

The Next Chapter of Community Development Finance and Place-Based Investment



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Taking Stock of Local Economic Growth, Mission Finance, and the Road Ahead

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The **flow of capital** is central to the lifeblood of any community



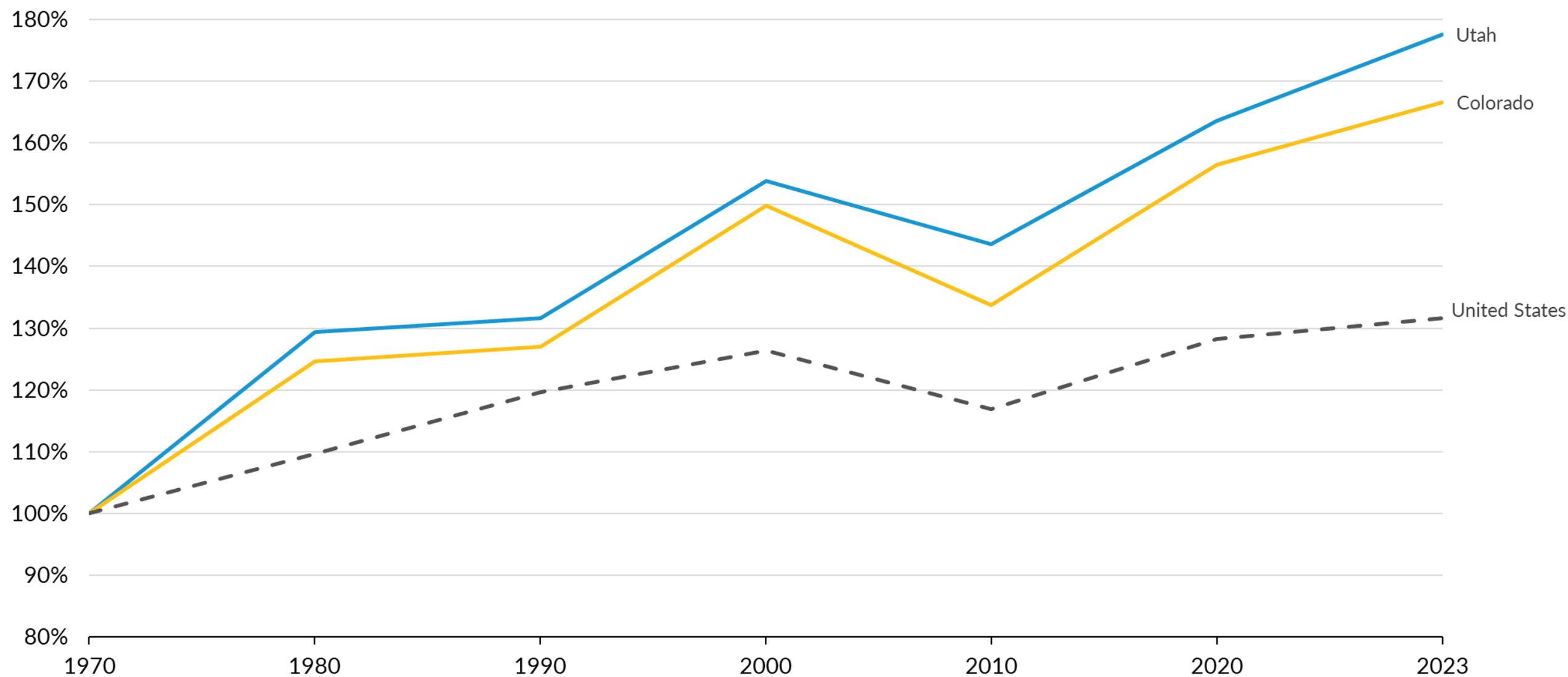
But investment
doesn't reach
everywhere
because...

1: Lack of Economic Growth



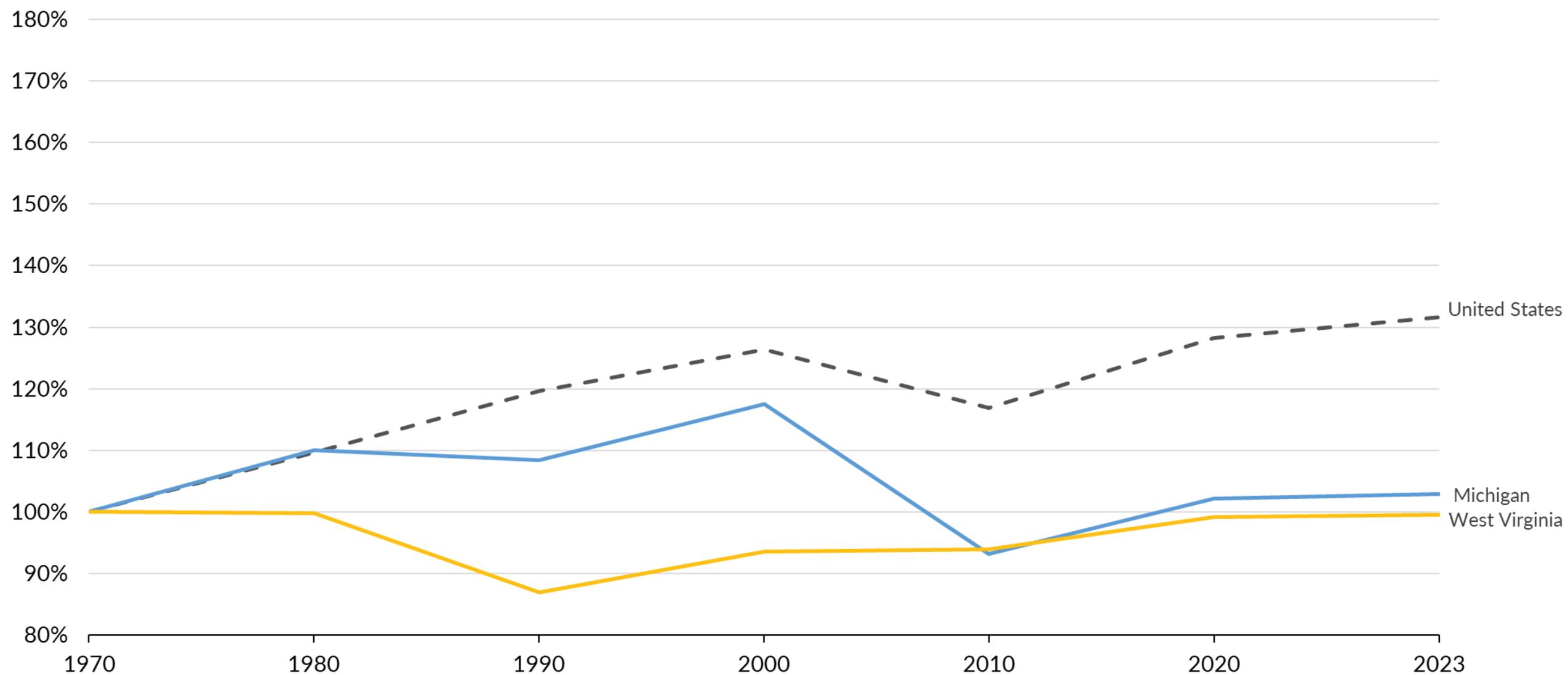
Some places are zooming ahead

Median Household Income, Percent Change (1970=100)

