RESEARCH REPORT

Neighborhood Investment Flows into Baltimore
With a Case Study on the East Baltimore Development Initiative

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Baltimore’s Investment Context

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 communities fanning across the city’s eastern and western halves, a pattern that Morgan State University associate professor Lawrence Brown refers to as “the Black butterfly.” Maps showing neighborhoods with high poverty rates reveal this same pattern; segregation and poverty appear to go hand in hand in Baltimore (figures 1 and 2).

Researchers like Brown, Alan Berube and Brad McDearman, 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 on the whole.

This report looks at inequality in Baltimore through a different facet. We measure neighborhood 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.

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. We then compare the per-household capital flows between neighborhoods. We find that investment in Baltimore is highly concentrated in ways that reinforce 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

Sources: 2012–16 American Community Survey data; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: Each dot in figure 1 represents 200 residents.

FIGURE 2
Baltimore Poverty Rate by Census Tract, 2012–16

Sources: 2012–16 American Community Survey data; map layers from Esri, HERE, Garmin, OpenStreetMap contributors, and the GIS user community.
Notes: 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 25 percent or lower) was $17,540 per household per year. By comparison, investment in high-poverty neighborhoods (those with poverty rates over 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


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*

<table>
<thead>
<tr>
<th>Neighborhood Category</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>High poverty</td>
<td>$2,049</td>
</tr>
<tr>
<td>Low poverty</td>
<td>$2,049</td>
</tr>
<tr>
<td>More than 85% Black</td>
<td>$1,500</td>
</tr>
<tr>
<td>50–85% Black</td>
<td>$1,500</td>
</tr>
<tr>
<td>Less than 50% Black</td>
<td>$2,049</td>
</tr>
</tbody>
</table>

**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, demolition, and rehabilitation 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 require 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

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

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 comparative 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. 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 prerecession years when subprime lenders were very active—meaning the provision of non-subprime 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

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.

FIGURE 10
Per-Household Loan Volume for Multifamily Dwellings in Baltimore, by Census Tract
Annual average, 2004–16
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 including improved housing availability and affordability, energy cost savings, and health benefits.

In Baltimore, the distribution of multifamily real estate lending across Baltimore's neighborhoods, shown in figure 10, resembles the maps of other capital flows, although the volume is smaller for this source than 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*

<table>
<thead>
<tr>
<th>Neighborhood Category</th>
<th>$0</th>
<th>$100</th>
<th>$200</th>
<th>$300</th>
<th>$400</th>
<th>$500</th>
<th>$600</th>
<th>$700</th>
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<tr>
<td>High poverty</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Low poverty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>More than 85% Black</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>50–85% Black</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 50% Black</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**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. 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*

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 precrisis levels (Cole 2018). Nationally, trends demonstrate striking disparities. Although Hispanics are 16 percent of adults, they constitute 6 percent of owners, and their firms have just 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. 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*

<table>
<thead>
<tr>
<th>Neighborhood Category</th>
<th>Per-Household Lending</th>
</tr>
</thead>
<tbody>
<tr>
<td>High poverty</td>
<td>$150</td>
</tr>
<tr>
<td>Low poverty</td>
<td>$120</td>
</tr>
<tr>
<td>More than 85% Black</td>
<td>$100</td>
</tr>
<tr>
<td>50–85% Black</td>
<td>$100</td>
</tr>
<tr>
<td>Less than 50% Black</td>
<td>$100</td>
</tr>
</tbody>
</table>


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. 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 Capital Improvement Program, 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*

High poverty

Low poverty

More than 85% Black

50–85% Black

Less than 50% Black

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 (HOME) and Community Development Block Grant (CDBG) program expenditures and State of Maryland’s capital improvements for schools. These programs have been invested progressively across the city: neighborhoods with high concentrations of African-American residents have received 2.0 times the investment of neighborhoods with low concentrations of African-American residents, and high-poverty neighborhoods have received more investment than low-poverty neighborhoods have.

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 CDBG, HOME, and Maryland school capital improvement investment for the median census tract was $52. Capital flows are presented in 2016 dollars. CDBG=Community Development Block Grant.
FIGURE 18
Per-Household Public Sector Investment in Baltimore, by Census Tract
Annual average, 2004–16

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.⁹

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*

![Bar chart showing per-household mission lending for the median neighborhood in a given neighborhood category in Baltimore. The categories are High poverty, Low poverty, More than 85% Black, 50–85% Black, and Less than 50% Black. The chart shows that neighborhoods with more than 85% Black population receive 1.5 times the mission lending investment of neighborhoods with less than 50% Black population. High-poverty neighborhoods receive only 89 cents of mission lending for every dollar received in low-poverty neighborhoods.]

