Opportunity Zones
State and Local Policies to Prevent Displacement and Attract Investment

May 30, 2018
Agenda

**Part 1 – Anti-displacement strategies (1-2pm ET)**
1. Census tract analysis
2. Policy discussion
   1. Assess displacement risk
   2. Consider policies and tools
   3. Determine appropriate strategies
   4. Local business considerations
3. Q&A

**Part 2 – Strategies to attract investment (2-3pm ET)**
1. Census tract analysis
2. Policy discussion
   1. Framing the conversation
   2. Understanding your Opportunity Zone
   3. Engagement
   4. Preparation
   5. Incentives
3. What’s next?
4. Q&A
Part 1 – Anti-Displacement Strategies

After the webinar we will post a recording and the slides to our website www.opportunityzonesinfo.org
Part 1 – Census Tract Analysis

What is Opportunity?

Opportunity is the set of circumstances or pathways that make it possible for people to achieve their goals—no matter their starting point. At Enterprise, we believe that all people should be able to live in communities in which the available pathways lead to positive outcomes—housing stability, education, health & well-being, economic opportunities, and more. Opportunity is also a deeply human value. It means the freedom to work towards a better life for ourselves, our friends and families, and the broader communities in which we live.

Opportunity Index is a framework for measuring opportunity at a neighborhood level using more than 150 data indicators from both public and proprietary sources.

To help you tell the story of opportunity in your neighborhood, we created a data visual for each opportunity outcome. The map at left illustrates how the values for your census tract compare to all other tracts in the region, a score of 70 means the tract is in the 70th percentile. Half of all tracts in the country have higher scores and half have lower scores. The region and color scale reflect the percentile ranking of the selected tract as compared to all other tracts within the area.

What Does Opportunity Look Like for People Living in This Community?

### BUILDINGS, HOMES & MORTGAGE MARKETS

**Housing Stack**

The nature and quality of the housing stock affects income and wealth disparities; homeownership and rental stock is available for all or part of the county. The housing market is made up of homes which are single-family detached, attached, and multifamily; the median home value and availability of HUD assistance are provided for each housing type.

**Housing Stock by Number of Bedrooms**

<table>
<thead>
<tr>
<th>Type of Housing</th>
<th>Number of Bedrooms</th>
<th>Median Home Value (2015)</th>
<th>Average Mortgage (2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family</td>
<td>3</td>
<td>$229,000</td>
<td>$145,000</td>
</tr>
<tr>
<td>Multi Family</td>
<td>4</td>
<td>$324,000</td>
<td>$200,000</td>
</tr>
<tr>
<td>Condominium</td>
<td>2</td>
<td>$180,000</td>
<td>$120,000</td>
</tr>
<tr>
<td>Apartment</td>
<td>1</td>
<td>$150,000</td>
<td>$100,000</td>
</tr>
</tbody>
</table>

**Note:**

- Median home value is available for multi-family, single-family, and condominiums, but not for apartments. Region is defined as the Five-County Standard Metropolitan Statistical Area (SMSA). Percentile ranking is based on the 70th percentile. Enterprise includes county and metro areas.
Part 1 – Census Tract Analysis
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## Part 1 – Census Tract Analysis

<table>
<thead>
<tr>
<th></th>
<th>Tract 1</th>
<th>Tract 2</th>
<th>Tract 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Homeownership Rate</td>
<td>28%</td>
<td>11%</td>
<td>75%</td>
</tr>
<tr>
<td>% Low Income Households Paying &gt;50% of Income for Housing</td>
<td>43%</td>
<td>42%</td>
<td>16%</td>
</tr>
<tr>
<td>% of Renters With Project-Based Housing Subsidies</td>
<td>37%</td>
<td>7%</td>
<td>28%</td>
</tr>
<tr>
<td>% of Renters with Housing Choice Vouchers</td>
<td>15%</td>
<td>10%</td>
<td>N/A</td>
</tr>
</tbody>
</table>
Part 1 – Policy Discussion: Framing the Conversation

A moment for local leadership:

- Federal activities are coming to a close – All states (with the exception of FL, NV, PA and UT) have had their zones designated, and we expect Treasury to release regulations this summer

- State and local governments should now think about policies and resources to:
  - Promote inclusive and equitable economic growth for existing residents and businesses
  - Expand access to opportunity
  - Implement protections that prevent displacement
  - Incent investments geared toward high social benefit
  - Engage the local community to determine its needs
Part 1 – Consider Policies and Tools

Policies and tools that help prevent displacement of residents and businesses:

- Inclusionary zoning
- Linkage fees
- Local hiring requirements
- Property tax relief
- Preservation – specifically buying unregulated, rent-stabilized (i.e. naturally occurring) affordable housing
- Prevention –
  - tenant protections: eviction prevention, rent controls and tenant first-right-of-refusal policies
  - Rapid re-housing
- Community land trusts; land banks
- Housing trust funds
- Homebuyer (down payment) assistance
- Foreclosure mitigation
Part 1 – Determine Appropriate Strategies

Strategies:

- Have states certify Opportunity Funds created in their state. Creates accountability and transparency
  - States can play a central role in ensuring accountability, working with organizations that have deep expertise in providing capital to distressed areas, and leveraging existing organizations that are already embedded and deeply invested in designated Opportunity Zones
- Create state- or city-run Opportunity Funds
  - Consider partnering with CDFI or other fund managers who can do this more efficiently and leverage private dollars
- Require investments to stay in the locality or state
- Leverage the role of CDFIs and other local community intermediaries to promote financial literacy, increase homeownership, develop project pipelines, manage, underwrite, etc.
Part 1 – Determine Appropriate Strategies

