

RESEARCH REPORT

# Neighborhood Investment Flows in Baltimore

With a Case Study on the East Baltimore Development Initiative

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# Neighborhood Investment Flows in Baltimore

Baltimore is one of the most segregated cities in the United States (Logan and Stults 2011). Maps of the distribution of Baltimore's population by race show segregated Black<sup>1</sup> communities fanning across the city's eastern and western halves, a pattern that Lawrence Brown, visiting associate professor at the University of Wisconsin Population Health Institute, refers to as "the Black Butterfly."<sup>2</sup> Maps showing neighborhoods with high poverty rates reveal this same pattern; segregation and income appear to go hand in hand in Baltimore (figures 1 and 2).

Researchers like Brown, Alan Berube and Brad McDearman,<sup>3</sup> and Dedrick Asante-Muhammed have chronicled various aspects of social and economic inequality in Baltimore (CFED 2017). The degree of hypersegregation, concentrated poverty, and other markers of inequality is striking given that the Baltimore metropolitan area is relatively well off overall.

This report looks at inequality in Baltimore through a different facet. We measure neighborhood<sup>4</sup> disparities in private, public, and mission capital flows. These capital flows include financing like home mortgages, small-business loans, and commercial real estate. We consider investing from public sector programs, such as the city's Capital Improvement Program (CIP) and state and federal programs. We include mission investment, such as from community development financial institutions (CDFIs) and others seeking both a social and financial return. We study these trends because capital flows determine whether residents have access to the amenities, services, and resources they need.

At the time of publication, amid the COVID-19 pandemic and an overdue national reckoning with systems of racism, we feel that the geography of capital distribution across Baltimore's neighborhoods is particularly pertinent. Historical and contemporary systemic racism and exclusion manifest in markets and lead to neighborhood disparities in access to capital and investment and in turn create disparate access to economic opportunity, health, and family well-being. The ongoing economic and health crises risk further deepening racial disparities. As was the case in the Great Recession (McKernan and Ratcliffe 2013), times of economic instability can substantially worsen existing wealth disparities between white families and families of color. Moreover, small businesses in majority-Black communities face particular challenges to weathering this downturn. Pre-crisis, these communities already experienced higher levels of bankruptcy filings per capita, and debtors from these areas who file for bankruptcy tend to experience worse outcomes than debtors from white areas (Kiel and Fresques

2017). And early indications are that the pandemic is not playing out equitably across race or ethnicity. The age-adjusted COVID-19 death rate for Black people is over three times that of white non-Hispanic people; the age-adjusted death rate for Latinx people is over two times that of white non-Hispanic people.<sup>5</sup> Disinvestment and unequal access to capital help create the physical conditions that make many Black and Latinx people more likely to have worse health outcomes resulting from the pandemic.

To measure neighborhood disparities in capital flows, we use data on the dollar volume of investment flows from 2004 through 2016 and divide these flows by the number of households in each neighborhood.<sup>6</sup> We then compare the per-household capital flows between neighborhoods. We find that investment in Baltimore is highly concentrated in ways that reflect patterns of racial and economic inequality.

This report starts with a summary of aggregate investment trends across neighborhoods. We then look at “uses” of capital—first at construction and rehabilitation activity and then at real estate sales activity. Next, we explore “sources” of capital, starting with loans for real estate, both residential and commercial. We then turn to small-business lending and to public and mission investment. To illustrate contrasts between mission and purely private market dynamics, we conclude with a case study of a large effort to redirect capital to a disinvested neighborhood in Baltimore, the East Baltimore Development Initiative. This initiative shows the potential of targeted efforts to bring capital to places that had been largely overlooked by investors.



FIGURE 1

Distribution of Baltimore Residents by Race or Ethnicity,  
2012–16

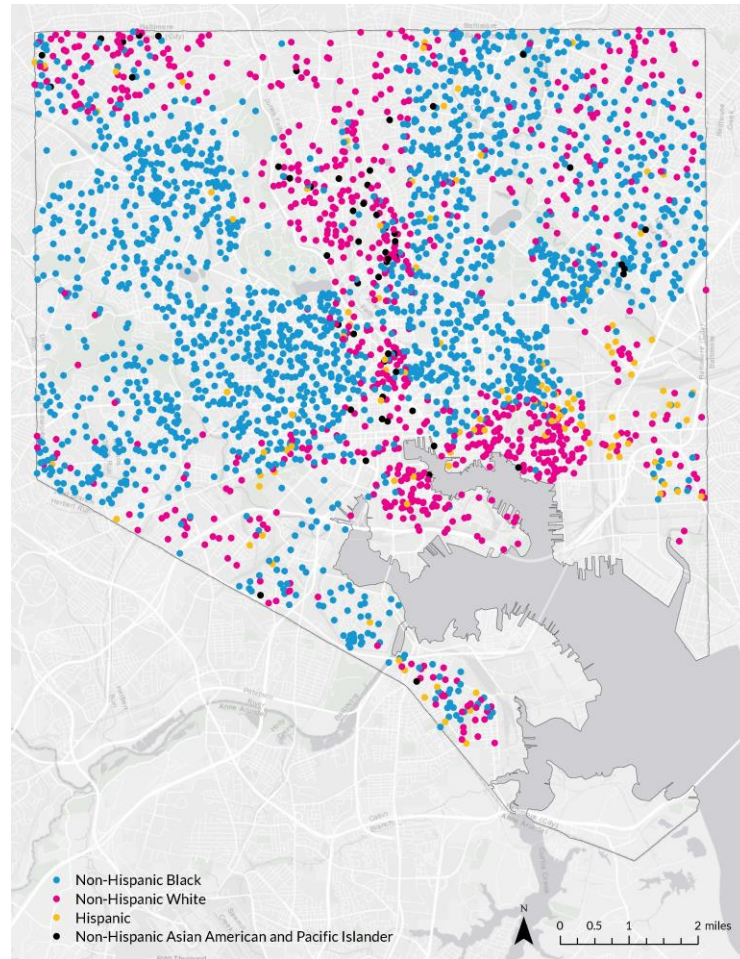
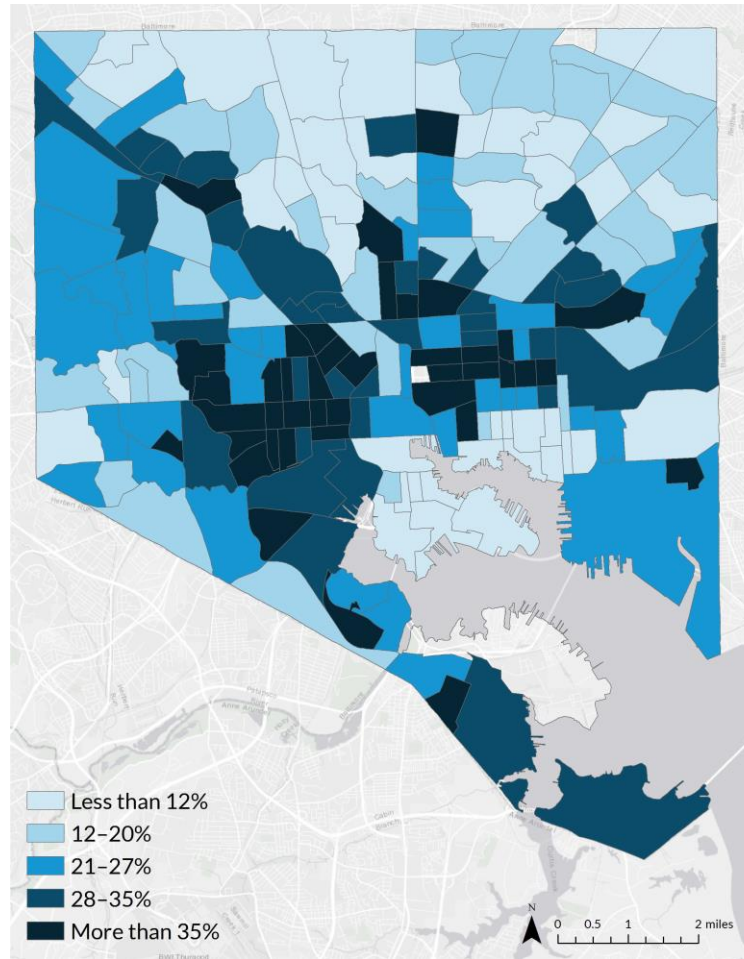


FIGURE 2

Baltimore Poverty Rate by Census Tract,  
2012–16



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**Sources:** 2012–16 American Community Survey data; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

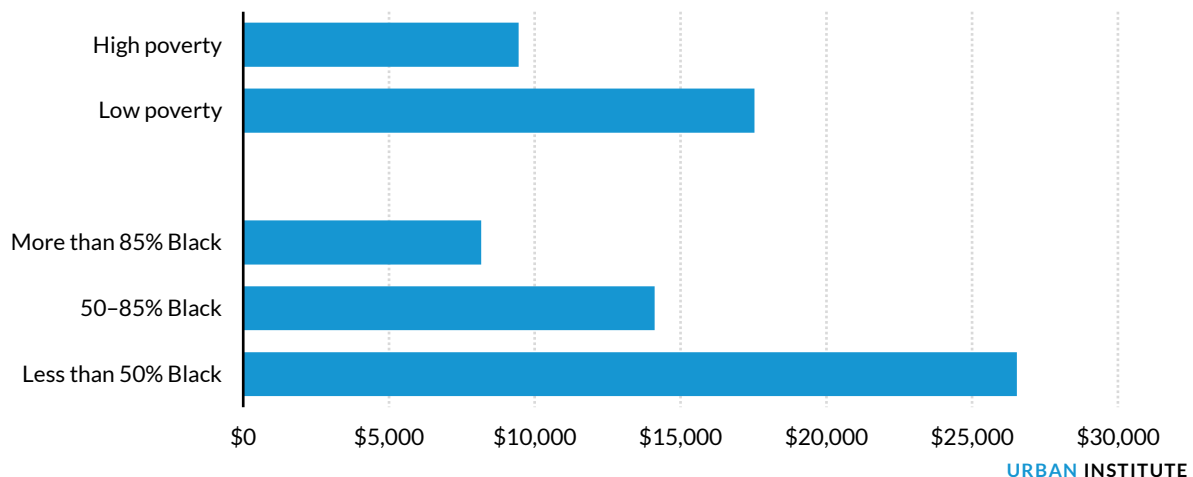
**Note:** Each dot in figure 1 represents 200 residents.

# Aggregate Investment Flows

Figure 3 presents the central finding of our research: capital flows are distributed unevenly across Baltimore, driven by poverty and especially race. Looking first at race, neighborhoods whose residents are less than 50 percent Black received roughly 3.3 times the investment of neighborhoods with concentrated Black populations. Specifically, the investment from all sources we studied in neighborhoods that were less than 50 percent Black amounted to \$26,533 per household per year (average annual between 2004 and 2016). By comparison, investment in neighborhoods that were more than 85 percent Black was \$8,160 per household per year.

Looking at poverty, investment from all sources in low-poverty neighborhoods (those with poverty rates of 25 percent or lower) was \$17,540 per household per year. By comparison, investment in high-poverty neighborhoods (those with poverty rates of more than 25 percent) was \$9,442 per household per year. Low-poverty neighborhoods thus received roughly 1.9 times the investment of high-poverty neighborhoods.

