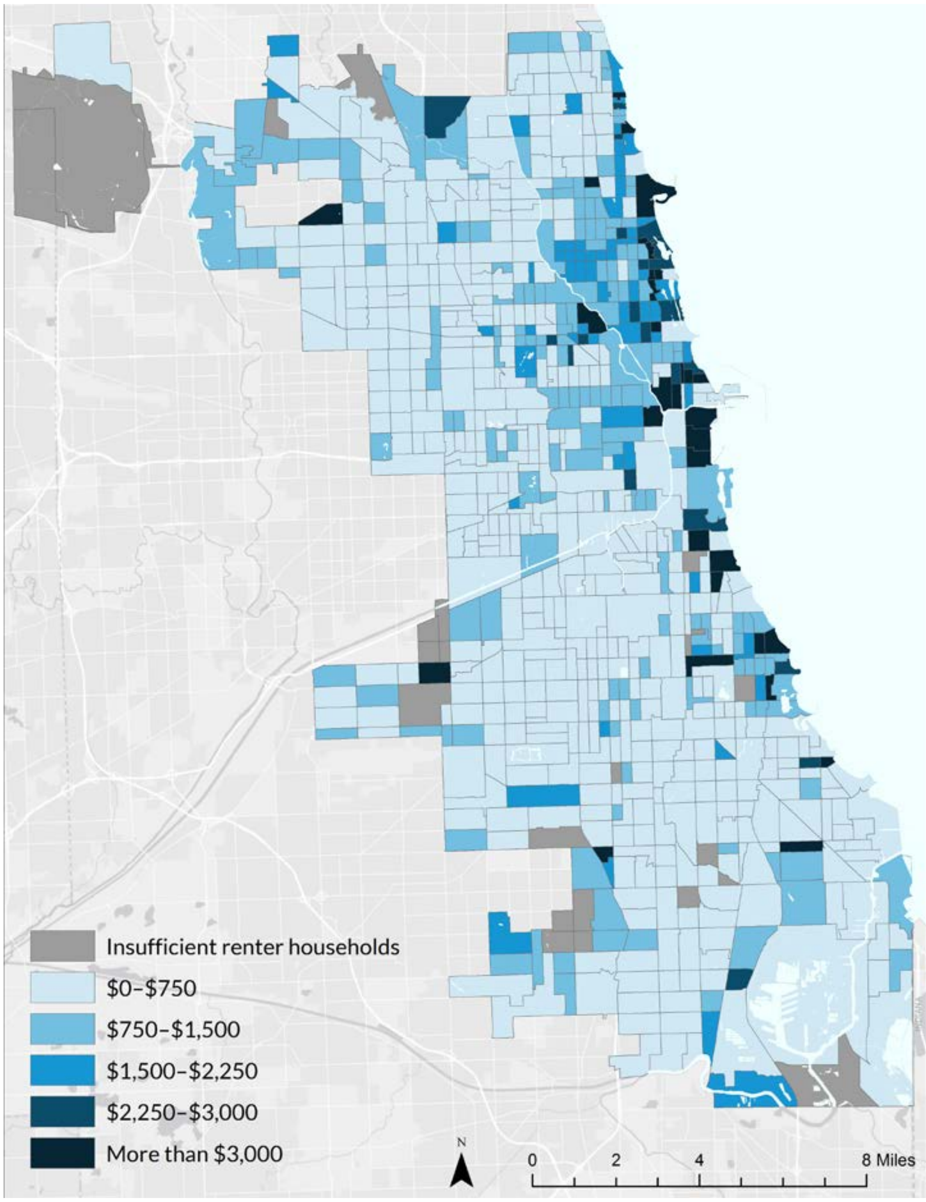
Average Annual Multifamily Sales Volume per Renter Household, 2011-17



Sources: CoreLogic; US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.8

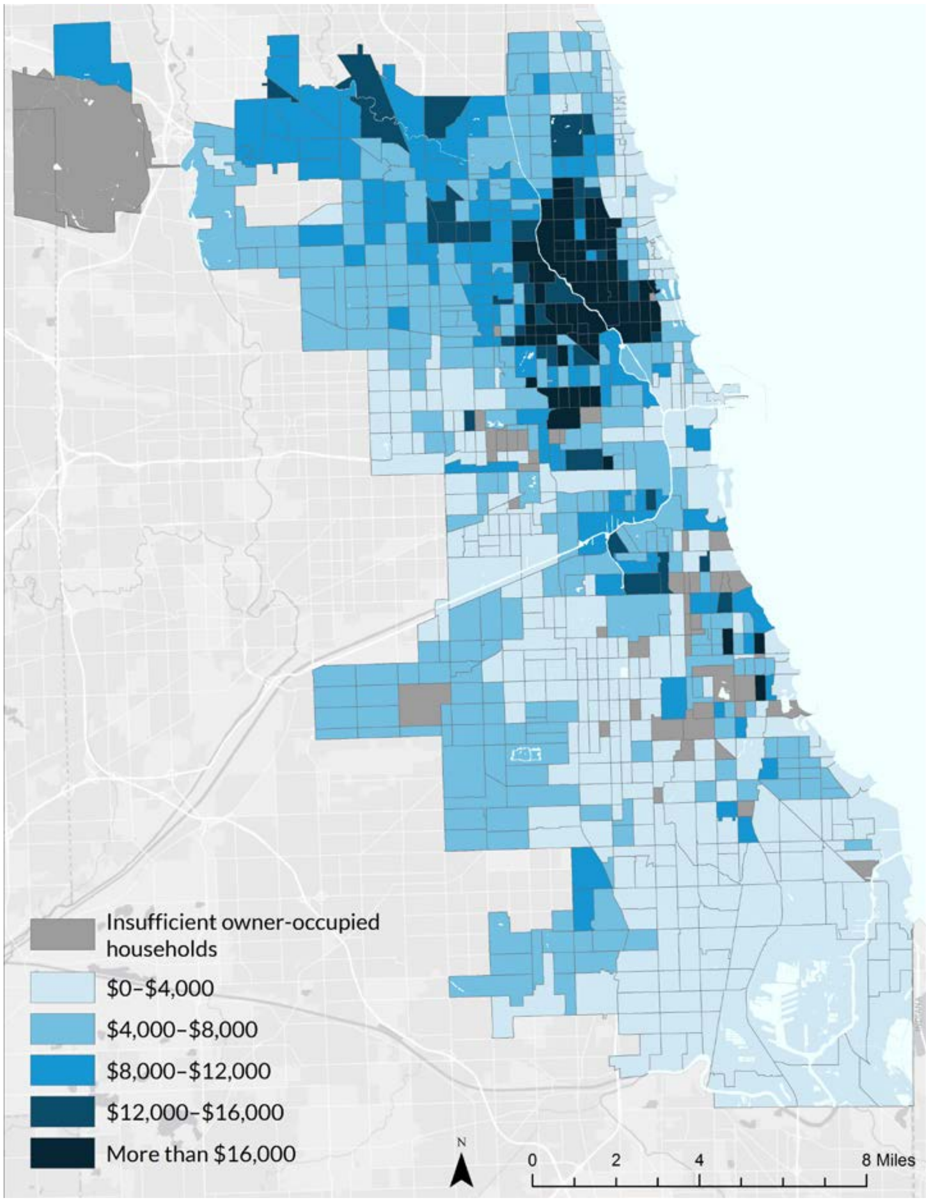
Average Annual Multifamily Loan Volume per Renter Household, 2011-17