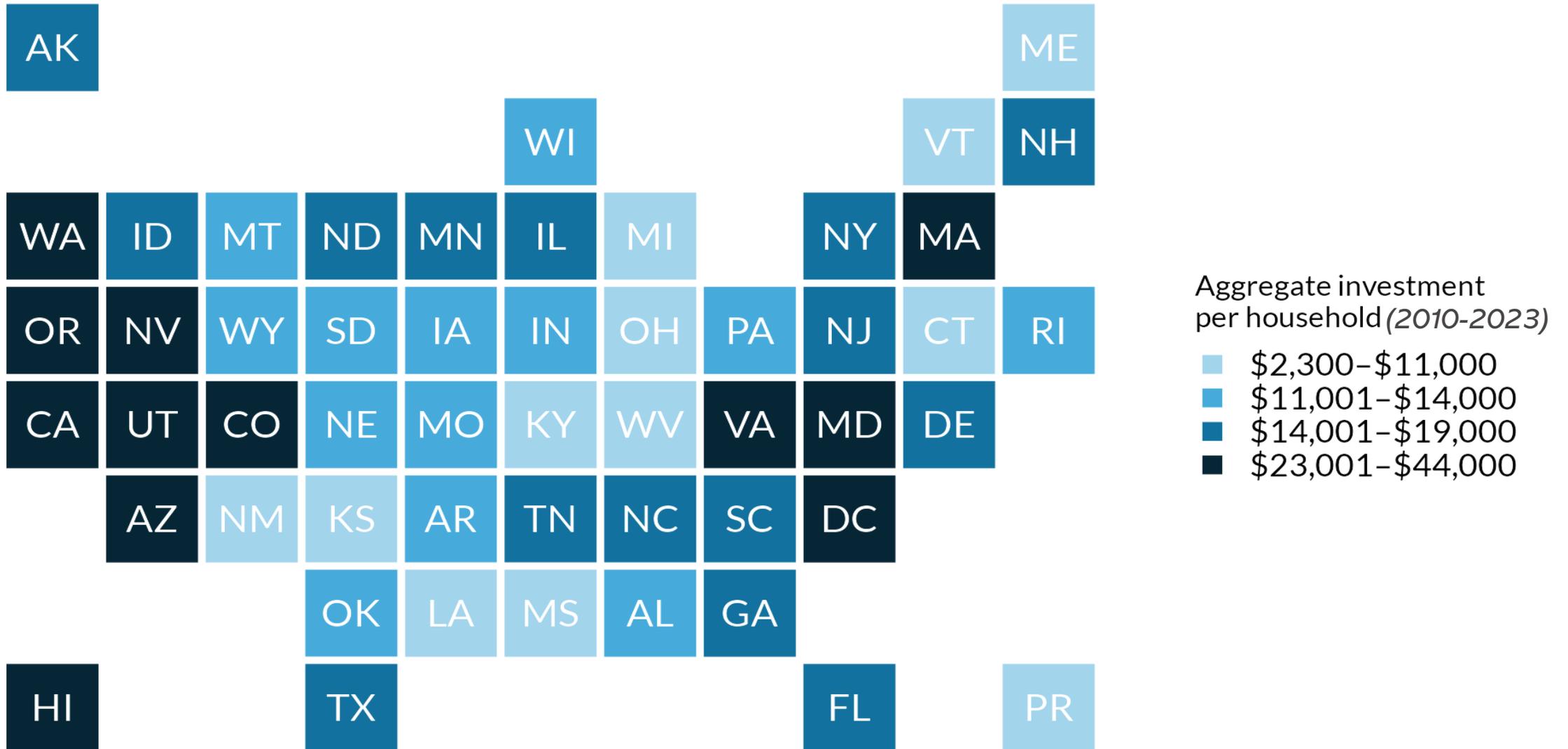


But others are falling behind

Median Household Income, Percent Change (1970=100)

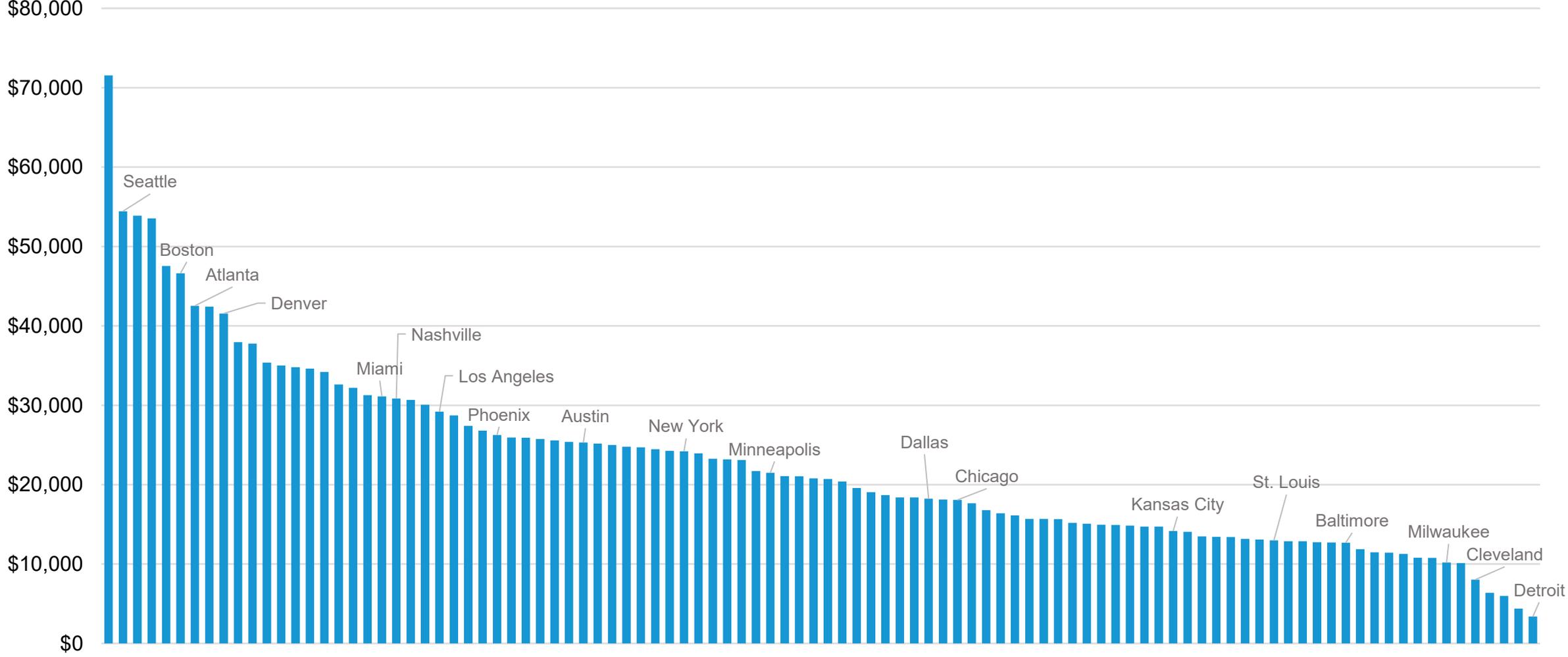


Investment is strong in growing markets, but weak in others, especially a large section in the middle of the country



Among top 50 cities, a 21X spread in aggregate place-based capital flows from top to bottom, 2010–2023

