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JPMorgan Chase Reflects on First Year of Racial Equity Commitment

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

More than one year down, JPMorgan Chase has already deployed or committed more than \$13 billion of its \$30 Billion Racial Equity Commitment. In October 2020, the firm announced the goal, a four-pronged approach toward closing the racial wealth gap in America, with an emphasis on Black, Hispanic and Latino communities.

“Systemic racism is a tragic part of America’s history,” said Jamie Dimon, chairman and CEO of JPMorgan Chase, in a press release. “We can do more and do better to break down systems that have propagated racism and widespread economic inequality, especially for Black, Hispanic and Latino people. It’s long past time that society addresses racial inequities in a more tangible, meaningful way.”

One line of the commitment’s fork is focused on expanding affordable housing, which is where Alice Carr, JPMorgan Chase’s head of community development banking, comes in. The company has already increased its low-income housing tax credit (LIHTC) investments by \$400 million, but also has expanded its efforts with new markets tax credits (NMTCs) and historic tax credits (HTCs) as well.

“This is a starting point for us as a firm,” Carr said. “We believe there’s still a lot of work to do on the initial commitment. Systems and platforms are still being built out. There’s lots of meetings happening. We’re making the kind of progress we need to hit those commitments.”

The Big Picture

The firm is bringing together its business, philanthropy, policy and data expertise to help close the racial wealth gap and drive inclusive growth.

The scope of JPMorgan Chase’s goal is immense. The four goals established in 2020 include:

1. Promoting and expanding affordable housing and homeownership for underserved communities.
2. Growing Black and Latino-owned businesses.
3. Improving financial health and access to banking in Black and Latino communities.
4. Accelerating investment in the firm’s employees and building a more diverse and inclusive workforce.

Narrowing the scope of these efforts to affordable housing, JPMorgan Chase seeks to use \$14 billion in new loans, equity investments and other efforts to finance the creation and preservation of 100,000 affordable rental apartments. To date, the financier has funded more than \$6 billion in loans, helping to preserve more than 60,000 affordable housing and rental units across the nation.

It’s also approved \$1 billion in lending for new construction and rehabilitation of affordable housing, created a team to offer innovative financing options by working with a broader range of capital sources and closed on \$46 million of a \$500 million commitment to affordable housing preservation funds.

In tandem with boosting affordable rental housing, JPMorgan Chase has also sought to invest in community institutions and services, including establishing a new Racial Equity Initiative that uses NMTC investments. As of Sept. 30, 2021, the initiative funded \$116 million in efforts to further growth and inclusion.

Kevin Goldsmith, JPMorgan Chase's director of tax credit and intermediaries lending in community development banking, said he's proud of the intentionality his team has shown focusing its efforts toward businesses and nonprofits that are primarily Black-led, Black-owned or Black-serving when developing a Special Purpose Credit Program within its NMTC investment goals.

"Our racial equity initiative within our new markets tax credit product is something we're really proud of," Goldsmith said.

A Local Focus

Carr and Goldsmith pointed to a bevy of examples where JPMorgan Chase's efforts toward racial equity can be seen in action.

JPMorgan Chase invested in HTCs to help turn McDonogh No. 19 Elementary School—where, in 1960, U.S. Marshals escorted the first Black students to integrate an all-white school in New Orleans—into 25 affordable housing units for seniors, a museum recognizing the site's history and space for nonprofits such as The People's Institute for Survival and Beyond, a collective of anti-racist organizers.

Goldsmith said in December 2021 the firm was in the process of working with the New York City Housing Authority to use HTCs to help finance the rehabilitation of several affordable rental housing properties, many serving minority populations. Goldsmith said financing the rehabilitation of properties with HTCs provides a potent alternative considering the limited availability of LIHTC.

In Washington, D.C., JPMorgan Chase's \$15 million NMTC investment financed the renovation and expansion the Community of Hope family health and birth center in an underserved, predominantly Black area. Goldsmith said the area faces a high mortality rate among infants and mothers due to insufficient labor and delivery services in that area.