Sources: CoreLogic; US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.9

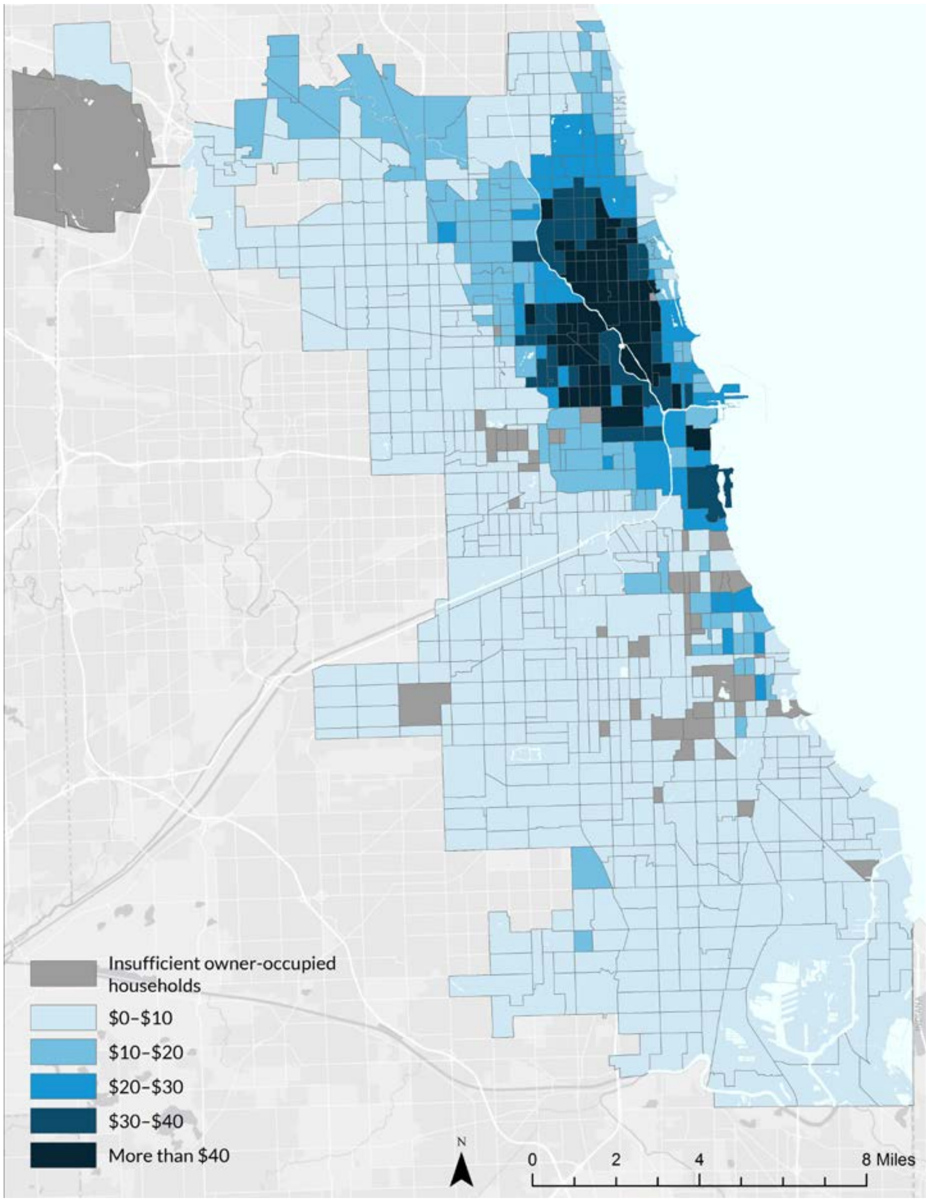
Average Annual Single-family Sales Volume per Owner-occupied Household, 2011-17



Sources: Record Information Services; US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.10

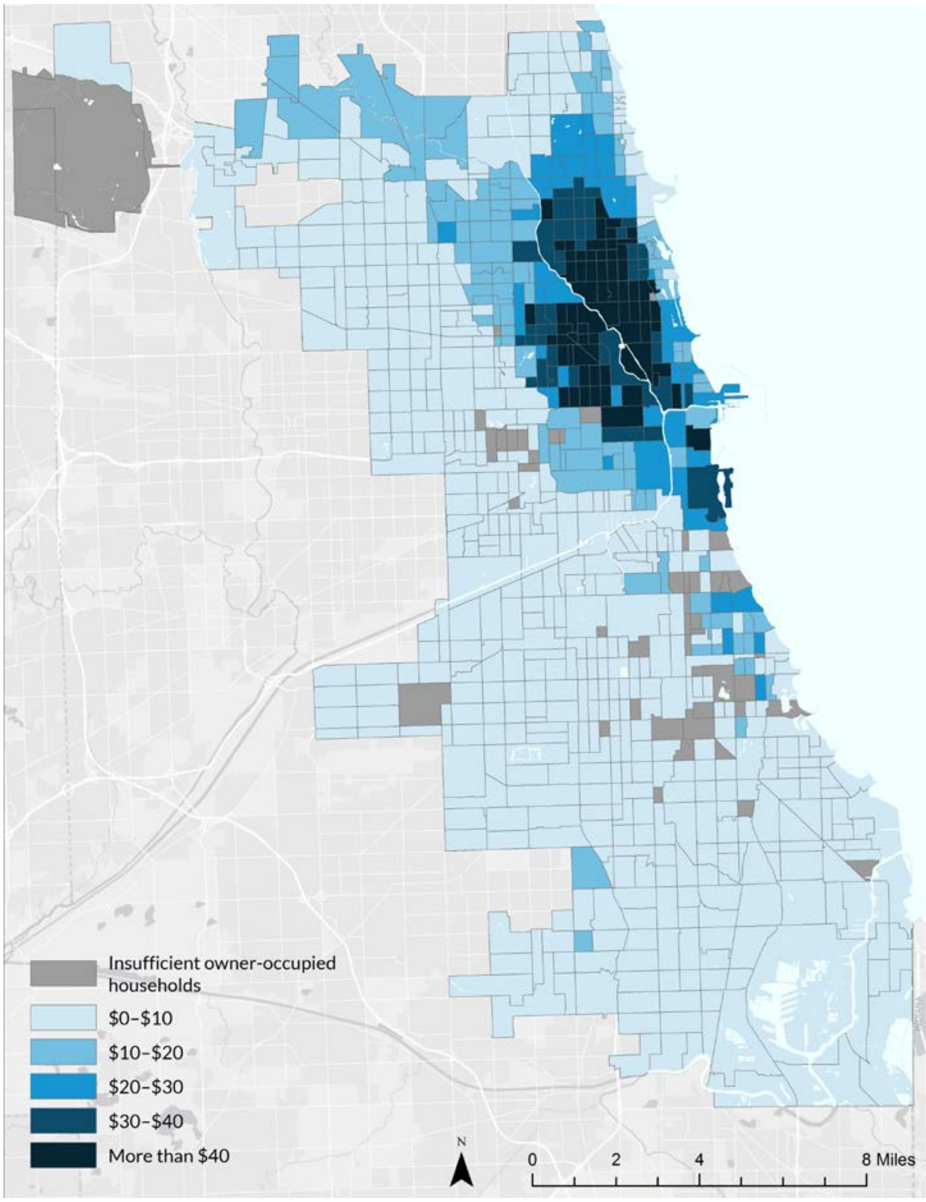
Average Annual Single-family Owner-occupied Lending Volume per Owner-occupied Household, 2011-17



Sources: Home Mortgage Disclosure Act; US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.11