**FIGURE 3**  
**Per-Household Lending and Public Investment for the Median Neighborhood in a Given Neighborhood Category, Baltimore**  
*Annual average, 2004–16*



**Sources:** 2004–16 CoreLogic data; 2004–16 Home Mortgage Disclosure Act data; 2012–16 American Community Survey data; 2004–16 Baltimore City Planning Department capital improvement plans; 2004–15 US Department of Housing and Urban Development data; 2004–16 Maryland State Department of Education data; 2004–15 Baltimore City Department of Finance data; and 2004–16 Federal Financial Institutions Examination Council Community Reinvestment Act reporting.

**Notes:** High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Citywide, the annual average per-household lending and public investment for the median census tract was \$12,768. Capital flows are presented in constant 2016 dollars.



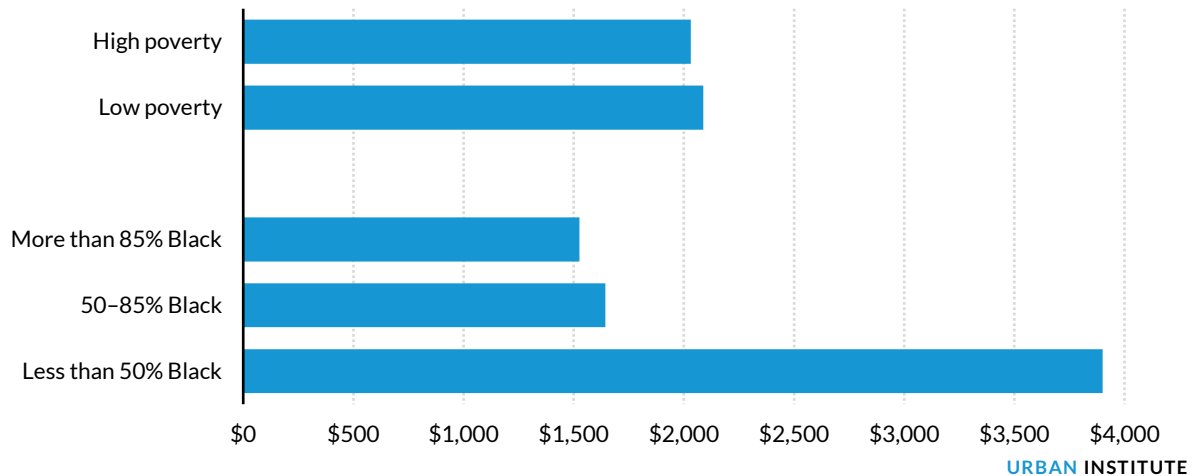
# Construction Investments

We start by looking at one of the “uses” of capital: the amount of construction, rehabilitation, and demolition, as measured by project costs reported on building permit applications. Areas of low investment align with the same “Black Butterfly” pattern. Neighborhoods whose populations are less than 50 percent Black received about 2.6 times more investment than neighborhoods whose populations are more than 85 percent Black (figure 4). The levels of investment did not vary much between high-poverty and low-poverty neighborhoods.

FIGURE 4

## Per-Household Construction, Rehabilitation, and Demolition Volume for the Median Neighborhood in a Given Neighborhood Category, Baltimore

Annual average, 2004–16



**Sources:** 2004–16 Baltimore housing data via Open Baltimore and 2012–16 American Community Survey data.

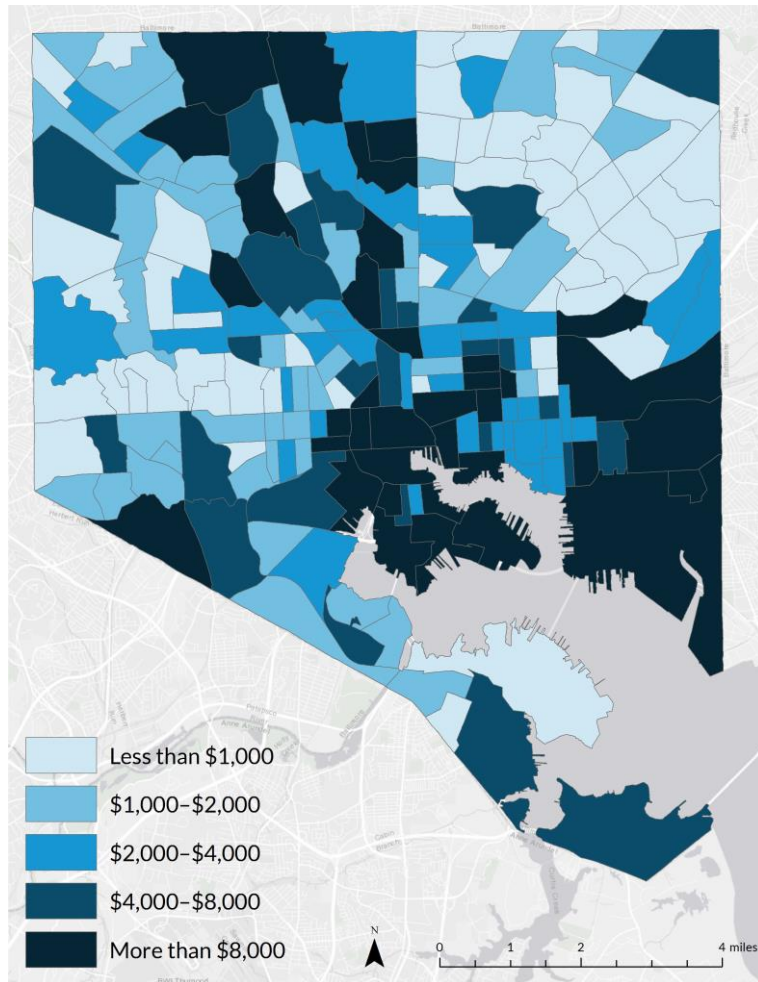
**Notes:** High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Citywide, the annual average per-household construction, rehabilitation, and demolition volume for the median census tract in 2004–16 was \$2,049. Capital flows are presented in 2016 dollars.

Figure 5 maps investments in building construction, rehabilitation, and demolition. This activity was concentrated in the predominantly white, higher-income neighborhoods in the northern-central areas of the city, downtown, and in the waterfront neighborhoods east of downtown. A high concentration of activity that requires permits can reflect several things. It can be part of facility upgrades in industrial areas like the Canton Industrial Area, Holabird Industrial Park, and Dundalk Marine Terminal. It can be a prerequisite to building on and around some of Baltimore’s college campuses, including Loyola University Maryland and Johns Hopkins University. In predominantly residential areas, it can also be a sign of housing renovation and upgrades and new housing development.

Although the program's effects are not yet certain, Opportunity Zones may in the future attract higher capital flows to Baltimore neighborhoods whose Black populations are greater than 85 percent; those neighborhoods make up more than half of the city's zones (Theodos, Meixell, and Hedman 2018).

**FIGURE 5**

**Per-Household Construction, Rehabilitation, and Demolition Volume in Baltimore, by Census Tract**  
*Annual average, 2004–16*



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**Sources:** 2004–16 Baltimore housing data via Open Baltimore; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

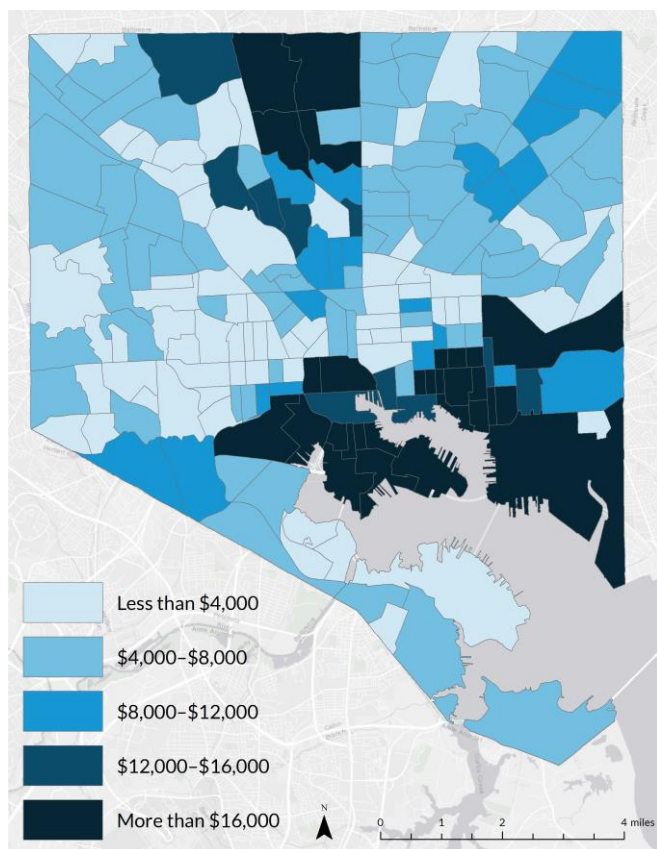
**Note:** Amounts are in constant 2016 dollars.

# Real Estate Sales

Before turning to “sources,” we look at a second “use” of capital: property acquisition, including residential, commercial, and industrial real estate sales. Information about property transactions offers another lens through which to examine differences between communities. Purchase activity reflects investors’ confidence in the future of neighborhood markets, as well as the value generated by renovation or development projects that are resold after construction is completed. As with other analyses, we divided these capital flows by the number of households in a neighborhood. Figure 6 shows these trends for Baltimore’s neighborhoods. A similar pattern emerges for real estate sales as was seen with construction activity, with neighborhoods around the harbor, downtown, and to the far north of the city attracting the most investment.

**FIGURE 6**

**Per-Household Residential, Commercial, and Industrial Real Estate Sales, by Census Tract**  
*Annual average, 2004–16*



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**Sources:** 2004–16 CoreLogic data; 2004–16 Home Mortgage Disclosure Act data; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

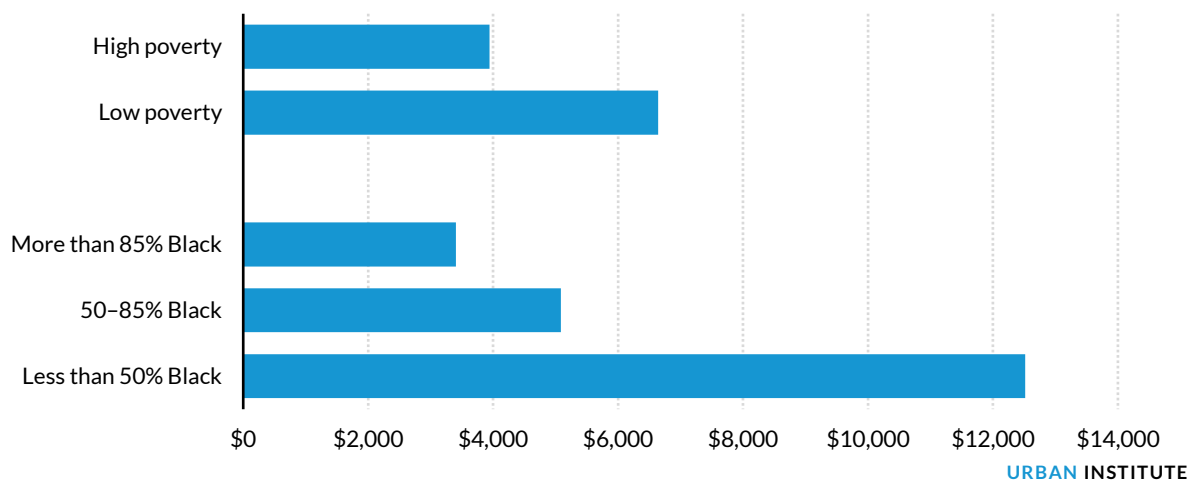
**Note:** Amounts are in constant 2016 dollars.

