



# CDFIs and a Local Look at Capital Flows

Dr. Brett Theodos  
July 15, 2020



A capital flow is the provision  
of financing to a household,  
business, or community





A capital gap occurs  
when investors fail to  
make financing available  
for investable projects

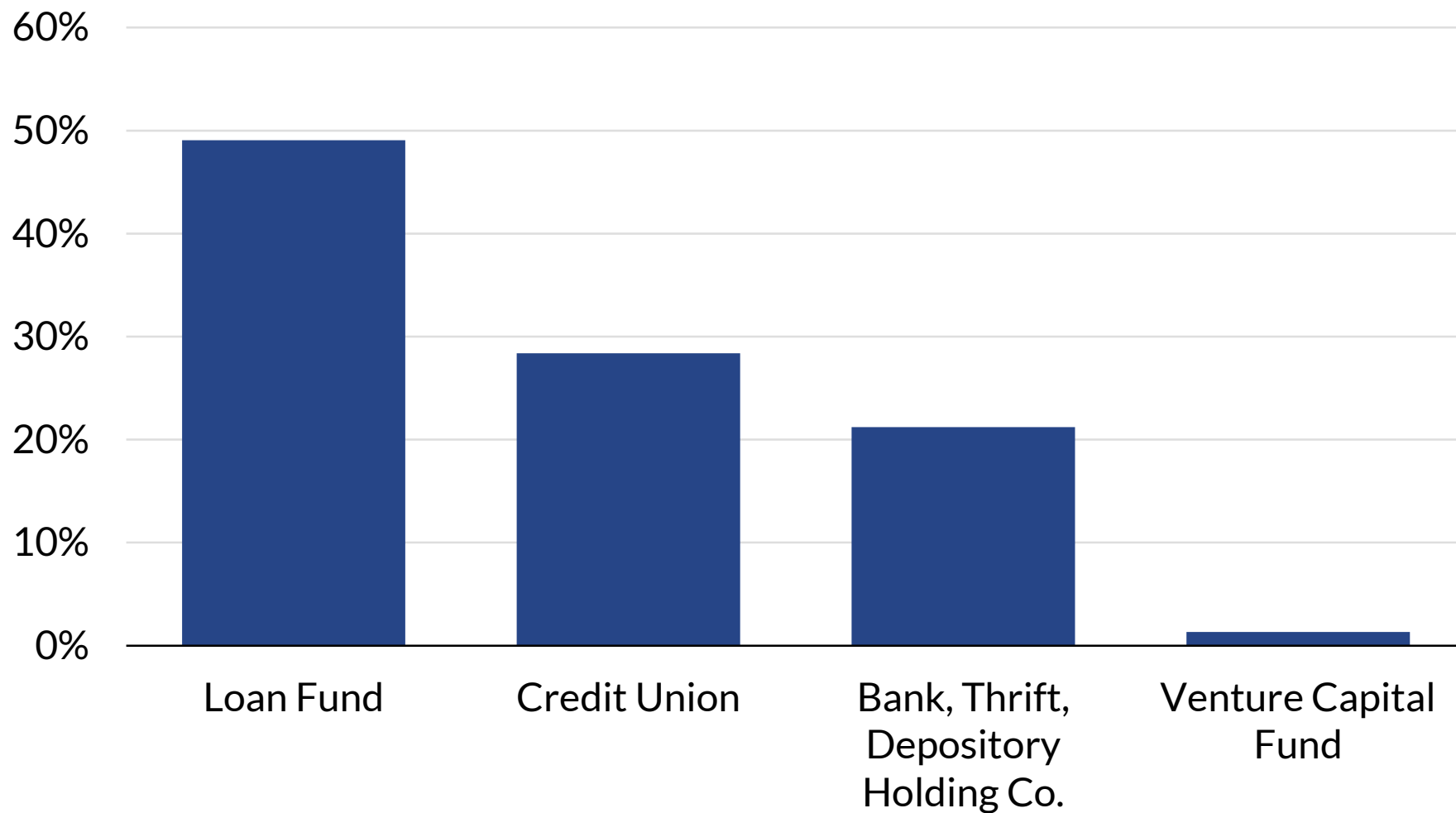




# CDFIs



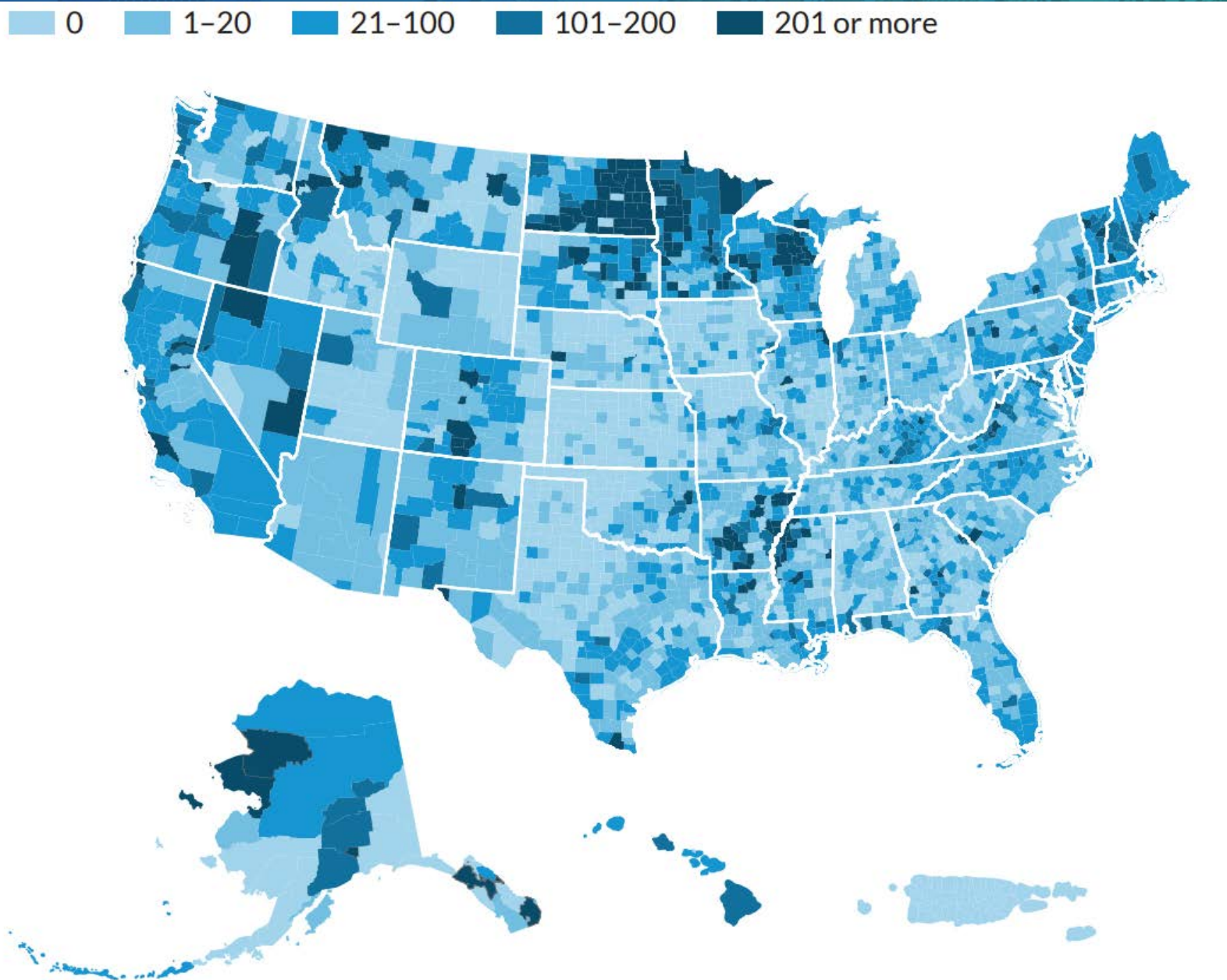
## 1,127 CDFIs, In These Types





# CDFIs Are Not Present Everywhere

CDFI Loan Volume Per  
Person Under 200  
Percent of FPL, Annual  
Average 2011-15





## Breakdown of CDFI Lending for Counties, Annual Average 2011-15

Percentile of counties	Annual average per person lending under 200 percent of FPL
10 <sup>th</sup> percentile	\$0
25 <sup>th</sup> percentile	\$0
50 <sup>th</sup> percentile	\$7
75 <sup>th</sup> percentile	\$37
90 <sup>th</sup> percentile	\$114

Sources: CDFI Fund, CoreLogic, OFN





## Median Community Development Funding by Category and County Population

County population	CDFI + NMTC finance investments per person below 200% of FPL	Other federal housing funding per person below 200% of FPL	Other federal community development investments per person below 200% of FPL	Small business lending per small business employee
50,000 to 99,999	\$84	\$31	\$24	\$7,607
100,000 to 299,999	\$141	\$58	\$36	\$9,203
300,000 or more	\$333	\$100	\$62	\$9,525

Source: "Community Development Financial Flows," Urban Institute, June 26, 2018, <http://www.urban.org/cdff>  
Note: FPL = federal poverty level