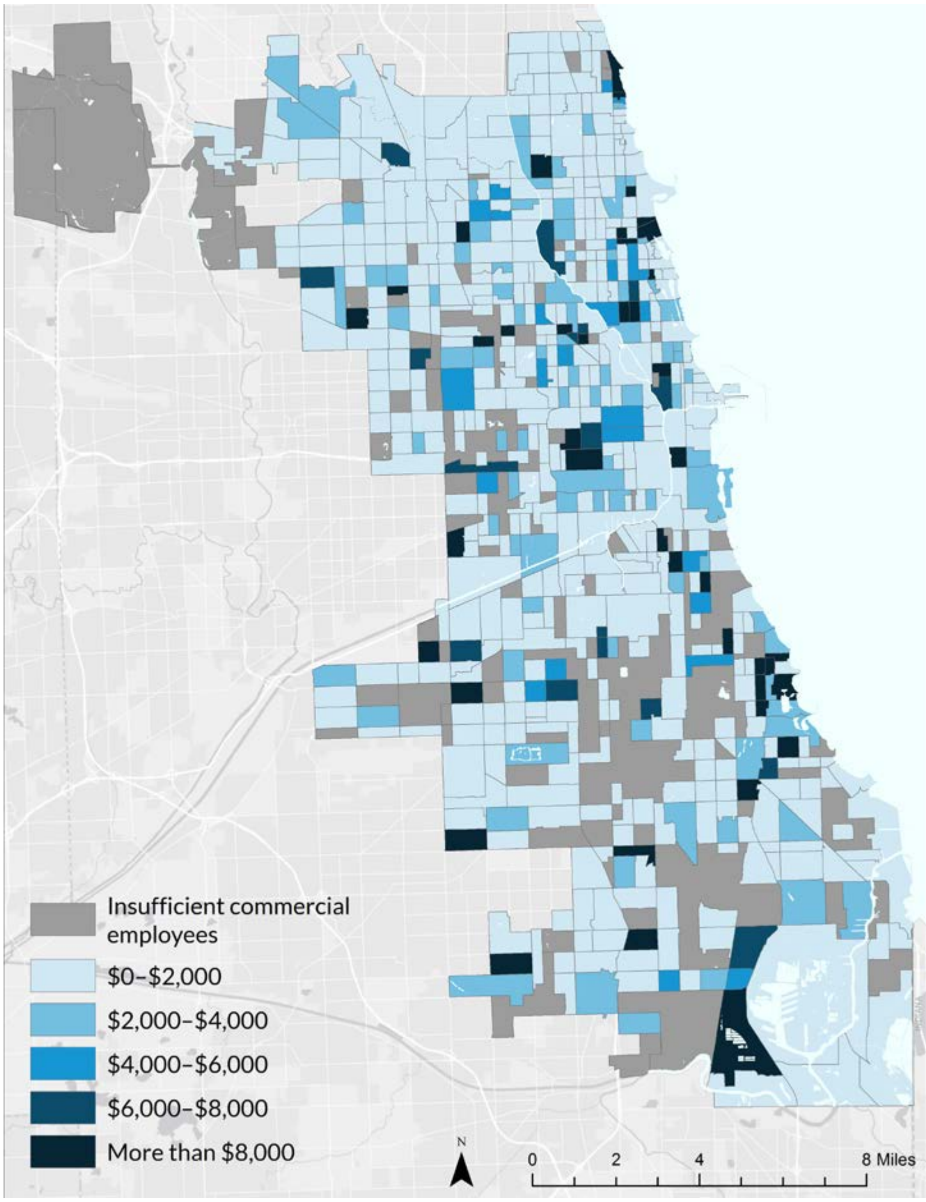
Average Annual Single-family Investor-owned Lending Volume Per Renter-occupied Household, 2011-17



Sources: Home Mortgage Disclosure Act; US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.12

Average Annual Commercial Construction, Rehab, and Demolition Volume Per Commercial Job, 2011-17

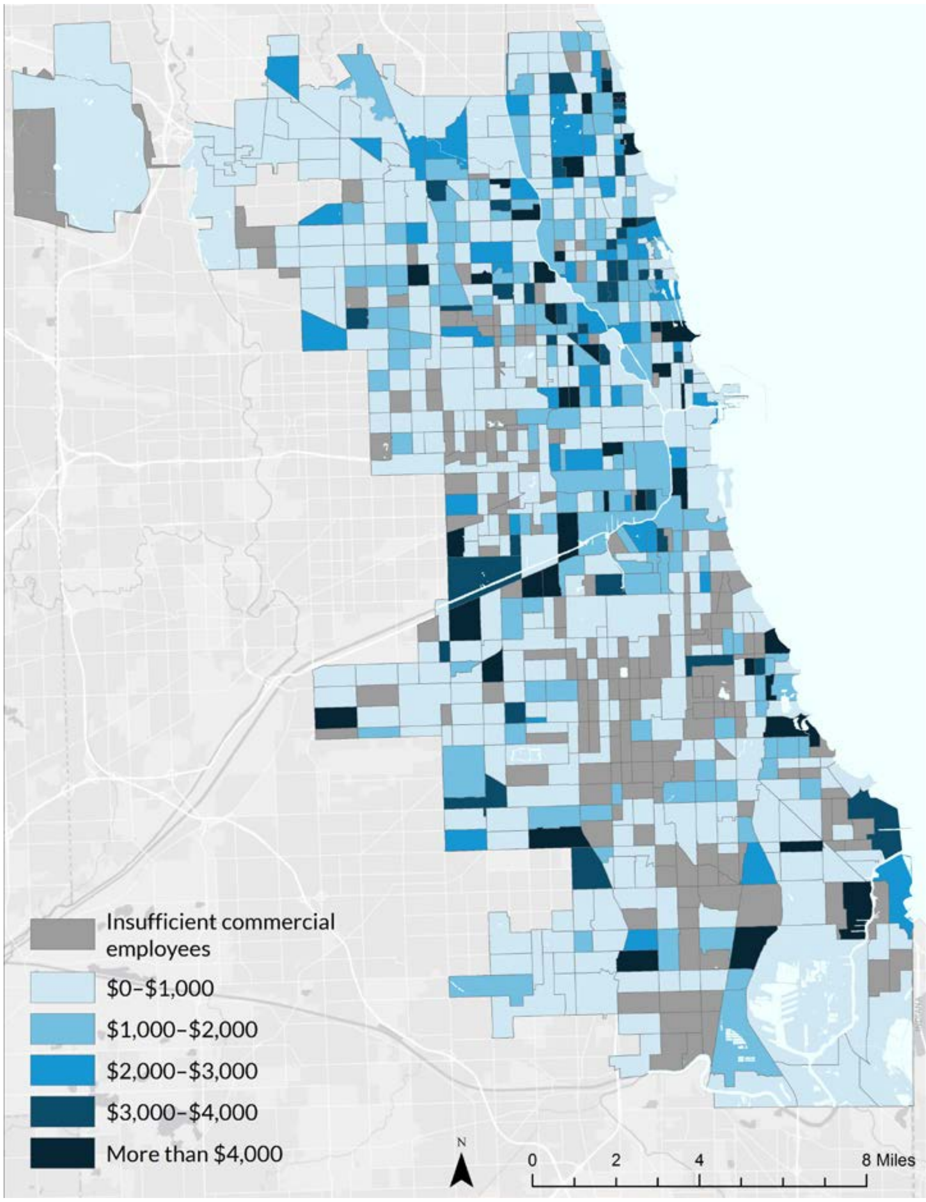


Sources: City of Chicago Department of Buildings.; Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics 2013-15; Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

Notes: Figures are in constant 2017 dollars.

