CDFIs and a Local Look at Capital Flows

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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.
1,127 CDFIs, In These Types

- Loan Fund: 50%
- Credit Union: 30%
- Bank, Thrift, Depository Holding Co.: 20%
- Venture Capital Fund: 0%
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

<table>
<thead>
<tr>
<th>Percentile of counties</th>
<th>Annual average per person lending under 200 percent of FPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>10(^{th}) percentile</td>
<td>$0</td>
</tr>
<tr>
<td>25(^{th}) percentile</td>
<td>$0</td>
</tr>
<tr>
<td>50(^{th}) percentile</td>
<td>$7</td>
</tr>
<tr>
<td>75(^{th}) percentile</td>
<td>$37</td>
</tr>
<tr>
<td>90(^{th}) percentile</td>
<td>$114</td>
</tr>
</tbody>
</table>

Sources: CDFI Fund, CoreLogic, OFN
## Median Community Development Funding by Category and County Population

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

Note: FPL = federal poverty level
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.
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)

- Low poverty ÷ high poverty
- Majority white ÷ majority Black
- Majority white ÷ majority Latino

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

Sources: CDFI Fund, CoreLogic, and Opportunity Finance Network.
Note: Figures are in constant 2017 dollars.
Investment Disparity Ratio for Mission Lending (at median)


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.

• 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

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
**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’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
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
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
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