Neighborhoods where less than half of residents are Black appear to have seen a much higher dollar volume of real estate investment per household, about 3.7 times the investment that neighborhoods whose populations are more than 85 percent Black saw (figure 7). This disparity is even more pronounced than the disparities in construction, rehabilitation, and demolition activity described earlier. Low-poverty neighborhoods had 1.7 times the investment of high-poverty neighborhoods.

**FIGURE 7**

**Per-Household Real Estate Sales Volume for the Median Neighborhood in a Given Neighborhood Category, Baltimore**

*Annual average, 2004–16*



**Sources:** 2004–16 CoreLogic data; 2004–16 Home Mortgage Disclosure Act data; 2012–16 American Community Survey data.

**Notes:** High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Citywide, the annual average per-household real estate sales investment for the median census tract was \$12,768. Capital flows are presented in constant 2016 dollars.

# Loans for Single-Family Real Estate

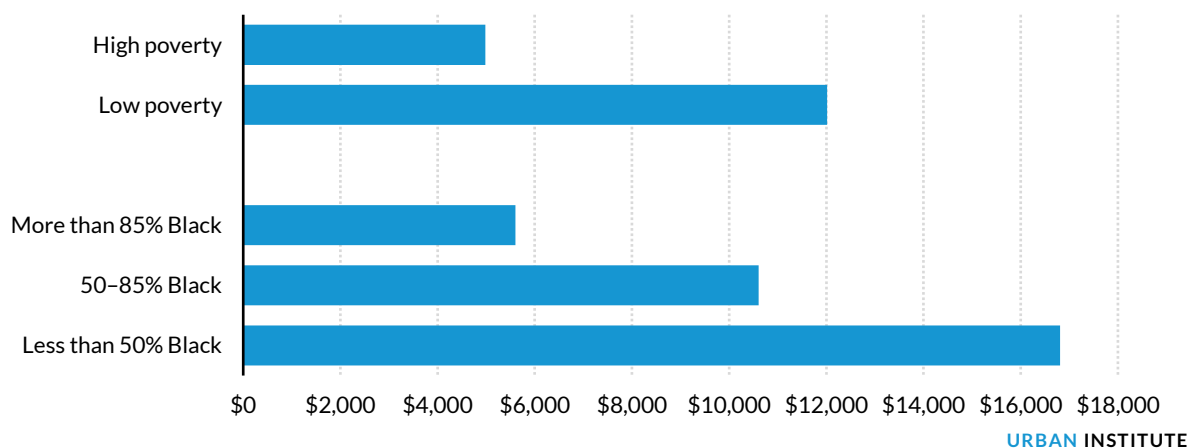
Many more residents have direct experience with single-family real estate lending than have direct experience with, for example, commercial real estate or small-business loans. In recent years, accessing mortgage finance has been more challenging relative to historical standards, with lenders taking fewer risks (Goodman 2017). This, along with other factors, means that the homeownership rate for Black households today is 43 percent, roughly where it was before the Fair Housing Act of 1968 and 31 percentage points below that of white households.<sup>7</sup> The Black-white homeownership gap cannot be fully explained by demographic, income, and credit differences between the groups—other factors are at play (Choi et al. 2019). And these broader dynamics are evident in Baltimore.

Neighborhoods with low shares of Black residents received 3.0 times the investment of neighborhoods with concentrated Black populations (figure 8). Low-poverty neighborhoods received 2.4 times the investment of high-poverty neighborhoods. Note also that our analysis encompasses pre-recession years when subprime lenders were very active, meaning that the provision of nonsubprime lending may be even less equitably distributed. Figure 9 shows these trends in Baltimore's neighborhoods, with downtown and the far north attracting a disproportionate amount of single-family real estate financing.

FIGURE 8

## Per-Household Single-Family Real Estate Lending for the Median Neighborhood in a Given Neighborhood Category, Baltimore

Annual average, 2004–16



Sources: 2004–16 Home Mortgage Disclosure Act data; 2012–16 American Community Survey data.

Notes: High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Citywide, the annual average per-household single-family real estate lending amount was \$8,153. Capital flows are presented in constant 2016 dollars.



FIGURE 9

**Per-Household Loan Volume for Single-Family Dwellings  
in Baltimore, by Census Tract**

*Annual average, 2004–16*

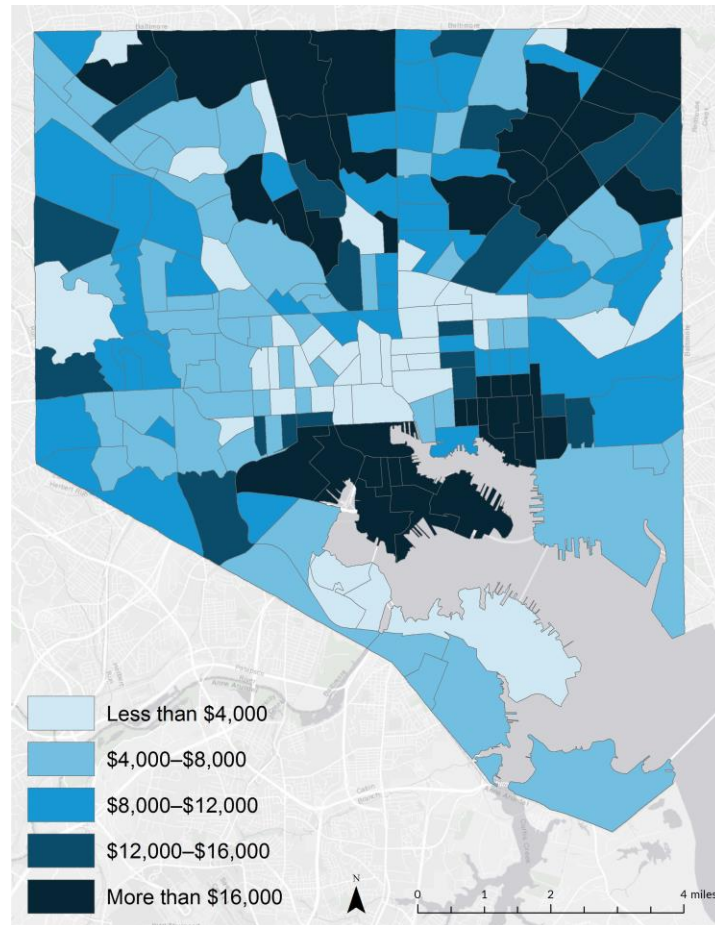
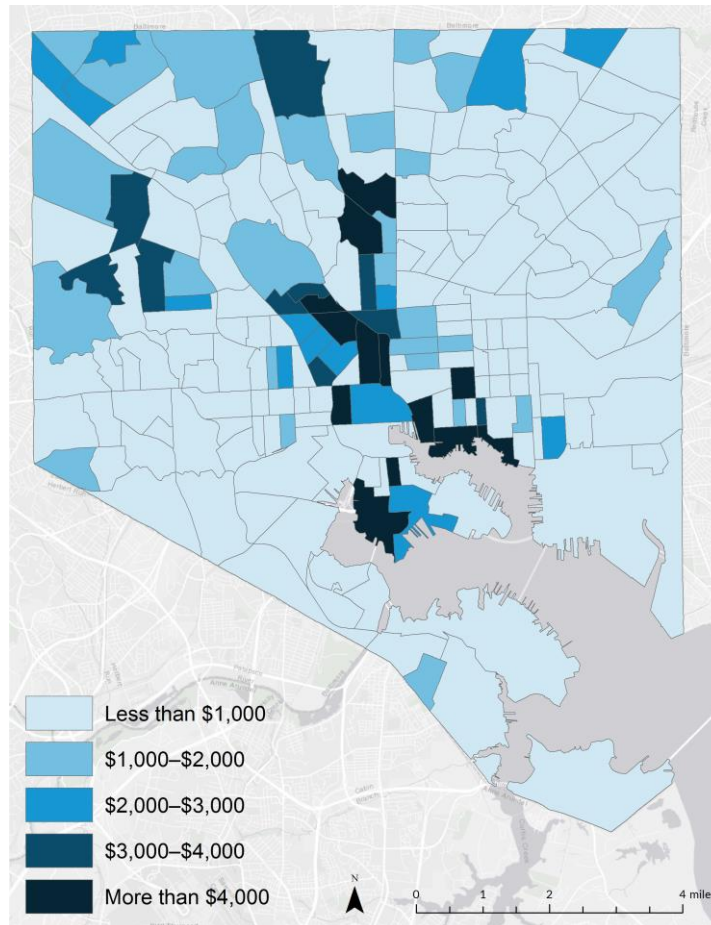


FIGURE 10

**Per-Household Loan Volume for Multifamily Dwellings  
in Baltimore, by Census Tract**

*Annual average, 2004–16*



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**Sources:** 2004–16 CoreLogic data; 2004–16 Home Mortgage Disclosure Act data; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Amounts are in constant 2016 dollars.

# Loans for Multifamily Real Estate

Multifamily lending finances residential properties with four or more units and larger apartment buildings. The infusion of this capital allows for the creation of new housing stock in a neighborhood, as well as renovations to preexisting buildings. New construction and renovations are both important activities locally; they indicate whether a neighborhood is growing, economically and in population, or is being left behind. Creation and renovation of this housing stock can benefit renters via improved housing availability and affordability, energy cost savings, and health benefits.

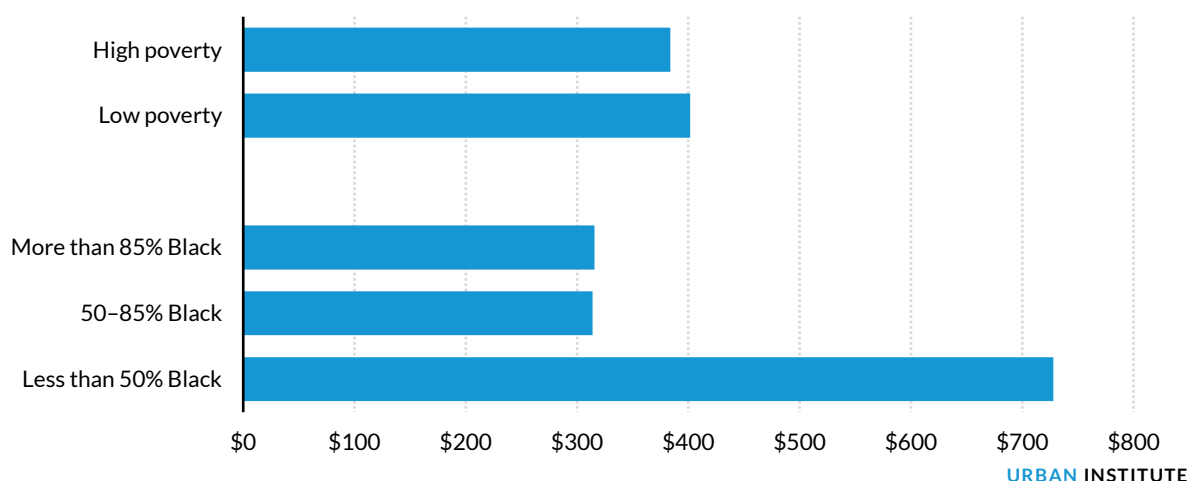
In Baltimore, the distribution of multifamily real estate lending across its neighborhoods, shown in figure 10, resembles the maps of other capital flows, although the volume is smaller for this source than for single-family real estate financing.

