What Would It Take to Achieve Place-Level Transformation? Considerations for the Federal Government

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What Would It Take to Achieve Place-Level Transformation? Considerations for the Federal Government

#LiveAtUrban
August 18, 2022

Place Based Development & the Federal Government

Dr. Brett Theodos
A Long and Winding Roach of Federal Support for Place Based Development
Declining Support Over Time, E.g. CDBG
Disparities in capital flows across cities
Top 50 City Aggregate Annual Average Capital Flows per Household 2010-20
What predicts capital flows?
City Aggregate Annual Average Median Capital Flows by Population

- $0
- $1,000
- $2,000
- $3,000
- $4,000
- $5,000
- $6,000
- $7,000
- $8,000
- $9,000

City Size:
- 25,000-<50,000
- 50,000-<100,000
- 100,000-<250,000
- 250,000-<500,000
- 500,000-<1,000,000

URBAN INSTITUTE
Investment Disparities Across Neighborhoods
Capital Flows in Memphis Are Highest Downtown, in the Residential Neighborhoods to East, and in Industrial Areas in Southeast

Average Annual Aggregate Capital Flows per Household, by Census Tract in Memphis, 2005–18
Significant Racial Segregation in Memphis

Race in Memphis, 2015–19

1 dot = 300 people
- Black non-Hispanic
- White non-Hispanic
- Hispanic
- AAPI non-Hispanic
Average annual single-family loan volume per owner-occupied household in Chicago, 2011–17
Population distribution of residents by race or ethnicity in Chicago, 2013-17
Per-household small business lending, by census tract, annual average
Population distribution of residents by race or ethnicity in Baltimore, 2012-16
Do mission lending and federal investment fill market capital gaps?
Stark Inequities in Mainstream Lending

Case study of Chicago
Progressive Distribution of Mission and Federal Investment

*Case study of Chicago*
Mission and Federal Investment Too Small to Overcome Market Inequities

Case study of Chicago

High poverty neighborhoods

Low poverty neighborhoods

Market Lending Per Household
Mission and Federal Investment Per Household

$0  $5,000  $10,000  $15,000  $20,000
Mission and Federal Funding are Small Relative to Market Capital Flows: Memphis

Aggregate Capital Flows from Sources Tracked in Memphis, 2005–18
Mission and Federal Funding are Small Relative to Market Capital Flows: Fresno

Aggregate Capital Flows from Sources Tracked in Fresno, 2005–18
We need federal support, but well designed OZs are a cautionary example

1. Disconnect between project sponsors and investors
2. Mismatch in return expectations
3. Return expectations influenced by the incentive’s architecture
4. Difficulties in exit strategies for OZ investors
5. Small businesses not receiving OZ investment
6. Additional subsidies needed to fulfill mission projects
What if we make big bets?
<table>
<thead>
<tr>
<th></th>
<th>East Lake Initiative</th>
<th>East Baltimore Development Initiative</th>
<th>City Heights Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td>City</td>
<td>Atlanta</td>
<td>Baltimore</td>
<td>San Diego</td>
</tr>
<tr>
<td>Start year</td>
<td>1995</td>
<td>2003</td>
<td>1994</td>
</tr>
<tr>
<td>Amount invested or facilitated</td>
<td>&gt;$600M</td>
<td>&gt;$1,000M</td>
<td>&gt;$400M</td>
</tr>
<tr>
<td>Activities</td>
<td>Residential, commercial, and community facilities; public housing demo; public schools; services</td>
<td>Residential, commercial, and community facilities; public schools; contracting; services</td>
<td>Residential, commercial, and community facilities; public schools; services</td>
</tr>
</tbody>
</table>
Revitalization is challenging

- Requires a lot of $ in a focused place – e.g. $1B per neighborhood (but market dependent)
- Requires a long time – two to three decades
- Helping people is hard; buildings are easier to change, but have to be careful they benefit incumbent residents
- What share of relocates returning is sufficient to justify an initiative?
- Even apart from relocation, people move
- Neighborhoods can fail to connect with market capital
- Market trends can take over
Links

- Capital flows [compilation page](#)
  - City specific reports on: Baltimore, Chicago, Detroit, Memphis, Milwaukee, Minneapolis and St. Paul; nation-wide data tools
  - Upcoming analysis of: Chicago (update), Cleveland, Fresno, New Orleans, Washington DC area, cross-city comparisons & drivers
  - Community development capital in small and mid-size cities

- CDFI [compilation page](#)

- Federal community/economic development program eval: [CDBG](#), [CDBG-DR](#), Choice Neighborhoods, [EDA](#), [NMTC](#), [OZ](#), Section 108, [SBA](#)

- Comprehensive community (large place-based) initiatives: [ATL](#), [Baltimore](#), [San Diego](#), assumptions, platforms