Tracking Capital Flows and Gaps in Communities

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- All participants are muted
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The Report: Investing Together

Emerging Approaches in Collaborative Place-Based Impact Investing

With support from: The John D. & Catherine T. MacArthur Foundation
The Report

Measuring Community Needs, Capital Flows, and Capital Gaps

Link to the Report:
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Measuring Community Needs, Capital Flows, & Capital Gaps

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COMMUNITY NEEDS
Assessments of community need determine unmet demand for a particular good or service.
5 methods to measure a community need...

- Subtract existing supply from demand
- Survey or interview community members to understand need
- Examine use of suboptimal alternatives
- Compare to an average level of service
- Analyze services spatially to identify areas of relative geographic need
Need for grocery stores

Affordable Rental Housing Unit Gap by Rental Household Income in Minneapolis and Saint Paul, 2012–16

Source: American Community Survey, 2012-16.
A capital flow is the provision of financing to a household, business, or community.
4 steps to measure a capital flow...

1. Obtain detailed data from:
   - Government agency reports
   - Government or trade association records of financial transactions (such as mortgage deed data or Realtor home sale data)
   - Private data vendors
   - Philanthropies or other impact investors
   - Your own data collection
4 steps to **measure** a capital flow...

2. Aggregate these data to the study **geography**

3. Consider presenting data in an easily interpretable **scale**, such as a per capita rate

4. Analyze data for easier consumption and greater insight, for example by studying
   - Change in capital flows **over time**
   - **Different types** of capital flows
   - **Spatial concentrations** of capital flows
## Potential Data Sources

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Data source name</th>
<th>Topics covered</th>
</tr>
</thead>
<tbody>
<tr>
<td>All</td>
<td>FDIC</td>
<td>Financial information on all FDIC-insured institutions</td>
</tr>
<tr>
<td>Business</td>
<td>Local Employment Dynamics</td>
<td>Number of employees both by place of work and place of residence, breakdowns by employer size and salary range</td>
</tr>
<tr>
<td>Business</td>
<td>HedgeFundJobsList</td>
<td>Location, assets under management, and number of employees for alternative investment hedge fund and private equity firms</td>
</tr>
<tr>
<td>Business</td>
<td>Crunchbase</td>
<td>Venture capital data searchable with a pro subscription</td>
</tr>
<tr>
<td>Business</td>
<td>U.S. Treasury CDFI Awards Database</td>
<td>Organizations that have received funds from Bank Enterprise Award, Capital Magnet Fund, CDFI Bond Guarantee Program, CDFI Program, FEC Pilot Program, Native Initiatives, and New Markets Tax Credit Program (includes amount of funding)</td>
</tr>
<tr>
<td>Business</td>
<td>The Crowdfunding Centre</td>
<td>Number of live projects, backers, the amounts of money raised, the activity of each crowdfunding platform</td>
</tr>
<tr>
<td>Business</td>
<td>Dun and Bradstreet</td>
<td>Business demographics and credit scores</td>
</tr>
<tr>
<td>Business</td>
<td>CB Insights</td>
<td>Organizations receiving award from from the NIH and award amount, includes breakdown by women-owned and socially/economically disadvantaged firms.</td>
</tr>
<tr>
<td>Business</td>
<td>SBIR/STTR</td>
<td>All 7(a) and 504 Loans: borrower, borrower location, loan amount, length of term, third party lender information</td>
</tr>
<tr>
<td>Business</td>
<td>Small Business Administration (SBA)</td>
<td>Data on investments, acquisitions, partnerships, and patents.</td>
</tr>
<tr>
<td>Business</td>
<td>Pitchbook</td>
<td>Data on companies, investors, and deals.</td>
</tr>
<tr>
<td>Business</td>
<td>Export-Import Bank Guaranteed Loans</td>
<td>A+C12:C29I export-import bank authorizations -- guarantees, insured, loans, and working capital</td>
</tr>
<tr>
<td>Business lending</td>
<td>CRA</td>
<td>Number and dollar amount of loans under $1 million in size to businesses; number and dollar amount of loans to businesses with revenues under $1 million</td>
</tr>
<tr>
<td>Asset class</td>
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</tr>
<tr>
<td>CDFIs</td>
<td>Opportunity Finance Network</td>
<td>Institution size, financing composition by sector, source of capital, and financing activity</td>
</tr>
<tr>
<td>Commercial</td>
<td>CoreLogic</td>
<td>Commercial real estate mortgage sales and loans: price, loan size, loan date, lender name, other loan details, property information</td>
</tr>
<tr>
<td>Commercial</td>
<td>RCA</td>
<td>Large ($1 MM+) commercial real estate mortgage loans: loan size, loan date, lender name, other loan details</td>
</tr>
<tr>
<td>Commercial</td>
<td>CBRE</td>
<td>Publishes research reports on sectors such as hotel, office, medical office / health care, real estate capitalization rates (&quot;cap rates&quot;)</td>
</tr>
<tr>
<td>Commercial</td>
<td>Co-Star</td>
<td>Property inventories and sales comparables; commercial tenant information; lease comparables; risk analytics by property type and market</td>
</tr>
<tr>
<td>Commercial, Office, Multifamily</td>
<td>Real Capital Analytics</td>
<td>Sales, financing deals, and property level information</td>
</tr>
<tr>
<td>Commercial/Multifamily</td>
<td>Mortgage Bankers Association</td>
<td>Origination volume, multifamily lending, origination index, debt outstanding, loan maturity volumes</td>
</tr>
<tr>
<td>Consumer</td>
<td>TransUnion</td>
<td>Consumer credit data, demographics, and location.</td>
</tr>
<tr>
<td>Consumer, Business</td>
<td>infoUSA</td>
<td>Business -- # of employees, sales volume, square footage, business expenses, fleet size Consumer -- homeownership, housing type, number of apartments per address, length of residence, year home built, estimated home value, wealth, number of credit cards, mortgage data</td>
</tr>
<tr>
<td>Consumer/Real Estate</td>
<td>National Credit Union Administration</td>
<td>Credit union data: total assets, total loans, total shares, total investments, total assets, vehicle loans, credit card loans, real estate loans, total amount of delinquent loans</td>
</tr>
<tr>
<td>Multifamily residential</td>
<td>REIS</td>
<td>Data on apartment property performance (rental rates, vacancy rates), operating expenses, and physical characteristics (unit mix, year built / renovated, size)</td>
</tr>
<tr>
<td>Residential</td>
<td>HMDA</td>
<td>Mortgage loans: volume, number of applications, number of originations, denials, &quot;frustrated&quot; borrowers, borrower income</td>
</tr>
<tr>
<td>Residential (single and multifamily)</td>
<td>CoreLogic</td>
<td>Residential mortgage loans and sales: price, loan size, loan date, lender name, other loan details, property information</td>
</tr>
<tr>
<td>Residential and Business</td>
<td>USPS Vacancy Data</td>
<td>Vacant buildings of residential and commercial use.</td>
</tr>
<tr>
<td>Residential and commercial real estate</td>
<td>Property Insight</td>
<td>Property title and deed information (includes sales price and loan amount information)</td>
</tr>
</tbody>
</table>
Strategies for cross-cutting data