"This facility is greatly increasing their ability to serve those local residents in the southern part of

Washington, D.C.," Goldsmith said. "It's extremely exciting to be able to support that project and support women's health in an area previously without adequate or geographically accessible facilities."

Carr said JPMorgan Chase is watching to see the impact of these efforts in their communities.

"We have seen how, for communities lacking vital community institutions and services, these investments make a big difference," Carr said. "With the birthing center, there is opportunity to change outcomes for Black mothers and families—really tangible results we can measure ourselves against."

Goldsmith, a Chicago resident, also highlighted a trio of developments JPMorgan Chase financed in the Windy City as part of its racial equity commitment. Goldsmith's bevy of Chicago investment examples speaks to something important to reaching its racial equity commitment goals: Localization.

One is an \$18 million NMTC equity investment in the North Lawndale Employment Network (NLEN), which aims to provide essential job skills training and employment placement in a neighborhood with high unemployment rates. And for participants with a felony conviction in their past, Goldsmith said that there is an opportunity to work at a local honey manufacturer that grew out of NLEN to develop job skills that lead to other employment opportunities.

Covenant House of Illinois, which provides shelter for homeless youth, worked with JPMorgan Chase to deliver tax credit equity to build a new headquarters facility of Chicago's West Side.

Another endeavor involved providing \$3 million in NMTC financing for a minority-led franchisee of Midwest-based casual restaurant chain Culver's. The investment helped the franchisee open a seventh location, the first new stand-alone restaurant to open in the Pullman neighborhood in more than 30 years. Goldsmith said the franchise owner also focuses on hiring and mentoring employees who represent the

economically underserved neighborhoods where the restaurants are located.

Modern Times

Carr said that while JPMorgan Chase had some systems in place to do the work of achieving its racial equity goals, part of the first year of the commitment was building infrastructure and establishing important connections.

“Where we haven’t made as much progress is in areas where we didn’t already have a foundation or platforms in place,” Carr said. “I think the \$30 billion commitment has really allowed those within the firm to think of future ways of delivering on the racial equity commitment.”

Carr said part of this work is looking at financing from a wider lens. She said there are some investments where the benefit extends beyond the edge of the ledger.

“We view the work we do as adding shareholder value, so we see it as a double bottom line,” Carr said. “Sustainable for us, but also making a difference.”

Carr said that support started with the top down and many areas of the business continue to raise their hand to do more.

“With JPMorgan Chase’s Racial Equity Commitment, we lead with business, not with philanthropy,” Carr said. “We are doing business with racial equity commitment at the core of it.”

Goldsmith agreed, saying the firm is focused on business-led solutions.

“We’re doing more investing and lending in the tax credit space but we are also doing more through a lot of non-tax credit stuff,” Goldsmith said. “We’re increasing small business lending, mortgage lending, lending for affordable housing rental units.”

In a Future Age

Among the next steps for JPMorgan Chase’s affordable rental housing goal are exploring innovative financing solutions and working with new public resources to support the development of vital community facilities and new housing for individuals and families earning a wider range of incomes than conventional projects serve.

Part of looking beyond tax credits is the creation of a Capital Solutions group within community development banking, trying to figure out ways to provide or preserve affordable housing without the use of tax incentives.

Carr also said the racial equity commitment has been a catalyst for evolving how the firm does business and has inspired other activities and investments that go above and beyond the \$30 billion.

“We are only getting started,” Carr said. “There’s still a lot of work to do, but I’m encouraged by the fact that in the spirit of commitment, a lot of ideas have been formulated. Everything doesn’t just shut down at the end of five years. The results so far are very encouraging. This isn’t a victory lap. We’re just one year in, and there’s a lot of work to do. There’s work we’re doing now that will feed into additional work that we haven’t even formulated yet.” ❖

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