Neighborhoods with lower percentages of Black residents received substantially more multifamily real estate lending. The median neighborhood among those whose populations are less than 50 percent Black received 2.3 times the amount of multifamily capital per household as the median neighborhood among those whose populations are greater than 85 percent Black (figure 11). However, this disparity is not evident when looking at neighborhoods by poverty rates.

**FIGURE 11**

## Per-Household Multifamily Real Estate Lending for the Median Neighborhood in a Given Neighborhood Category, Baltimore

Annual average, 2004–16



**Sources:** 2004–16 CoreLogic data; 2012–16 American Community Survey data.

**Notes:** High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Citywide, the annual average per-household multifamily real estate lending amount for the median census tract was \$344. Capital flows are presented in constant 2016 dollars.

# Loans for Commercial Real Estate

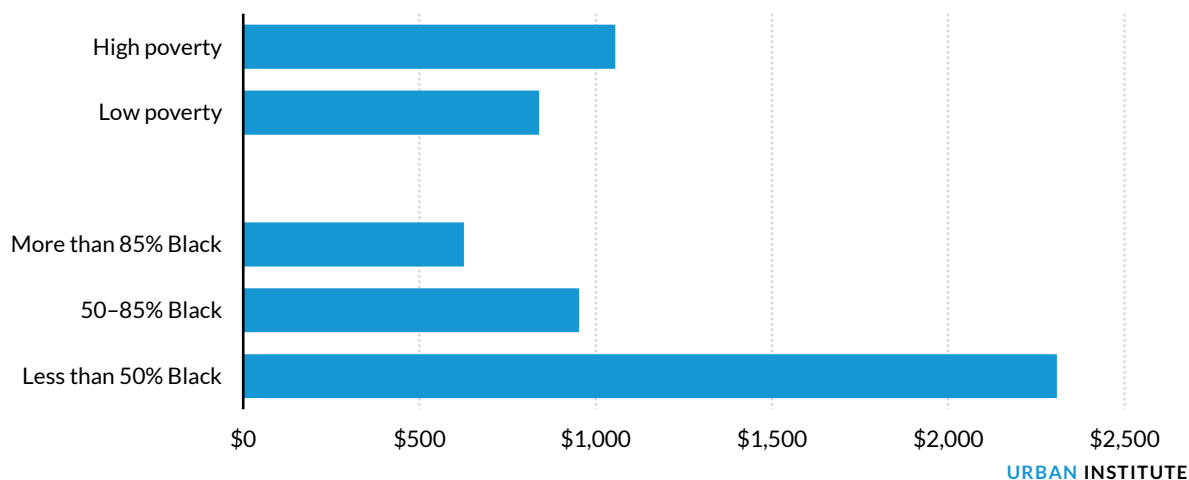
We define commercial real estate broadly to include office and retail buildings, manufacturing plants, and industrial properties. These capital sources are important: loans for commercial real estate help support the local job base and commercial amenities in a neighborhood. A diffusion of jobs across a city can help address concerns of “spatial mismatch,” where low-income residents live far from employment opportunities.<sup>8</sup> Investment in commercial real estate can also address unmet needs for retail amenities that serve low-income residents and help revitalize neighborhoods (Chapple and Jacobus 2009; Schuetz, Kolko, and Meltzer 2012).

In Baltimore, commercial real estate lending is heavily skewed toward whiter neighborhoods. Neighborhoods whose populations are less than 50 percent Black received 3.7 times the investment of neighborhoods whose populations are more than 85 percent Black (figure 12). On the other hand, high-poverty neighborhoods received more commercial real estate lending investment than low-poverty neighborhoods. A potential explanation for this is the presence of industrial or warehouse properties in high-poverty neighborhoods, land uses that might be opposed by residents of low-poverty areas.

FIGURE 12

## Per-Household Commercial Real Estate Lending for the Median Neighborhood in a Given Neighborhood Category, Baltimore

Annual average, 2004–16



Sources: 2004–16 CoreLogic data; 2012–16 American Community Survey data.

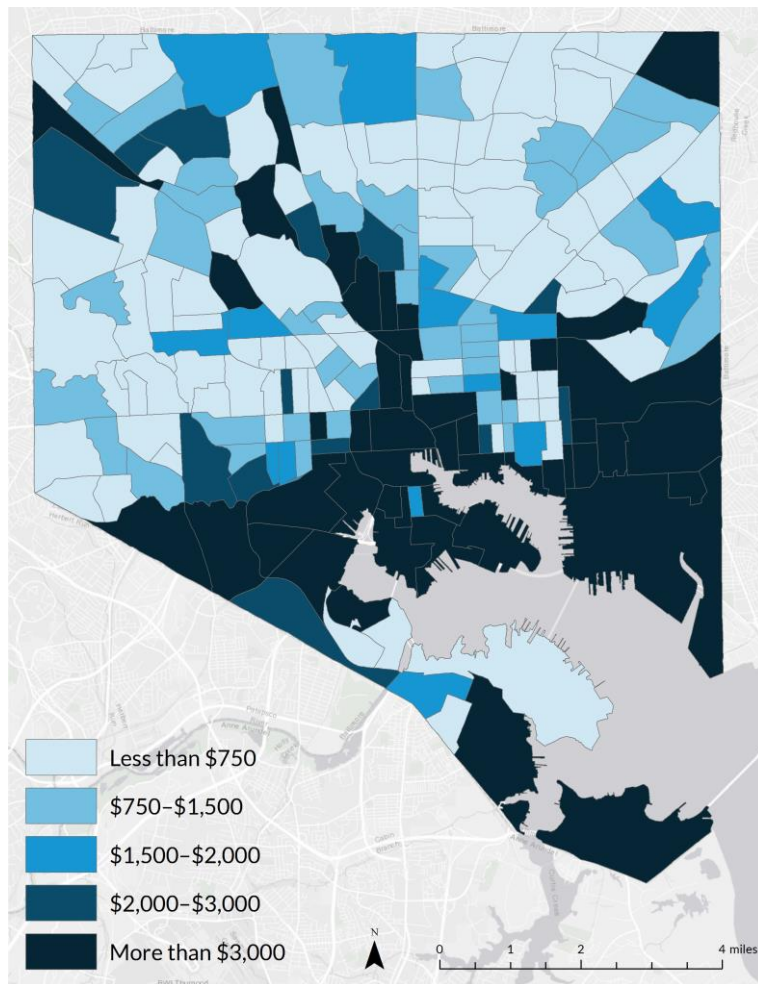
Notes: High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Citywide, the annual average per-household commercial real estate lending amount for the median census tract was \$975. Capital flows are presented in constant 2016 dollars.

As shown in figure 13, commercial real estate lending is high in the central business district and in industrial areas on the waterfront but also in retail centers elsewhere in the city.

**FIGURE 13**

**Per-Household Loan Volume for Commercial Real Estate in Baltimore, by Census Tract**

*Annual average, 2004–16*



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**Sources:** 2004–16 CoreLogic data; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Amounts are in constant 2016 dollars.

# Small-Business Lending

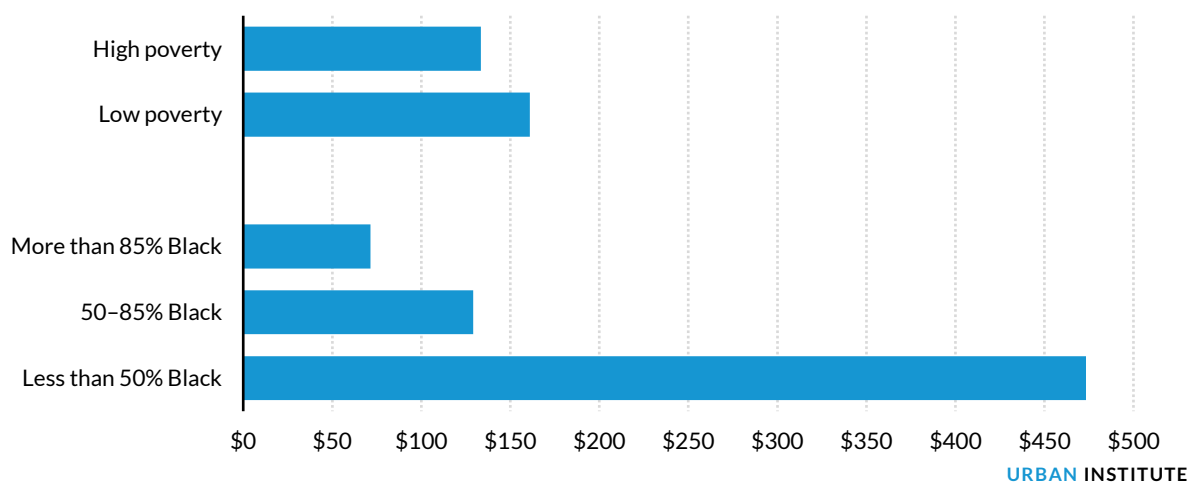
Small businesses are recognized for creating jobs and providing pathways to building wealth. Traditional supports include loan guarantees or other risk mitigation, although some cities are experimenting with more robust locally financed efforts (Theodos and González 2019). The broader context is that small-business lending levels plummeted during the financial crisis and remain below pre-crisis levels (Cole 2018). Nationally, trends demonstrate striking disparities. Although Hispanics are 16 percent of adults, they are 6 percent of business owners, and their firms have 1 percent of receipts. Although African Americans are 12 percent of adults, just 2 percent of owners are African American, and their firms have less than 1 percent of receipts.<sup>9</sup> Studies have found evidence of racial disparities in small-business lending (Federal Reserve Bank of Cleveland 2017; Lee, Mitchell, and Lederer 2019).

Small-business lending in Baltimore has been found insufficient for companies' capital demands (Miller, Seigel, and McComas 2017). Small-business lending patterns in Baltimore show the starkest racial disparities of all the investment categories we studied. Neighborhoods whose populations are less than 50 percent Black received 6.6 times the investment of those more than 85 percent Black (figure 14). Low-poverty neighborhoods received 1.2 times the investment of high-poverty neighborhoods.

FIGURE 14

## Per-Household Small-Business Lending for the Median Neighborhood in a Given Neighborhood Category, Baltimore

Annual average, 2004–16



**Sources:** 2004–16 Federal Financial Institutions Examination Council Community Reinvestment Act reporting; 2012–16 American Community Survey data.

