Mission Finance in the Motor City

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Though the economic decline of Detroit has been well chronicled in national media, a new story has begun to emerge about the city's resurgence. Several philanthropies and corporations, together with the state and federal government, are making major investments in the city's schools, arts, businesses, services, built environment, and local government capacity.

In this brief, we take an in-depth look at the role of mission-oriented investments—capital that seeks a double bottom line of financial and social return—in the development of the Motor City. This look builds from a companion brief (Theodos et al. 2017), where we examine trends in investments in commercial, industrial, multifamily, and institutional properties. We explore the following questions:

- What have been the trends in the provision of mission capital in commercial, industrial, multifamily, and institutional real estate?[1] How does this compare with mainstream lenders? How large are grant and tax incentive subsidies in these types of deals? What roles are organizations, such as Community Development Financial Institutions (CDFIs) and local, state and federal government agencies, playing in providing this capital?
- What role do mission lenders play in financing commercial, industrial, multifamily, and institutional real estate? How do their products and approaches differ from mainstream lenders? What limitations do they face to increasing their scale and impact?
- In what neighborhoods are mission-driven and mainstream investors providing capital? How have neighborhood lending patterns changed over time? What challenges do mission-driven investors perceive in expanding investment beyond Detroit's core areas?

- What new resources and policy changes could help mission-oriented investors increase the scale and impact of their commercial real estate activity in Detroit?

BOX 1

The Urban Institute's Collaboration with JPMorgan Chase

The Urban Institute is collaborating with JPMorgan Chase over five years to inform and assess JPMorgan Chase's philanthropic investments in key initiatives. The goals of the collaboration include using data and evidence to inform JPMorgan Chase's philanthropic investments, assessing whether its programs are achieving desired outcomes, and informing the larger fields of policy, philanthropy, and practice. One of these programs is its $100 million, five-year commitment to support and accelerate Detroit's economic recovery. This brief is part of a larger project identifying general trends in commercial investment in Detroit. We are paying close attention to the neighborhoods and districts where investments are made and the players, both community development financial institutions and other commercial lends, that are making them.

In brief, we find mission capital has an outsized importance in Detroit. A large amount of subsidy funding and mission loan capital have been used to make development in Detroit happen. Where mainstream mortgage-backed securities and other conventional activity largely diminished in Detroit in the depths of the recession, CDFIs and other mission capital providers stepped forward in a counter-cyclical manner, providing more funds to the city. From 2013 through 2015, directly financed and leveraged mission capital and subsidy financing was 42 percent of investment in commercial, industrial, multifamily, and institutional real estate in Detroit.

Mission lenders have been important for reasons far beyond the dollars they lend. They also provide technical assistance to Community Development Corporations (CDCs), are willing to make riskier loans, and are flexible in underwriting and loan features. Though mainstream and mission-oriented investment is spread throughout Detroit, larger developments—and therefore the preponderance of investment activity—have occurred in Downtown and Midtown Detroit. Efforts to increase development activity in other neighborhoods in Detroit face considerable challenges, but several policy and philanthropic supports and resources could be adopted to increase activity in these neighborhoods. These include creating flexible subordinate debt and equity financing sources for smaller projects, investing in capacity building and technical assistance for local developers, improving the local regulatory environment, allocating subsidies strategically, and supporting efforts to improve collaboration and visibility for the community development industry in Detroit.

Context

Detroit was once the nation's fourth-largest city. Now it ranks 21st. The city continues to lose residents, and its population today is just 37 percent of its peak in 1950. City backers were heartened that Detroit's most recent population estimates showed the smallest decline in years. Even so, Detroit's was still the nation's largest annual population loss of all major cities.

Detroit's physical footprint, 142.9 square miles, is large relative to its population. Though Detroit's housing stock, businesses, and roads were built in an older industrialized era, it is now a low-density city, like Atlanta, Dallas, and Houston. But unlike those cities, Detroit has an overabundance of residual housing; nearly 30 percent of Detroit's housing units were vacant in 2015. Population loss and vacancies depress home prices. Values per square foot for single-family homes in Detroit in 2015 stood at just 8 percent of their peak in 2005. (These and all dollar amounts in the brief are adjusted for inflation to 2015 values.)

Residents face challenges as well. In 2015, 17 percent of working-age adults were unemployed and another 37 percent of working-age adults were out of the labor force.[2] By 2015, the poverty rate in Detroit stood at 40 percent—the highest poverty rate for any big city in the US.

Despite these well-documented problems, nearly every observer of Detroit's local economy has begun to describe a new and undeniable renewal of investment flowing to the city. In our companion brief (Theodos et al. 2017), we explain that sales volumes of commercial, industrial, multifamily, and institutional properties are significantly increasing. While prices per square foot remain low, the number of sales is approaching pre-recession levels. The dollar amount invested in construction and rehab of these property types has risen considerably in recent years. The levels of debt capital to finance the purchase of a property, construction, or rehab have also shown considerable growth. And the number of jobs in Detroit has been more resilient than the number of residents. Since 2010, the city has had a net increase of 4,100 jobs, a growth of 2 percent. It is within this context that we are studying the role of mission investors in Detroit's commercial lending ecosystem.

From 2013 through 2015, directly financed and leveraged mission capital and subsidy financing was 42 percent of investment in commercial, industrial, multifamily, and institutional real estate in Detroit.