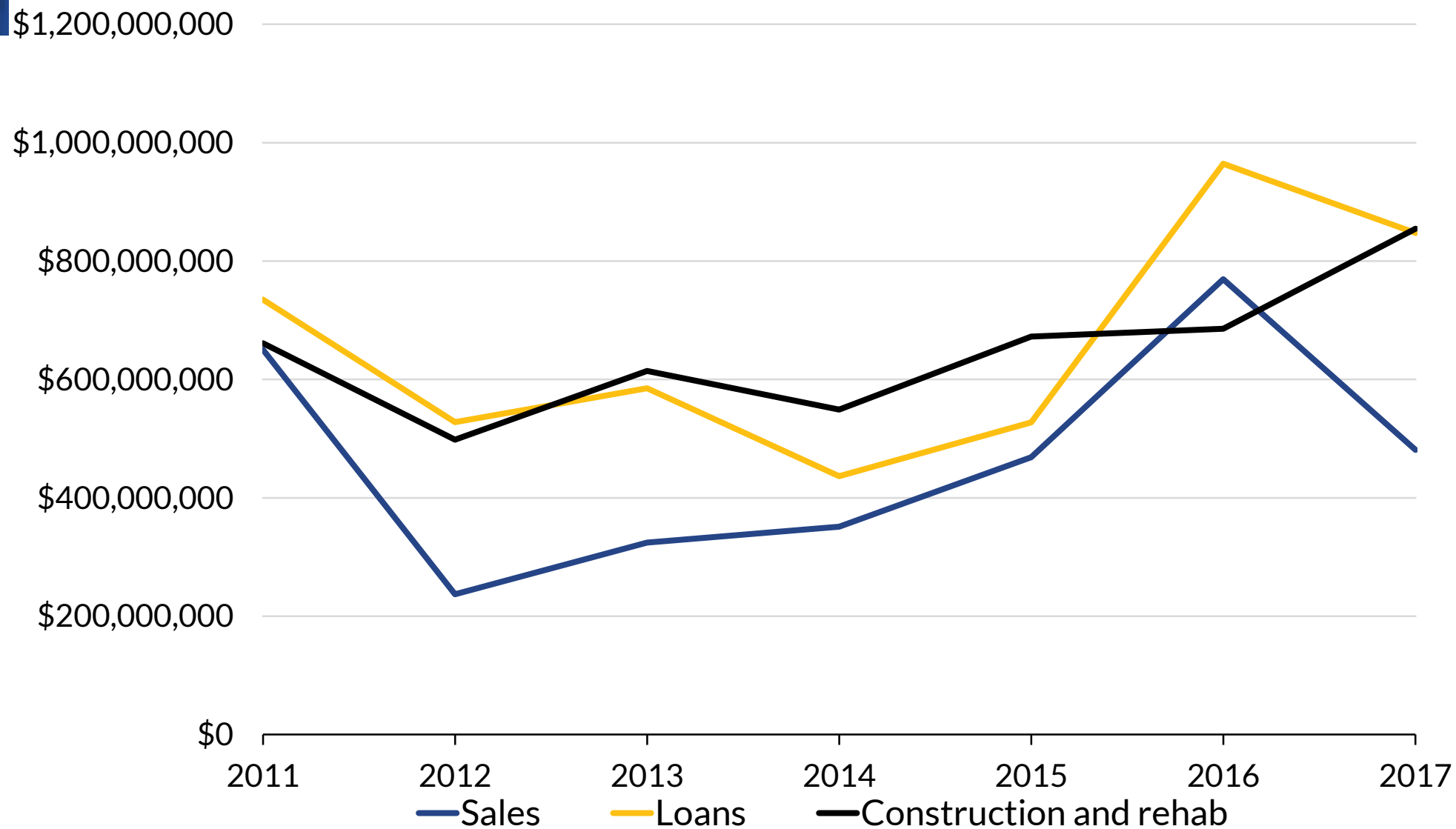


# MULTIFAMILY





# Citywide Multifamily Investment



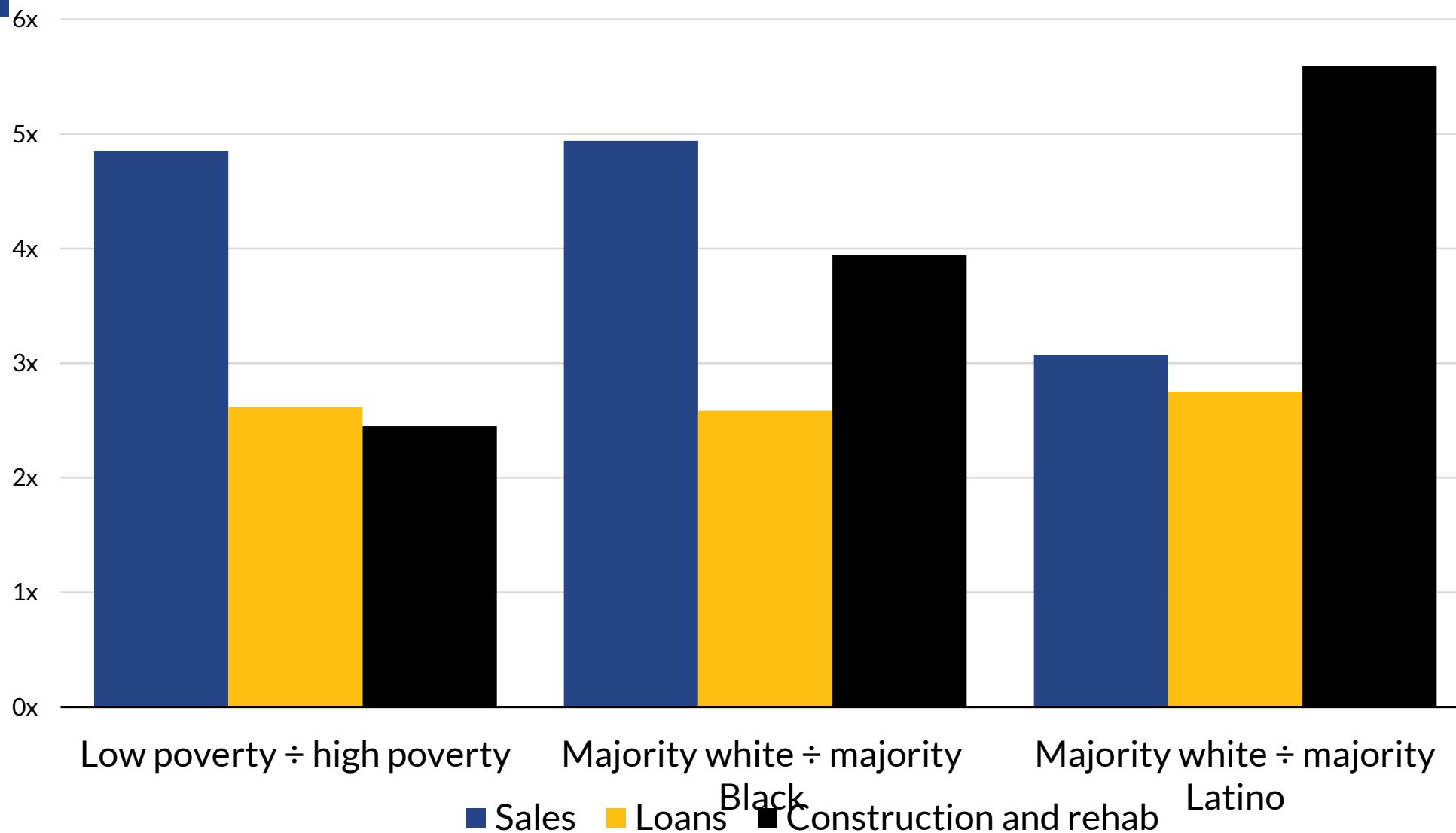
Sources: City of Chicago Department of Buildings and CoreLogic.

Note: Figures are in constant 2017 dollars.





# Investment Disparity Ratio for Multifamily Investment (at median)



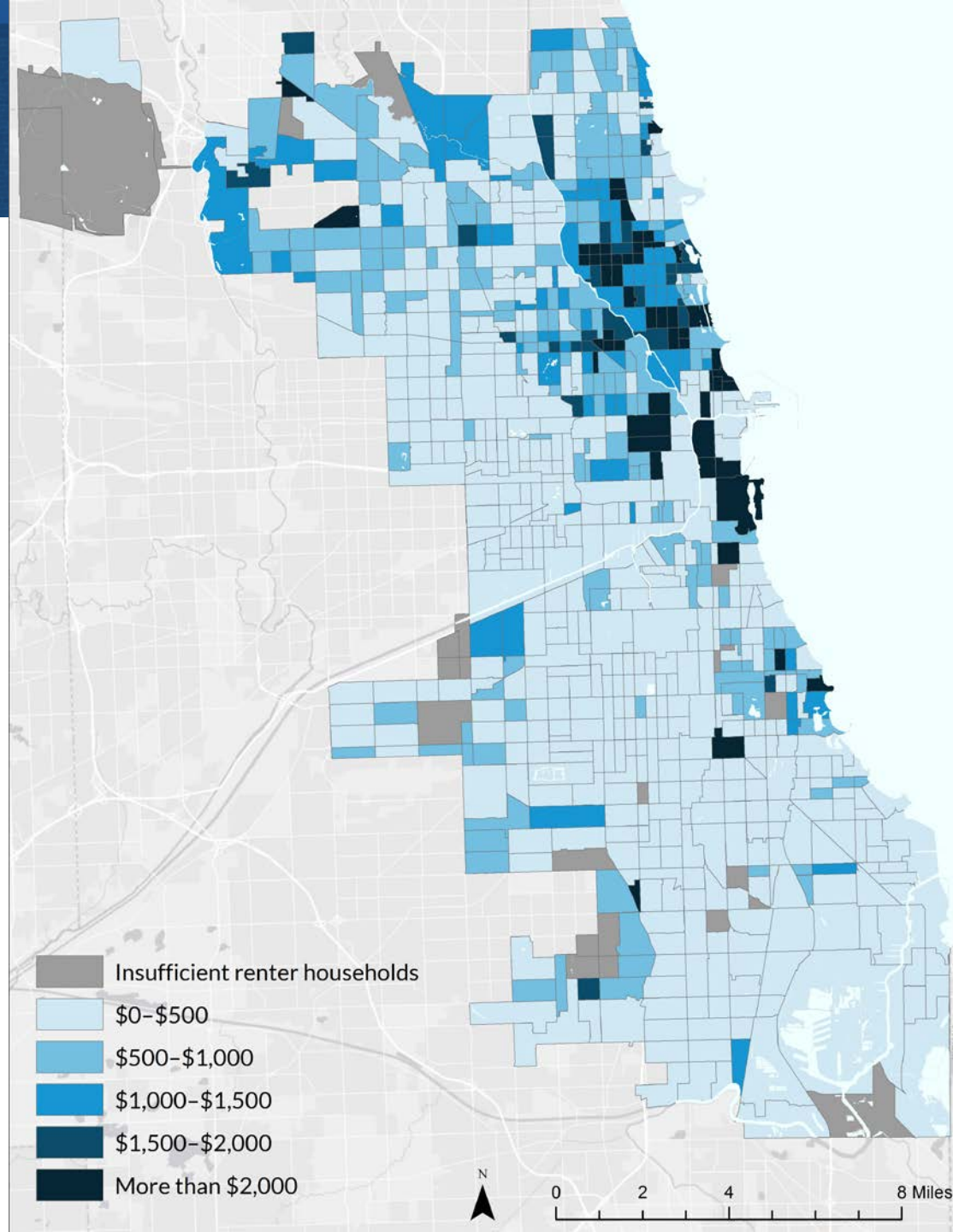
**Sources:** City of Chicago Department of Buildings, CoreLogic, and US Census Bureau, American Community Survey (2012–16).

**Note:** Figures are in constant 2017 dollars. We exclude 19 tracts with too few renter households from our multifamily calculations.



# Average Annual Multifamily Sales Volume per Renter Household, 2011- 17

**Sources:** Sales data from CoreLogic; household data from US Census Bureau, American Community Survey (2013–17); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.  
**Note:** Figures are in constant 2017 dollars.

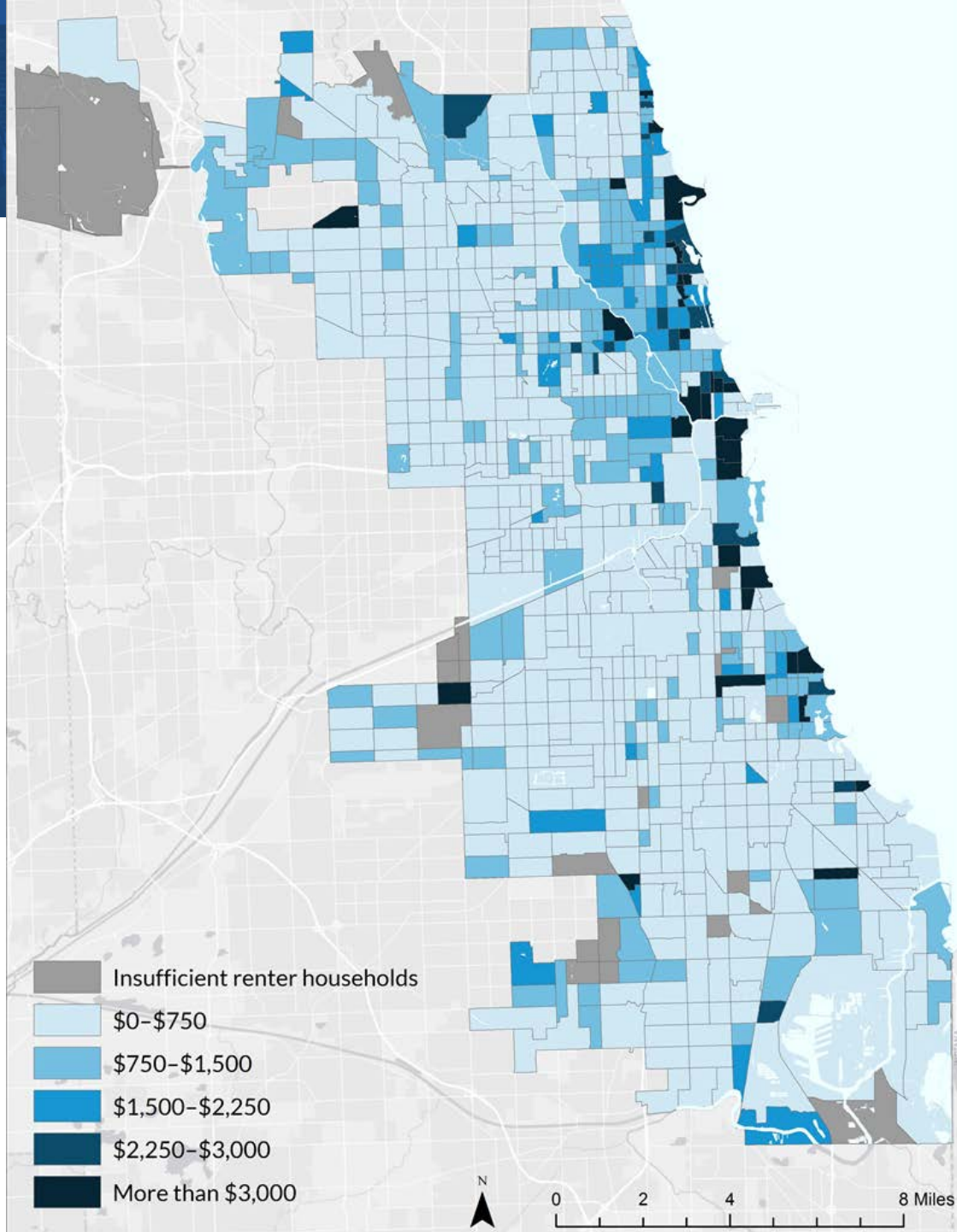






# Average Annual Multifamily Loan Volume per Renter Household, 2011– 17

**Sources:** Sales data from CoreLogic; household data from US Census Bureau, American Community Survey (2013–17); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.  
**Note:** Figures are in constant 2017 dollars.

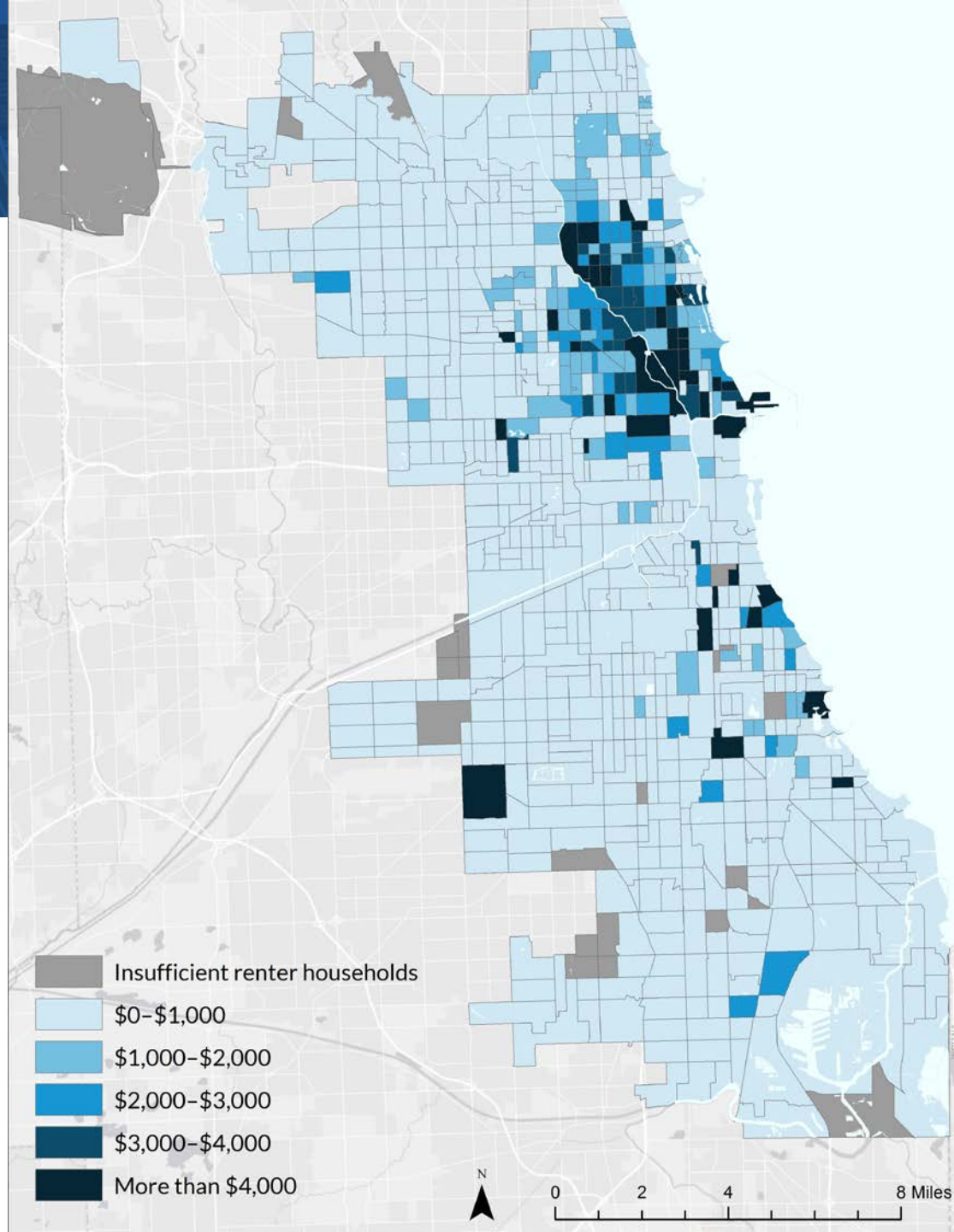




# Average Annual Multifamily Construction, Rehab, and Demolition Volume per Renter Household, 2011– 17

**Sources:** Property data from City of Chicago Department of Buildings; household data from US Census Bureau, American Community Survey (2013–17); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Figures are in constant 2017 dollars.