FIGURE A.13

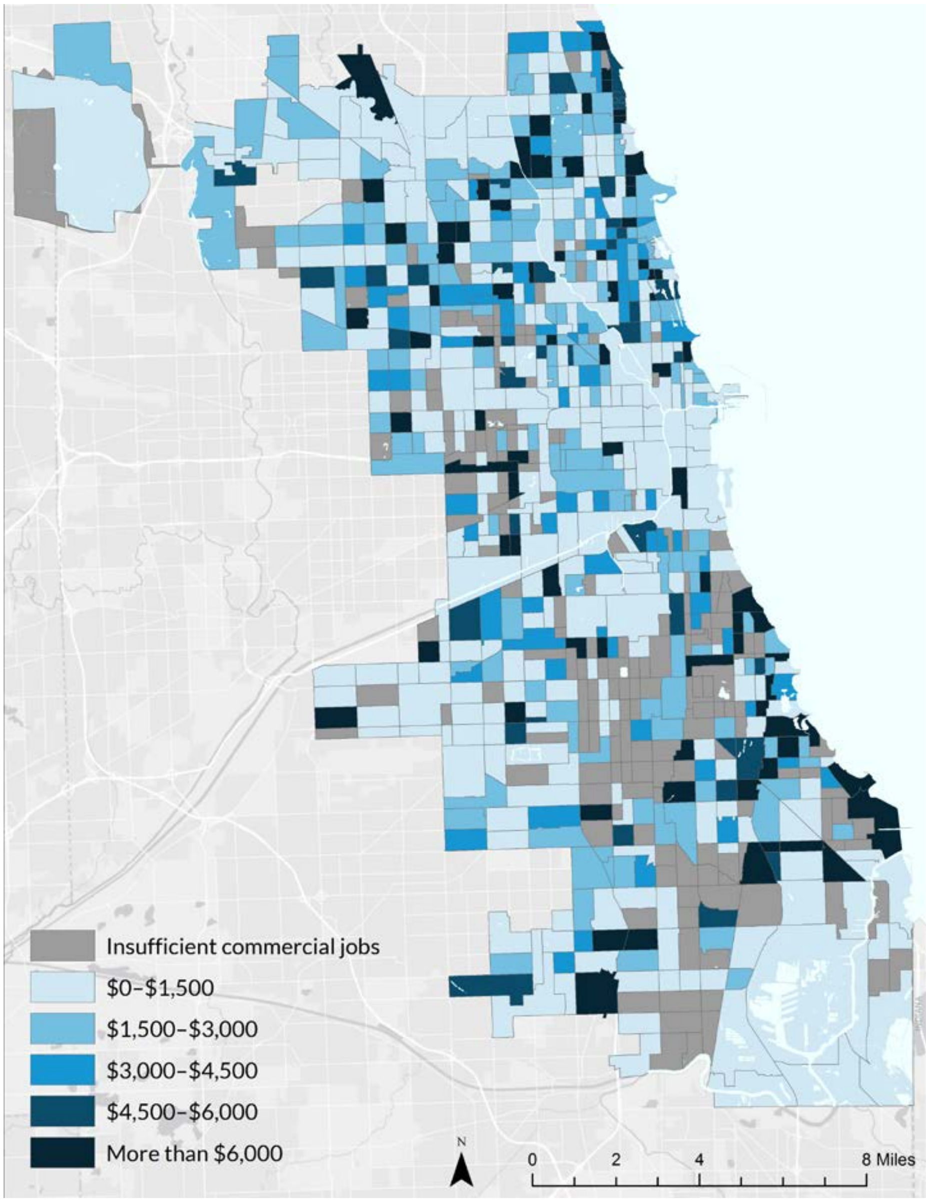
Average Annual Commercial Sales Volume Per Commercial Job, 2011-17



Sources: CoreLogic; Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics 2013-15; Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.14

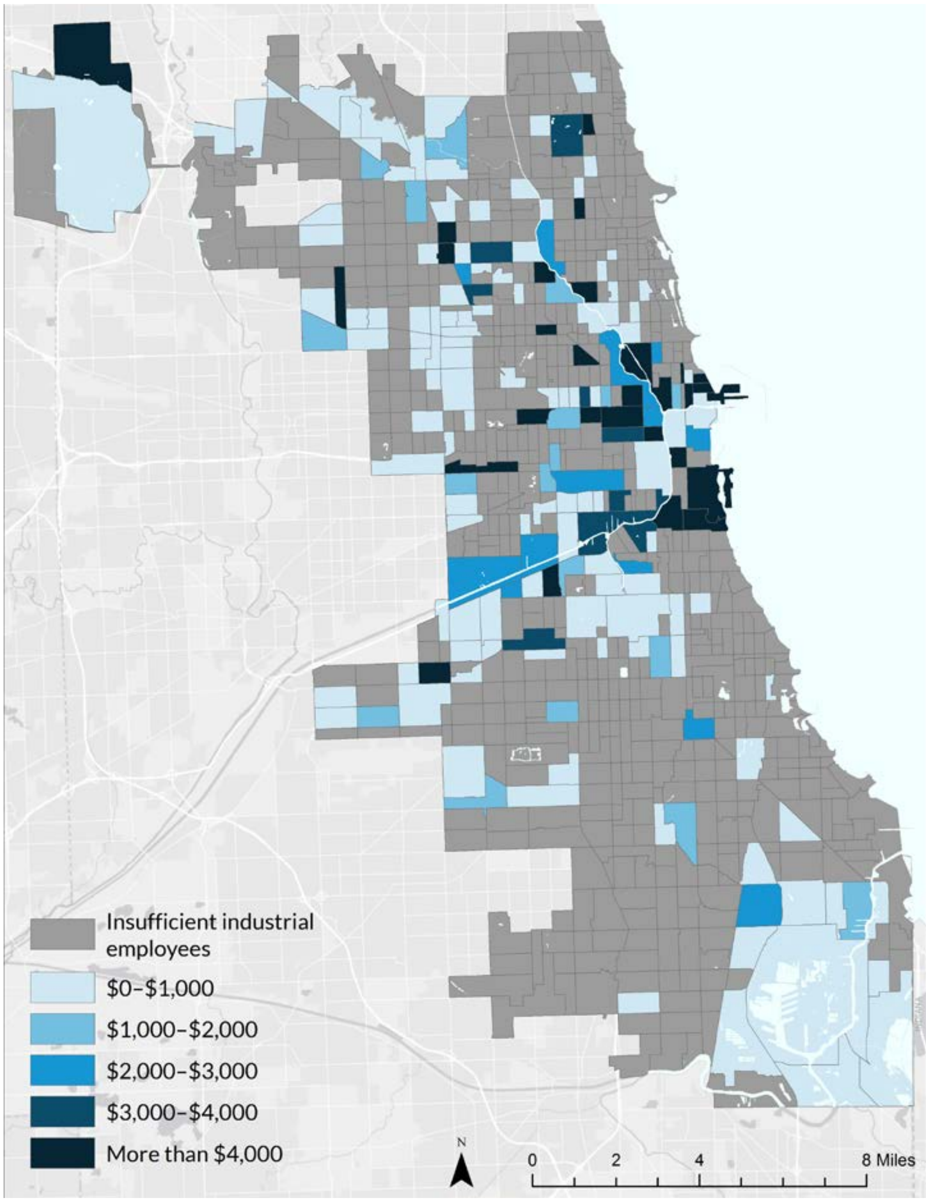
Average Annual Commercial Loan Volume Per Commercial Job, 2011-17



Source: CoreLogic; Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics 2013-15; Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.15

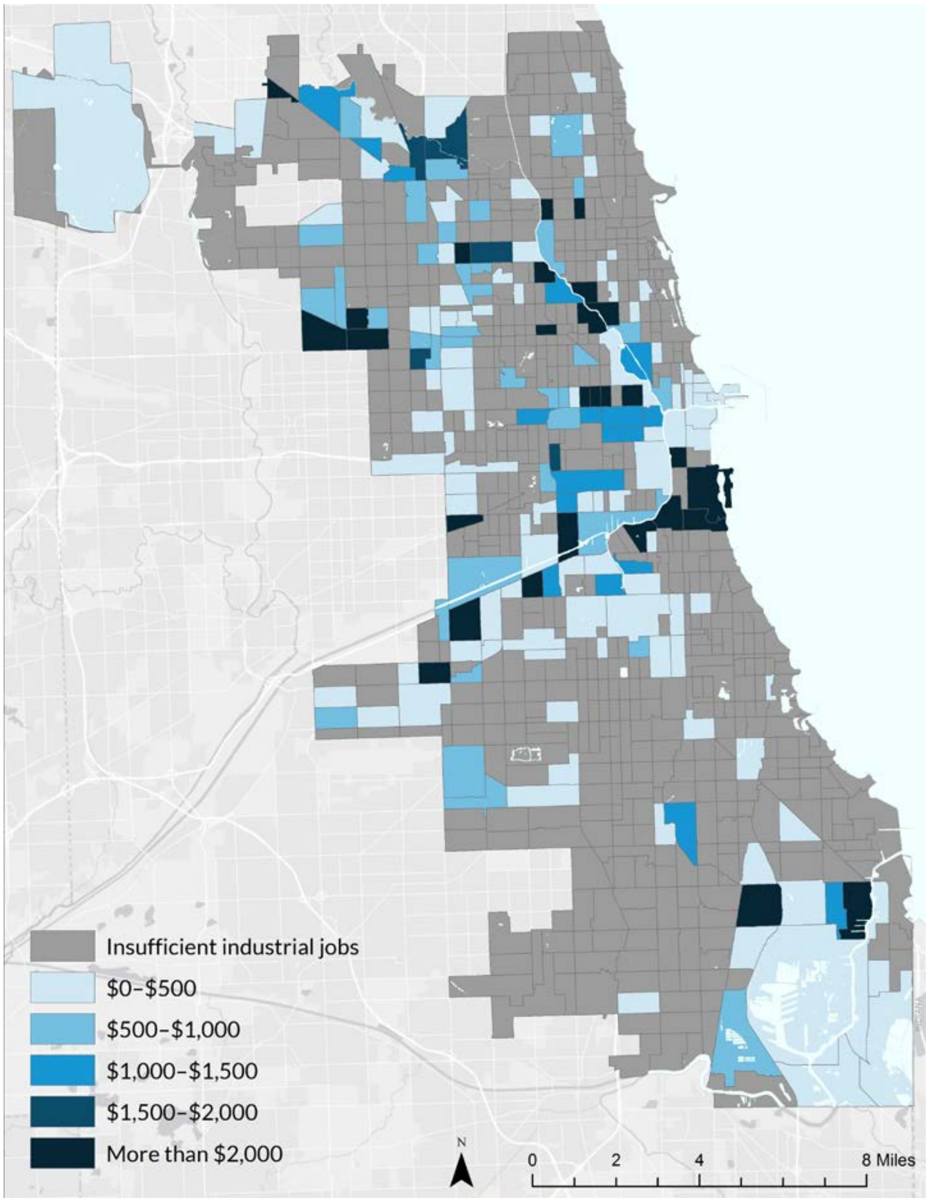
Average Annual Industrial Construction, Rehab, and Demolition Volume Per Industrial Job, 2011-17