Trends in Mission Capital

Mission capital, also called opportunity finance, seeks both financial and social returns. Willing to accept lower rates of returns, less or different collateral, higher debt to income ratios, or other factors that indicate greater risk, mission investors use credit to stimulate financial markets and support communities and businesses for whom credit is otherwise unavailable (Theodos, Fazili, and Seidman 2016). The range of actors providing these types of capital can be diverse, including CDFIs, which are loan funds, community development banks, and credit unions chartered by the US Department of the Treasury's CDFI Fund, as well as local, state, and federal agencies, philanthropies, and special charter quasigovernmental agencies.

Mission lenders often blend debt financing with grant and tax credit subsidies. Indeed, subsidies are a major form of mission capital in Detroit, as might be expected given the context described above. Deals in Detroit often do not generate enough revenue ("cash flow") to pay off the debt necessary to acquire and rehab a property. Subsidies are often needed to make redevelopment work, but subsidies are frequently leveraged with debt capital.

Looking first at lending, we contrast mission lenders with "mainstream" and "private" providers of capital—terms defined by CoreLogic, one source of our lending data, but also terms for which we believe there is a meaningful delineation. Mainstream capital providers are mostly banks, but they are also insurance companies, pension funds, and others that are regularly in the business of providing capital to commercial, industrial, multifamily, and institutional real estate development projects.[3] Private capital providers are individuals and corporations that provided debt financing during the study but that are not typically in the business of lending funds.

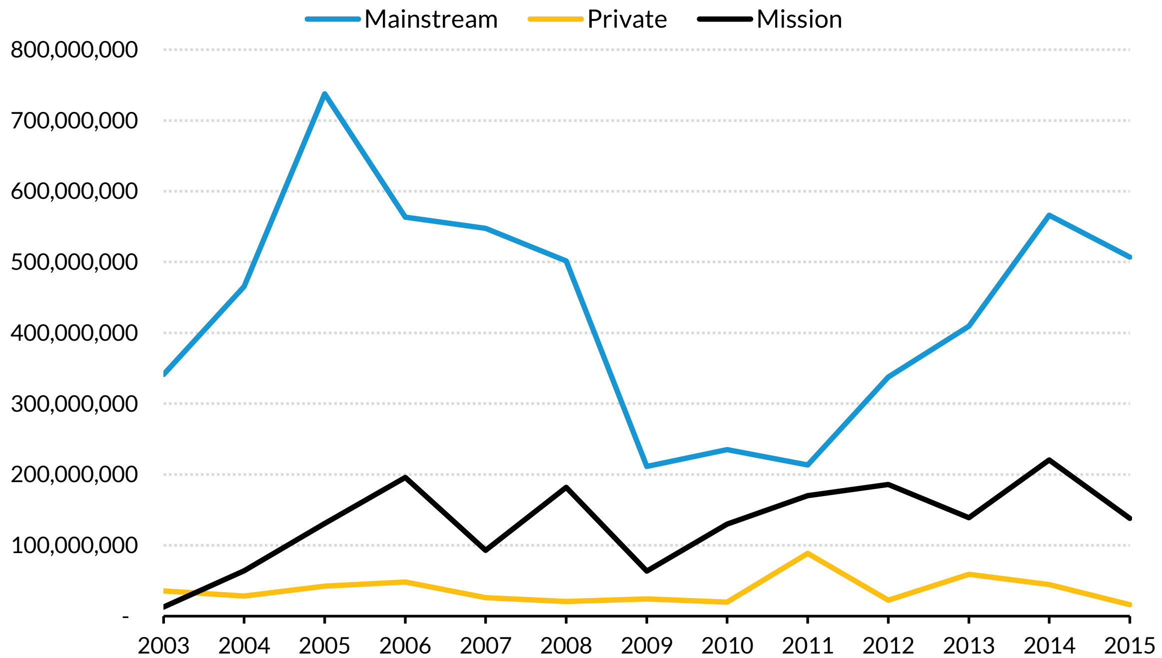
It is common for mission lenders to finance projects that also include mainstream or private financing that would not have happened but for the mission capital. In these cases, the mainstream or private capital is often referred to as "leveraged" financing. Unless otherwise noted, we report mission lending as both direct loans and leveraged mainstream and private loans.

Trends in mainstream, mission, and private lending are as follows (figure 1):

- Mainstream lending reached its peak in 2005 before the Great Recession at $737 million. Lending plummeted to just 29 percent of that level in 2009 ($211 million). By 2015, mainstream lending was at $507 million, or 69 percent of its peak.
- Financing from private lenders is considerably lower than mainstream lending. Its peak before the recession was $48 million in loans in 2006; this fell to $20 million in 2010. Since that point it has fluctuated year to year, ranging from $16 million (2015) to $89 million (2011).
- During the recession, mission lending spiked as these lenders stepped in to fill some of the gap in declining mainstream and private finance. From a small base of just $13 million in lending in 2003, mission lending grew to $195 million in 2006. Since 2012, annual mission lending ranged from $139 million to $221million.

FIGURE 1

Commercial, Industrial, Multifamily, and Institutional Lending Volume for Mainstream, Private, and Mission Lenders



Sources: City of Detroit's Office of the Assessor, Motor City Mapping, CoreLogic, and Real Capital Analytics, and CDFI and other loans data providers (see Data Sources section).
Note: Volumes are adjusted for inflation (2015 dollars). Mission includes leveraged loans, which have been excluded from mainstream and private.

Examining mission capital as a share of all investments provides insights into the role that mission investors have played in the city's recent upswing and the extent to which mission versus conventional finance is driving the recent revival.