Total investment per household



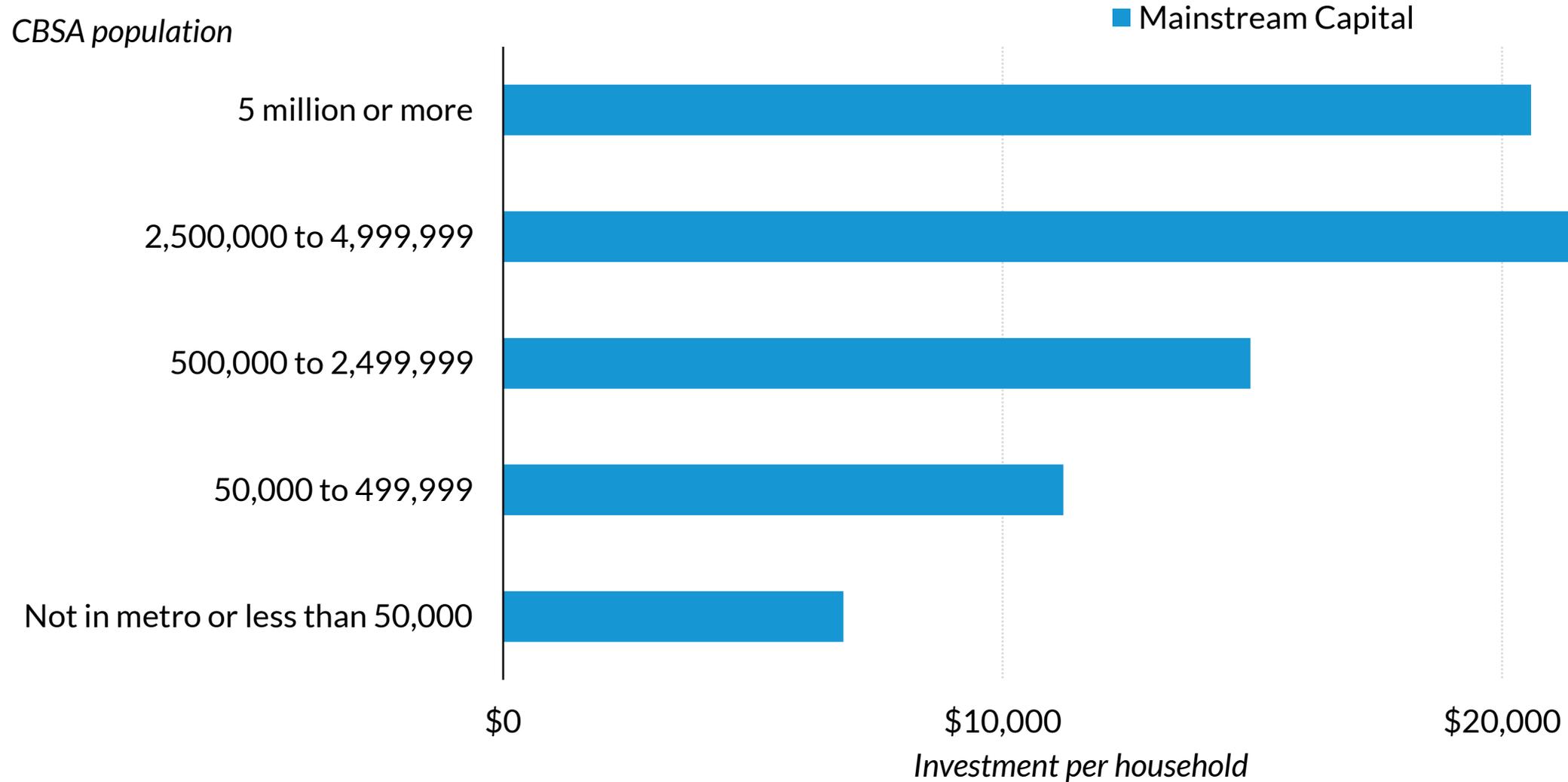
But investment
doesn't reach
everywhere
because...

2: Difficulties of
investing in **rural**
and/or **high poverty**
communities



Significantly less per-capita investment in rural areas

Annual average median capital flows by CBSA population



Challenges of investing in small and rural places

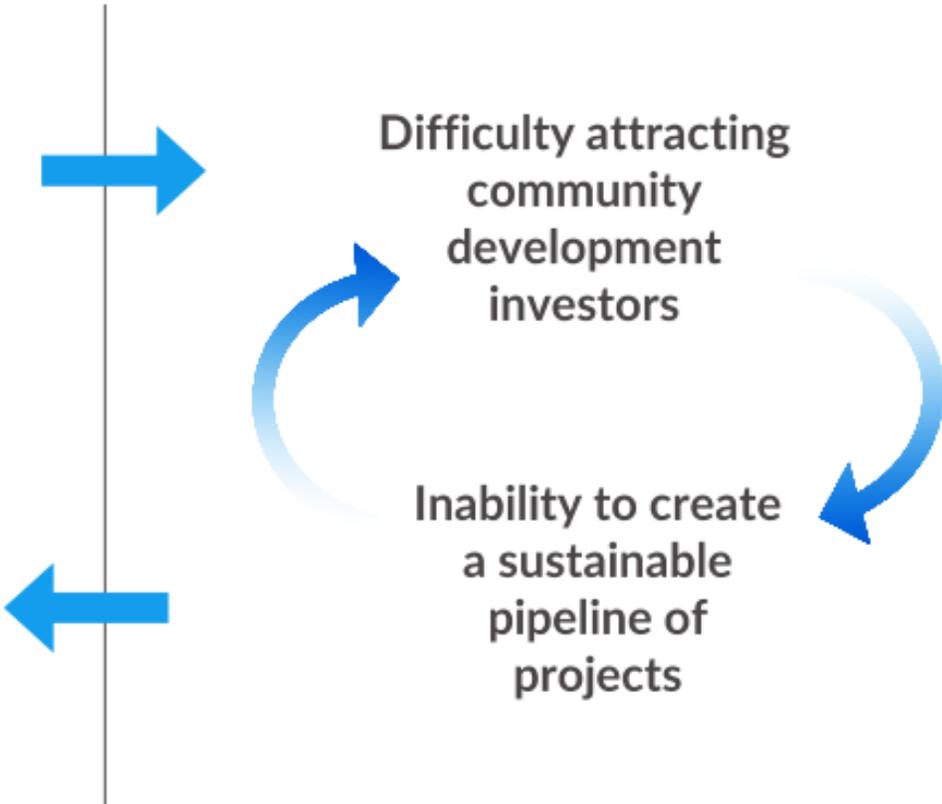
Factors

- Emerging community development ecosystems
- Limited government capacity to coordinate community development projects
- Limited relationship with city or community
- Specialization among investors
- Higher per-transaction costs
- Limited data and insights
- Fear of impact on local actors
- Federal incentives like CRA can encourage capital flows toward large cities