**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

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 the investment flows studied in this report. 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 balancing investment flows, at least by race.

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

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainstream single-family loans</td>
<td>$7,590</td>
</tr>
<tr>
<td>Multifamily sales</td>
<td>$3,817</td>
</tr>
<tr>
<td>Mainstream commercial lending</td>
<td>$807</td>
</tr>
<tr>
<td>Commercial permits</td>
<td>$553</td>
</tr>
<tr>
<td>Single-family permits</td>
<td>$495</td>
</tr>
<tr>
<td>Mission lending</td>
<td>$457</td>
</tr>
<tr>
<td>Mainstream multifamily loans</td>
<td>$334</td>
</tr>
<tr>
<td>Commercial sales</td>
<td>$264</td>
</tr>
<tr>
<td>Public sector investments</td>
<td>$234</td>
</tr>
<tr>
<td>Multifamily permits</td>
<td>$196</td>
</tr>
<tr>
<td>Small business lending</td>
<td>$153</td>
</tr>
</tbody>
</table>


**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.
FIGURE 22
Per-Household Lending and Public Investment in Baltimore by Neighborhood Characteristic
Annual average, 2004–16

- Mainstream or private loans
- Public-sector investments
- Mission loans


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 the 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 was poor, 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.
Many elements, including historic 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.
EBDI Direct Investing

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.\(^{11}\)

We grouped all the investments from 2004 to June 2017 into six broad categories. 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 a 278,000-square-foot life science research building affiliated with Johns Hopkins.\(^{12}\) 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.\(^{13}\) 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. East Baltimore Development, Inc. also invested $86 million in a 194-room extended stay hotel, the Marriott Residence Inn. Residential property was another significant component of development. East Baltimore Development, Inc. 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 advocacy, supportive services, and legal services for relocated households; workforce development services; economic inclusion programs to increase East Baltimore Development, Inc. contracting with 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 EBDI Investments, 2004-17**

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

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


**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. 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. 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 the 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*

<table>
<thead>
<tr>
<th>Investment Indicator</th>
<th>EBDI project area ($)</th>
<th>All census tracts &gt;85% Black ($)</th>
<th>All high-poverty tracts ($)</th>
<th>Citywide ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction/rehabilitation/demolition volume per household</td>
<td>4,145</td>
<td>1,526</td>
<td>2,031</td>
<td>2,049</td>
</tr>
<tr>
<td>Residential, commercial, and industrial real estate sales per household</td>
<td>2,963</td>
<td>3,405</td>
<td>3,941</td>
<td>5,053</td>
</tr>
<tr>
<td>Loan volume for single- and multifamily dwellings per household</td>
<td>4,465</td>
<td>5,600</td>
<td>4,983</td>
<td>8,922</td>
</tr>
<tr>
<td>Single-family real estate lending to owner occupants per owner-occupied units</td>
<td>154</td>
<td>316</td>
<td>384</td>
<td>398</td>
</tr>
<tr>
<td>Commercial real estate lending per household</td>
<td>1,109</td>
<td>626</td>
<td>1,056</td>
<td>975</td>
</tr>
<tr>
<td>Small business lending per household</td>
<td>76</td>
<td>71</td>
<td>134</td>
<td>153</td>
</tr>
<tr>
<td>Public sector investment per household</td>
<td>371</td>
<td>225</td>
<td>266</td>
<td>234</td>
</tr>
<tr>
<td>Mission lending per household</td>
<td>511</td>
<td>509</td>
<td>416</td>
<td>457</td>
</tr>
</tbody>
</table>


**Notes:** 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.

Our research is insufficient to determine the direction of causality—whether existing patterns of race and poverty influence how investment is allocated 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. 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. 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 in Baltimore. 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). 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, Evans, and Meixell 2019).

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 the neighborhood if they desire.
Notes

1 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.


4 Throughout this report we use “neighborhood” as shorthand to describe census tracts.

5 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.


10 Data in this paragraph are from the 2000 Decennial Census.

11 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.”

12 EBDI had begun development of a biotech business incubator but then shifted away from this concept in response to market forces.

13 Karen Johnson, Sr. Director of Community and Human Development, email message on July 26, 2016.

14 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’re not capturing (e.g. contracting to local business owners).

References


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