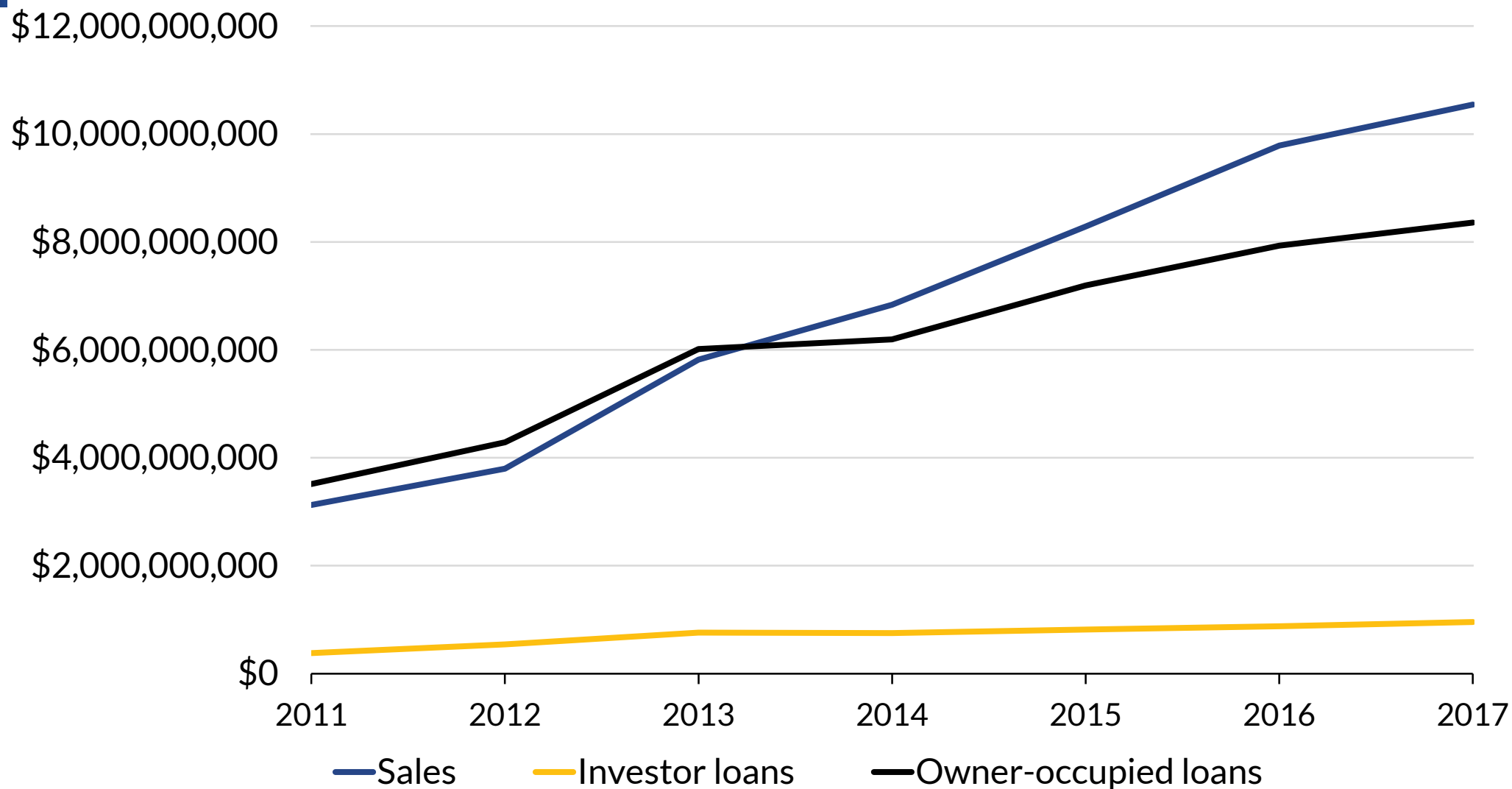
A photograph of a row of red brick single-family houses. The houses are two stories high with multiple windows. In front of the houses are green lawns and a sidewalk. Large trees with green leaves are visible on the left and right sides of the image, partially obscuring the houses. The text "SINGLE FAMILY" is overlaid in white capital letters on the bottom right of the image.

# SINGLE FAMILY

Photo by Sheila Scarborough/Flickr



# Citywide Single-Family Investment



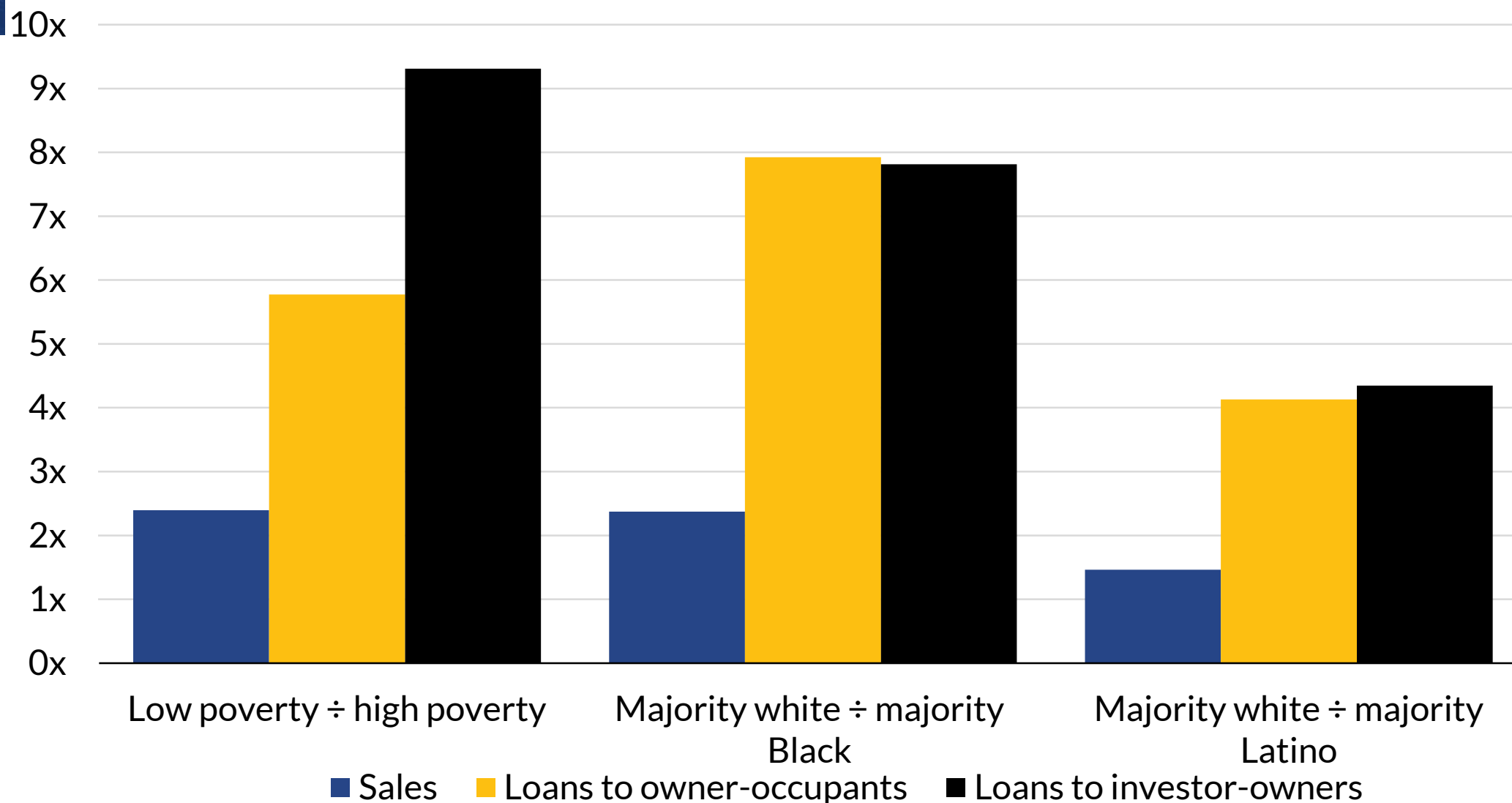
**Sources:** Home Mortgage Disclosure Act and Record Information Services.

**Note:** Figures are in constant 2017 dollars.





# Investment Disparity Ratio for Multifamily Investment (at median)



**Sources:** CoreLogic, Home Mortgage Disclosure Act, Record Information Services, and US Census Bureau, American Community Survey (2012–16).

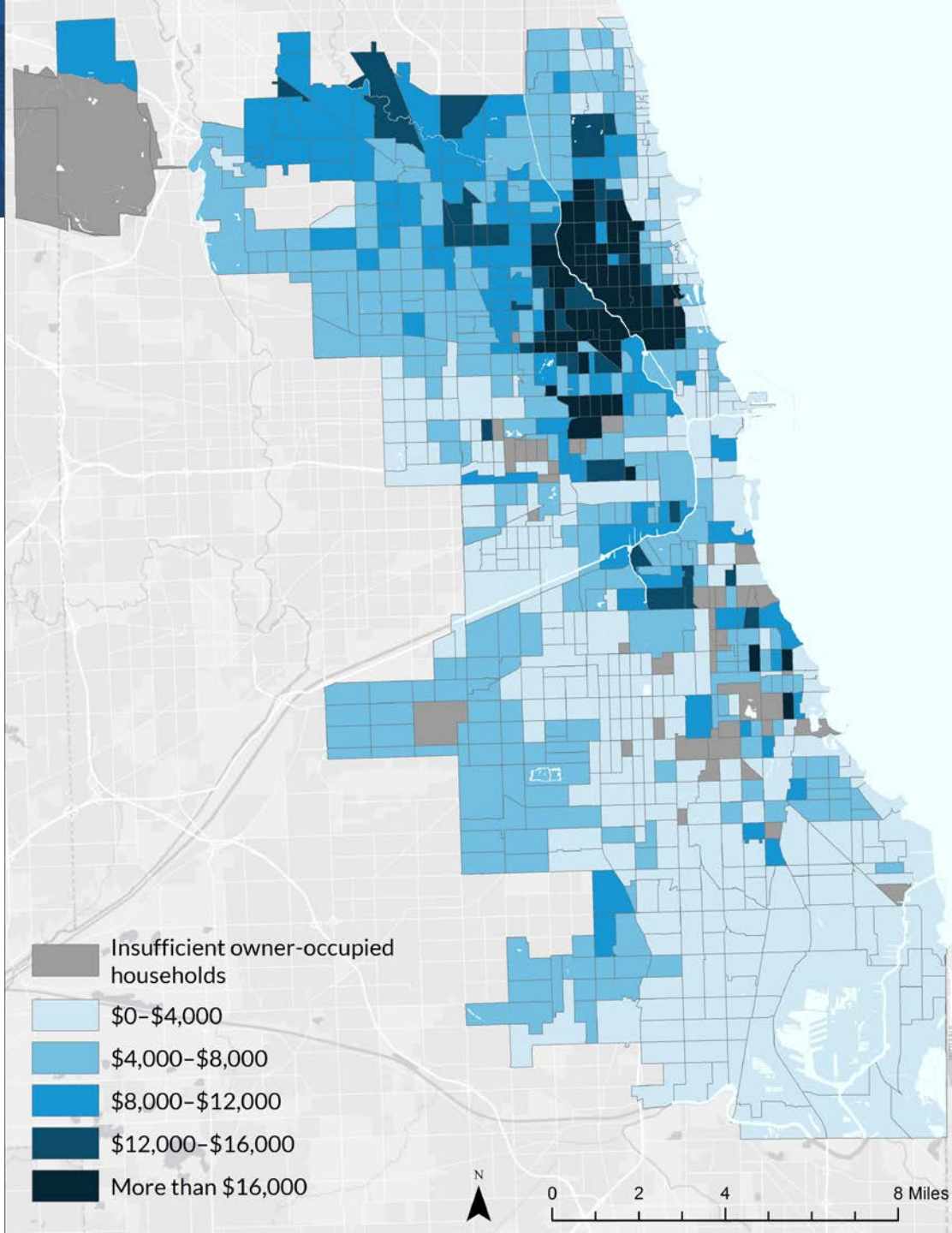
**Notes:** Figures are in constant 2017 dollars. We exclude 39 tracts with too few owner-occupied households from our calculations of sales and owner-occupant loans. We also exclude 19 tracts with too few renter households from our calculation of investor loans.



# Average Annual Single-Family Sales Volume per Owner-Occupied Household, 2011–17

**Sources:** Sales data from Record Information Services; household data from US Census Bureau, American Community Survey (2013–17); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Figures are in constant 2017 dollars.