- Since the onset of the Great Recession in 2008 through 2015, mission lenders directly provided or leveraged 29 percent of loans to commercial, industrial, multifamily, and institutional real estate. (This is just the debt leverage achieved by mission loans; later we discuss the inclusion of grants and other subsidies.)

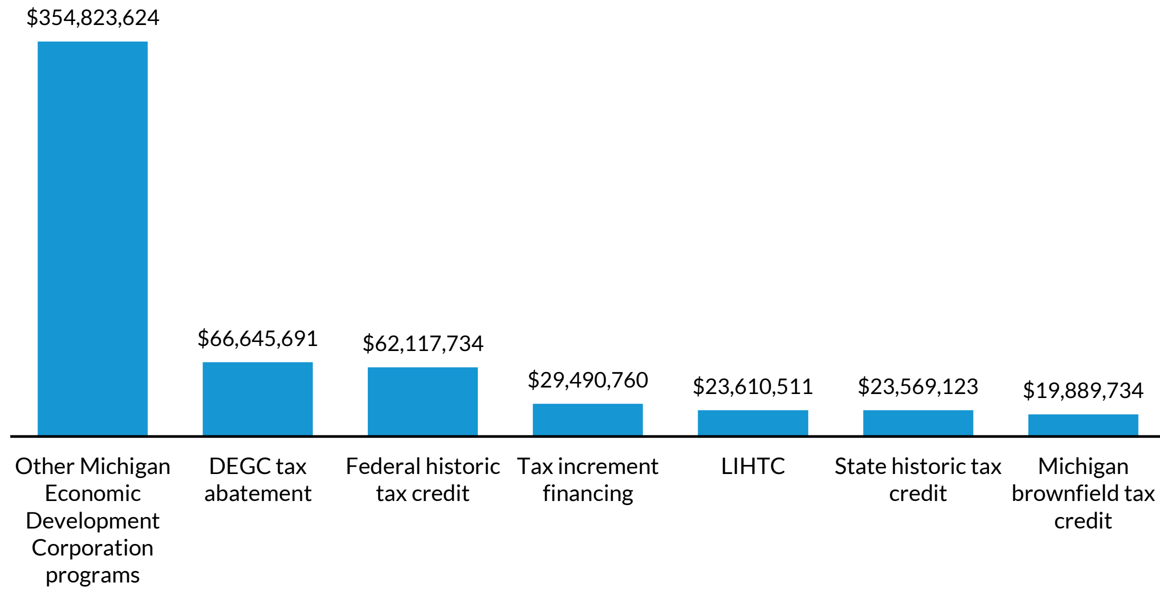
- Though our analysis is the first we are aware of that determines mission lending in these asset classes for a local market, based on the national volume of mainstream, private, and mission capital, we believe that mission investors are playing an exceptionally large role in filling lending gaps in Detroit—perhaps among the largest such roles in the nation. This dynamic would be consistent with the focus of mission lenders on providing capital at times and in places where mainstream capital is hard to come by.

It is not uncommon for debt financing to be combined with grant or tax subsidies (figure 2), as these funds are often needed to make a project "pencil out," especially in economically depressed areas or for developments that are unlikely to generate the cash flow needed to support acquisition and redevelopment costs. Specific subsidies we accessed data about are federal low-income housing tax credits and historic tax credits, state brownfields tax credits, historic tax credits, and a variety of investment programs run by the Michigan Economic Development Corporation, and local tax increment financing. However, this list of subsidy sources is not exhaustive; for example, it does not include Community Development Block Grant or HOME funds. As such, we likely undercount the subsidy dollars in development deals in Detroit. Also, we only report data from 2013 through 2015, as these were the only years property-level information was available from the Michigan Economic Development Corporation. Additionally, we only have DEGC tax abatement data for 2015.

- From 2013 through 2015, the combination of subsidy and debt investment in commercial, industrial, multifamily, and institutional real estate in Detroit was $2.6 billion. Of this, subsidies made up 21 percent. The combination of subsidies, mission lending, and mission-leveraged lending accounted for 42 percent of all investment in these property types.
- From 2013 to 2015, local, state, and federal subsidies contributed $518 million to redevelopment of commercial, industrial, multifamily, and institutional projects in Detroit. These subsidies are on par with the level of direct mission and leveraged lending during this time ($576 million), which speaks to the enduring importance of subsidies as a development tool.

FIGURE 2

Subsidy Investment by Program, 2013–15



Sources: CoreLogic, Real Capital Analytics, and CDFI and other loans data providers (see Data Sources section).
Notes: Excludes subsidies over $100 million. Volumes are adjusted for inflation (2015 dollars). DEGC = Detroit Economic Growth Corporation; LIHTC = low-income housing tax credit.

In Detroit, there are a range of active mission lenders. Most notable are CDFIs, state and local governments, the federal government, and religious institutions, nonprofits, and foundations (figure 3).