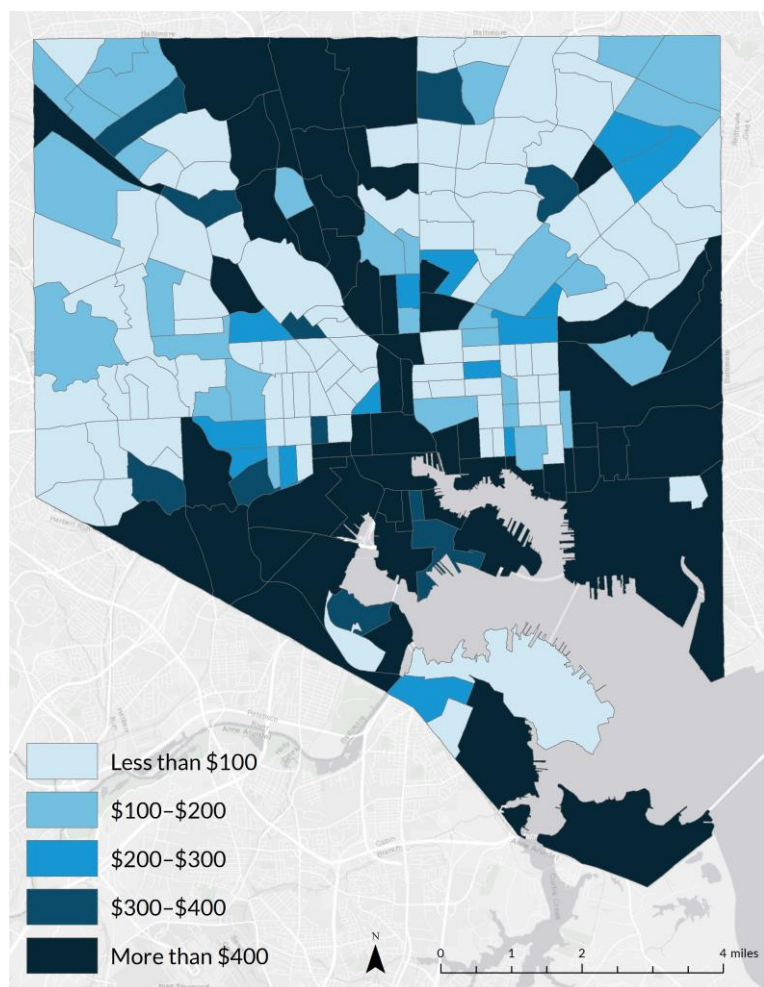
**Notes:** High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Citywide, the annual average per-household small-business lending amount for the median census tract was \$153. Capital flows are presented in constant 2016 dollars.



As seen in figure 15, these lending patterns closely follow the pattern of the “Black Butterfly.”

**FIGURE 15**

**Per-Household Community Reinvestment Act Small-Business Lending in Baltimore, by Census Tract**  
*Annual average, 2004–16*



**Sources:** 2004–16 Federal Financial Institutions Examination Council Community Reinvestment Act reporting; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Amounts are in constant 2016 dollars.

## Public Sector Investment

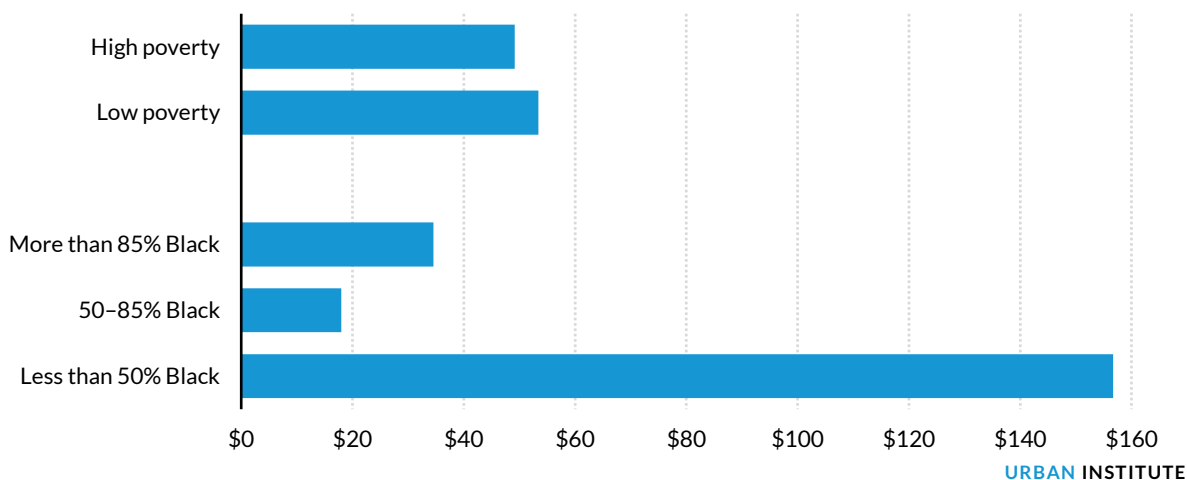
Although private sector investment tends to flow to lower-poverty and whiter neighborhoods, we might expect that government agencies balance out the disparities seen in private sector investment. Two factors appear to prevent this. First, public sector investing is something of a mixed bag: we find that Baltimore City's CIP is not progressively distributed (defined as disproportionately focused on low-income neighborhoods and neighborhoods predominantly made up of residents of color). Second, while other public investment is progressively distributed, these flows are relatively small.

Baltimore's CIP encompasses investments in parks, infrastructure (roads, sidewalks, water and sewer, etc.), and public facilities. We find that neighborhoods whose populations are less than 50 percent Black received 4.5 times the CIP investment of neighborhoods whose populations are more than 85 percent Black (figure 16). CIP investment was more evenly distributed between high-poverty and low-poverty neighborhoods. See Baltimore Neighborhood Indicators Alliance (2019) for a detailed review of the CIP, including the finding that the program has become more progressively distributed across neighborhoods over time.

FIGURE 16

### Per-Household Capital Improvement Program Investment for the Median Neighborhood in a Given Neighborhood Category, Baltimore

Annual average, 2004–15



Sources: 2004–15 Baltimore City Department of Finance data; 2012–16 American Community Survey data.

Notes: High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Citywide, the annual average per-household Capital Improvement Program investment for the median census tract was \$51. Capital flows are presented in 2016 dollars. Certain CIP expenditures were impossible to geolocate to a tract level (generally because the expenditure was some kind of improvement that spanned the whole city or at least many neighborhoods). All CIP calculations included in this report are only representative of these tract-located expenditures.

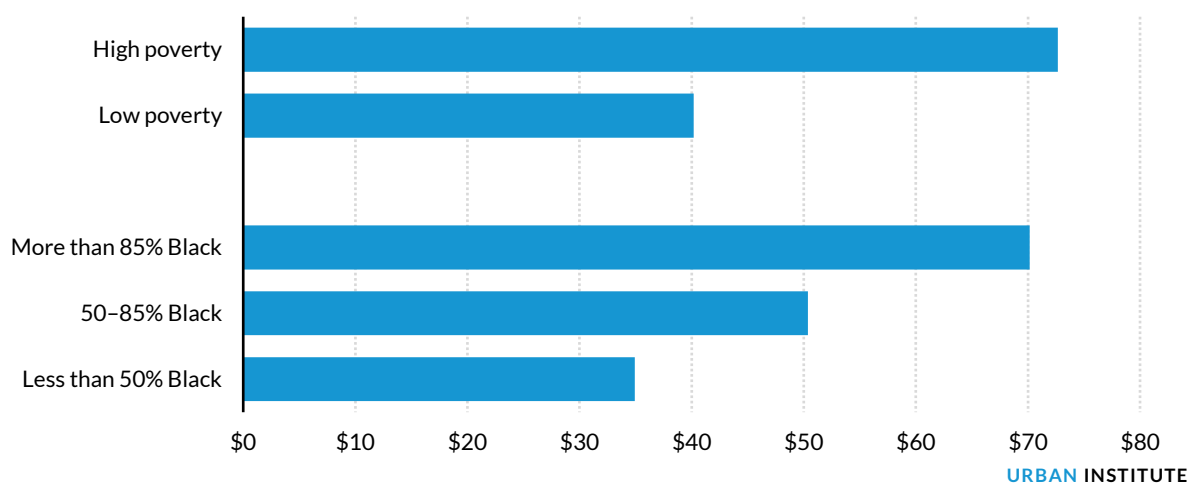
We tracked three other sources of federal and state public sector investments: the US Department of Housing and Urban Development’s HOME Investment Partnerships Program and Community Development Block Grant program expenditures and the State of Maryland’s capital improvements for schools. These programs have been invested progressively across the city: neighborhoods with high concentrations of Black residents have received 2.0 times the investment of neighborhoods with low concentrations of Black residents, and high-poverty neighborhoods have received more investment than low-poverty neighborhoods (figure 17).

The combination of federal, state, and local spending means that a mix of neighborhoods across the city of Baltimore received high levels of public sector investment. This is shown in figure 18.

**FIGURE 17**

**Per-Household HUD CDBG, HUD HOME, and Maryland School Capital Improvement Investment for the Median Neighborhood in a Given Neighborhood Category, Baltimore**

*Annual average, 2004–16*

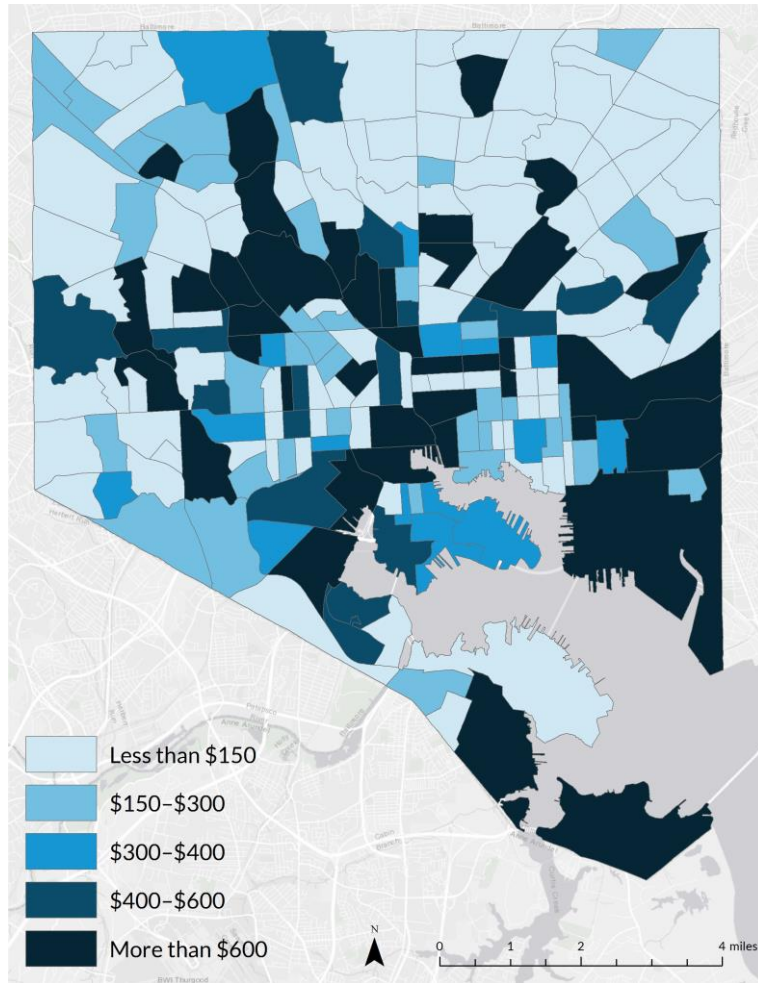


**Sources:** 2004–15 Department of Housing and Urban Development data; 2004–16 Maryland State Department of Education data; 2012–16 American Community Survey data.