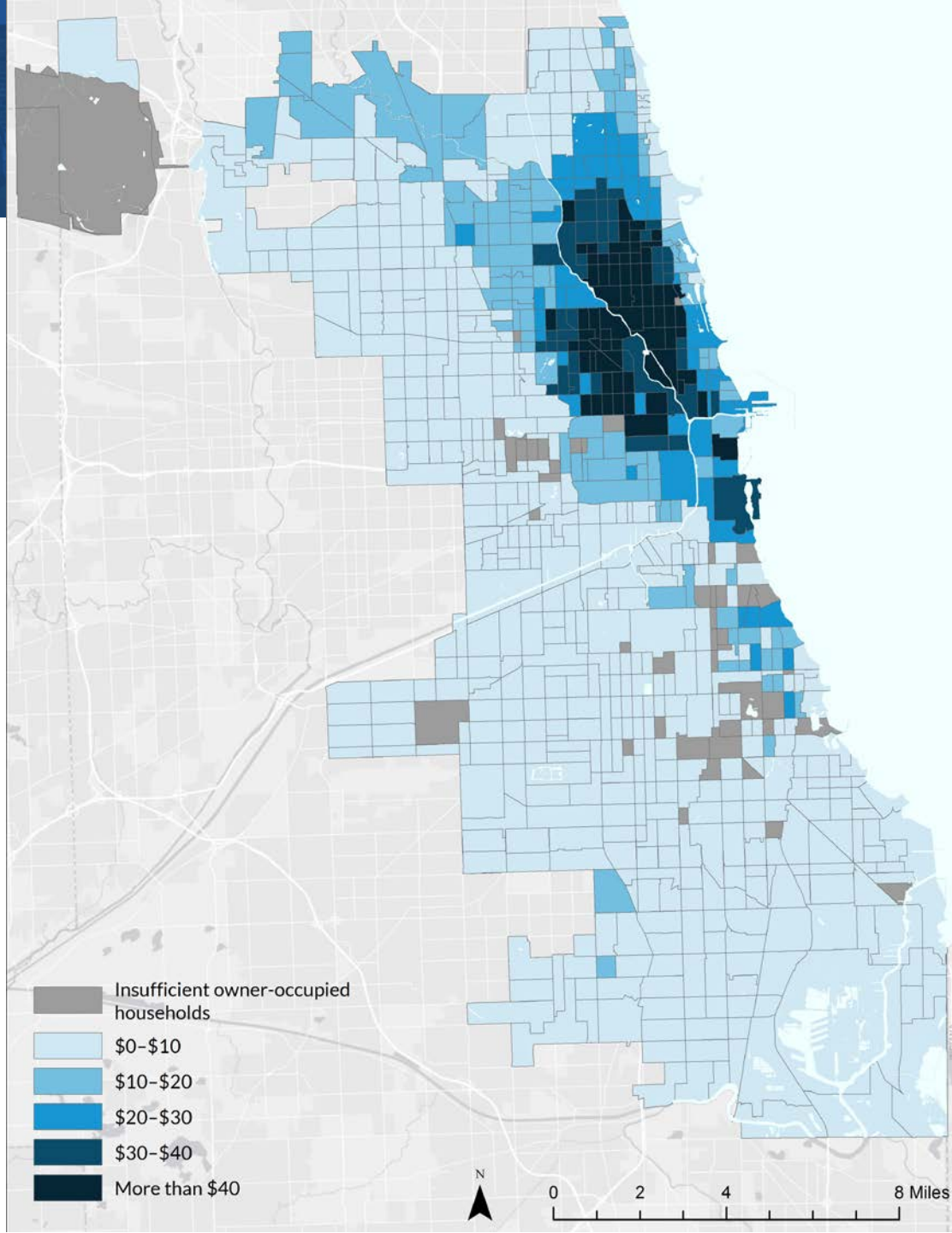




# Average Annual Single-Family Owner-Occupied Lending Volume per Owner-Occupied Household, 2011–17

**Sources:** Lending data from Home Mortgage Disclosure Act; household data from US Census Bureau, American Community Survey (2013–17); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Figures are in constant 2017 dollars.





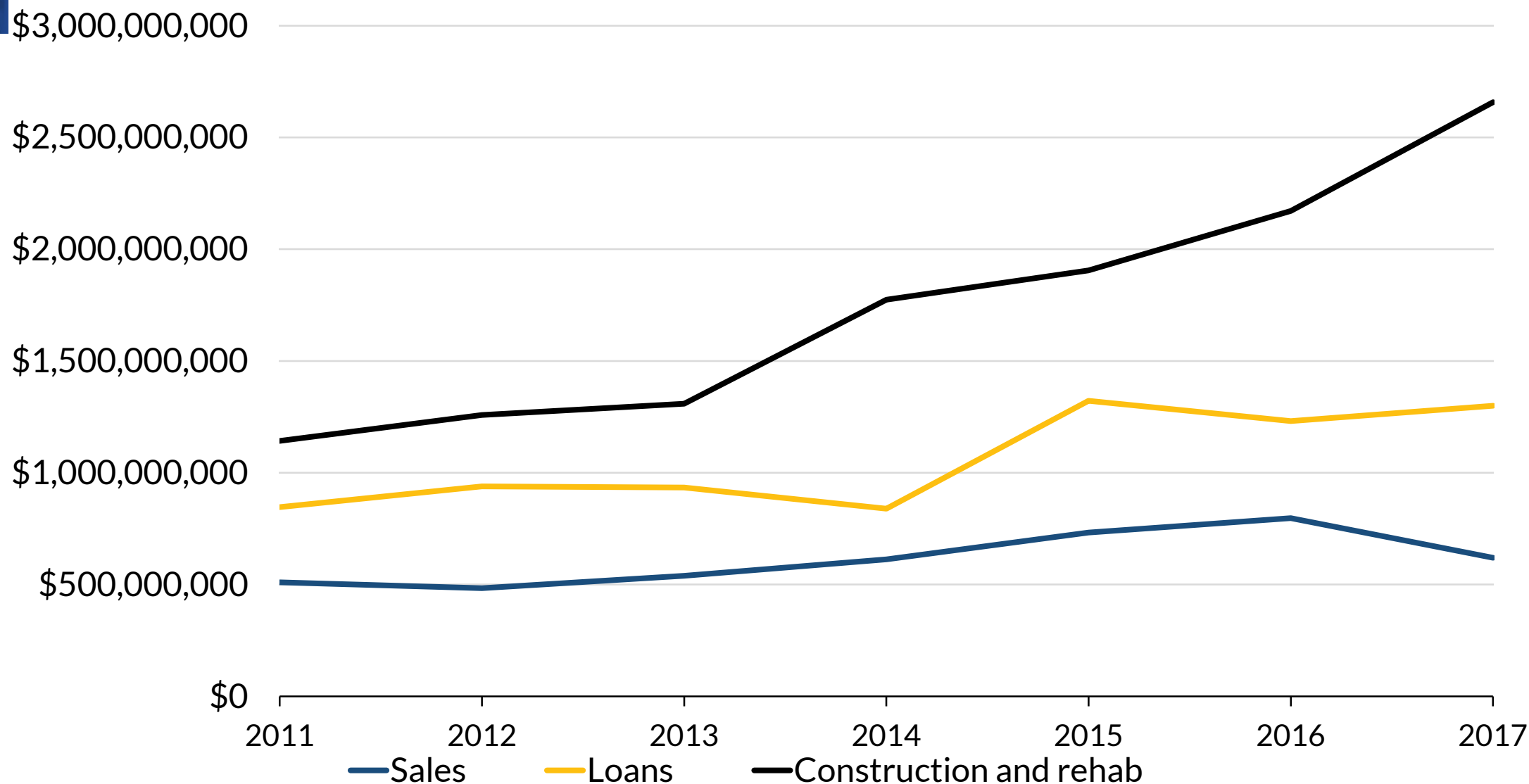
# COMMERCIAL







# Citywide Commercial Real Estate Investment

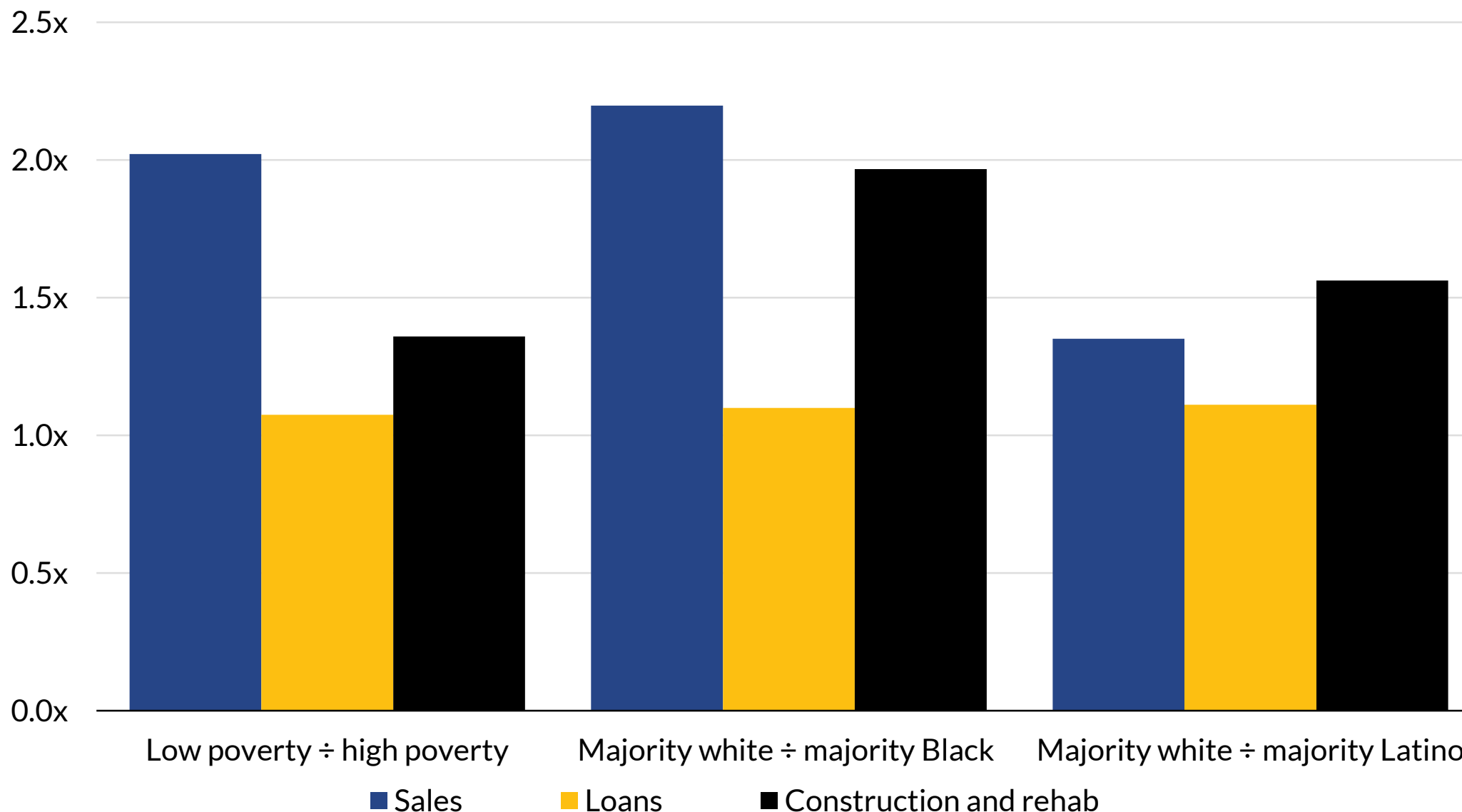


Sources: City of Chicago Department of Buildings and CoreLogic.

Note: Figures are in constant 2017 dollars.



# Investment Disparity Ratio for Commercial Real Estate



**Sources:** CoreLogic, Home Mortgage Disclosure Act, Record Information Services, and US Census Bureau, American Community Survey (2012–16).

**Notes:** Figures are in constant 2017 dollars. We exclude 39 tracts with too few owner-occupied households from our calculations of sales and owner-occupant loans. We also exclude 19 tracts with too few renter households from our calculation of investor loans.