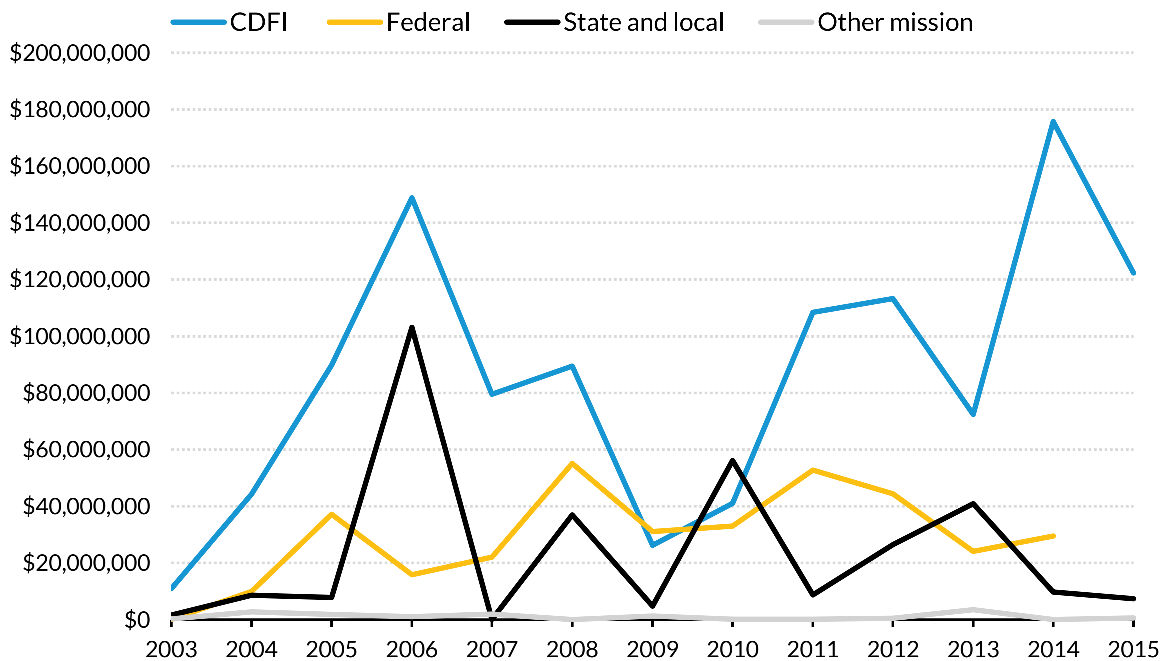
- Among mission lenders, CDFIs played a particularly important role. CDFIs accounted for 60 percent of direct (nonleveraged) mission lending from 2008 through 2015 and 14 percent of all lending. During those years, CDFI made or leveraged investments worth $749 million, which included $652 million in direct lending. In 2015, CDFI lending volume was more than twice the 2005 level in inflation-adjusted terms, and 10 times that of 2003, providing considerable evidence of the growth of Detroit's CDFI sector in recent years.
- Some government programs provide debt capital rather than grants. Federal programs (not channeled through CDFIs) contributed $270 million in commercial, industrial, multifamily, and institutional debt to Detroit from 2008 through 2015, or 22 percent of direct mission lending and 6 percent of all lending to these types of properties. Though US Housing and Urban Development programs were represented in earlier years, from 2008 to 2015, the federal financing was attributable to the new markets tax credits administered by the Treasury Department's CDFI Fund. The CDFI Fund thus emerges as an important player in providing

lending capital in Detroit, both by supporting CDFI lending directly and by providing NMTCs that support both CDFI and non-CDFI lending.

- State and local programs (not channeled through CDFIs) resulted in $191 million in lending in Detroit from 2008 through 2015, which is 16 percent of direct mission lending and 4 percent of all lending to these asset classes.

FIGURE 3

Commercial, Industrial, Multifamily, and Institutional Lending Volume for Mission Lenders, by Type



Sources: City of Detroit's Office of the Assessor; Motor City Mapping; CoreLogic; Real Capital Analytics; and CDFI and other loans data providers (see Data Sources section).
Notes: Volumes are adjusted for inflation (2015 dollars). "Other mission" includes loans from religious institutions, nonprofits, and foundations. To avoid double counting, we have defined the CDFI category as mutually exclusive with the other mission capital categories, but in reality CDFIs deploy capital from other sources, including federal, state, and local programs. For example, in this analysis, we count CDFI lending facilitated by new market tax credits as CDFI lending, but all other new market tax credit–facilitated lending as federal government lending.

Stakeholder Reflections on the Role of Mission Capital

In researching investments in Detroit, we held discussions with several stakeholders to provide insights into the Detroit market for commercial, industrial, multifamily, and institutional finance. We spoke with representatives from several institution types: local government, state government, federal

government, mainstream lenders, CDFIs, CDCs, foundations, and researchers. The discussions highlighted several key functions that mission lenders are performing in Detroit.

Technical Assistance to CDCs

Except for a small handful of CDCs, Detroit has suffered from a lack of capable organizations to do development work. In recent years, however, CDFIs have come into the market to offer technical assistance to developers, and new developers have arrived on the scene. CDFIs are providing technical assistance, and in some cases deeper planning and consulting services, to encourage more development activity in the city.

Both CDCs and CDFIs reported that CDFIs are working with developers to build their development capacity. This assistance might include teaching developers how to use American Institute of Architects forms to submit a draw or apply for a tax abatement. CDFIs often need to spend time on a project helping developers assemble the capital stack. This means that some CDFIs may spend two or three years with a relatively inexperienced developer.

Repeatedly, we heard that it was not just the capital that mission lenders provided, but the combination of knowledge, resources, connections, and funding that has been necessary. For example, the CDFI may be the one to garner local government support, support local planning processes, raise philanthropic subsidies, and even identify land or properties for acquisition. However, this process is hard to replicate across the city. Neighborhood-based redevelopment is particularly challenging because it typically involves smaller and fewer projects that also have higher risk and lower yields.