Source: City of Chicago Department of Buildings; Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics 2013-15; Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.16

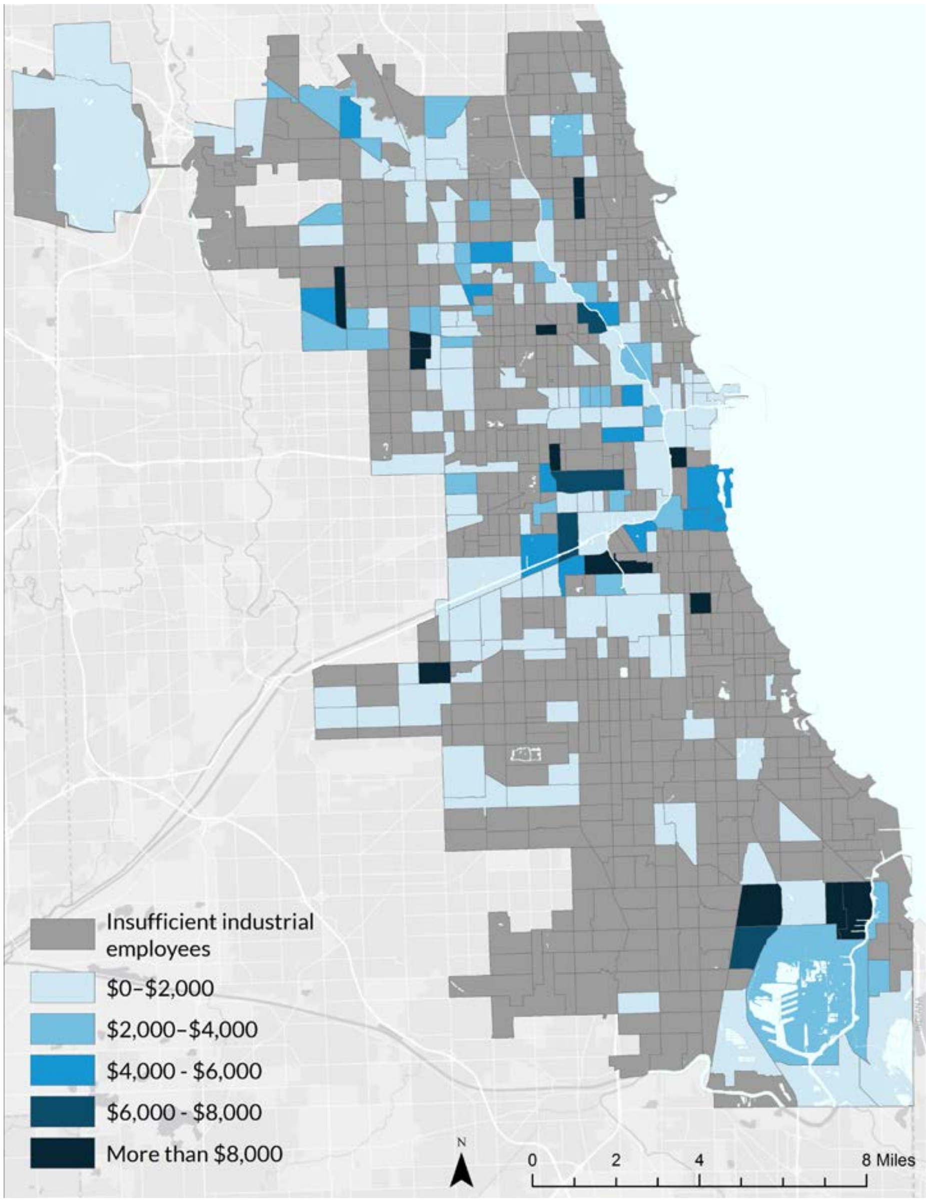
Average Annual Industrial Sales Volume Per Industrial Job, 2011-17



Sources: CoreLogic; Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics 2013-15; Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.17

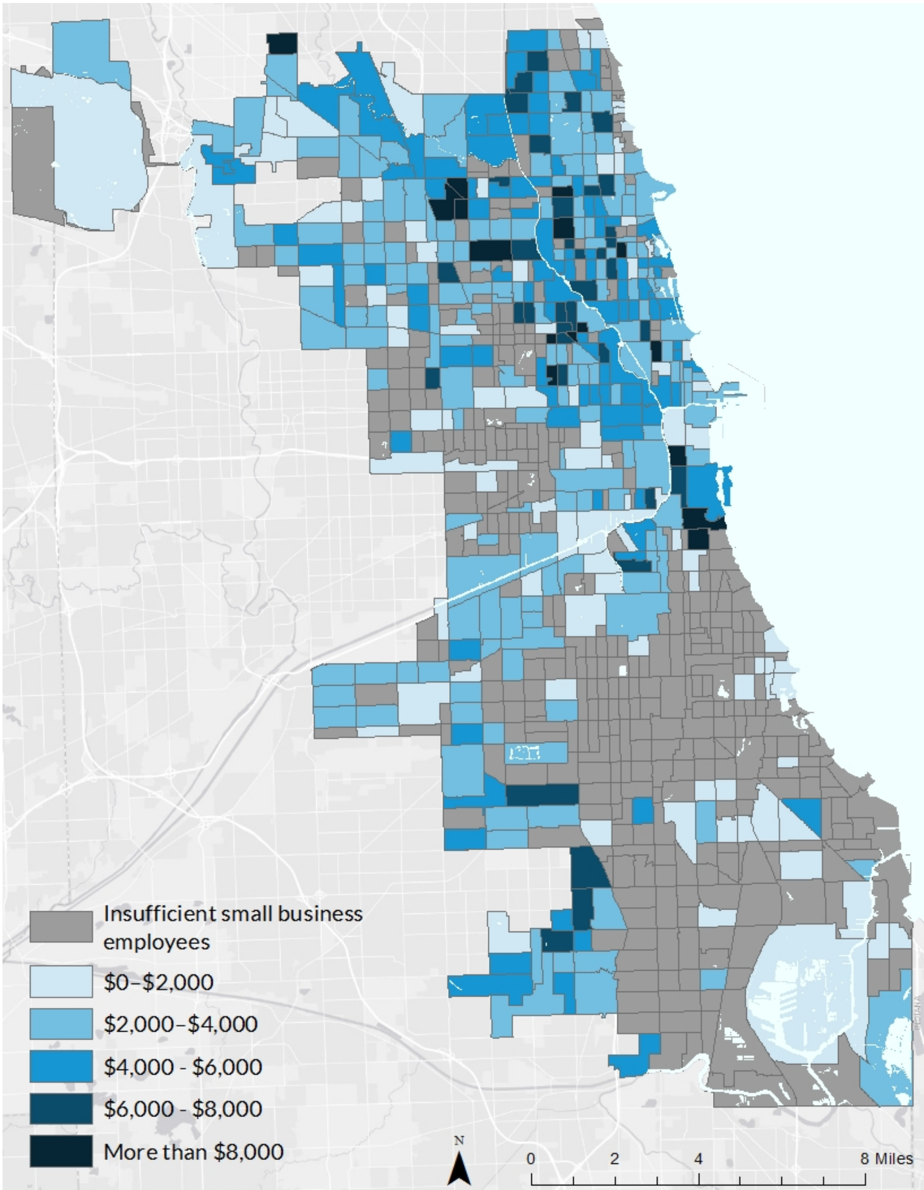
Average Annual Industrial Loan Volume Per Industrial Job, 2011-17