**Notes:** High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Citywide, the annual average per-household Community Development Block Grant, HOME, and Maryland school capital improvement investment for the median census tract was \$52. Capital flows are presented in 2016 dollars.

**FIGURE 18**

**Per-Household Public Sector Investment in Baltimore, by Census Tract**  
*Annual average, 2004–16*



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**Sources** 2004–15 Department of Housing and Urban Development data; 2004–16 Maryland State Department of Education data; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Amounts are in constant 2016 dollars.

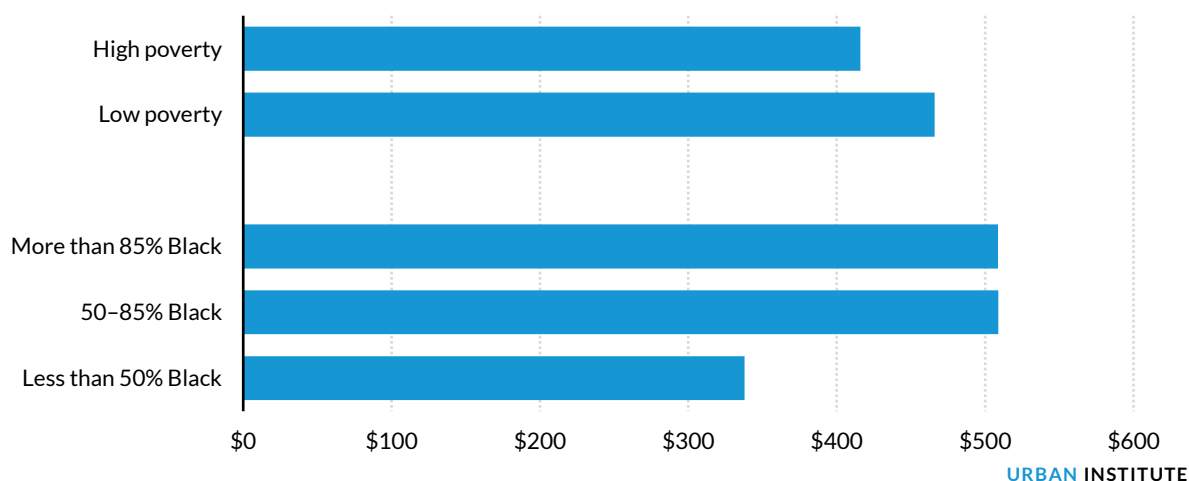
# Mission Lending

We tracked mission (or “impact”) lending nationally by investors such as CDFIs, government agencies, religious institutions, and foundations. These entities have played an important role in filling capital gaps left by mainstream investors (Swack, Hangen, and Northrup 2014). Nationally, Baltimore is relatively successful in accessing and deploying mission finance. It is in the top one-third of all counties with populations above 50,000 in accessing this form of capital.<sup>10</sup>

How then do different neighborhoods within Baltimore fare in accessing this form of capital? Mission investments are progressively distributed by neighborhood racial composition, but not by poverty. Neighborhoods whose populations are more than 85 percent Black received 1.5 times the mission lending investment of neighborhoods whose populations are less than 50 percent Black (figure 19)—a clear contrast with other capital flows we studied. However, high-poverty neighborhoods received only 89 cents of mission lending for every dollar received in low-poverty neighborhoods. These results suggest that mission investors have been more focused on addressing racial inequities than income inequities. Figure 20 shows these trends in Baltimore’s neighborhoods, with mission lending concentrating more in West Baltimore and East Baltimore neighborhoods.

**FIGURE 19**  
**Per-Household Mission Lending for the Median Neighborhood in a Given Neighborhood Category, Baltimore**

*Annual average, 2004–16*

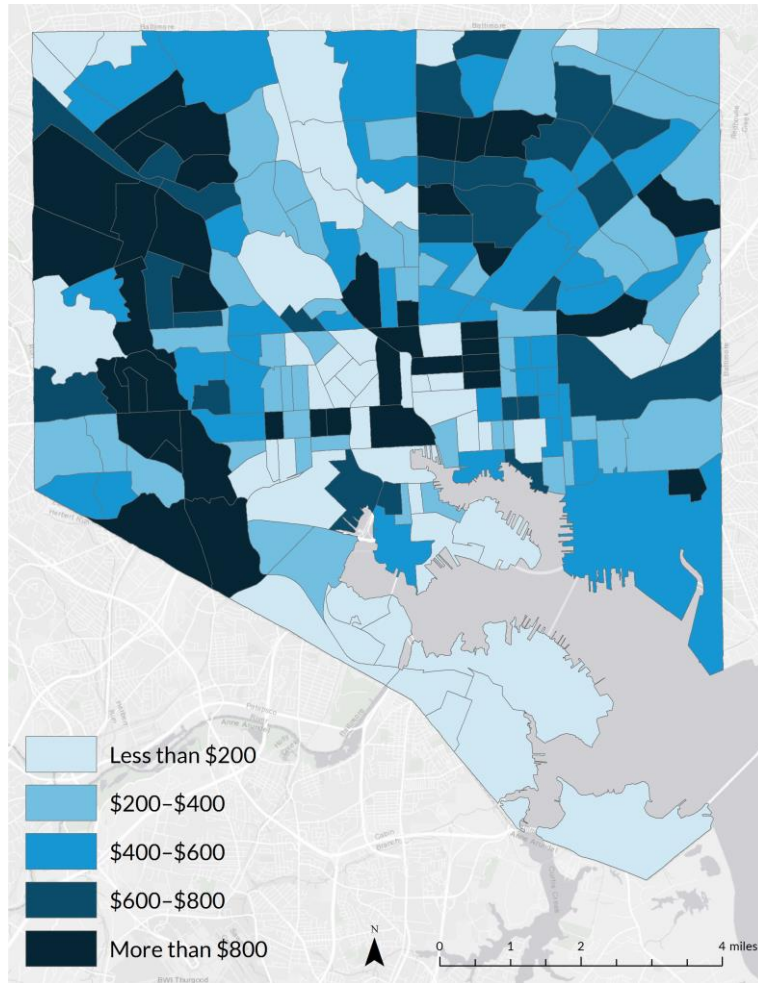


**Sources:** 2004–16 CoreLogic data; 2004–16 US Treasury Department’s Community Development Financial Institutions Fund Transaction Level Report database; 2004–16 Opportunity Finance Network data; 2012–16 American Community Survey data.  
**Notes:** High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Citywide, the annual average per-household mission lending amount for the median census tract was \$457. Capital flows are presented in constant 2016 dollars.



FIGURE 20

**Per-Household Mission Lending Amount in Baltimore, by Census Tract**  
*Annual average, 2004–16*



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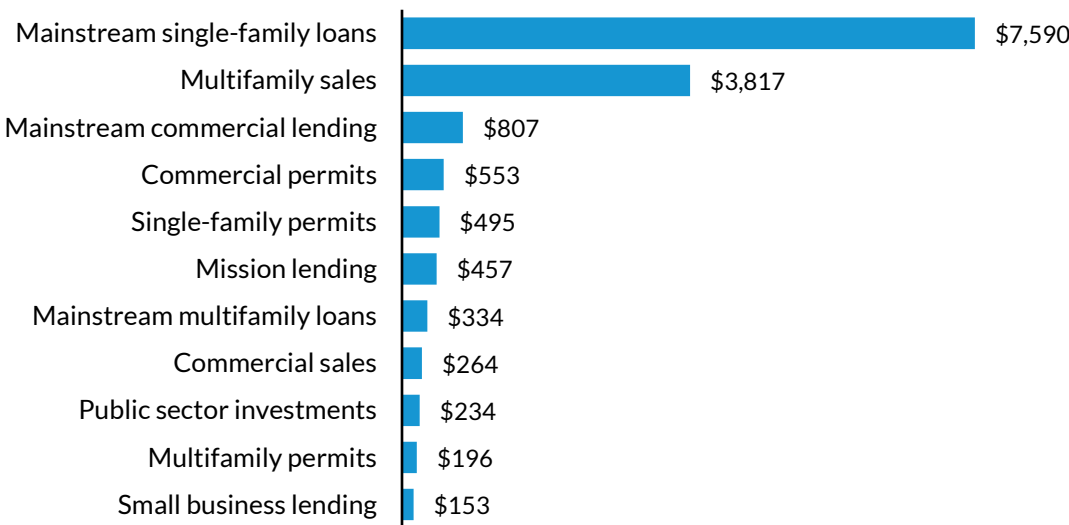
**Sources:** 2004–16 CoreLogic data; 2004–16 US Treasury Department’s Community Development Financial Institutions Fund Transaction Level Report database; 2004–16 Opportunity Finance Network data; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Amounts are in constant 2016 dollars.

# Public and Mission Investment Relative to Mainstream Investment

Although many (although not all) mission and public funding sources are progressively distributed, they represent just a fraction of overall capital investment in the city and cannot fully address the disparities in private, mainstream investment. Figure 21 provides the relative size of different investment flows. Clearly, real estate investment—particularly single-family real estate—is the dominant category of investment flows. Public sector investments are the third-smallest category of investment. Mission lending is more substantial, and because it is progressively distributed by neighborhood racial composition (although not by neighborhood poverty level), it appears to be playing a role in partially balancing investment flows, at least by race.

**FIGURE 21**  
**Per-Household Census Tract-Level Investment Volume in Baltimore**  
*Annual average, 2004–16*



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**Sources:** 2004–16 CoreLogic data; 2004–16 Home Mortgage Disclosure Act data; 2012–16 American Community Survey data; 2004–15 Baltimore City Planning Department Capital Improvement Plans; 2004–15 US Department of Housing and Urban Development data; 2004–16 Maryland State Department of Education data; 2004–15 Baltimore City Department of Finance data; and 2004–16 Community Reinvestment Act Federal Financial Institutions Examination Council reporting.

