

Capital Flows in Cleveland

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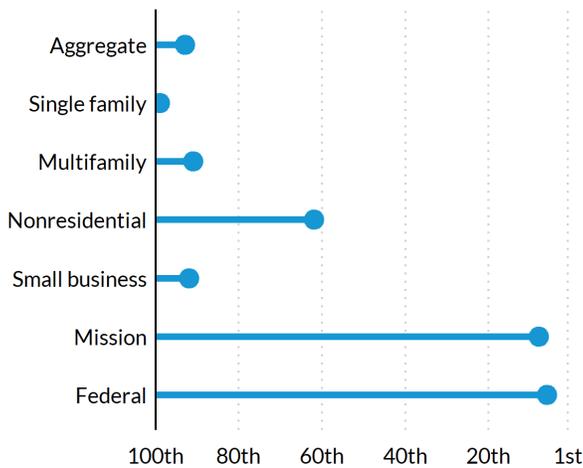
Capital flows are important indicators of neighborhoods’ and cities’ capacities to fulfill the needs of their residents and contribute to local and regional economies. We examined investment into Cleveland, a city that has cultivated a rich network of capital sources outside of mainstream finance.

CLEVELAND IS RELATIVELY DISINVESTED COMPARED TO MAJOR CITIES

Among the 100 largest cities in the US by population, Cleveland ranks 93rd in investment overall and low in all investment categories except mission (“catalytic capital”) and federal investment. Low levels of private investment are characteristic of many other cities with manufacturing industries that declined in the late 20th century. Cleveland has a notable weakness in single-family, small business, and multifamily lending.

The public sector and nonprofits have partially filled the gap left by private investment. Cleveland has accessed mission and federal capital—ranking near the top for both. These sources are high in comparison with other cities—12 percent of total investment from 2010 to 2020—but they are not able to make up for deficits in mainstream market capital.

FIGURE 1
Cleveland Does Well in Accessing Mission and Federal Capital but Not Other Markets
Percentile rank among 100 largest US cities



Nonresidential investment is Cleveland’s largest source of capital, comprising 62 percent. This is high compared to other cities, where single-family investment is often the largest category. Low single-family property values in the city may be a significant contributing factor.

Aggregate investment has grown steadily since the 2009 financial crash, accounting for inflation, driven mainly by nonresidential lending (see “Capital Flows in Cleveland: Supplemental Figures”).

Poverty is widespread across many of Cleveland’s neighborhood and predicts many forms of capital flows. Investment disparity between high- and low-poverty areas is most significant for the single-family lending.

As in most cities, investment also varies by race. Tracts with a greater share of Black and Hispanic residents are relatively underinvested. However, regardless of neighborhood makeup, Cleveland is underinvested compared to other major cities.

Sources: Community Development Financial Institutions Fund transaction-level reports; the New Markets Tax Credit Program; Community Reinvestment Act data; CoreLogic; Environmental Protection Agency Brownfields and redevelopment programs; Home Mortgage Disclosure Act data; US Department of Housing and Urban Development Community Development Block Grant, Choice Neighborhoods, HOME, and HOPE VI programs; the Low-Income Housing Tax Credit program; Opportunity Finance Network; the Small Business Administration; and the American Community Survey.
Notes: Data for 2010–2020. Data are limited to tracts intersecting at least 50 percent with Cleveland.

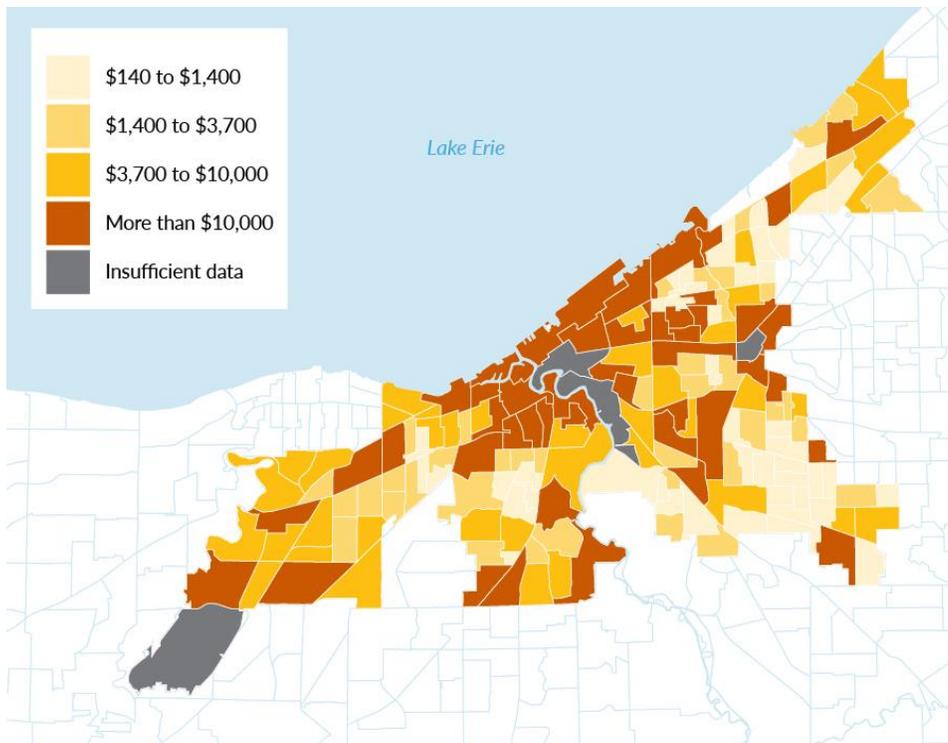
INVESTMENT VARIES BY GEOGRAPHY

Investment varies substantially between neighborhoods in Cleveland. The city's center is the hub of large commercial real estate development and multifamily apartment projects and has the most concentrated and highest investment. The neighborhoods on the periphery of the city range from comparable levels of investment to just hundreds of dollars per household a year. Neighborhoods in the southeastern part of the city have particularly low investment levels.

FIGURE 2

Investment in Cleveland Is Concentrated in the City's Center and in Western Neighborhoods

Average aggregate investment per household from 2010 to 2020



Source: Community Development Financial Institutions Fund transaction-level reports; the New Markets Tax Credit Program; Community Reinvestment Act data; CoreLogic; Environmental Protection Agency Brownfields and redevelopment programs; Home Mortgage Disclosure Act data; US Department of Housing and Urban Development Community Development Block Grant, Choice Neighborhoods, HOME, and HOPE VI programs; the Low-Income Housing Tax Credit program; Opportunity Finance Network; the Small Business Administration; and the American Community Survey.

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KEY TAKEAWAYS

- Single-family, small business, and multifamily lending are especially low in Cleveland relative to other cities.
- Mission and federal investments are strong but remain a small share of aggregate capital flows.
- Disparities in neighborhood-level investment patterns suggest that development investments are not equitably allocated.
- Some formerly disinvested neighborhoods have had recent success in attracting capital while avoiding displacement, using economic development strategies that focus on providing quality jobs, developing affordable housing, and investing in local capacity.