Sources: CoreLogic; Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics 2013-15; Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.18

Average Annual CRA Small Business Lending Volume Per Small Business Employee, 2011-17

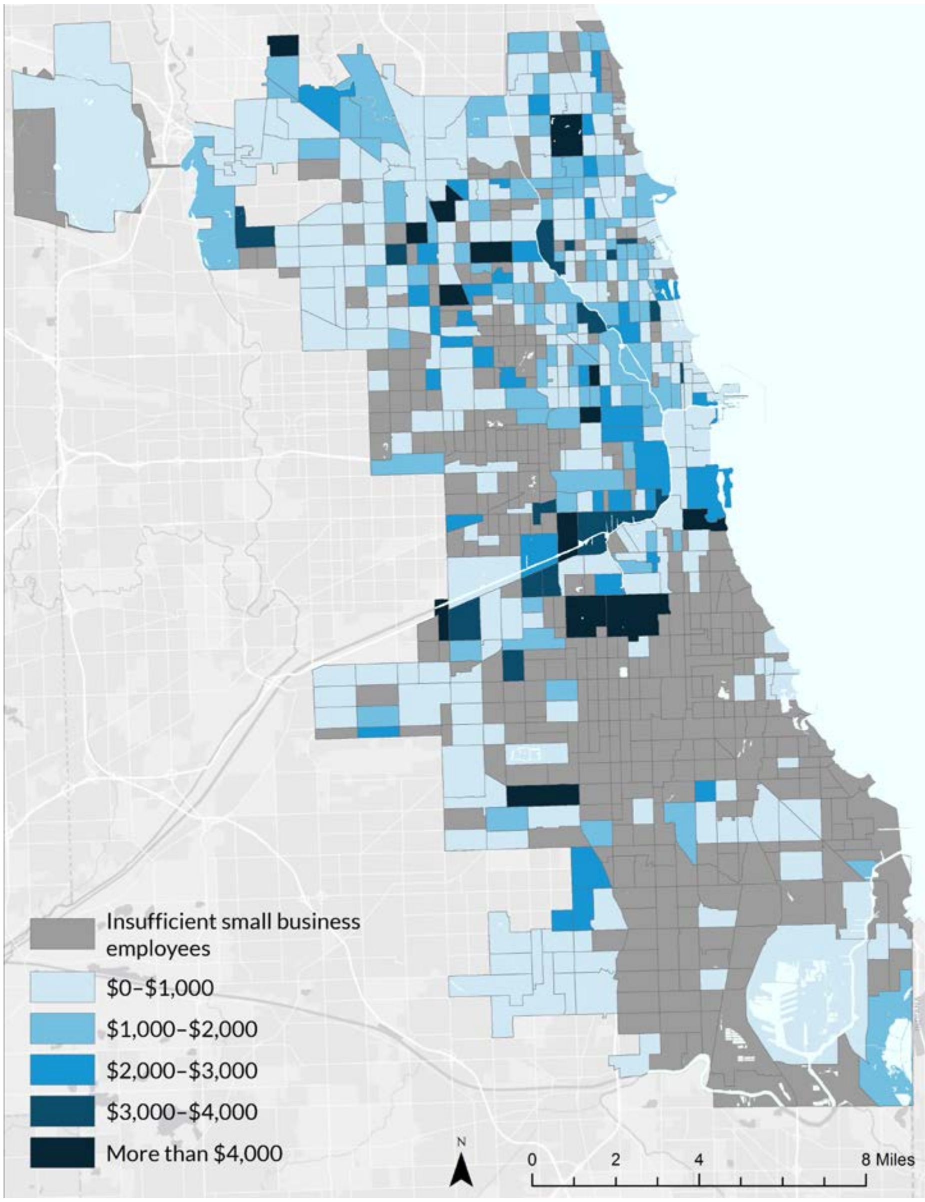


Sources: Community Reinvestment Act (CRA); Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics 2013-15; Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

Notes: Figures are in constant 2017 dollars.

FIGURE A.19

Average Annual SBA Small Business Lending Volume Per Small Business Employee, 2011-17

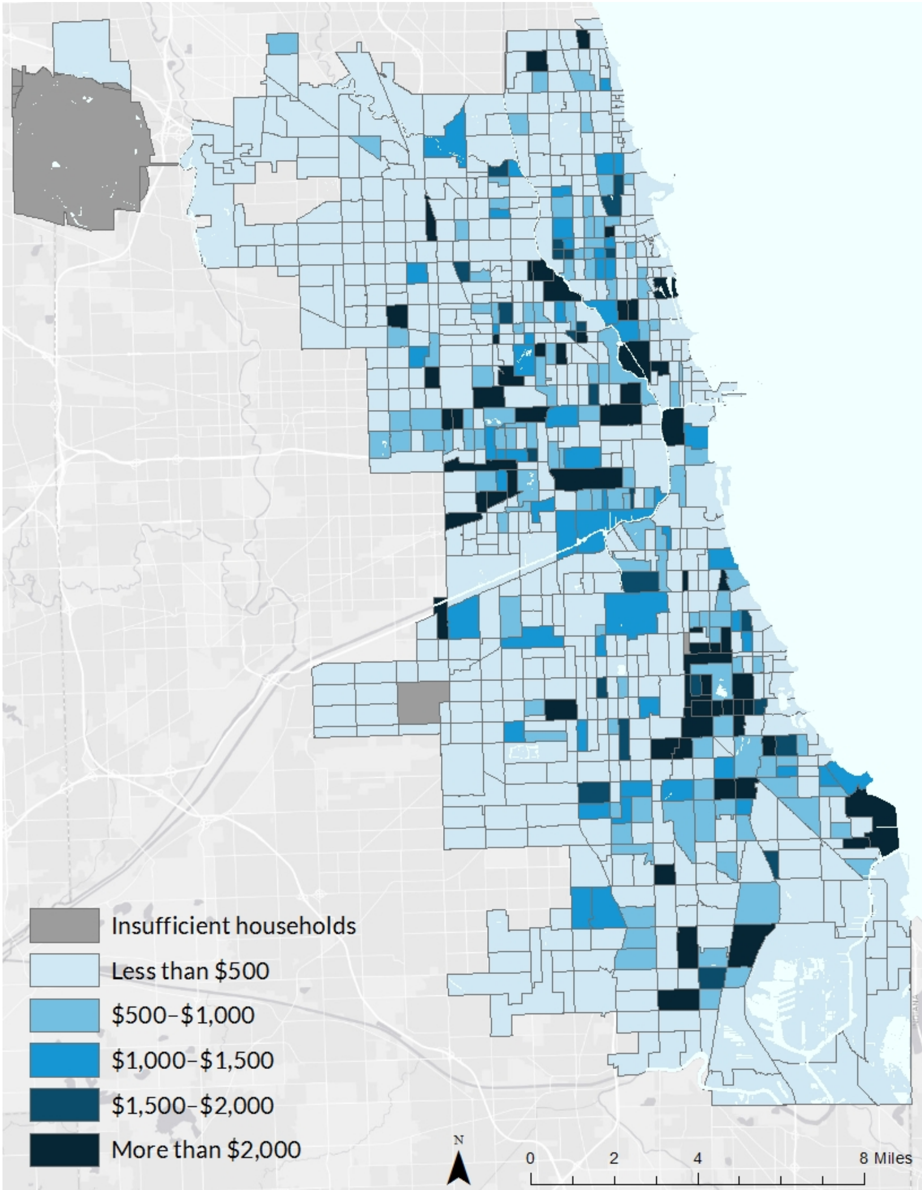


Sources: Small Business Administration (SBA); Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics 2013-15; Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

Notes: Figures are in constant 2017 dollars.