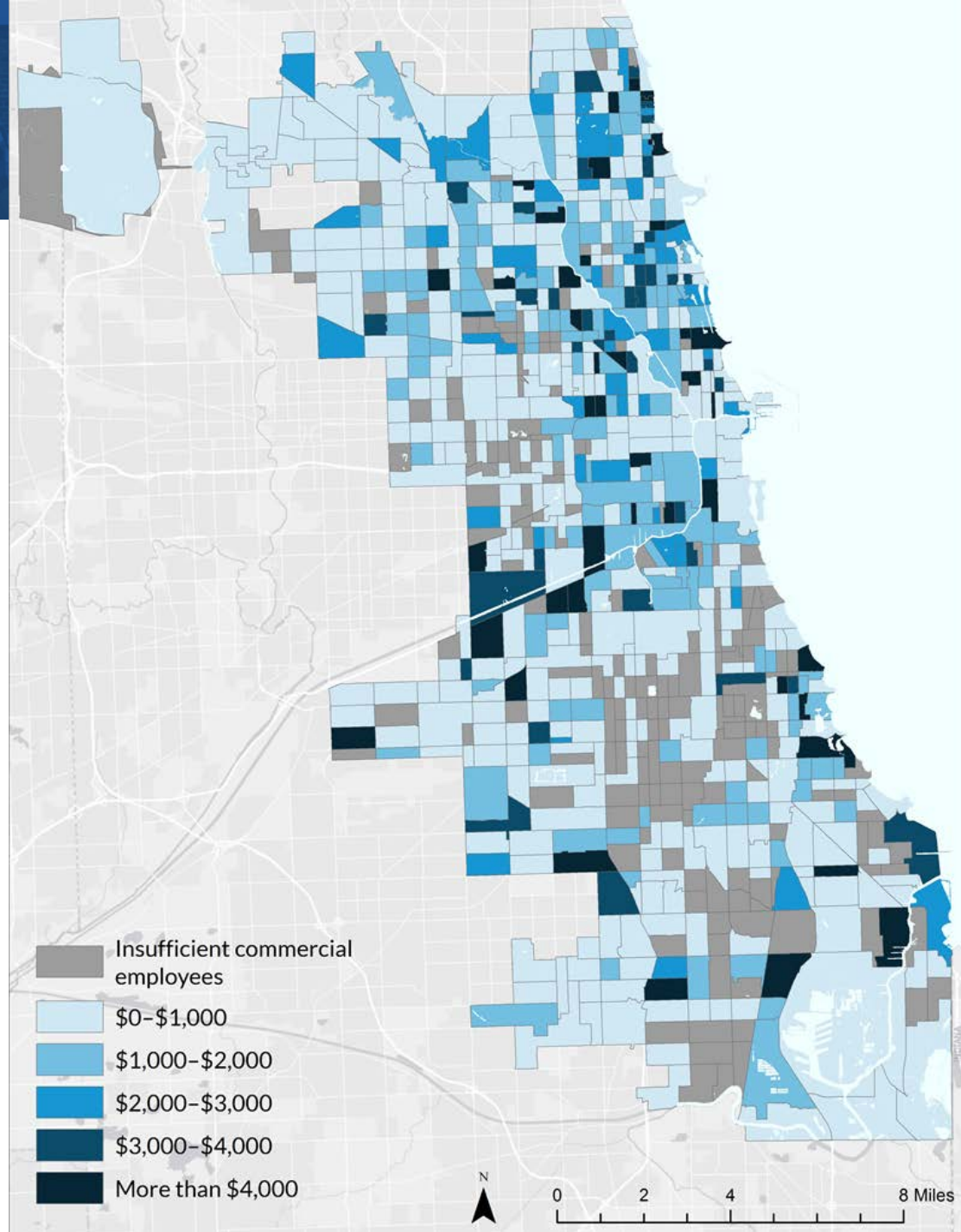




# Average Annual Commercial Sales Volume per Commercial Job, 2011-17

**Sources:** Property data from CoreLogic; jobs data from Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics (2013-15); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

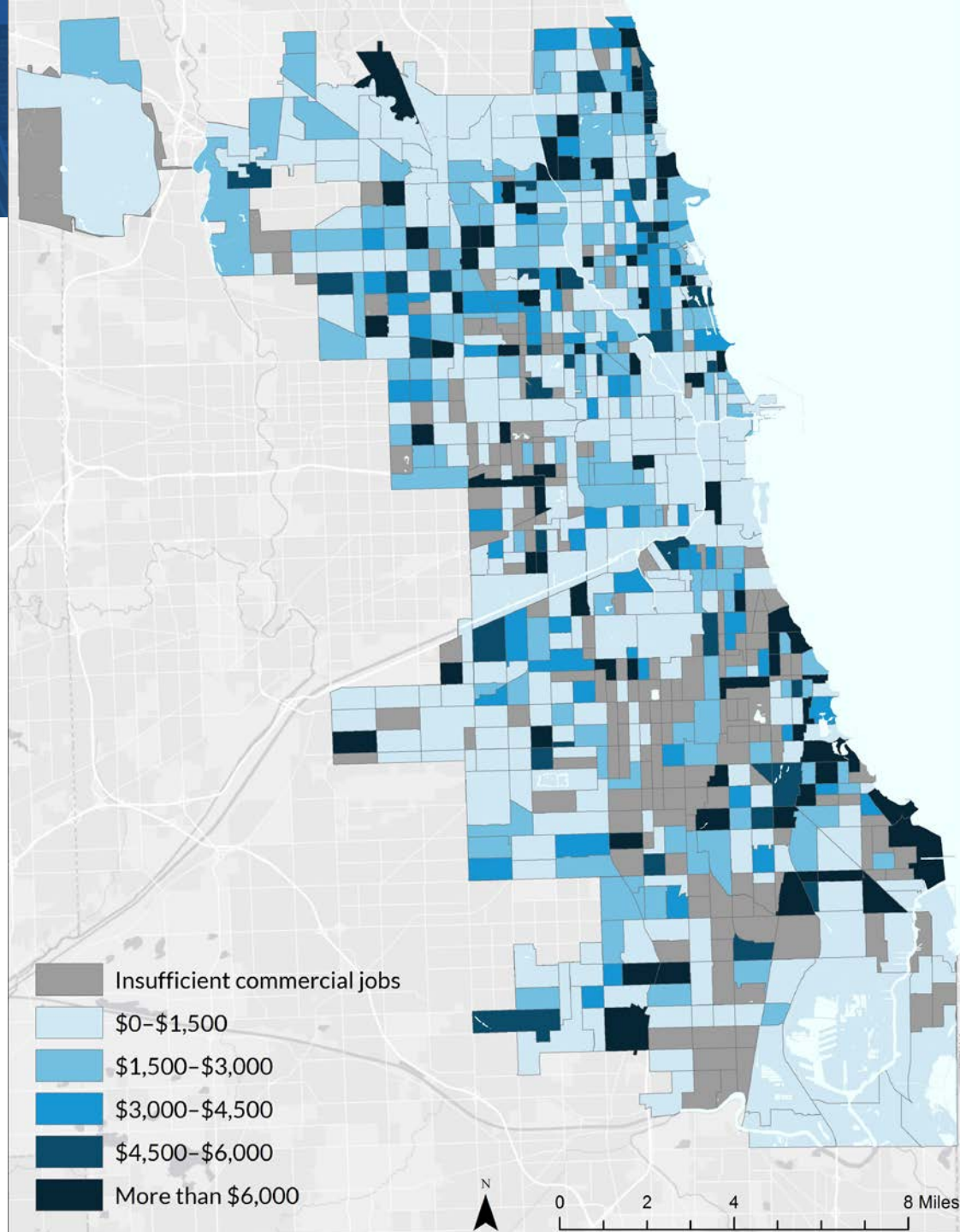
**Note:** Figures are in constant 2017 dollars.





# Average Annual Commercial Loan Volume per Commercial Job, 2011–17

**Sources:** Loan data from CoreLogic; jobs data from Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics (2013–15); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.  
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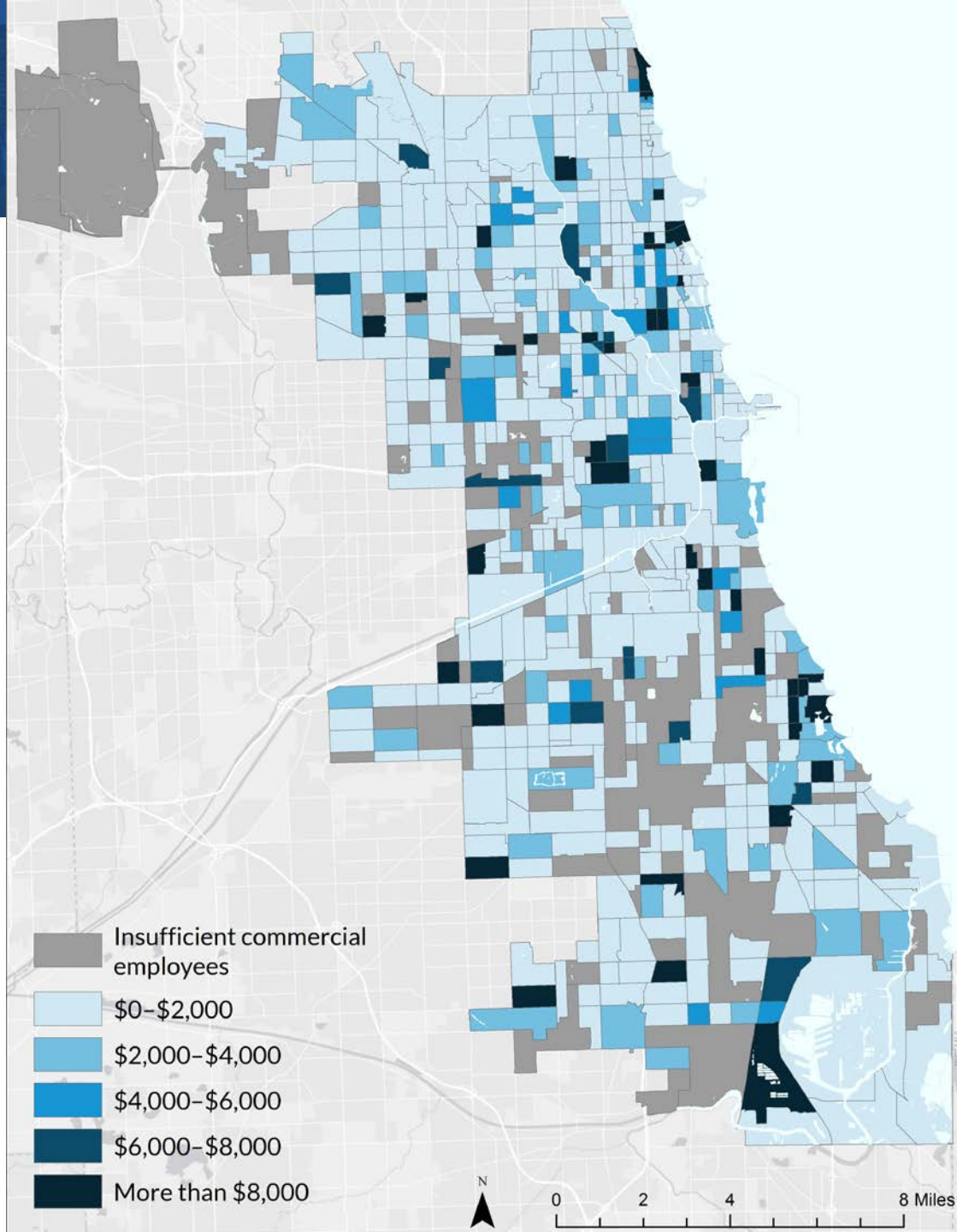




# Average Annual Commercial Construction, Rehab, and Demolition Volume per Commercial Job, 2011–17

**Sources:** Property data from City of Chicago Department of Buildings; jobs data from Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics (2013–15); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Figures are in constant 2017 dollars.