Conditions

Difficulty attracting community development investors

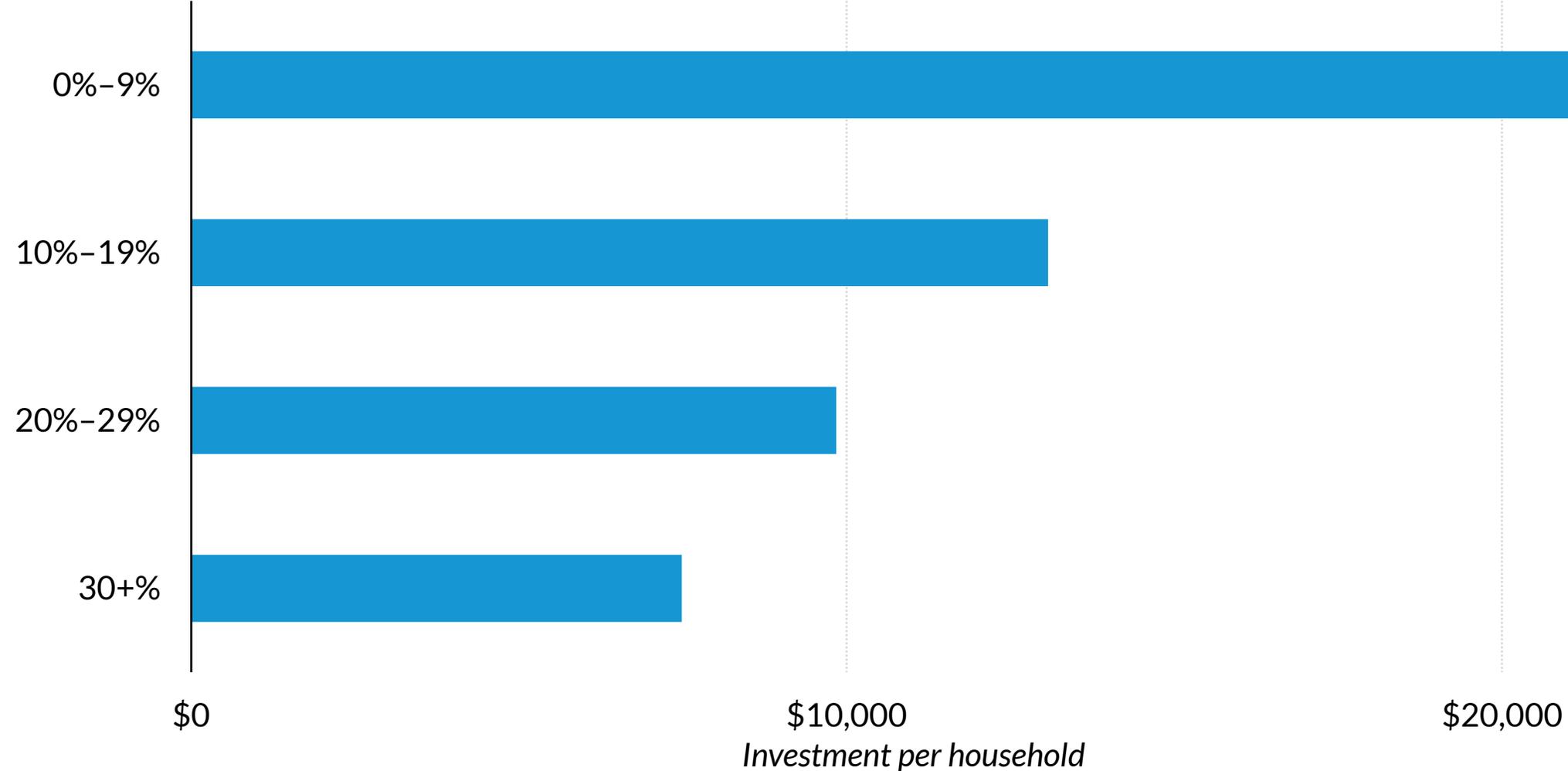
Inability to create a sustainable pipeline of projects



Annual average median capital flows by poverty rate

Neighborhood poverty rate

■ Mainstream Capital



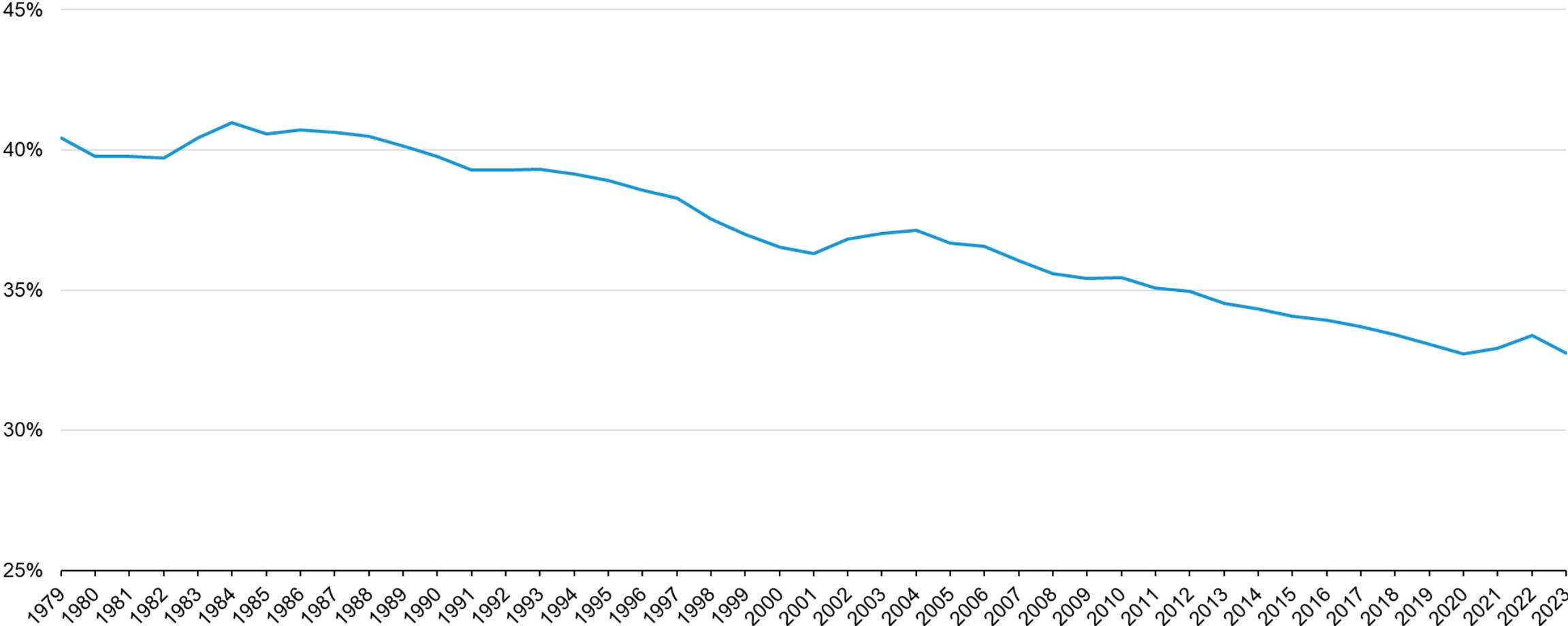
But investment
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because...

3: Hollowing out of
small businesses



Small businesses share of employment is declining for decades

Share of employment



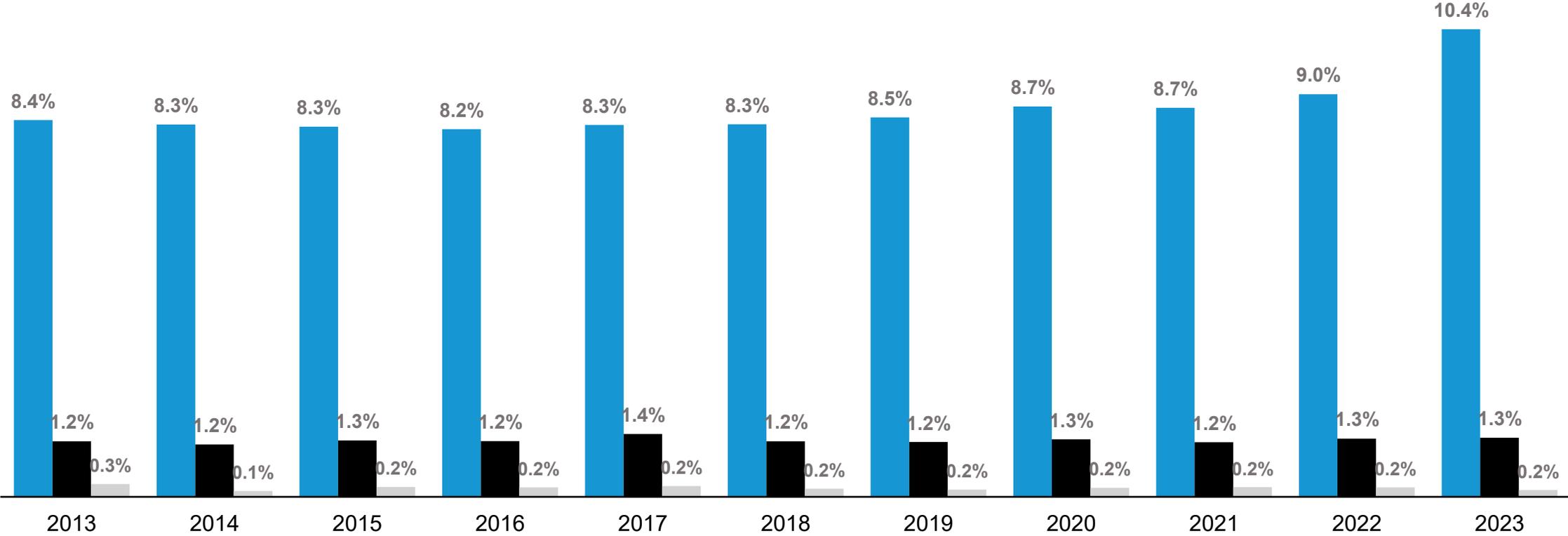
Source: "Business Dynamics Statistics," US Census Bureau, 2023.