FIGURE A.20

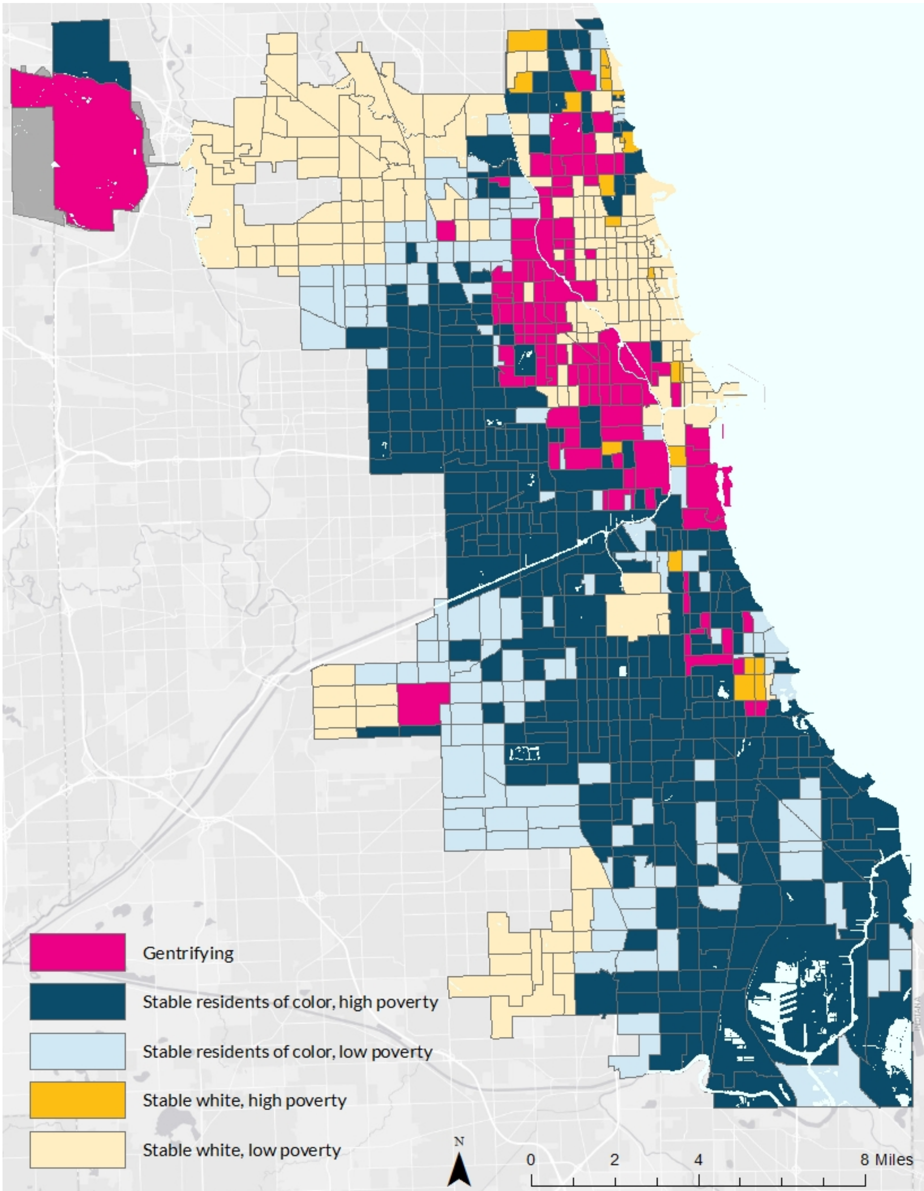
Average Annual Mission Lending Volume Per Household, 2011-17



Sources: CoreLogic; CDFI Fund; New Markets Tax Credit (NMTC); OFN ; US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars. FPL = Federal poverty line.

FIGURE A.21

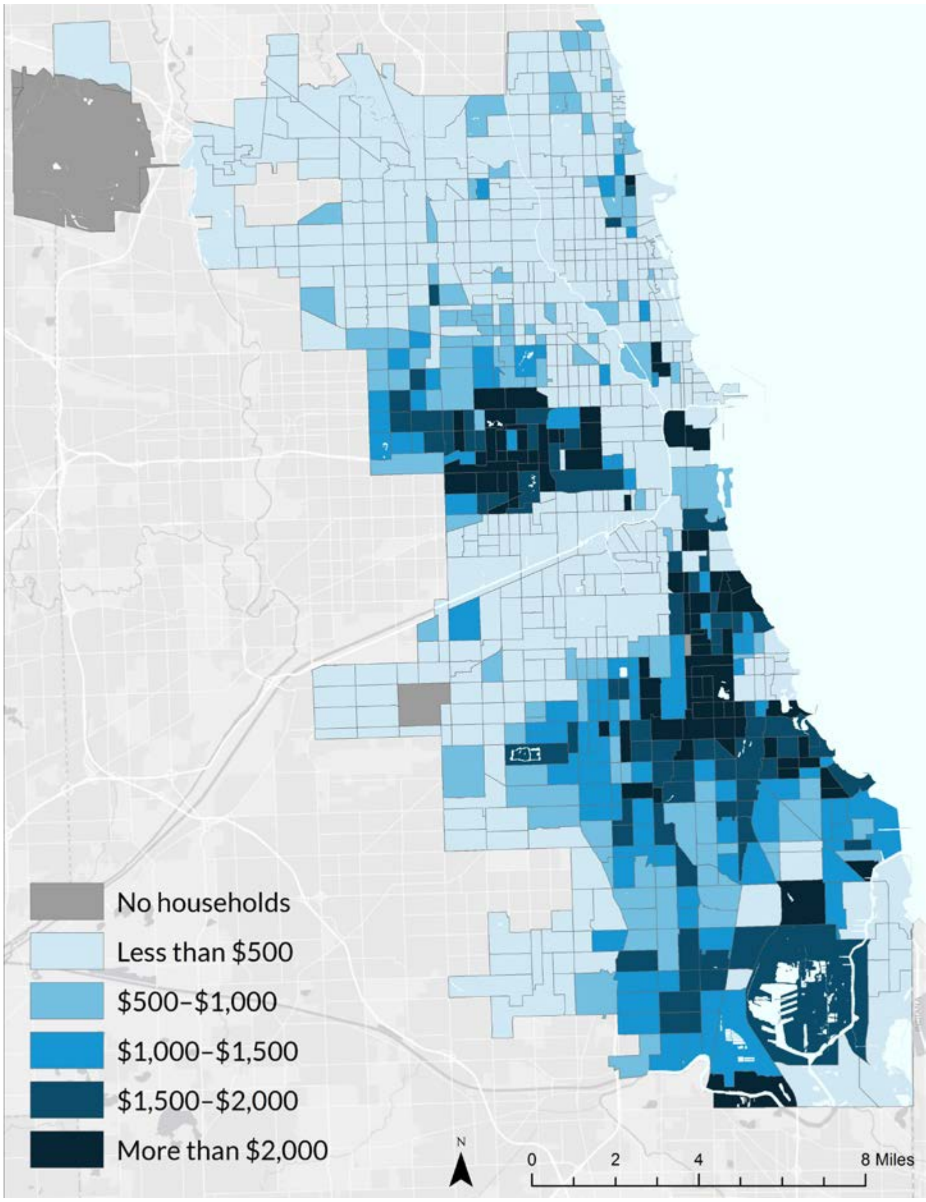
Gentrifying and Stable (Non-Gentrifying) Tract Classifications



Sources: CDFI Fund; CoreLogic; Community Reinvestment Act; Home Mortgage Disclosure Act; Opportunity Finance Network; Record Information Services; Small Business Administration; US Census Bureau, American Community Survey (2012 – 2016)
Notes: Figures are in constant 2017 dollars.