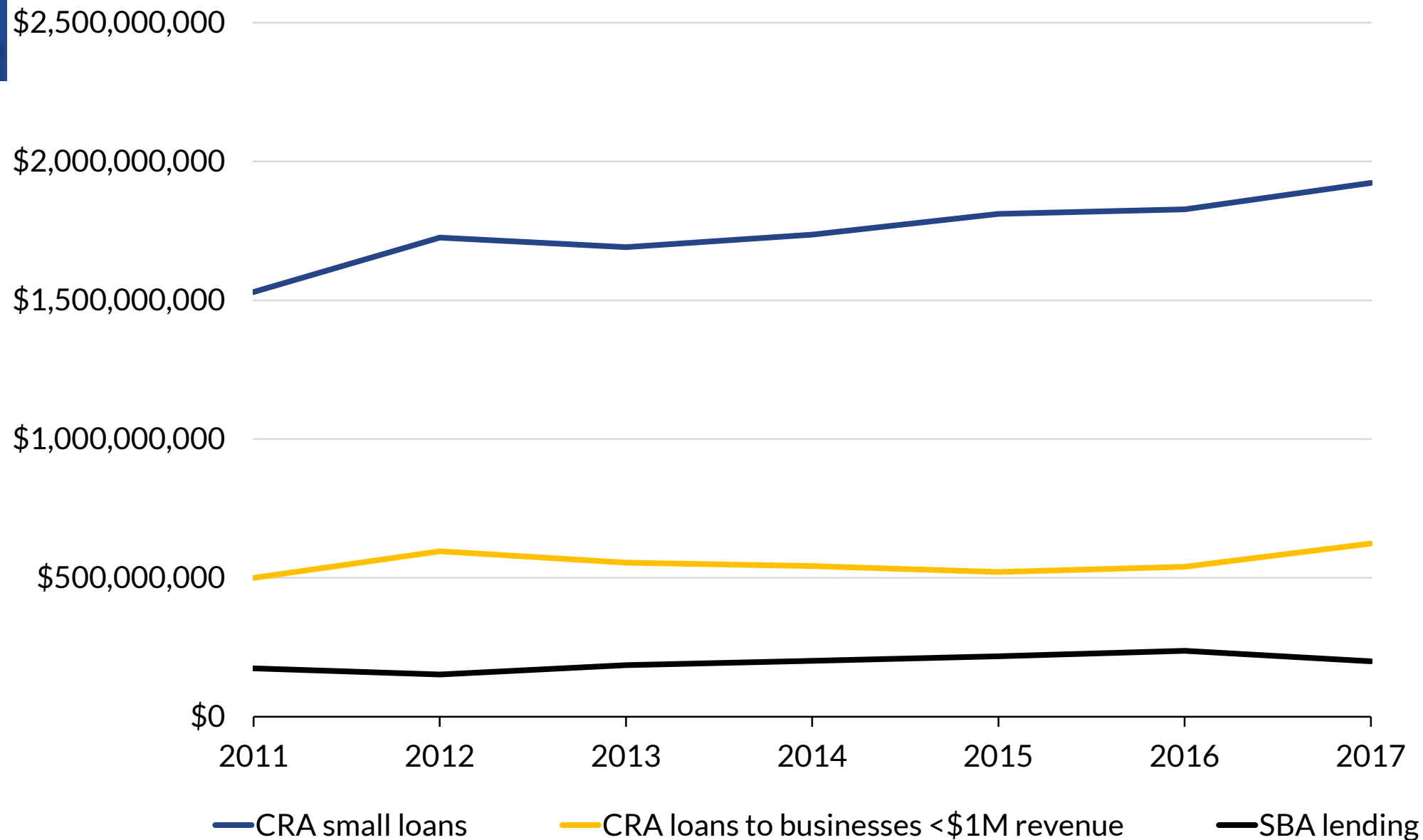
# SMALL BUSINESS







# Citywide Small Business Lending Trends

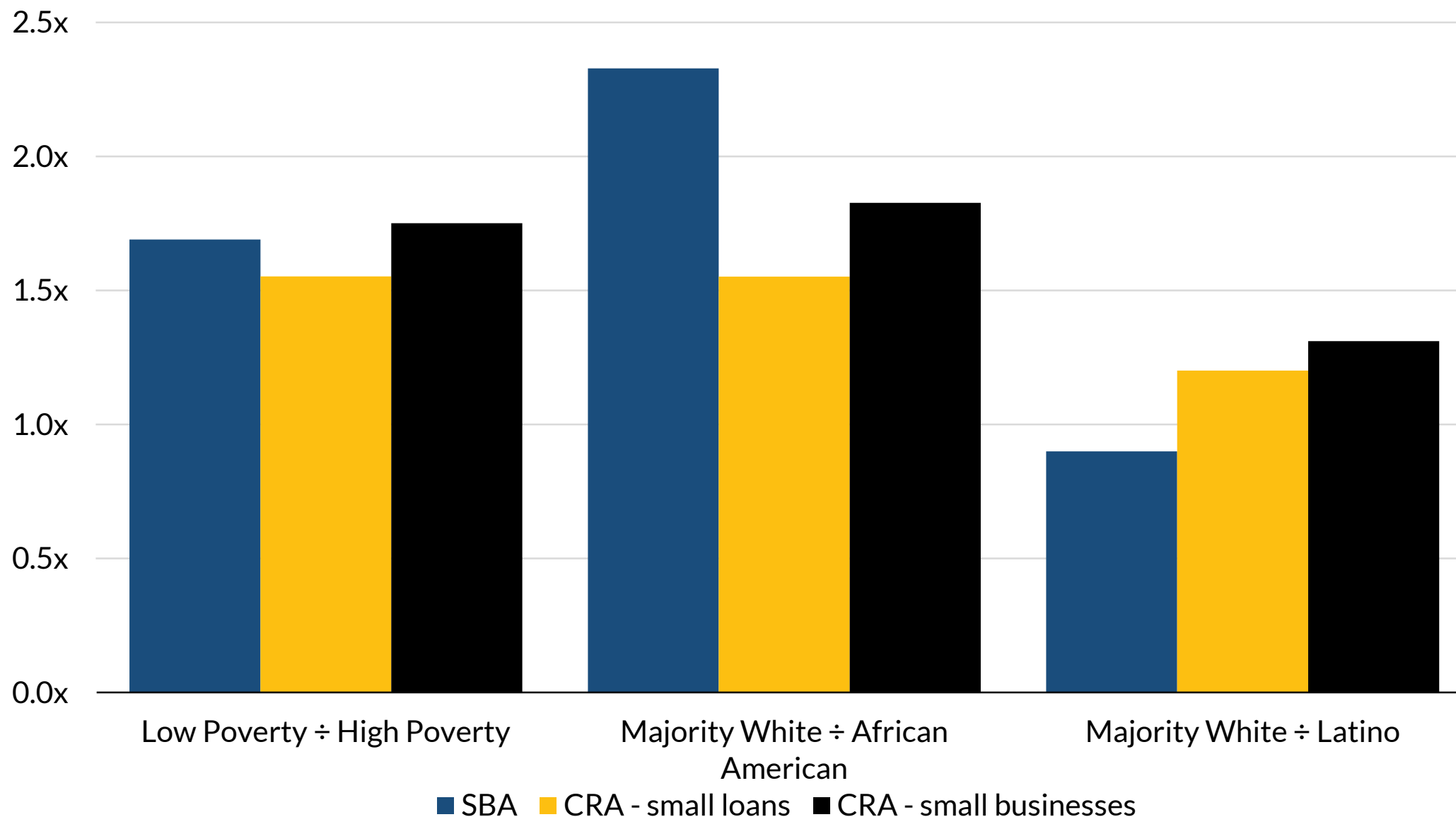


**Sources:** Community Reinvestment Act (CRA) and Small Business Administration.

**Note:** Figures are in constant 2017 dollars.



# Investment Disparity Ratio for Small Business Lending (at median)



**Sources:** Community Reinvestment Act, Small Business Administration, and US Census Bureau, American Community Survey (2012–16).

**Notes:** Figures are in constant 2017 dollars. “CRA–small loans” refers to loans reported to CRA because they are less than \$1 million; “CRA–small businesses” refers to loans to businesses with less than \$1 million in revenues. We exclude 384 tracts with too few industrial jobs from our calculations.

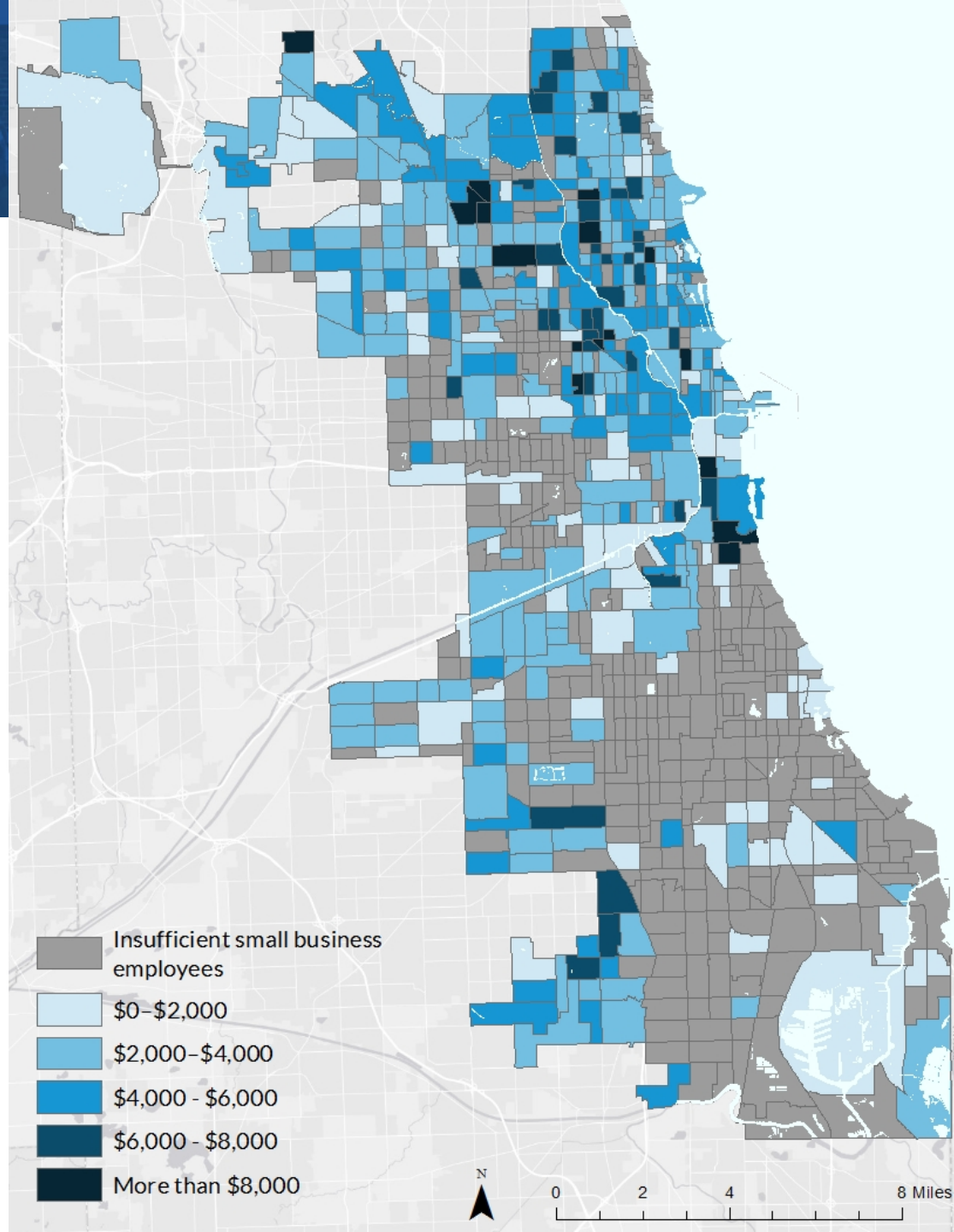




# Average Annual CRA Small Business Lending Volume per Small Business Employee, 2011– 17

**Sources:** Loan data from Community Reinvestment Act (CRA); jobs data from Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics (2013–15); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Figures are in constant 2017 dollars.

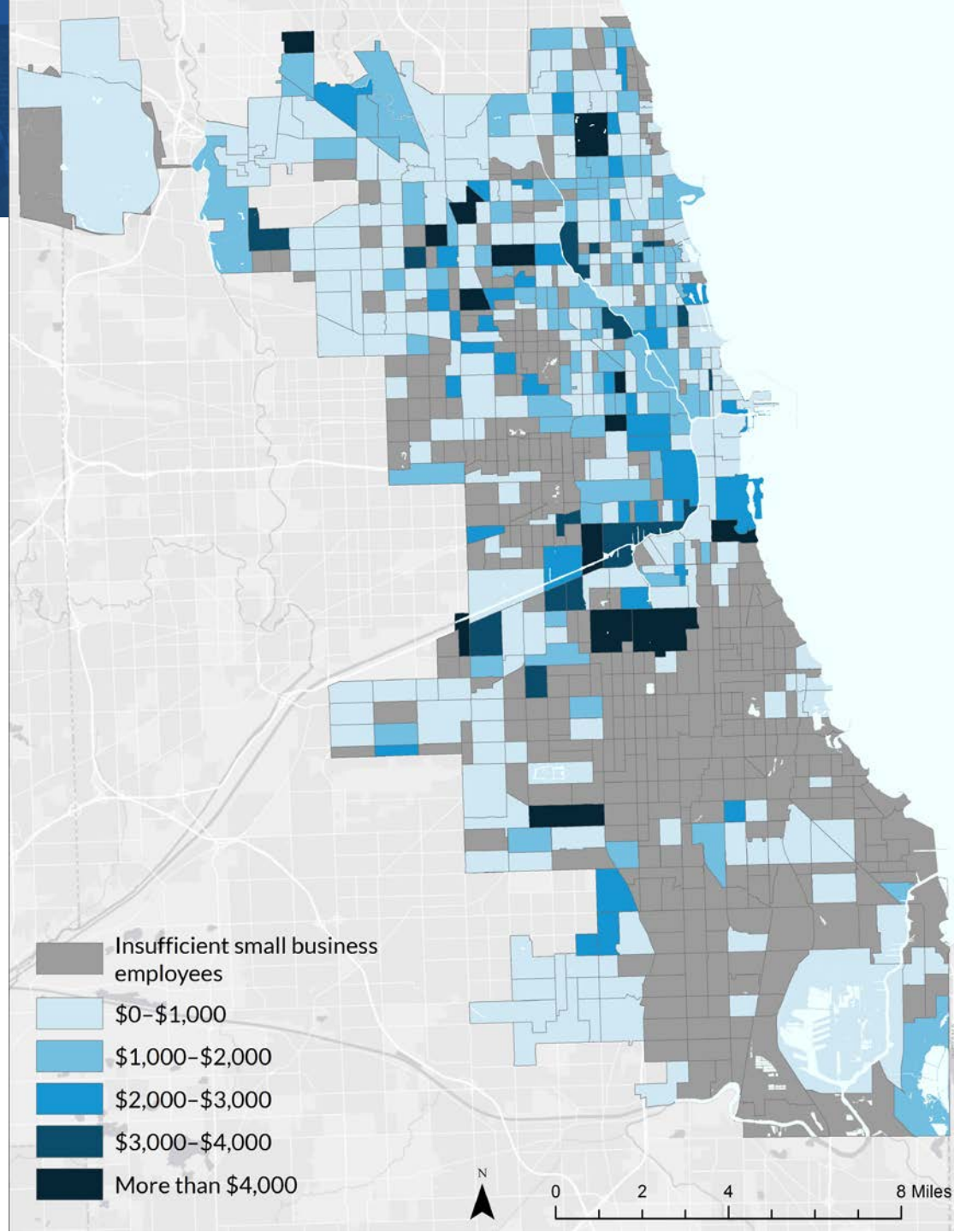




# Average Annual SBA Small Business Lending Volume per Small Business Employee, 2011– 17

**Sources:** Lending data from Small Business Administration (SBA); jobs data from Longitudinal Employer-Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics (2013–15); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Figures are in constant 2017 dollars.