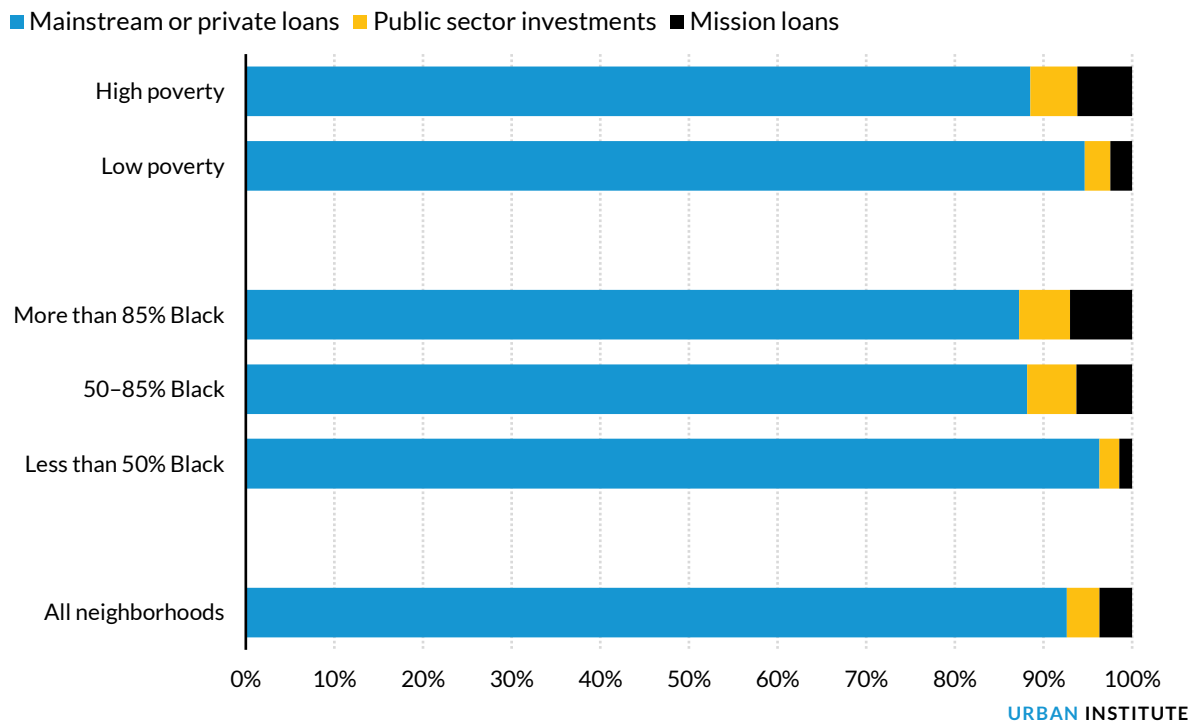
**Notes:** Figure combines sources and uses (loans, with permits and sales), and therefore categories should not be added together by investment type. Amounts are in constant 2016 dollars.

As shown in figure 22, mission lending and public sector investment represent a notably greater share of investment into high-poverty neighborhoods than low-poverty ones and into majority Black neighborhoods than majority non-Black neighborhoods. However, the figure also makes clear that in all neighborhoods, mainstream investment sources are significantly larger than public and mission sources. This means that a progressive distribution of the latter will not be able to overcome an inequitable distribution of the former.

**FIGURE 22**

**Share of Per-Household Mainstream Lending, Mission Lending, and Public Investment in Baltimore by Neighborhood Characteristic**

*Annual average, 2004–16*



**Sources:** 2004–16 CoreLogic data; 2004–16 Home Mortgage Disclosure Act data; 2012–16 American Community Survey data; 2004–16 Baltimore City Planning Department Capital Improvement Plans; 2004–15 US Department of Housing and Urban Development data; 2004–16 Maryland State Department of Education data; 2004–15 Baltimore City Department of Finance data; and 2004–16 Community Reinvestment Act Federal Financial Institutions Examination Council reporting.

**Notes:** High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Capital flows are presented in 2016 dollars.

# A Case Study: The East Baltimore Development Initiative

Can investment disparities be reversed for particular neighborhoods? In response to the challenges presented by neighborhoods that have experienced disinvestment, community developers have for decades implemented a range of place-based revitalization strategies, supported by various federal, state, and local government programs, foundations, and private investment (Cytron 2010; Theodos and Firschein 2015). These strategies typically blend bricks-and-mortar investments with human service programming meant to improve physical and economic conditions in a neighborhood while lifting up impoverished residents. Many practitioners have used the label “comprehensive community initiatives” to describe this work (Center for Promise 2013; Ferris and Hopkins 2015; Kubisch et al. 2010).

The East Baltimore Development Initiative (EBDI), run by East Baltimore Development Inc., is one of the nation’s largest “comprehensive community” efforts. Focused on an 88-acre area just north of Johns Hopkins University’s medical campus, EBDI has spurred more than \$1 billion of investment since 2004 in various revitalization programming, including construction of a new school, new housing, and commercial space; renovations to parks and infrastructure; and human services. Compared with other place-based initiatives, EBDI is notable in that it has delivered a relatively large amount of investment (many neighborhood revitalization initiatives invest amounts in the single millions of dollars). East Baltimore Development has redirected capital to a high-poverty, majority-Black community and is thus working to address the kinds of capital flow disparities we outlined earlier in this report.

The EBDI project area is located within the Greenmount East and Oldtown/Middle East neighborhoods in Baltimore and is adjacent to the Clifton-Berea and Madison/Eastend neighborhoods. Figure 23 shows the EBDI project area and surrounding neighborhoods.

As of 2000 (before the initiative began), about 42,000 of Baltimore’s 661,000 residents lived in the neighborhoods surrounding EBDI, and roughly 2,000 lived in the EBDI project area itself. The target area was one of the most economically stressed areas in the city. In 2000, half the population lived in poverty, compared with 22 percent for Baltimore as a whole. Average incomes were a third lower in the EBDI area than in the city overall. The project area also had a low homeownership rate (32 percent) and high vacancy rates. Population levels fell in the decades leading up to 2000. In 2000, 97 percent of residents of the project area were non-Hispanic Black, compared with 64 percent of residents in Baltimore as a whole.<sup>11</sup>

Many elements, including historical racially discriminative government policymaking, contributed to the area’s challenges. The neighborhoods surrounding the EBDI area are in a part of Baltimore that received the federal Home Owners’ Loan Corporation’s mortgage risk rating of “hazardous” during the

New Deal era of 1935–40. EBDI can thus be understood as an effort to facilitate the flow of capital to an area that historically has struggled to access mainstream capital markets.

**FIGURE 23**  
**East Baltimore Development Initiative Boundaries**



**Sources:** Boundaries provided by East Baltimore Development Inc.; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.



## Directly Tracked Investments in EBDI

East Baltimore Development Inc. is the central organization working to redevelop the EBDI project area. From project inception in 2004 through June 30, 2017, East Baltimore Development Inc. has invested a total of \$1.043 billion (in inflation-adjusted terms). These investments focused first on 31 acres of the project area closest to the Johns Hopkins Medical Campus and then the remaining 55 acres. An additional \$934 million of investment was anticipated for future years.<sup>12</sup>

We grouped all the investments from 2004 to June 2017 into six broad categories (table 1). Of the \$1.043 billion invested, the largest broad category of investment was in the development of health, health research, and academic facilities (\$385 million). Notable projects include new offices and laboratory space for the Maryland Department of Health and life science research buildings affiliated with Johns Hopkins.<sup>13</sup> East Baltimore Development Inc. also invested \$149 million in acquisition, relocation, and demolition, including the acquisition of approximately 1,900 properties and the relocation of 742 families.<sup>14</sup> It invested \$121 million in infrastructure, parking, and public spaces and parks, including the 5-acre Eager Park and a parking garage with 1,490 spaces.

An additional \$57 million went into the Henderson-Hopkins School, a 540-student kindergarten through eighth grade charter school and a 174-student early childhood education center affiliated with the Johns Hopkins School of Education. Further investment of \$86 million went into a 194-room extended-stay hotel, the Marriott Residence Inn. Residential property was another significant component of development. Other private developers invested \$81 million in residential projects, with a total of 509 single-family and 906 rental housing units planned (426 of which were built as of the end of 2017). Approximately two-thirds of all units constructed to date are affordable, and the remaining third are market-rate. East Baltimore Development Inc. invested an additional \$62 million in 321 units of graduate student housing at Johns Hopkins and \$2 million in an innovative student live-work space for the Maryland Institute College of Art.

In addition, East Baltimore Development Inc. spent \$101 million on operating and other programmatic services and costs. Programmatic investments included family advocacy, supportive services, and legal services for relocated households; workforce development services; economic inclusion programs to increase the participation of minority, women, and locally owned businesses; Elev8 Baltimore, which provided after-school programming and family supportive services to middle school students at four schools in East Baltimore; services for residents in low-income housing tax credit developments; and “House for a House” and Home Repair programs that enabled some relocated residents to remain in the project area.

TABLE 1

## Summary Table of Directly Tracked Investments in EBDI, 2004–17

Investment	Dollars
<b>Health, research, and academic facilities</b>	
855 North Wolfe Street (life science building)	130,315,797
1812 Ashland Avenue (life science)	64,656,349
Maryland Department of Health	170,201,786
Bioscience start-up incubator	15,868,814
Johns Hopkins Berman Institute of Bioethics (aka Deering Hall)	4,214,778
<b>Subtotal</b>	<b>385,257,524</b>
<b>Acquisition, relocation, and demolition</b>	
Acquisition	50,712,482
Relocation	75,944,022
Demolition	21,854,599
<b>Subtotal</b>	<b>148,511,103</b>
<b>School and hotel</b>	
Henderson-Hopkins campus (pre-K to eighth grade school and early childhood center)	57,457,878
Marriott Residence Inn (194-room extended-stay hotel)	85,619,533
<b>Subtotal</b>	<b>143,077,411</b>
<b>Infrastructure, parks, and parking</b>	
Infrastructure	73,040,015
Public spaces and parks	12,543,305
Surface parking and Ashland Park	2,717,387
Structured parking garage	32,557,699
<b>Subtotal</b>	<b>120,858,406</b>
<b>Residential development</b>	
Home Ownership Townhomes (A&R Development)	1,630,432
Senior Rental Apt Building (Shelter Properties)	11,659,834
Workforce Rental Apt Building (Shelter Properties)	12,345,707
Chapel Green (Pennrose Rental Apartment Building)	9,144,968
Townhomes (Ryan Homes)	25,847,582
100 for-sale rehabilitated homes (TRF Development Partners and BUILD)	19,991,573
<b>Subtotal</b>	<b>80,620,097</b>
<b>Student housing and live-work space</b>	
Maryland Institute College of Art	2,107,389
Johns Hopkins graduate student housing	61,939,859
<b>Subtotal</b>	<b>64,047,248</b>
<b>Subtotal, operating and programmatic costs</b>	<b>101,225,456</b>
<b>Total investment</b>	<b>1,043,597,245</b>

Source: “EBDI Footprint Planned Development and Investment” spreadsheet, provided by EBDI.

Note: Dollar amounts adjusted for inflation to constant 2015 dollars. East Baltimore Development Inc. expects \$934 million in investment in 2018, 2019, and beyond.

## EBDI Compared with Baltimore City

Although EBDI is not completed, has the project area experienced a greater volume of investment than other areas of Baltimore? We compare the EBDI project area to the city overall, to other census tracts

with high percentages of Black residents, and to other tracts with high poverty rates. Note that because of imperfections with secondary data, the data do not line up perfectly with detailed investment data for the EBDI project area as reported by EBDI.<sup>15</sup> However, we believe that these data provide a basis on which we can more readily compare investment flows across neighborhoods in the city.