Notes: Small businesses defined as firms with 1-99 employees.

Small businesses closing at a much higher rates than other businesses

■ 1 to 19 employees ■ 20 to 499 employees ■ 500 plus employees

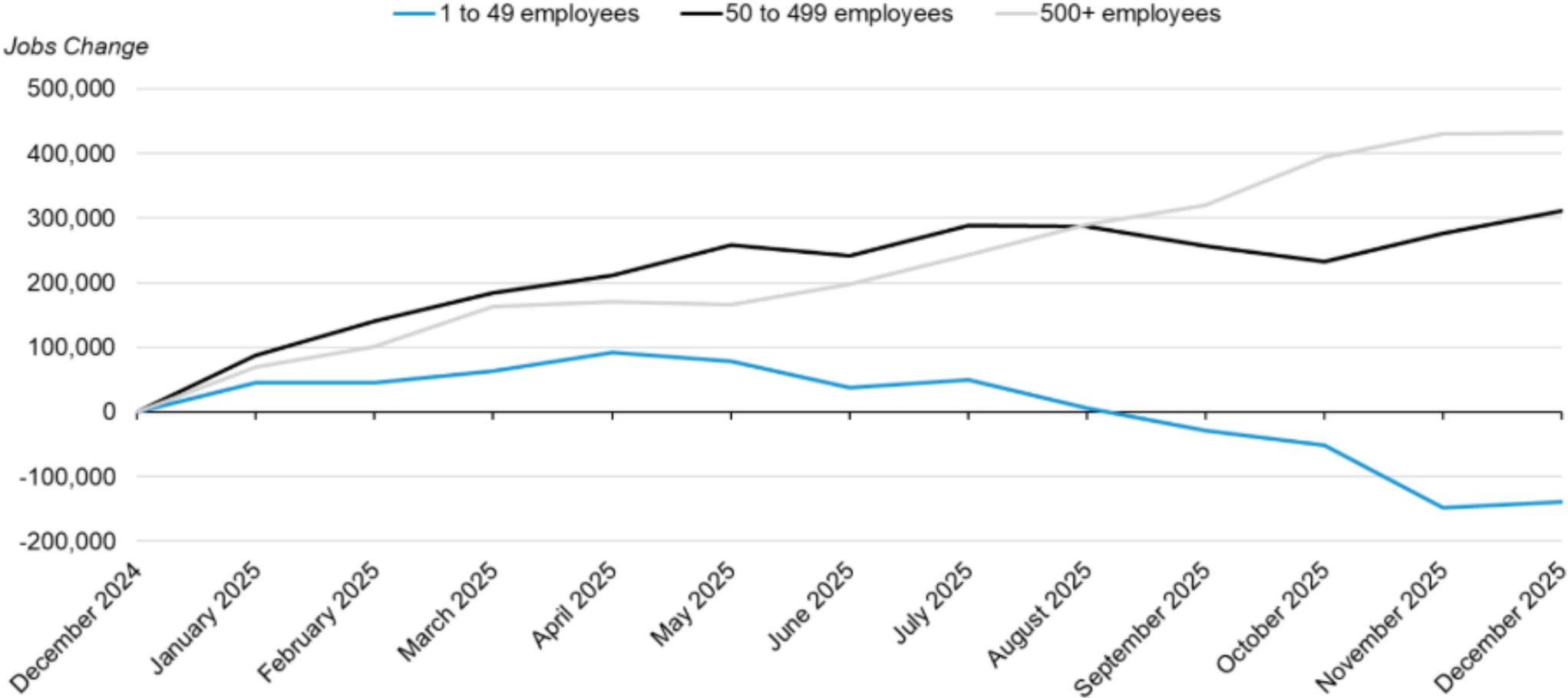
Firm Deaths as Percent of Total Firms



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Source: Source: U.S. Census Bureau - Center for Economic Studies - Business Dynamics

While bigger firms are growing, smaller firms are losing jobs



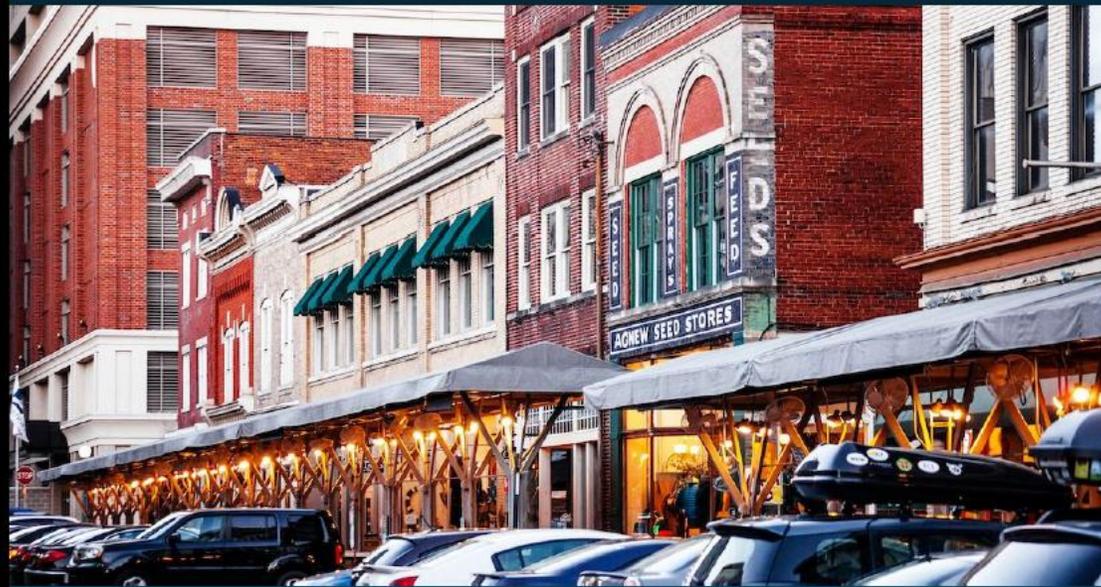
Source: ADP National Employment Report seasonally-adjusted monthly data.

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Solutions that have emerged include:

- Federal place-based investments
- Mission finance
- CRA
- SBA lending





LOCAL FINANCE AND GROWTH

Federal Place-Based Programs

A Landscape Policy Review

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Sophie McManus

Ilina Mitra

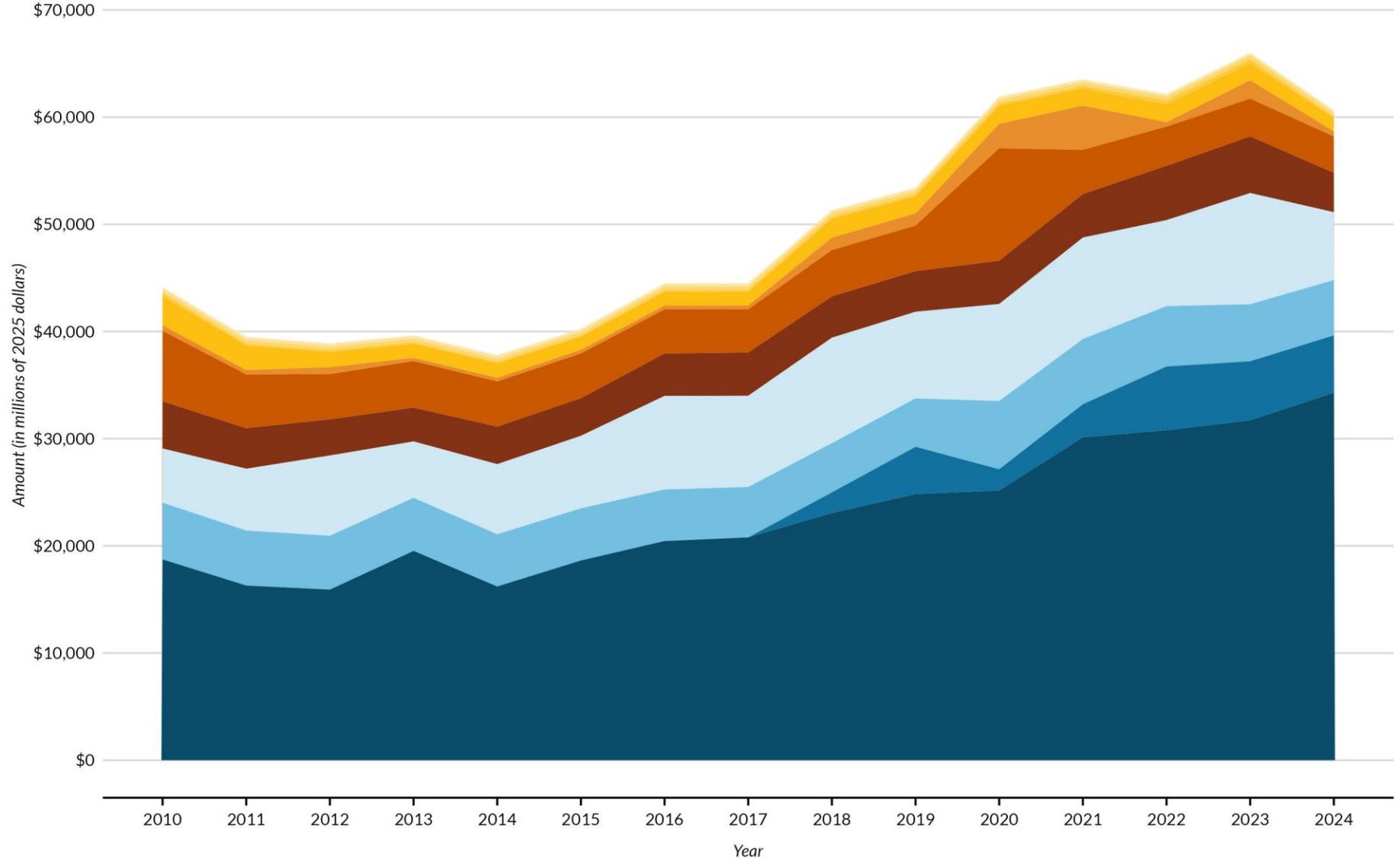
Tomi Rajninger

Noah McDaniel



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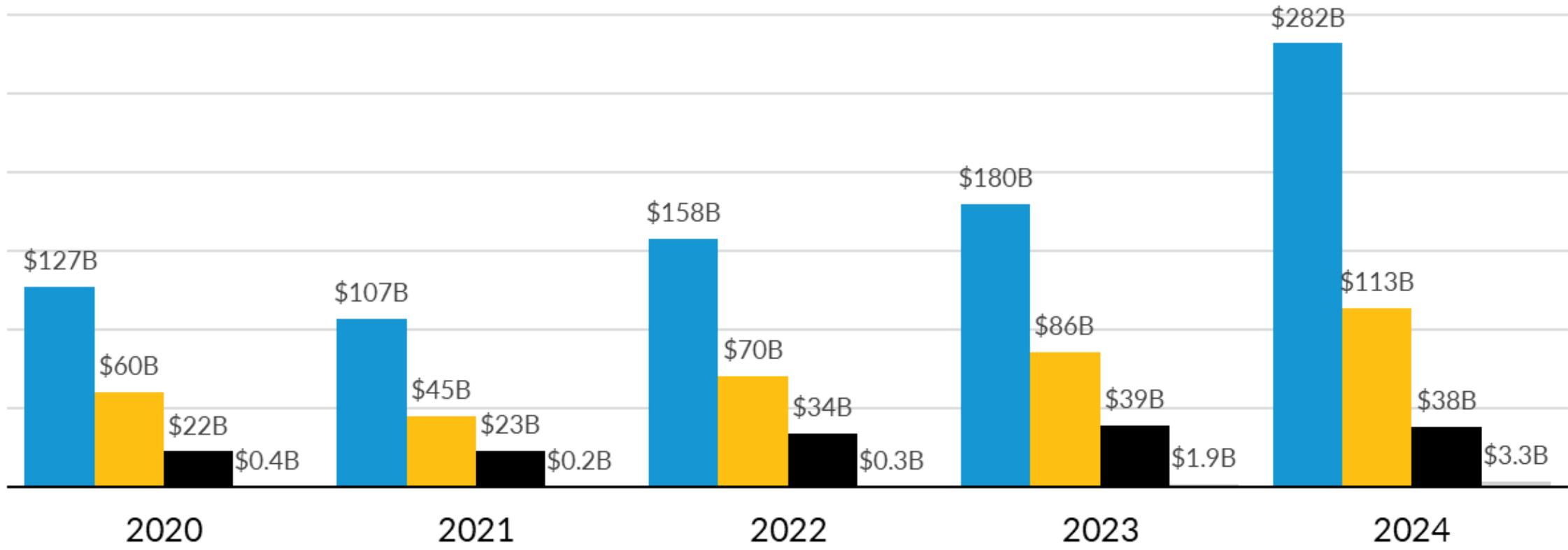
Spending on select major federal place-based programs



CDFIs assets under management growing across type

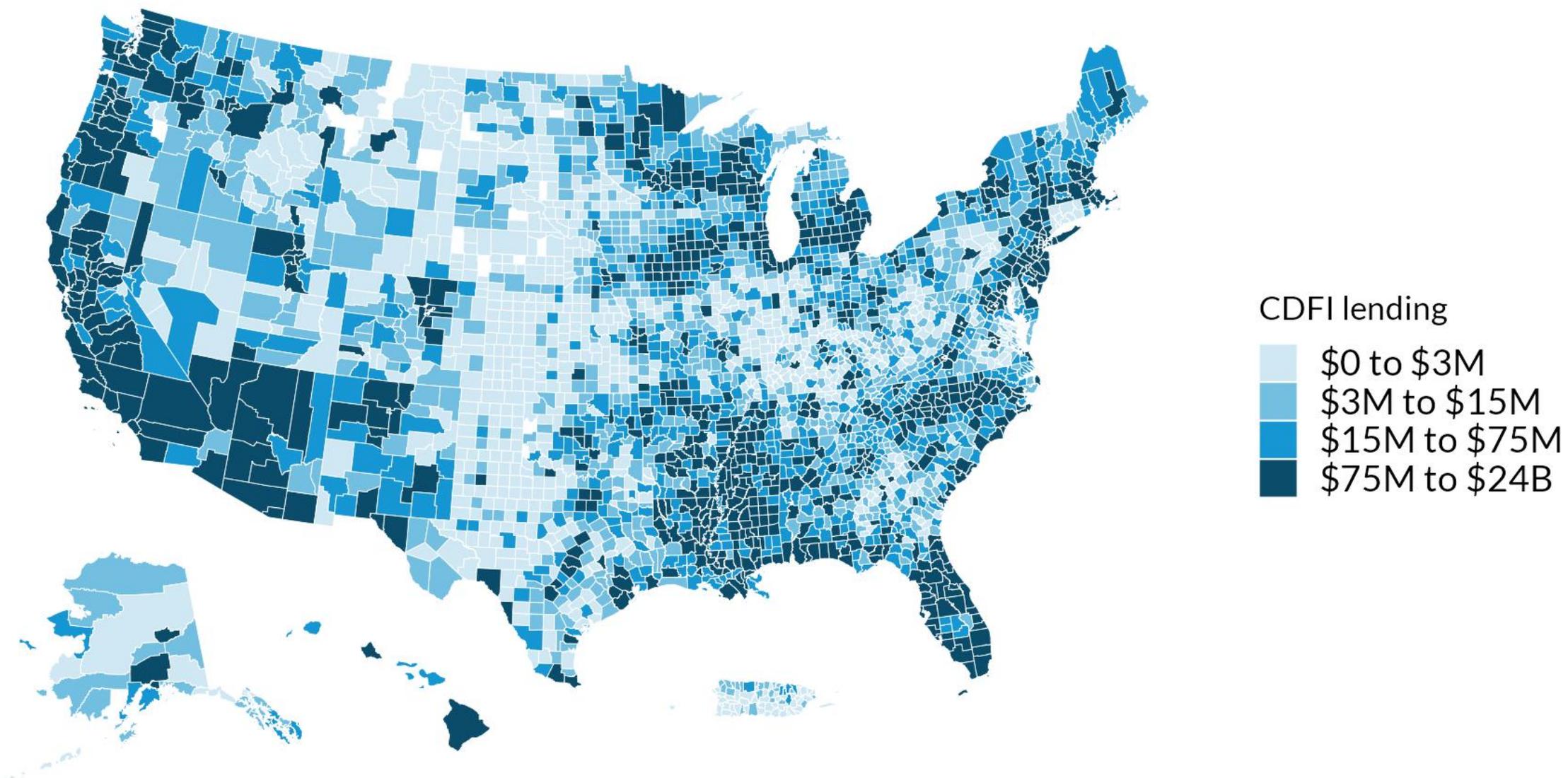
■ Credit Union ■ Bank/Thrift ■ Loan Fund ■ Venture Capital Fund