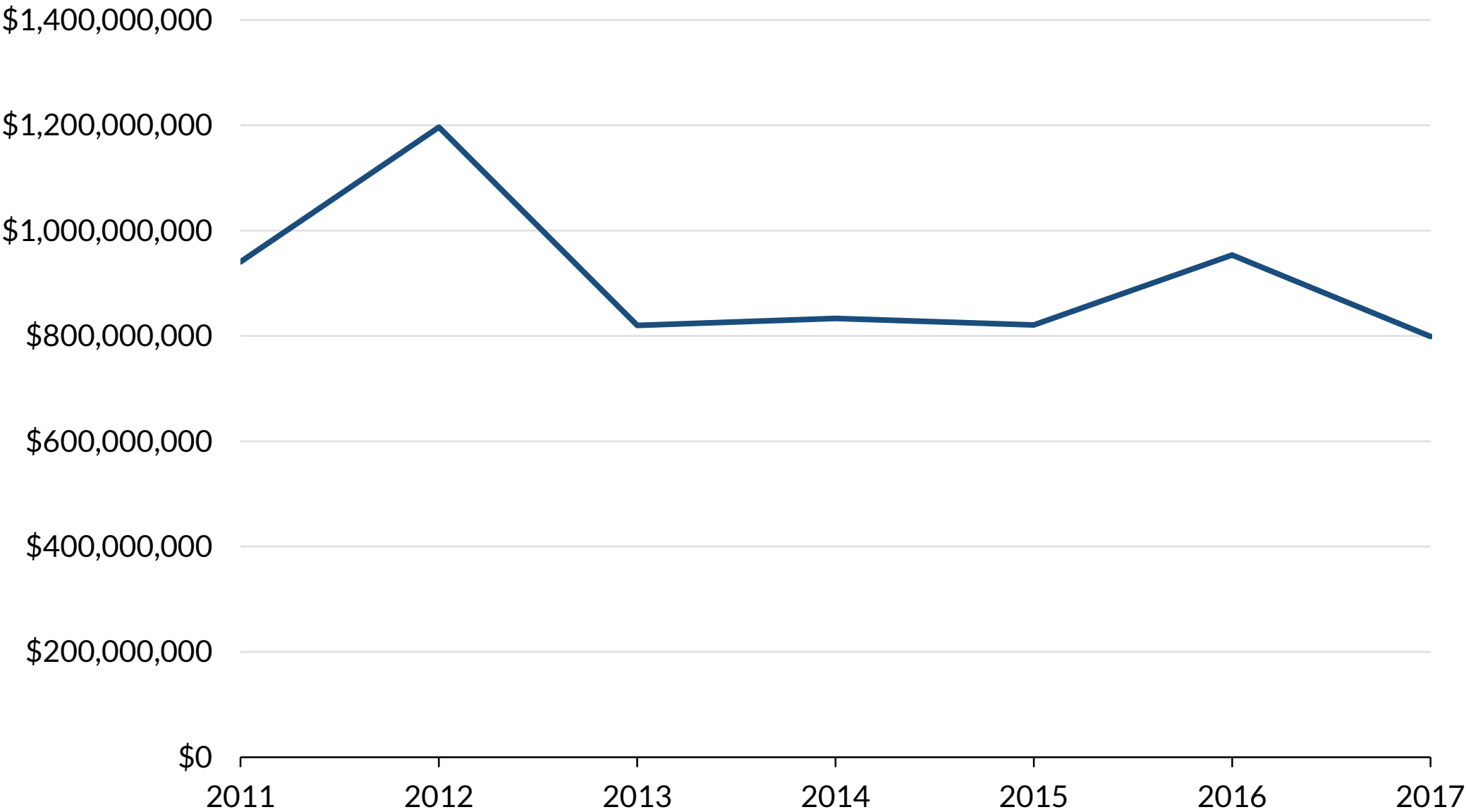


# MISSION





# Mission Lending

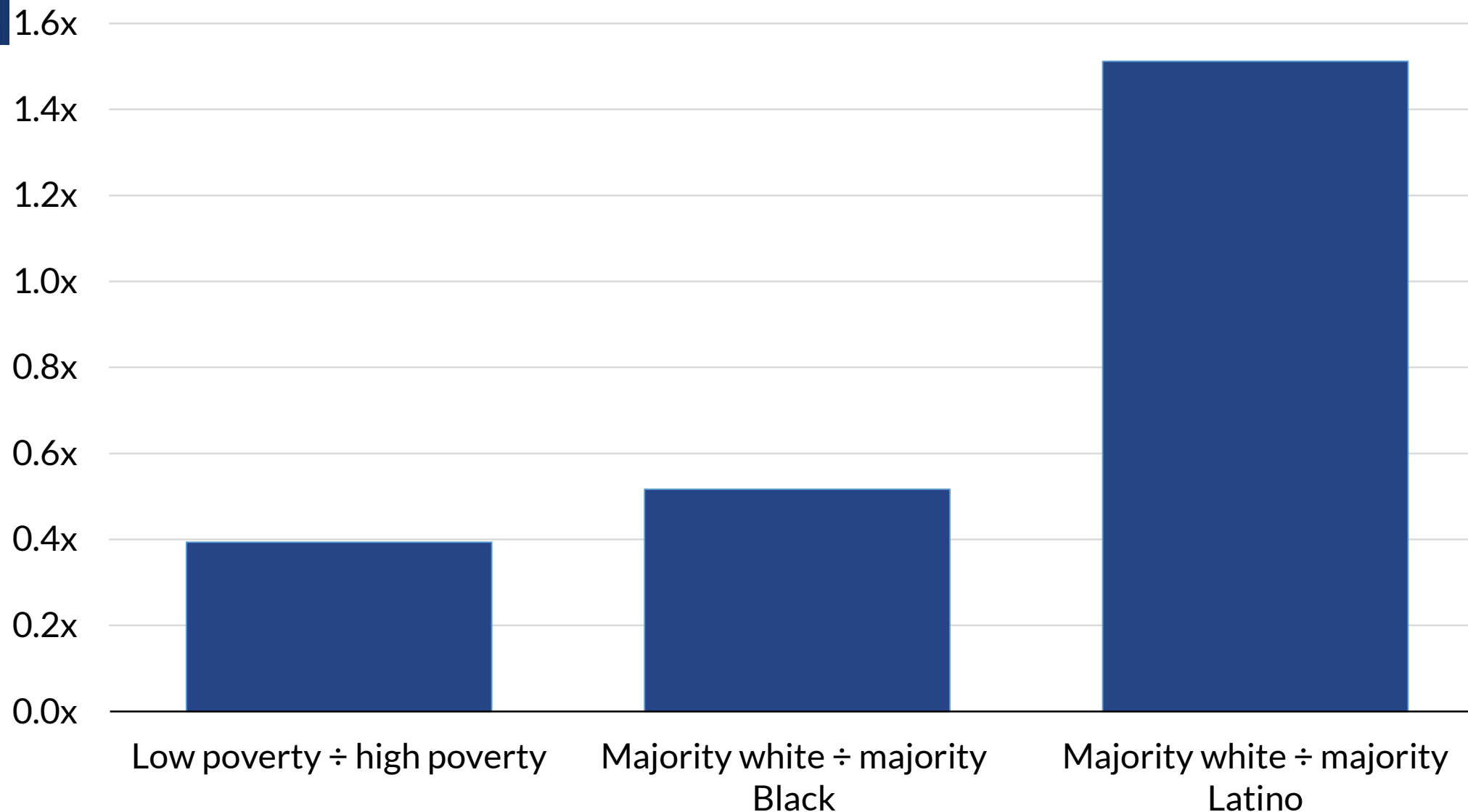


**Sources:** CDFI Fund, CoreLogic, and Opportunity Finance Network,  
**Note:** Figures are in constant 2017 dollars.





# Investment Disparity Ratio for Mission Lending (at median)



**Sources:** CDFI Fund, Opportunity Finance Network, and US Census Bureau, American Community Survey (2012–16).

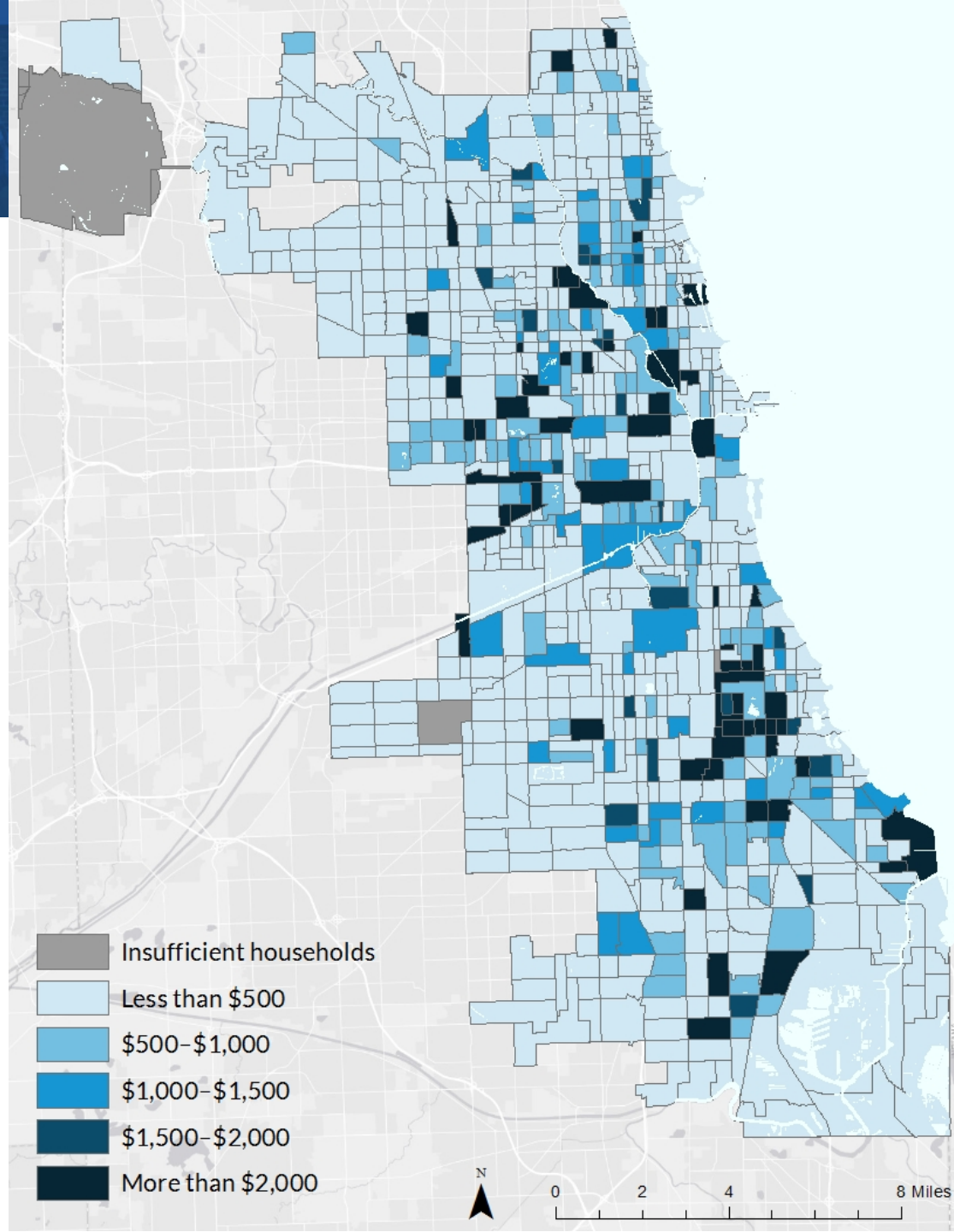
**Note:** Figures are in constant 2017 dollars.



# Average Annual Mission Lending Volume per Household, 2011–17

**Sources:** Lending data from CoreLogic, CDFI Fund, New Markets Tax Credit, and Opportunity Finance Network; household data from US Census Bureau, American Community Survey (2013–17); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Figures are in constant 2017 dollars.



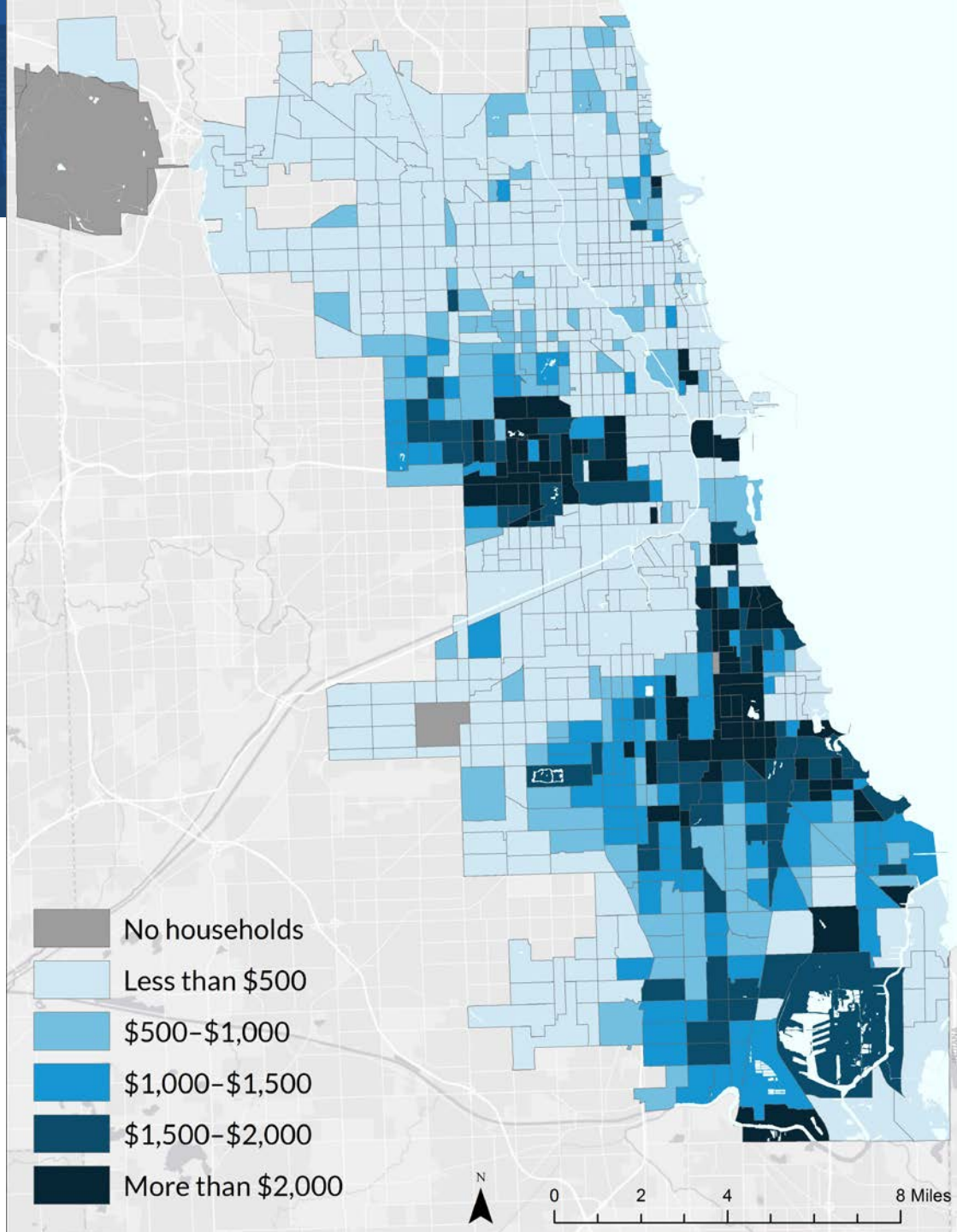




# Average Annual Federal Investment per Household, 2011– 17

**Sources:** Investment data from Low Income Housing Tax Credit, Community Development Block Grants, the HUD HOME program, HUD operating subsidies to public and assisted multifamily housing, HUD Choice Neighborhoods awards, and US Department of Education Promise Neighborhoods awards. Household data from US Census Bureau, American Community Survey (2013–17); map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.

