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The States and Cities With the Strongest and Weakest Levels of Capital Investment.

A new data tool offers a detailed look at how real estate and business loans and other investments vary widely across the country and sheds light on the inequities poorer and minority neighborhoods face.

Look across the U.S. and the amount of capital from sources like home mortgages, business loans and federal grants varies widely from state to state and city to city. Within each place, there are further gaps at the neighborhood level, with poorer and minority communities often seeing less investment flow their way.

A new tool the Urban Institute released Thursday provides perspective on how these differences look, with easy-to-view data for states and Washington, D.C., and the nation's 250 largest cities and counties.

The tool provides information on the overall amounts of investment each place receives. It also features racial and income equity metrics. These gauge how evenly investments are distributed across neighborhoods that have different racial and ethnic demographics or levels of poverty.

There are also scores for specific types of capital investments, such as single-family home loans, small business loans, federal funding and "mission lending" investments made by "socially motivated" entities like community development financial institutions.

The statistics that the tool produces are percentile scores that show how each place stacks up against its peers in different categories.

Selecting Seattle, for instance, reveals that the city ranks in the 91st percentile for overall investment. In other words, it's attracting a large amount of capital compared to other cities. But on racial equity, or how evenly capital is distributed across Seattle's neighborhoods, the city scores in the 34th percentile, or almost in the bottom third among its peers.

Looking at the more specific categories shows Seattle in the 7th percentile when it comes to how evenly small business loans are distributed across neighborhoods with different racial and ethnic demographics. The city also ranks low (in the 5th percentile) for how evenly multifamily housing investments are spread across neighborhoods with different poverty levels.

Brett Theodos, a senior fellow and director of the Community Economic Development Hub at the Urban Institute, is one of the researchers who helped build the tool. He says it's valuable because it can help provide insights into both the overall share of capital investment that each state, city or county is receiving and also how equitably the shares are carved up in each place.

"It can be hard, absent these comparisons, to know if Milwaukee is doing better or worse on a scaled measure than Chicago or Cleveland or Detroit," Theodos said.

He noted how some places might be strong in certain categories, like multifamily housing investment and weak in others, like small business lending. “It gives a level of granularity.”

Things to Consider

There are some caveats to keep in mind with the statistics. One is that investment in each place is analyzed on a per household, housing unit or employee basis. So while New York City is a magnet for capital, there are also a lot of people living there, upwards of 8 million, and this is a key factor in why it ranks mid-pack in the 47th percentile for overall investment volume.

Theodos also pointed out that the best-off places have some of the most inequality based on the metrics provided. A reason for this is that places with higher concentrations of top earners, affluent areas and thriving businesses—all characteristics that tend to draw in capital—see bigger spreads between neighborhoods and residents that are struggling and those that are doing well.

On the other hand, places with weaker economies and less capital investment overall, might not have the same high-to-low disparities.

“You can be equitable and disinvested,” Theodos said. “You want to be in the quadrant that has lots of investment and that has good equity.”

Lastly, the way that the metrics are presented means that places are effectively graded on a curve, in comparison to their peers.

“Even if you score good on race equity, that doesn’t mean you’re good,” Theodos said. He explained that a better score might mean that majority white neighborhoods in a city or county see two-times more investment than majority Black neighborhoods, instead of, say, eight times more. From an equity standpoint, either scenario is problematic.

There are levers that state and local policy makers can pull to try to increase different kinds of capital flows. But Theodos emphasized that the bulk of capital investment is taking place in the private marketplace and that, in most places, home lending accounts for half or more of it. Federal and mission-driven investments are, by comparison, much smaller.

“The public sector and the mission sector, they’re important, especially for places the market won’t go,” he said. “But they’re never going to be big enough to overcome inequities in the market itself.”

“Part of what states and localities and others have to do is fill in the gaps,” he added, “but also be something of market makers so that the private market sees energy and excitement.”

Route Fifty

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