(\$2024)

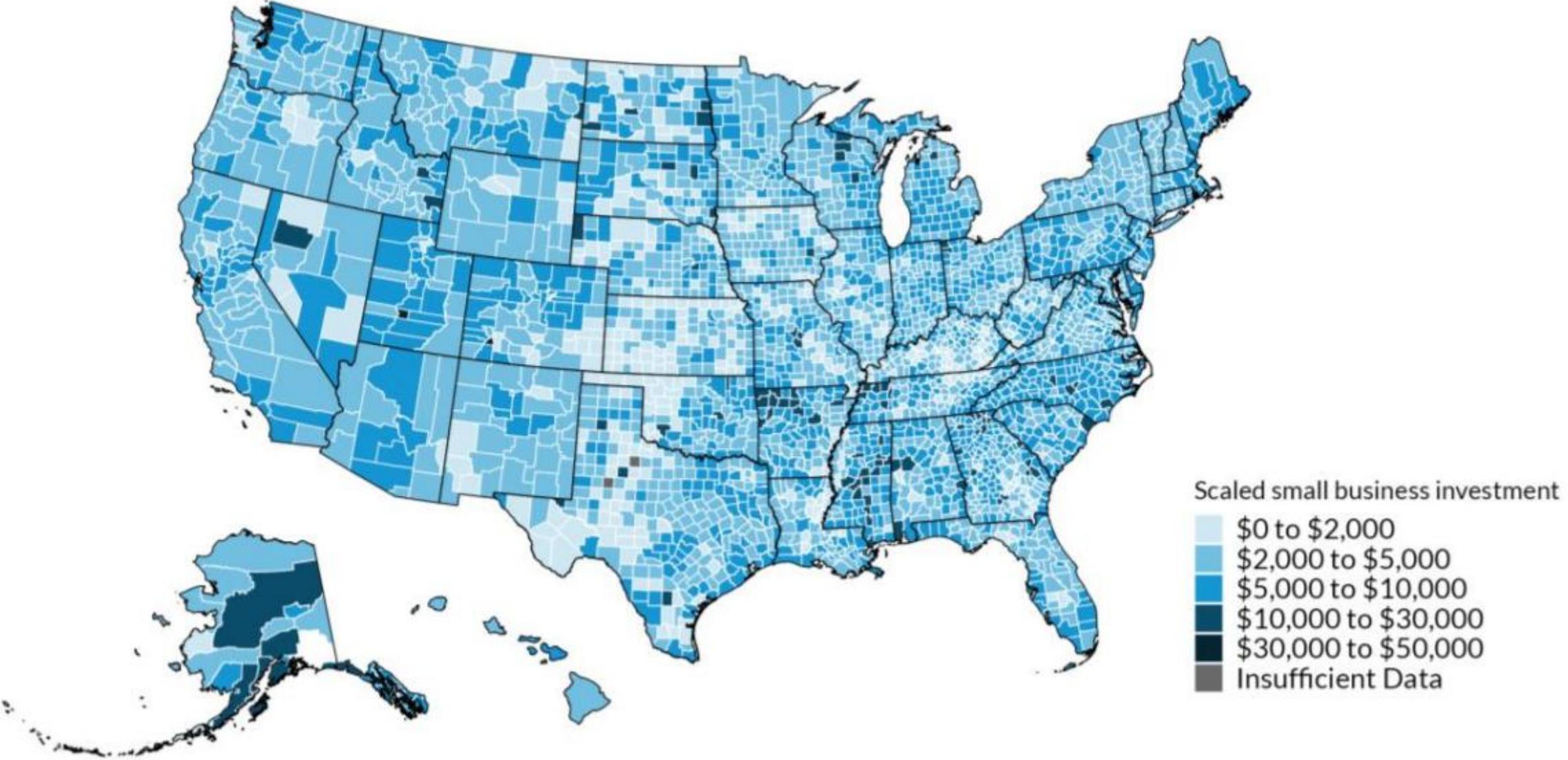


Source: CDFI Fund Annual Reports.
Note: Only includes ACR Reporting CDFIs.