Willingness to Accept Riskier Loans

According to stakeholders, mission lenders will make loans in an environment that mainstream financers, such as large banks, may perceive as too risky to make "regular" loans. As one developer we interviewed said, "We are doing a 44-unit apartment building. A CDFI is our primary funding source. They have been willing to stick it out through brutal times and take the risk. No bank approached us—a CDFI did and asked how they could help."

Stakeholders reported that few deals in Detroit are standard; many deals have challenges that require lenders to be flexible. In particular, deal making requires flexible combinations of capital. As one stakeholder said, "Every deal is a multilayered patchwork of different funders and lenders....I can't think of a single deal that is strictly bank financing and a little bit of owner equity in this city."

Mission lenders accept greater risk in a variety of ways. CDFIs reported they will take a junior position to banks, enabling banks to take part in deals they otherwise would not. CDFIs may also lend funds even when development costs go over what was anticipated. Some mission lenders will take a standby letter of credit to overcome the serious challenge in Detroit of a shortage of bondable contractors. Finally, mission lenders were willing to make loans in advance of the development having an anchor tenant lined up.

Flexibility in Underwriting and Loan Features

Several mission lenders are offering alternative loan product features and flexibility in underwriting, especially around project valuation, that are not commercially available—a critical factor in a devalued market. This includes longer terms (e.g., 15 years), lower interest rates, and flexibility around renewals. Several CDCs reported that mission lenders did not have onerous terms and conditions. Others reported that mission lenders, especially CDFIs, have access to patient capital sources and sophistication around layering and deal structuring.

Some mission lenders are making loans where the loan-to-value ratio is 120 percent. Many mainstream lenders will not invest where the loan-to-value ratio is above 70 to 80 percent. This is especially important in Detroit, where the cost of acquiring and rehabbing a property to return it to use often costs more than the value of the postrehab building. One CDFI does not even apply a loan-to-value ratio test in its underwriting. Rather, it will lend up to 95 percent of total project costs if there is sufficient cash flow to cover loan payments.

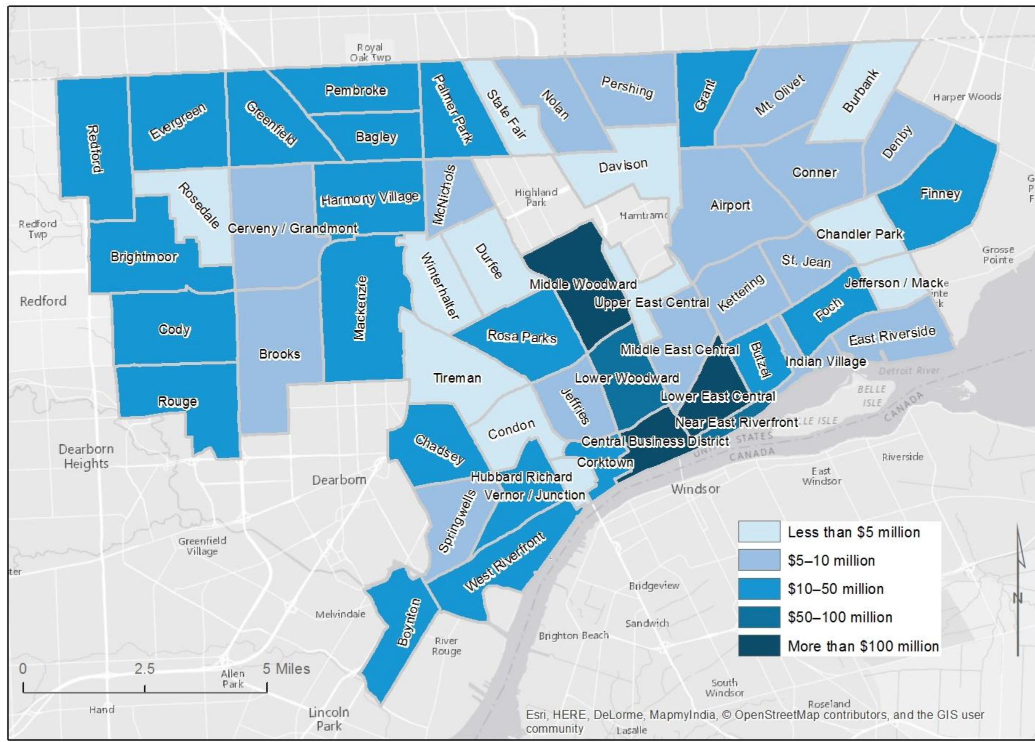
Neighborhood Investment Patterns

As described in our companion brief (Theodos et al. 2017), commercial, industrial, multifamily, and institutional investments are spread across all the neighborhoods in Detroit. However, the Central Business District and the Lower Woodward and Middle Woodward neighborhoods have significantly larger projects. So, while many Detroit neighborhoods have seen investment activity, there has been considerable concentration of the total dollar volume of investment in these three neighborhoods.

- Mainstream and private loans were made throughout Detroit, with the highest concentration of investment volume in the Central Business District and Woodward Corridor (figure 4).
- Mission lending exhibits a similar spatial pattern to mainstream- and private-lending volumes figure 5).
- Between 2013 and 2015, the Central Business District, Lower Woodward, and Middle Woodward were the recipients of 62 percent of direct mission and leveraged lending, 57 percent of subsidy investments, 53 percent of mainstream lending, and 42 percent of private lending, but they contained only 46 percent of the jobs in the city.