- Spatial analysis
- Deal size
- Source of lending
- Trends over time
Tract-Level Commercial Real Estate Investment in Minneapolis and Saint Paul, 2011–15

CDFI and CDFI-Leveraged Investment in Minneapolis and Saint Paul, 2011–15

Sources: CoreLogic; US Department of Treasury’s CDFI Fund Transaction Level Report database; Opportunity Finance Network.
CAPITAL GAPS
A capital gap occurs when investors fail to make financing available for investable projects.
11 methods to measure a capital gap...

- Ask borrowers
- Ask capital providers
- Ask both borrowers and providers
- Estimate demand and supply, and calculate the difference
- Calculate lending denial and frustration rates
- Compare one moment in time to another
- Compare one place to another, with scaling variables
- Analyze differences in capital use between groups
- Look at use of less desirable financial services
- Reconstruct the underwriting box
- Implement a pilot project
Capital gaps in small business finance

Average Annual Small Business Community Reinvestment Act Lending per Employee by Neighborhood Poverty Level in Minneapolis and St. Paul, 2011-15

Capital gaps in small business finance

Average Annual Small Business Community Reinvestment Act Lending per Employee by Neighborhood Racial Makeup, 2011–15

- $1-$5,000
- $5,001-$7,500
- $7,501-$10,000
- $10,001-$15,000
- $15,001-$30,000

Percentage of tracts, by racial makeup

46%
16%
10%
8%
21%
20%
20%
16%
29%
15%

Majority residents of color
Majority white residents

Community Investment: Making Money Flow Uphill

Transfer of Land

Membership

Loan

Tax Credit

Fees/Reserves

Bank Investor

NMTC Investment Fund

Investment Fund

CDE

Master Tenant

CDE (seller)

QALIC

Tenants

Commercial MM

CDC

NMTC LLC

QALIC (B)

Master Tenant

Fees/Reserves

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Framework for Strengthening Community Investment

Shared Priorities
Create a shared vision specific enough to shape decisions

Pipeline
Generate deals and projects that add up to the realization of the community’s strategic priorities

Enabling Environment
Shape the context that promotes or impedes the execution of the pipeline
A Way Forward

1. **Convene stakeholders** across sectors (public, private, nonprofit, philanthropic)
   - Promote cross-sector thinking and boundary crossing
   - Create space to make the system visible and improve it

2. Define **priorities**: what is the most important problem to tackle next?

3. **Backmap**:
   - What would it take to solve the problem? How big is it? What’s missing?
   - What strategies would get us there?

4. **Assess**:
   - How are we doing?
   - Do we have the investable deals/projects we need, or how can we generate them?

5. Expand **system boundaries**: identify and integrate new stakeholders, funding sources

6. Open **choke points**: create/change policies, practices, platforms
Five Lessons Learned

1. Data can galvanize action
2. The perfect is the enemy of the good
3. The value of do-it-yourself
4. Just get started
5. Government can help
To Learn More:

See the resources on our website at: www.centerforcommunityinvestment.org

Or contact Robin Hacke at: Rhacke@centerforcommunityinvestment.org
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@TawannaABlack @EconInclusion
What are your reactions and questions?

Type your questions or comments into the Questions box. Be sure to include your name and organization.

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