CDFI lending by county, 2010-23



Small business investment by county, 2010-22



Annual average median capital flows by CBSA population

CBSA population

■ Mainstream Capital

■ CDFI Lending

■ Federal Investment

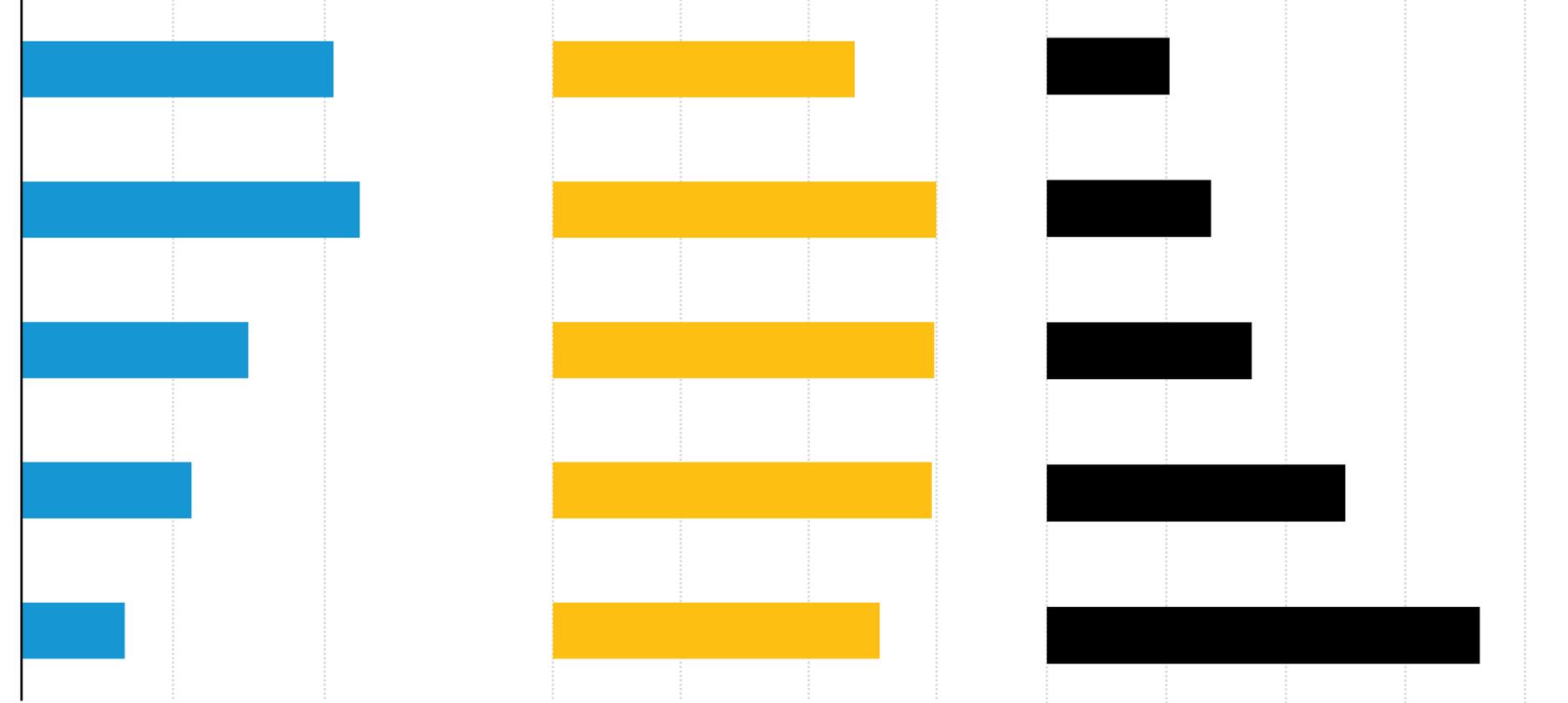
5 million or more

2,500,000 to 4,999,999

500,000 to 2,499,999

50,000 to 499,999

Not in metro or less than 50,000



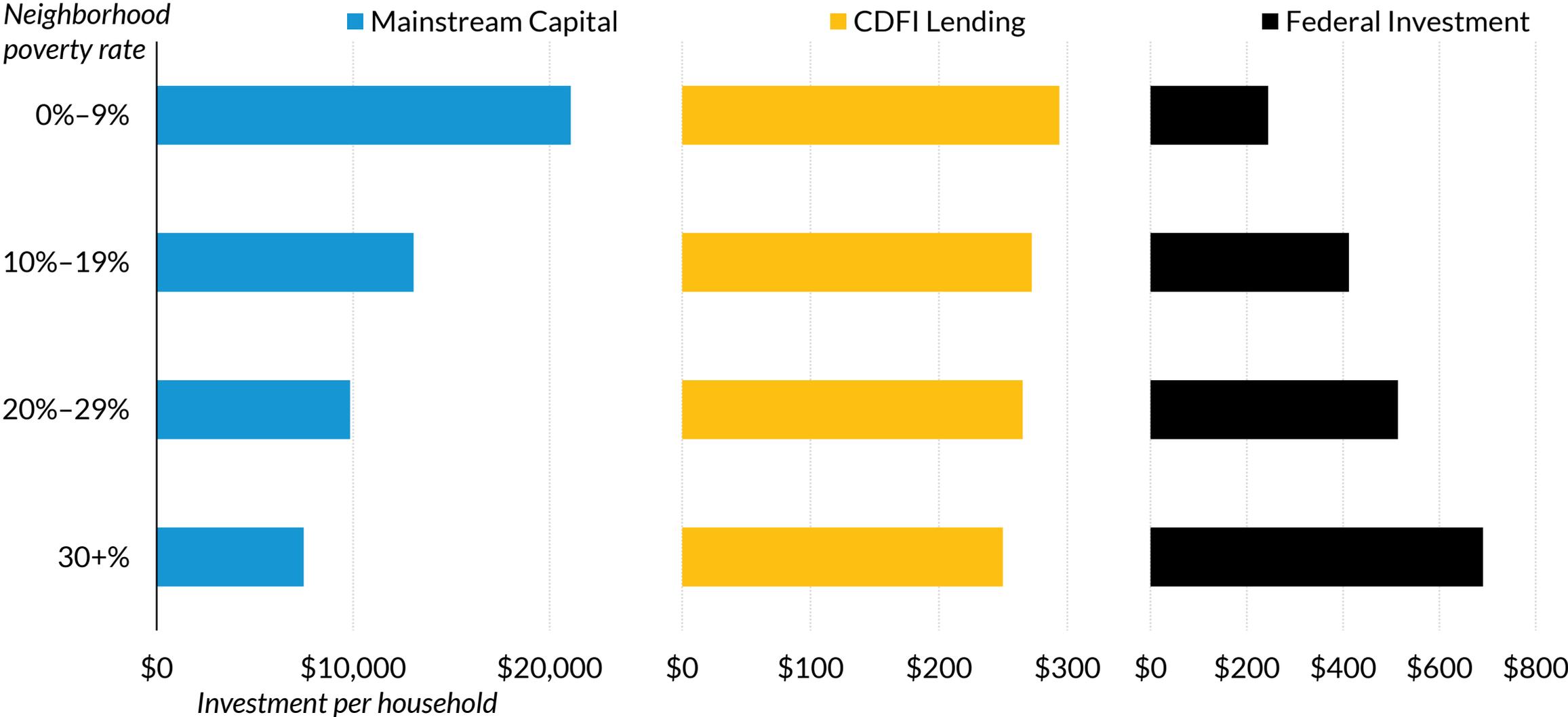
\$0 \$10,000 \$20,000

\$0 \$100 \$200 \$300

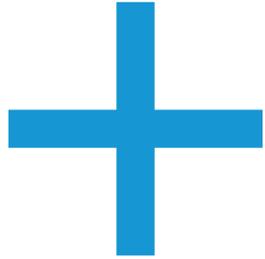
\$0 \$200 \$400 \$600 \$800

Investment per household

Annual average median capital flows by poverty rate



Takeaways on federal place-based programs



Positive Effects



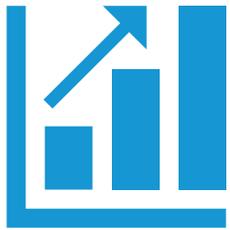
Privatized



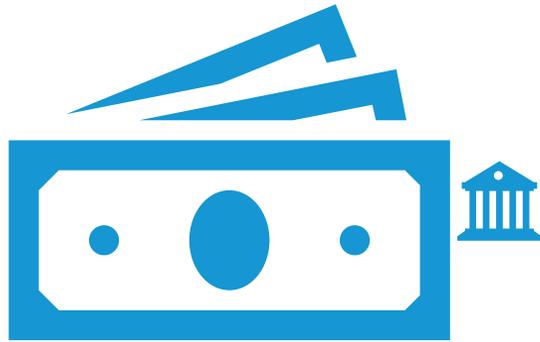
Alignment Issues



Transaction Costs



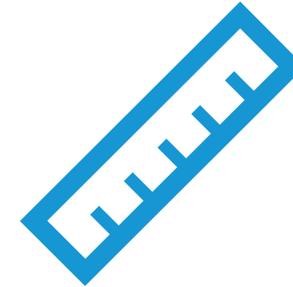
Doubled since 2010



Small relative to private market / need



Spread Inconsistently



Difficult to Measure



Little local control/input

For **greater impact**, we need to bolster these solutions





THEORY OF IMPACT

A strong community development finance sector will lead to upward mobility for people and communities

Urban's Center for Local Finance & Growth will address knowledge and practice gaps and create a policy and funding environment that advances a stronger sector