As seen in table 2, the EBDI project area experienced substantially more per-household construction, rehabilitation, and demolition activity than other Baltimore tracts. The EBDI area also outperformed the rest of the city in several other indicators: commercial real estate lending, public sector investment, and mission lending. In asset classes that were less of a programmatic priority, such as small-business lending and single-family real estate lending, the EBDI project area lagged behind other Baltimore neighborhoods, even those with a similar demographic makeup. This finding suggests that spin-off effects to other sectors of the neighborhood economy have been muted so far, although these might pick up as additional projects are completed. We also analyzed all per household figures using asset-specific denominators (e.g., loan dollars per small-business employee; single-family loan dollars per owner-occupied household). We observed similar findings regardless of denominator used.

**TABLE 2**

**Per-Household Investment for the East Baltimore Development Initiative Project Area and Other Areas, by Investment Type**

*Annual average, 2004–16*

<b>Investment indicator</b>	<b>EBDI project area (\$)</b>	<b>All census tracts &gt;85% Black (\$)</b>	<b>All high-poverty tracts (\$)</b>	<b>Citywide (\$)</b>
Construction/rehabilitation/demolition volume per household	4,145	1,526	2,031	2,049
Residential, commercial, and industrial real estate sales per household	2,963	3,405	3,941	5,053
Loan volume for single- and multifamily dwellings per household	4,465	5,600	4,983	8,922
Commercial real estate lending per household	1,109	626	1,056	975
Small-business lending per household	76	71	134	153
Public sector investment per household	371	225	266	234
Mission lending per household	511	509	416	457

**Sources:** “EBDI Footprint Planned Development and Investment” spreadsheet provided by EBDI; 2004–16 CoreLogic data; 2004–16 Home Mortgage Disclosure Act data; 2012–16 American Community Survey data; 2004–16 Baltimore City Planning Department Capital Improvement Plans; 2004–15 US Department of Housing and Urban Development data; 2004–16 Maryland State Department of Education data; 2004–15 Baltimore City Department of Finance data; and 2004–16 Community Reinvestment Act Federal Financial Institutions Examination Council reporting.

**Notes:** High-poverty neighborhoods have a poverty rate higher than 25 percent, and low-poverty neighborhoods have a poverty rate of 25 percent or lower. Dollar amounts adjusted for inflation to constant 2016 dollars. Household calculations are based on the 2012–16 American Community Survey and therefore provide a stable household count after population levels in the EBDI target area began to grow again.

## Implications

Baltimore has profound differences in market capital flows by race and poverty. Our analysis found that neighborhoods that are less than 50 percent Black receive more than 3 times the investment of neighborhoods that are more than 85 percent Black. Low-poverty neighborhoods receive more than 1.5 times the investment of high-poverty neighborhoods. These disparities, and how they can be repaired, should be kept top of mind as resources are marshaled in response to the COVID-19 pandemic.

Our research is insufficient to determine whether investment decisions are made based on existing patterns of race and poverty or whether the allocation of investment itself keeps people in poverty or reinforces patterns of racial segregation. We suspect, however, that a mutually reinforcing relationship exists. We know from Baltimore's history that in the early 20th century, the city developed and vigorously enforced discriminatory practices.<sup>16</sup> In 1911, the city council passed the nation's first housing segregation ordinance directed at Black people. When a similar Kentucky ordinance was struck down by the Supreme Court in 1917, Baltimore's mayor at the time ordered housing inspectors to cite anyone who rented or sold to Black people in predominantly white areas for code violations. Mayor James H. Preston's successor further institutionalized these tactics by forming a Committee on Segregation, a public-private partnership of government, community organizations, and the real estate industry. The committee intimidated real estate agents and homeowners who were willing to transact across racial lines and promoted restrictive covenants, clauses in deeds that banned the transfer of housing to Black people. The federal government also played an important role in segregating housing in Baltimore and other cities across the country (Massey 2015). In the 1930s, the Federal Housing Administration obstructed Black people from moving into white neighborhoods, and "Residential Security Maps" of the Home Owners' Loan Corporation classified much of inner-city Baltimore as "hazardous" or "definitely declining" in redlining maps. Baltimore's history is thus one of capital being denied to people and neighborhoods on the basis of race.

We also expect investment patterns to reinforce concentrated poverty and racial segregation in several ways. One is the dearth of small-business lending in Black and high-poverty neighborhoods. We would expect the lack of access to financing to stifle entrepreneurship, hindering people's ability to build wealth. Recent national research has found that the net worth of Black families is less than one-tenth the level of white non-Hispanic families, with barriers to business ownership being a contributing factor (Klein and Liang 2015). Moreover, COVID-19 shutdowns were found to disproportionately harm Black- and Hispanic-owned businesses (Fairlie 2020). Lack of mortgage financing creates obvious barriers to wealth-building. Indeed, much of US community development policy acknowledges the role that access to capital plays in creating neighborhood wealth and reducing concentrations of poverty, by

using place-based criteria for eligibility for certain investment incentives such as New Markets Tax Credits (Abravanel et al. 2013) and now Opportunity Zones (Theodos et al. 2020).

Of course, in all this, it is important to remember that the type and terms of capital matter, not just the volume; some capital flowing into a given neighborhood may not be helpful. Some investment flows could lessen a neighborhood's quality of life or social equity. For example, subprime lending in the lead-up to the foreclosure crisis had negative consequences for Baltimore neighborhoods.

As we have seen in our study, community development investing has had only limited success in rebalancing capital flows across Baltimore neighborhoods. Although public and mission capital flows are not insubstantial, they are relatively small compared with total flows. For policymakers concerned with increasing investment in Baltimore's distressed neighborhoods, we believe efforts to increase mission-driven funding in Baltimore are required. Following the lead of Detroit (Theodos et al. 2017), a redoubled public and philanthropic commitment will be needed to grow CDFIs and support efforts like Baltimore's Neighborhood Impact Investment Fund.

Additionally, recognizing that mission-driven and public funding will never fully address the capital gaps that communities face, substantial change will also require mainstream investment to reach more communities. Community developers must target mission-driven and public investments in ways that leverage mainstream investment. Geographic targeting should be considered, given that a geographic focus could reduce risk for investors by creating mutually supporting developments (e.g., new housing near an employment center) and by reducing negative spillover effects from vacant properties.

EBDI is an example of this approach, an intensive place-based strategy that actively sought to use mission and public funding to leverage private investment. The total investment places EBDI among the largest community development initiatives in the country. For categories of capital flows that are directly related to EBDI, such as real estate construction, we see that the initiative has succeeded in driving capital to the area above what similar neighborhoods have received. We have not yet observed that this activity has succeeded in driving other categories of capital, such as small-business lending, to the area. It will be important to reinvestigate these trends in five years as the initiative progresses.

We conclude by reminding the reader that although we have documented significant efforts on the part of EBDI to serve and help current residents, this case study is not an evaluation of those efforts, but rather a look at how scaled community development work can redirect capital. The next generation of place-based efforts will face the challenges of how to marshal the resources it takes to develop a community—and how to do so in a way that maximizes benefits for current residents, including by helping a high share remain in or return to the neighborhood if they desire.

# Notes

- <sup>1</sup> The American Community Survey, whose data we relied on for this analysis, refers to a “Black or African American” group. We use the term “Black” to refer to this group throughout this report for linguistic simplicity.
- <sup>2</sup> Lawrence Brown, “Two Baltimores: The White L vs. the Black Butterfly,” *Baltimore City Paper*, June 28, 2016, <https://www.citypaper.com/bcpnews-two-baltimores-the-white-l-vs-the-black-butterfly-20160628-htmlstory.html>.
- <sup>3</sup> Alan Berube and Brad McDearman, “Good Fortune, Dire Poverty, and Inequality in Baltimore: An American Story,” *Avenue* (blog), Brookings Institution, May 11, 2015, <https://www.brookings.edu/blog/the-avenue/2015/05/11/good-fortune-dire-poverty-and-inequality-in-baltimore-an-american-story/>.
- <sup>4</sup> Throughout this report, we use “neighborhood” as shorthand to describe census tracts.
- <sup>5</sup> Tiffany Ford, Sarah Reber, and Richard V. Reeves, “Race Gaps in COVID-19 Deaths Are Even Bigger Than They Appear,” *Up Front* (blog), Brookings Institution, June 16, 2020, <https://www.brookings.edu/blog/up-front/2020/06/16/race-gaps-in-covid-19-deaths-are-even-bigger-than-they-appear/>.
- <sup>6</sup> We experimented with other scalars, such as dividing the amount of small-business lending by the number of jobs in small businesses. The disparities in capital flows to neighborhoods are consistently evident regardless of the scalar used.
- <sup>7</sup> “Quarterly Residential Vacancies and Homeownership, Fourth Quarter 2018,” US Census Bureau, February 28, 2019, release no. CB19-10, <https://www.census.gov/housing/hvs/files/qtr418/Q418press.pdf>.
- <sup>8</sup> Christina Stacy, Terry-Ann Craigie, Brady Meixell, Graham MacDonald, Sihan Vivian Zheng, and Christopher Davis, “Too Far from Jobs: Spatial Mismatch and Hourly Workers,” Urban Institute, February 21, 2019, <https://www.urban.org/features/too-far-jobs-spatial-mismatch-and-hourly-workers>.
- <sup>9</sup> “Table SE1600CSA01, Statistics for US Employer Firms by Sector, Gender, Ethnicity, Race, and Veteran Status for the US, States, and Top 50 MSAs: 2016,” 2016 Annual Survey of Entrepreneurs, US Census Bureau, August 10, 2018, [https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ASE\\_2016\\_00CSA01&prodType=table](https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ASE_2016_00CSA01&prodType=table).
- <sup>10</sup> Baltimore City is a “county equivalent” because it does not sit within a county. See Brett Theodos, Eric Hangen, Irvin Mull, Noah Strayer, Jay Dev, and Maia Woluchem, “Community Development Financial Flows: How US Counties Compare,” Urban Institute, June 26, 2018, <https://apps.urban.org/features/community-development-financing/>.
- <sup>11</sup> Data in this paragraph are from the 2000 Decennial Census.
- <sup>12</sup> The data sources used in this section were provided by EBDI. They are “East Baltimore Development Overview” (March 7, 2016); a spreadsheet titled “EBDI Footprint Planned Development and Investment”; “EBDI Parcel Map—April 2016”; and “East Baltimore Development Inc. Description of Uses.”
- <sup>13</sup> EBDI had begun development of a biotech business incubator but then shifted away from this concept in response to market forces.
- <sup>14</sup> Karen Johnson, senior director of community and human development, email message, July 26, 2016.
- <sup>15</sup> Our analysis of sales, loans, and permits relies on secondary data, which are imperfect. Sales and loan data reflect registered mortgage deeds; as a result, lending done on an unsecured basis will not be represented in these data. We accessed permits data from Baltimore City. Additionally, there may be other community benefits we are not capturing (e.g., contracting to local business owners).



- <sup>16</sup> Richard Rothstein, "From Ferguson to Baltimore: The Fruits of Government-Sponsored Segregation," *Working Economics* (blog), Economic Policy Institute, April 29, 2015, <https://www.epi.org/blog/from-ferguson-to-baltimore-the-fruits-of-government-sponsored-segregation/>.

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