FIGURE A.22

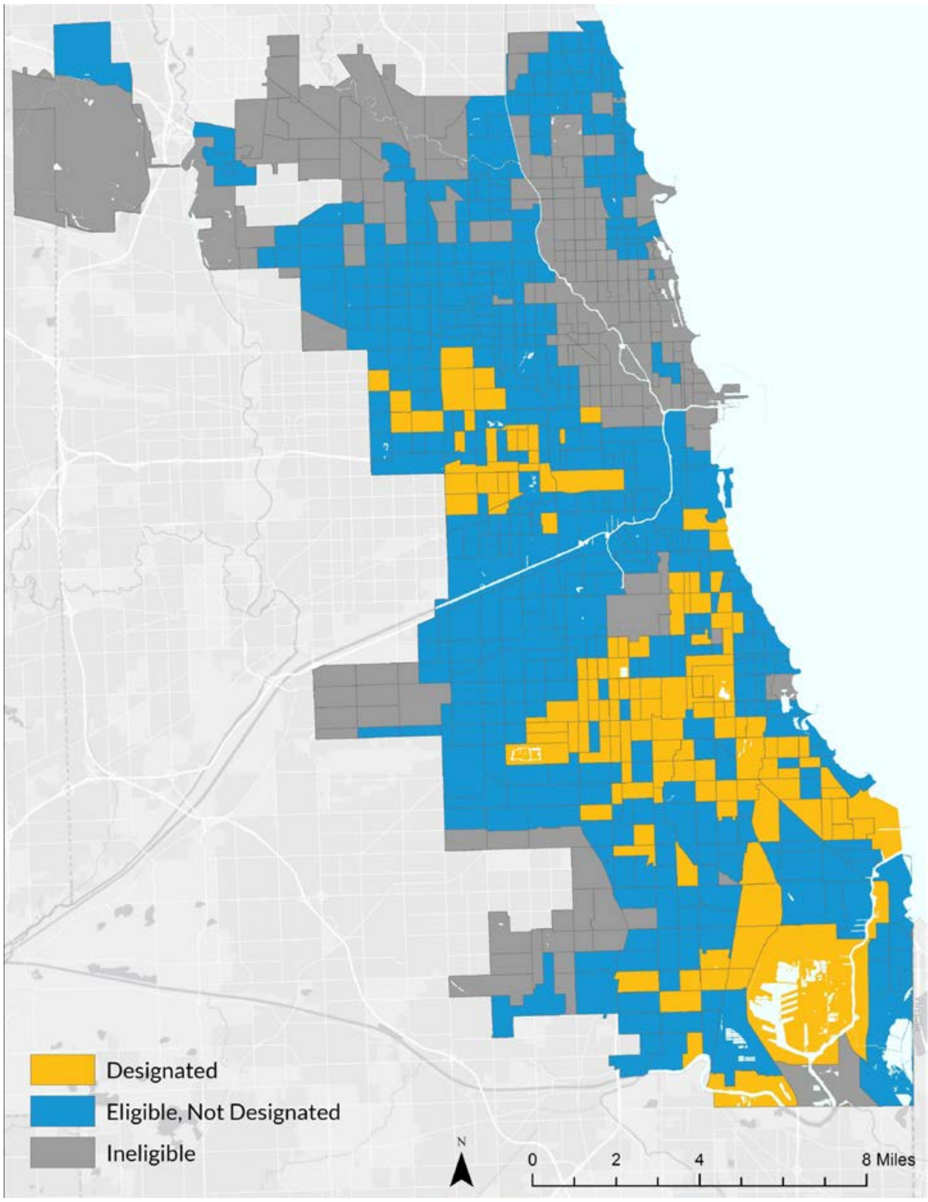
Average Annual Federal Investment Per Household. 2011-17



Sources: Low Income Housing Tax Credit;, Community Development Block Grants; the HUD HOME program; HUD operating subsidies to public and assisted multifamily housing; HUD Choice Neighborhoods Awards; US Department of Education Promise Neighborhoods Awards; US Census Bureau, American Community Survey (2013 – 2017); Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

FIGURE A.22

Opportunity Zones



Source: CDFI Fund; Source layer: Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Figures are in constant 2017 dollars.

Notes

[1] "Quarterly Residential Vacancies and Homeownership, Fourth Quarter 2018," *US Census Bureau*, February 28, 2019, https://www.census.gov/housing/hvs/files/currenthvspress.pdf

[2] For more information on Baltimore, see "The Black Butterfly: Racial Segregation and Investment Patterns in Baltimore," *Urban Institute*, February 5, 2019, https://apps.urban.org/features/baltimore-investment-flows/

[3] For more information on Detroit, see Brett Theodos, Eric Hangen, Jay Dev, and Sierra Latham, "Coming Back from the Brink: Capital Flows and Neighborhood Patterns in Commercial, Industrial, and Multifamily Investment in Detroit," *Urban Institute*, September 12, 2017, https://www.urban.org/research/publication/coming-back-brink. Also see Brett Theodos, Eric Hangen, Jay Dev, and Sierra Latham, "Mission Finance in the Motor City." Washington, DC: Urban Institute," *Urban Institute*, September 12, 2017, https://www.urban.org/research/publication/mission-finance-motor-city.

[4] For more information on Minneapolis and Saint Paul, see: Theodos, Brett, Eric Hangen, Carl Hedman, and Brady Meixell. 2018. "Measuring Community Needs, Capital Flows, and Capital Gaps." Washington, DC: Urban Institute. https://www.urban.org/research/publication/measuring-community-needs-capital-flows-and-capital-gaps

[5] For more work in this area, see Brett Theodos and Eric Hangen, "Expanding Community Development Financial Institutions: Growing Capacity across the US," *Urban Institute*, September 19, 2017, https://www.urban.org/sites/default/files/publication/93396/expanding-community-development-financial-instructions_0.pdf

[6] See Theodos, Hangen, Hedman, and Meixell 2018 for a detailed descriptions of capital gaps and flows.

[7] Data from the Bureau of Labor Statistics Local Area Unemployment Statistics.

[8] Data from American Community Survey one-year estimates.

[9] Data from American Community Survey one-year estimates.

[10] Data from American Community Survey 2013 to 2017 five-year estimates.

[11] Data from American Community Survey one-year estimates.

[12] Note that due the way the data are categorized, we define "single-family" real estate sales as residential buildings with 1 to 4 units. Condominiums in larger buildings are not included in sales. However, in the loans data, condominiums in larger buildings are included in our analysis.

[13] We accessed these data from Record Information Services (http://www.public-record.com/).

[14] Commercial jobs include the following NAICS sectors: retail trade; information; finance and insurance; real estate and rental and leasing; professional, scientific, and technical services; management of companies and enterprises; educational services; health care and social assistance; accommodation and food services; other services (except public administration; public administration.

[15] Commercial jobs include the following NAICS sectors: utilities; manufacturing; wholesale trade; transportation and warehousing.

[16] We accessed CRA data from the Federal Financial Institutions Examination Council, https://www.ffiec.gov/cra/.

[17] See https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/opportunity-zones-maximizing-return-public-investment for complete methodology. We use the socioeconomic change flag measure as our gentrification measure.

[18] Note that there are also 20 census tracts that are non-gentrifying, majority white and high-poverty. We exclude these tracts from the analysis due to the small number of observations.

[19] https://www.bcg.com/en-us/about/center-illinois-future/amplifying-chicagos-disinvested-neighborhoods.aspx

[20] https://www.chicago.gov/city/en/depts/dcd/supp_info/neighborhood-opportunity-fund0.html

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About the Authors

Brett Theodos is a senior fellow in the Metropolitan Housing and Communities Policy Center at the Urban Institute, where he directs the Community Economic Development Hub. **Eric Hangen** is the principal of I Squared Community Development Consulting, LLC. **Brady Meixell** is a research analyst in the Metropolitan Housing and Communities Policy Center. **Prasanna Rajasekaran** is a research assistant in the Metropolitan Housing and Communities Policy Center.

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