FIGURE 4

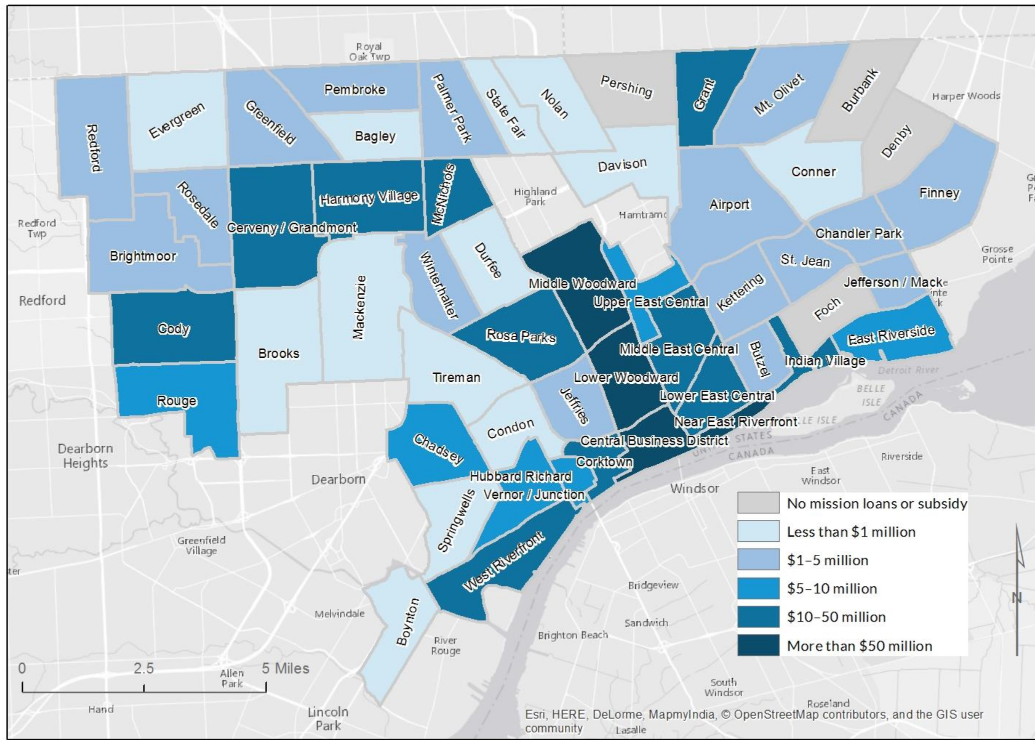
Volume of Mainstream and Private Investment Activity in Detroit, 2013–15



Sources: City of Detroit's Office of the Assessor, Motor City Mapping, CoreLogic, and Real Capital Analytics.
Notes: Dollar amounts are adjusted for inflation (2015 dollars).

FIGURE 5

Volume of Mission and Subsidy Investment Activity in Detroit, 2013–15



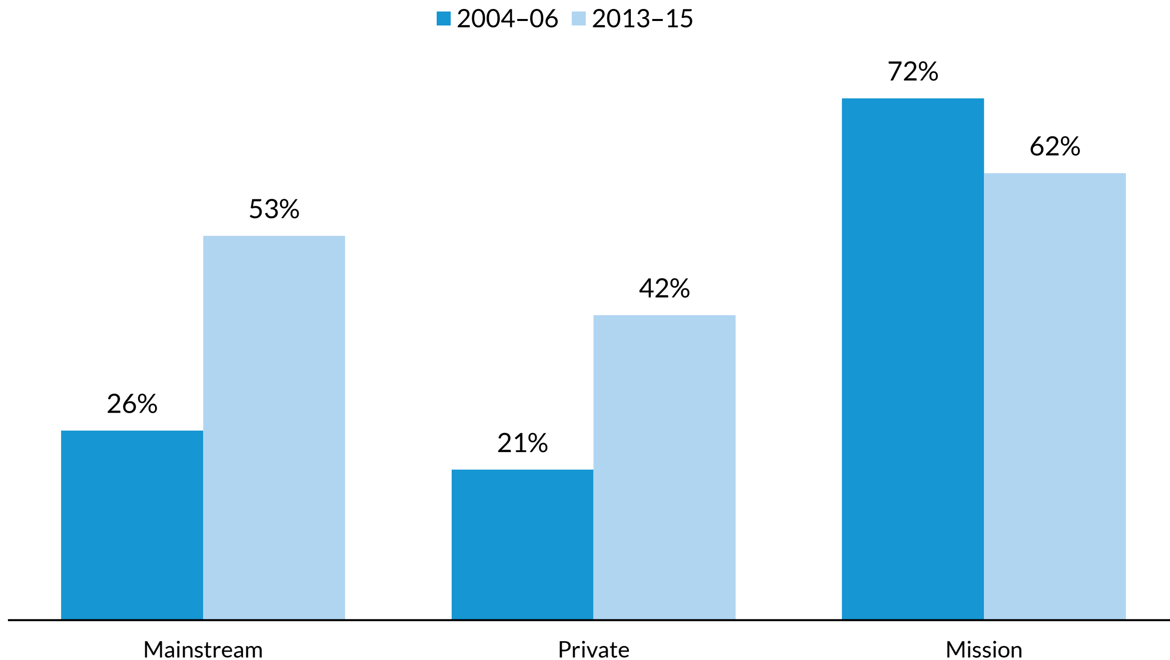
Sources: City of Detroit's Office of the Assessor, Motor City Mapping, CoreLogic, Real Capital Analytics, and CDFI and other loans data providers (see 'Data Sources').