**Note:** Figures are in constant 2017 dollars.



# RESOURCES







- Capital Flows: <https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/capital-flows>
- CDFIs: <https://www.urban.org/policy-centers/cross-center-initiatives/community-economic-development-hub/projects/community-development-financial-institutions>
- Opportunity Zones: <https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/opportunity-zones>
- PPP: <https://www.urban.org/urban-wire/opportunity-lost-expansion-paycheck-protection-program>
- <https://www.urban.org/urban-wire/small-businesses-just-got-big-lift-swift-implementation-and-expanded-supports-will-be-key-keep-them-afloat>
- <https://www.urban.org/events/responding-covid-19-crisis-equitable-lending-boost-small-business-recovery>



Reinventing Our Communities | 2020

**EQUITY INSIGHT**

# Community Investment Corporation

Presentation to the  
Federal Reserve Bank of Philadelphia  
July 14, 2020

Jack Markowski, CIC President



ROC Local







# Community Investment Corporation

## Chicago's Multifamily Rehab Lender

- Founded 1974, not-for-profit 501(c)3

Mission: To be a leading force in affordable housing and neighborhood revitalization through innovative financing, programs, and policy leadership



- Preservation of rental housing is the core business of CIC
- Total Assets: \$340 million; Net Assets: \$38.4 million

ROC Local





# CIC Programs

- **Financing (\$1.5 Billion, 2,500 loans, 63,000 units since 1984)**
  - Multifamily Acquisition, Rehab
  - 1-4 Units (Investor Owned)
  - Energy Savers
  - Mezzanine Debt (Opportunity Investment Fund)
- **Community Development & Technical Assistance**
  - Code Enforcement (TBI 13,170 units)
  - Acquisitions (890 properties/5,660 units)
  - Property Management Training (20,700 individuals trained)
- **Policy Leadership**
  - The Preservation Compact

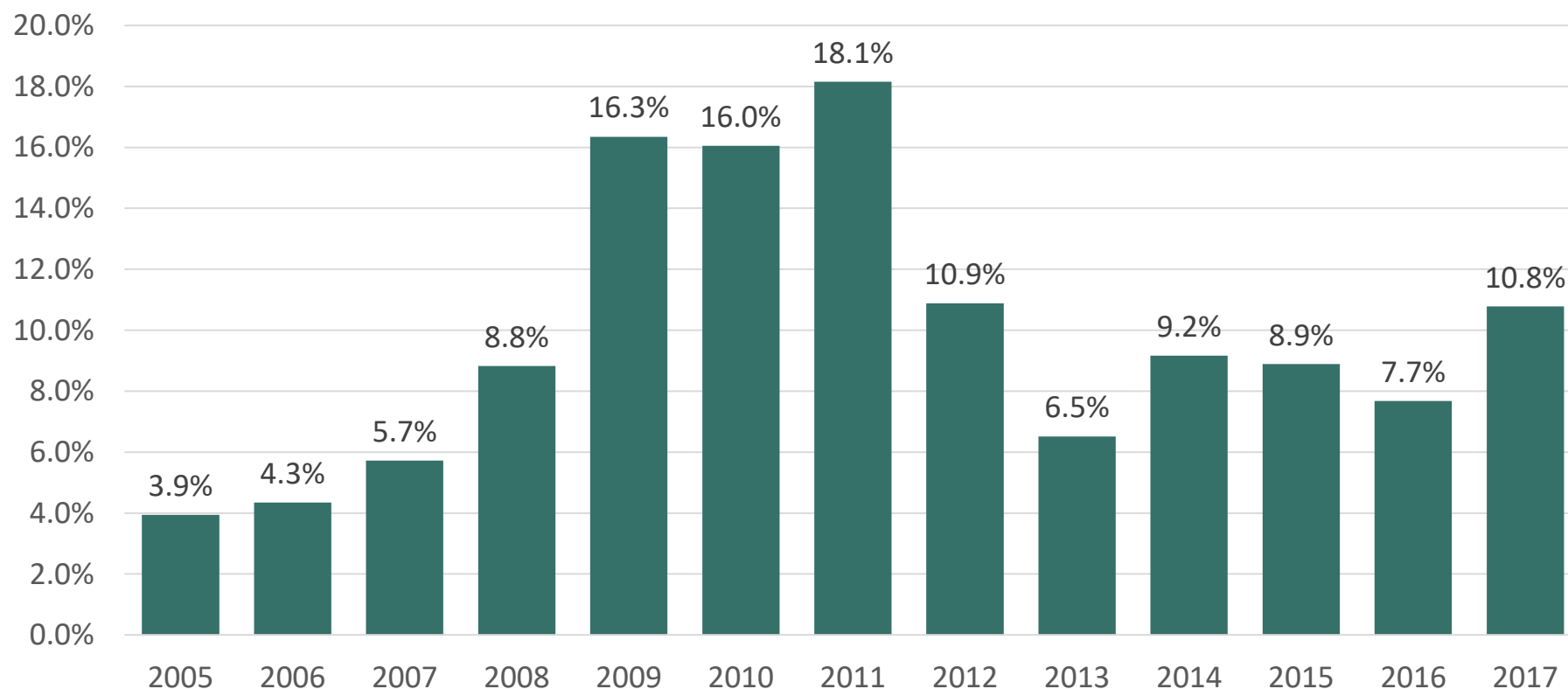






# CIC is the top multifamily lender in its low and moderate income target areas

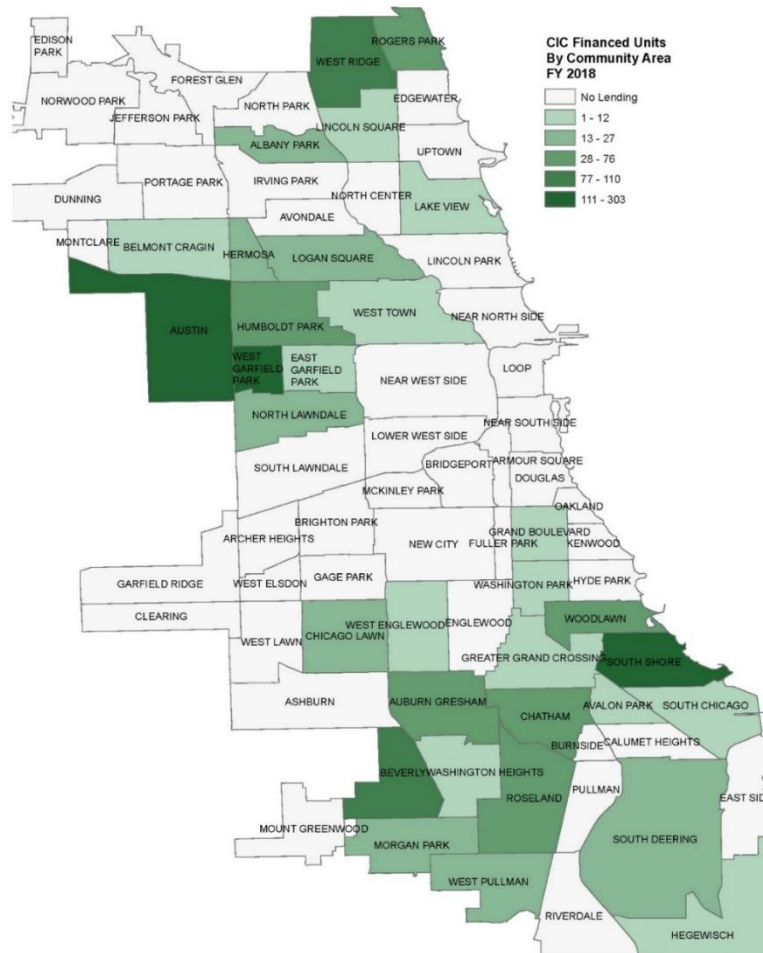
Annual CIC loans market share on 5-to-49 Unit Buildings in the Study Area, 2005 to 2017



SOURCE: DEPAUL INSTITUTE FOR HOUSING STUDIES. COOK COUNTY RECORDER OF DEEDS VIA PROPERTY INSIGHT, COOK COUNTY ASSESSOR, US CENSUS, FEDERAL FINANCIAL INSTITUTIONS EXAMINATION COUNCIL



# CIC Lending Activity in Chicago







# CIC Lending Activity in Chicago

## Who does CIC lend to?

- Small business people: 54% are minority or women owned businesses.
- 50% are full time building owners or managers.
- Typical borrower owns 35 units.

## Where does CIC lend?

- Serving 6 county area
- 90% of loans in Chicago
- 86% of loans in majority African American Census tracts.
- In Census tracts with an average median income of \$42,290 (about 55% of Area Median Income).
- In areas of low Labor Market Engagement (17 on a scale of 1-100).

## Who lives in the buildings CIC finances?

- 92% of households living in CIC-financed buildings have an income of less than \$40,000 per year.
- 34% have an income of less than \$20,000 per year.



# Naturally Occurring Affordable Housing

- 75% of low cost rental housing in the United States is privately owned by local entrepreneurs and privately financed with no government assistance.
- Located in low-mod communities
- Households <80% AMI
- No income, rent restrictions
- Preservation (rehab) is key







# CIC Borrowers



ROC Local







# Real Returns. Real Impact.

CIC's success is directly related to the investments of Chicago area institutions who have made long-term commitments to CIC programs.

50  
investors

\$365  
million





# Real Returns. Real Impact.

## CIC Note Purchase Program Investors

The Northern Trust Company

Bank of America

BMO Harris NA

PNC Community Development Company, LLC

CIBC Bank USA

Citibank

Wintrust Financial Corporation

Fifth Third Bank

First Midwest Bank

TCF Commercial Real Estate

Associated Bank of Chicago

Byline Bank

MUFG Union Bank

First Bank of Highland Park

Wintrust Bank (WFC)

Leaders Bank

West Suburban Bank

Northbrook Bank and Trust Company (WFC)

Providence Bank

First Bank and Trust Company of Illinois

Huntington Bank

First Savings Bank of Hegewisch

Lake Forest Bank and Trust Company (WFC)

First Eagle Bank

Inland Bank and Trust

First American Bank

First National Bank of Brookfield

Liberty Bank for Savings

Oxford Bank



# Real Returns. Real Impact.

## CIC Note Purchase Program Investors (continued)

Old Second National Bank  
Hinsdale Bank & Trust Company (WFC)  
Beverly Bank & Trust Company (WFC)  
Wheaton Bank & Trust Company (WFC)  
Amalgamated Bank of Chicago  
Republic Bank of Chicago  
Forest Park National Bank & Trust  
Barrington Bank and Trust (WFC)  
International Bank of Chicago  
Old Plank Trail Community Bank (WFC)  
Lakeside Bank  
Village Bank and Trust Company (WFC)  
Burling Bank  
Devon Bank

### Additional Investors and Supporters

City of Chicago  
Illinois Housing Development Authority  
Federal Home Loan Bank of Chicago  
U.S. Department of the Treasury  
—CDFI Fund  
—Capital Magnet Fund

MacArthur Foundation  
Benefit Chicago  
Energy Foundation  
The Chicago Community Trust  
Polk Bros. Foundation

JPMorgan Chase Foundation  
Wells Fargo  
U.S. Bank





# CIC is a Consortium Lender

- 41 banks provide capital for term debt
- Government and philanthropy provide “soft” money, loss reserves, and other credit enhancements



# **A few examples of stretching to spur equitable community development:**

1. CIC Flex Fund
2. Energy Savers
3. TIF Grants
4. 1-4 Unit Program
5. Opportunity Investment Fund





## CIC Flex Fund

- Goes beyond normal underwriting criteria (1.2 DCR, 80% LTV) to address unmet community development needs
- Since 1998, \$155 million and 5,619 units
- Limited to 20% of CIC loan portfolio



# Energy Savers

- 2008 – costs most difficult to control for multifamily housing: property taxes and energy
- An investment of \$2,500 per unit can cut energy costs by 25-30%
- 3% second mortgage loans
- Initial capital from MacArthur Foundation
- \$8 million from Bank of America
- Loss reserves from US Department of Energy
- \$24.5 million and 11,095 units



# TIF Grants

- TIF = Tax Increment Financing
- CIC administers TIF grants to match privately funded rehab
- Incentives for improvements and affordability
- Since 1999, \$25 million and 630 units





# 1-4 Unit Loan Program

- **Problem**
  - In 2012 - thousands of vacant 1-4 unit buildings, which account for 50% of rental stock. No homebuyer demand, very low appraised values.
- **Response**
  - 1-4 Unit loan program for investors
  - Good cash flow, low appraisals
  - 120% LTV, 1.25 DCR
  - Riskiest capital credit enhanced by MacArthur Foundation and Illinois Attorney General
  - Since 2015, \$36.5 million and 596 units



# Opportunity Investment Fund

- Mezzanine debt in **strong markets** to help developers buy buildings and set aside a portion (at least 20%) for affordable housing
- Reduce developer equity requirement by 50%
- \$34 million fund (\$8 million credit enhancement by City of Chicago and Capital Magnet Fund)
- First two years: \$2.7 million in OIF grants and \$19.4 million associated first mortgage financing. 58 affordable units and 254 mixed income units financed.



# Importance of Complementary Programs

- Property Management Training
- Code Enforcement – Troubled Buildings Initiatives
- Buying and selling distressed assets
- Policy leadership – The Preservation Compact





**Thank you**

Presentation to the Federal Reserve Bank of Philadelphia  
July 15, 2020