Notes: Dollar amounts are adjusted for inflation (2015 dollars).

Lending volumes in Detroit appear to have become more concentrated in Downtown and Midtown. In 2004 to 2006,26 percent of mainstream lending went to the Central Business District, Lower Woodward, and Middle Woodward, but in 2013 to 2015, 53 percent of these loans went to these three neighborhoods (figure 6). Private lending has followed a similar trend, with 21 percent of private loans going to these three neighborhoods between 2004 and 2006 compared with 42 percent between 2013 and 2015. Relative to mainstream and private loans, mission-lending volumes between 2013 and 2015 appear somewhat more concentrated in Downtown and Midtown—but this was even more the case from 2004 to 2006 than from 2013 to 2015.

FIGURE 6

Concentration of Lending in the Central Business District, Lower Woodward, and Middle Woodward, 2004–06 versus 2013–15



Sources: City of Detroit's Office of the Assessor, Motor City Mapping, CoreLogic, and Real Capital Analytics.
Notes: Adjusted for inflation (2015 dollars).

Is it time for mission capital to reduce its concentration and move into the neighborhoods? Many acknowledged that there is an influx of young adults into the city, creating greater market demand in select neighborhoods, which for-profit developers are satisfying with market-rate and mixed-income housing. Though stakeholders reported that Downtown and Midtown Detroit are approaching a level of market demand in which subsidy needs are diminishing, they largely indicated that it was too soon for mission capital to exit these neighborhoods. They feel it is still not possible to build projects even in Midtown and Downtown Detroit using only bank debt and developer equity, and that a mix of subsidy and alternative financing is required to fill the gap. Stakeholders provided the following details:

- "It will be several years before people can just do deals with commercial banks, even on class A real estate."
- "Traditional lenders are coming back slowly, the confidence level is still not there yet compared to other metro markets."
- "Downtown and Midtown are the strongest areas…it is still a market where mission investment is needed. The numbers don't pencil out yet…the rental rates aren't there yet."

- "When we say that subsidy may no longer be required in Downtown and Midtown, we are talking about nontraditional philanthropic subsidy, but you still need more customary things like tax credits and tax abatements even there."

If mission capital is still needed in Downtown and Midtown Detroit—though likely in a smaller way going forward—what are the prospects for spreading development activity to other neighborhoods? Stakeholders reported such development will be difficult absent notably greater public and philanthropic commitments.

Investment in other neighborhoods faces several challenges, including greater subsidy needs for projects in weaker markets where lower rents are able to cover a smaller share of debt financing. As one stakeholder reported, "when you move into the neighborhoods, there is a significant gap….A project you could float in Midtown, in a neighborhood you still need $2 million of subsidy to pull it off, and that is aggressive subsidy—philanthropic grants."

Further, many types of subsidies that can be employed on larger projects in Downtown and Midtown have high transaction costs and are not viable for smaller projects that neighborhoods need. As described by one stakeholder, "there just aren't that many $7 million deals to find in Jefferson-Chalmers, you won't find those, so that takes NMTC off the table. You are not going to find a lot of opportunities to do a big [low-income housing tax credit] deal of any scale … won't find those in a lot of neighborhoods because of the nature of the housing stock. So more subsidy is needed but it is also a lack of tools; finding subsidy to do an eight unit building in Fitzgerald is really difficult."

Beyond this, many neighborhoods do not have experienced developers working in them. One stakeholder noted that things are not uniformly bleak, and that there were stronger neighborhoods geographically close to Midtown and Downtown that were more able to generate investable deals.

Recommendations on New Resources and Policy Supports

As discussed above, mission investors have made notable strides in reviving the real estate market in Detroit, especially in the urban core. However, these same investors have also described a number of barriers to continuing that momentum and expanding it to the outer neighborhoods, which continue to struggle.

Local, state, and federal policymakers, as well as the philanthropic and impact investing community, could support mission investors to overcome these barriers through a range of policy responses. We have drawn the following policy recommendations from our analysis, experience, and discussions with stakeholders:

- **Creating flexible subsidy financing sources for smaller projects.** Stakeholders noted that tax credit programs that have played an essential role in greater downtown are not feasible to use on smaller projects because of their high transaction costs, leaving gaps for most projects in the

outer neighborhoods. The complicated rules and limitations around many subsidy financing sources mean that the "tail" of subsidy availability is wagging the "dog" of what projects they select for development. More flexible subsidized financing should be provided to support projects with the greatest potential to jump-start the market, not just projects that conform to the rules of existing financing programs.

- **Equity-capital vehicles.** Stakeholders reported a need for patient equity capital to sit in a transaction for 5 to 10 years, especially for projects that do not have a clear near-term takeout source. A standing equity pool that was available for projects could allow CDCs and other mission-oriented developers to move quickly and respond to opportunities. Those funds could be used to acquire property before a deal is fully specified.
- **Expanded capital for subordinate debt.** The need for a pool of subordinate debt was seen as especially important to work in neighborhoods outside of the core and with smaller developers who have a limited balance sheet or track record. Projects with large predevelopment costs, such as brownfields, also have this need.
- **Investing in capacity building and technical assistance for local developers.** Detroit's nonprofit-development sector experienced a near total collapse during the recession, leaving only a handful of CDCs with robust development capacity. Operational funding is needed for CDCs to support them in community-based work, as is more technical-assistance funding for CDFIs to help developers identify and structure projects that respond to community market opportunities.
- **Improving the local regulatory environment.** A number of stakeholders felt that though processes at City agencies are improving, the City still needs to do a better job of providing a consistent and predictable regulatory environment that is aggressive about facilitating development transactions. Specific recommendations included completing revisions to the zoning ordinance to harmonize zoning with new goals for development, streamlining the plan review process, placing code enforcement pressure on owners of poorly maintained buildings to encourage their sale to responsible developers, and shifting focus from planning to implementation.
- **Allocating subsidy strategically.** We encourage local government to select targeted areas for a period of intensive investment to stimulate particular neighborhood markets, after which new target areas could be selected. This need not mean that certain neighborhoods are left to fend for themselves, but it does mean providing enough resources in communities where an infusion of development finance could stimulate market demand and create a virtuous cycle of investment.
- **Supporting efforts to improve collaboration and visibility for the community development industry in Detroit.** Interviewees noted that media attention tends to overlook the role played by mission investors in Detroit, in part because mission investors need to work together more

to promote the visibility of the sector. Stakeholders also noted that there are opportunities for mission investors to strategize more together and coordinate their activities.

Conclusion

That Detroit continues to face challenges with respect to its local economy is without doubt. The city's resurgence in development activity has been largely confined to a few neighborhoods. However, it is promising—and not taken for granted—that there is a functioning development community in Detroit, and that it is growing in sophistication and coordination. Mission-capital providers have played an important part in this growth. The city, and its philanthropic, state, and federal partners, can encompass a broader set of residents and neighborhoods by implementing policy and philanthropic supports focused on patient low-cost capital, capacity building, and more streamlined processes.

Data Sources

To generate these insights, we relied on a variety of data sources, described below.

Parcel data. To identify parcels within the city, we used the 2015 Parcel Map available through the city of Detroit's open-data portal. We obtained information on building and lot square footage through tax assessor records provided by the City of Detroit's Office of the Assessor. These records were current as of March 2016.

Land-use determination. Our starting point for determining land use was observations from the Motor City Mapping October 1, 2014 enhanced survey. We used data from the City of Detroit Assessor's Office to fill gaps in Motor City Mapping, distinguish single and multifamily residential real estate, and identify whether land was available for residential, commercial, or industrial use. In cases where neither dataset provided information regarding land use, we defined properties according to the land use reported by either CoreLogic© (for CoreLogic© records) or data from Detroit Building, Safety Engineering and Environmental Department (BSEED) permits.

Permits data. The Detroit BSEED provided data on permits. Results shown in this analysis reflect years in which full-year data are available (2011–15). Permits before May 2010 were held in paper records. Data from those earlier records were not fully consistent with later data, and as such, we did not use them in this analysis. Results exclude permits filed for single-family residential units that contain three or fewer units, based on reported land uses. We supplemented the BSEED data with self-reported data on development by Midtown Detroit, Inc.

Data on sales and loans. We obtained deed data used in both the sales and loans analyses from CoreLogic©. We conducted the sales analysis on arm's-length transactions only, and, exclusive of mechanic liens, multicounty or multistate mortgages, foreclosures, and nominal deals. The loans analysis was based on a similar subset of records as well as lending activity not tied to a purchase transaction. Both the sales and loans analyses include additional loan records from Real Capital Analytics. Real

Capital Analytics captures loans and sales primarily between 2004 and 2015. Most of these records cover loans and sales of $1 million or more.

As CoreLogic© and Real Capital Analytics missed some loans originated by CDFIs, we obtained and incorporated unique observations from several other sources. Those CDFIs that receive funding from the US Department of Treasury's CDFI Fund are required to report all loans originated during such funding period, which is available through the Transaction Level Report database. We also obtained transaction-level data from the Opportunity Finance Network, the primary industry organization for CDFIs, to which member CDFIs may voluntarily report their data. Finally, we received self-reported data for loans closed between 2003 to the present directly from several CDFIs working within the city of Detroit: Capital Impact Partners, Cinnaire, Enterprise Community Loan Fund, IFF, Invest Detroit, and Local Initiatives Support Corporation.

We also recognize the importance of public subsidies to facilitate investment in Detroit. To that end, we incorporated funding on the following public investments and tax credits: low-income housing tax credit (LIHTC) from 2002 to 2014 (via the LIHTC database, published by the US Department of Housing and Urban Development), state historic tax credits from 2010 to 2015 (provided by the Michigan State Historic Preservation Office), federal historic tax credits from 2002 to present (provided by the National Park Service), Brownfield investments from 2010 to present (provided by the Detroit Economic Growth Corporation), and additional subsidies and investments facilitated by the Michigan Economic Development Corporation for fiscal years 2013, 2014, and 2015.

Notes

1. We include mixed-use properties as multifamily properties.
2. These figures are appreciably higher than for the US as a whole, where just 5 percent of working-age adults were unemployed and 23 percent were out of the labor force. Unemployment and labor force participation statistics for Detroit and the US were taken from the 2015 American Community Survey. Working age is defined as ages 25 to 64.
3. Though we include most public programs as mission capital, we include Small Business Administration–guaranty lending as mainstream lending, as public resources are not used except in the case of default. To avoid double counting, we have defined the CDFI category as mutually exclusive with the other mission capital categories, but, in reality, CDFIs deploy capital from other sources, including federal, state, and local programs. For example, in this analysis, we count CDFI lending facilitated by new market tax credits as CDFI lending, but all other new market tax credit–facilitated lending as federal government lending.

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