Strategies:

- Encourage/incentivize/facilitate the use of Opportunity Funds for:
  - LIHTC or NMTC deals
  - Land trusts
  - Other projects that fit city/regional plans and meet community needs
- Build tax incentives for certain projects in Opportunity Zones
- Build tax incentives, regulatory relief for Opportunity Funds that support affordable housing and other equitable growth investments
- Align existing, proven development programs with Opportunity Zones
- Consider additional tax relief for certain Opportunity Fund investments
Part 1 – Determine Appropriate Strategies

Examples:

▪ California – [AB3030](#) would add projects financed by Opportunity Funds to list of those exempt from the California Environmental Quality Act
  ▪ Are there regulatory barriers that can be eased for investments targeted to socially-minded projects?

▪ States currently considering preferential treatment of state capital gains in Opportunity Zones
  ▪ Can state and local governments incent investment in desired projects and keep dollars locally invested by providing preferential tax treatment at state-level?

▪ Missouri [SB590](#) modifies state Historic Preservation Tax Credit
  ▪ Are there other state tax credits – such as a state-funded LIHTC, state historic tax credit or other than can be paired with investments in socially-minded projects?
Part 1 – Local Business Considerations

Anti-displacement strategies for existing businesses:

*Key Question#1: What makes small businesses vulnerable to displacement?*

- Revenue-generation Challenge to Support Sustainability
- Rising Land Values
- Limited Local Government Policies/Protections

*Key Question #2: How do we either prevent or minimize displacement?*

- **Land Use:** Address land use zoning as a means to protect/preserve affordable “commercial workspaces & locations.”
- **Planning:** Local governments’ proactive participation in negotiating redevelopment plans designed to prevent displacement of micro and/or small businesses.
- **Knowledge:** Conduct economic impact assessments that measure the value of business services to a city’s resident base
- **Social Impact** – Small businesses are often more than service providers, they are social supports particularly for lower income communities
Part 1 – Anti-Displacement Strategies: Q&A

Part 1 –

Q&A
Part 2 – Strategies to Attract Investment

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  1. Census tract analysis
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Part 2 – Census Tract Analysis

Opportunity Zone Eligibility Tool

Maximum Tract Designations
158

Filtered Tracts:
Designated Opportunity Zone 158

Select State
ALABAMA
County
(All)
Rural or Urban
(All)
Intersects Tribal Tract(s)
(All)
Opportunity Zone Designation
Designated Opportunity Zone
Safe Harbor Status
(All)

Eligibility Details
Safe Harbor Status: Safe Harbor: Low-Income Community
Eligibility Status (2016 ACS): Low-Income Community

Opportunity360 Report for Tract 01075030100

Includes NMTC Investments(s)
(All)
Includes Empowerment Zones(s)
(All)
Part 2 – Census Tract Analysis

What is Opportunity?

Opportunity is the set of circumstances or pathways that make it possible for people to achieve their goals—no matter their starting point. At Enterprise, we believe that all people should be able to live in communities in which the available pathways lead to positive outcomes—housing stability, education, health & well-being, economic security, social connectedness, and safety. Opportunity is a framework that allows us to understand how opportunity is distributed and to make progress towards creating equal opportunities for everyone to achieve every day for ourselves, our friends and families, and the broader communities in which we live.

Opportunity Index: a framework for measuring opportunity at the neighborhood level using more than 100 data indicators from both public and proprietary sources.

To help you tell the story of opportunity in your neighborhood, we created custom values for each opportunity outcome. The pie chart below illustrates how the value for your census tract compares to all other tracts in the nation, at a scale of 1 to 100. The higher the score, the 50th percentile; half of all tracts in the country have lower scores and half have lower scores. The red and blue sections reflect the percent ranking of this selected tract as compared to all other tracts within those areas.

What Does Opportunity Look Like for People Living in This Community?

Housing Stack

The nature and quality of housing stock affects many aspects of people’s lives. A sustainable housing market provides adequate options that are affordable and available, and that present health and safety risks. Total belows the age of homeowners to the number of homeowners who are below the median age. The chart below breaks down the number of homes that suffer from significant affordability and rental risks.

Housing Stock by Tenure and Number of Bedrooms

<table>
<thead>
<tr>
<th>Tenure &amp; Number of Bedrooms</th>
<th>Median Age</th>
<th>Average Rent (Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner-Occupied, 1 Bedroom</td>
<td>52.5</td>
<td>$1,500</td>
</tr>
<tr>
<td>Owner-Occupied, 2 Bedroom</td>
<td>54.0</td>
<td>$1,650</td>
</tr>
<tr>
<td>Owner-Occupied, 3 Bedroom</td>
<td>55.5</td>
<td>$1,800</td>
</tr>
<tr>
<td>Owner-Occupied, 4 Bedroom</td>
<td>57.0</td>
<td>$2,000</td>
</tr>
<tr>
<td>Renter-Occupied, 1 Bedroom</td>
<td>27.5</td>
<td>$1,000</td>
</tr>
<tr>
<td>Renter-Occupied, 2 Bedroom</td>
<td>29.0</td>
<td>$1,100</td>
</tr>
<tr>
<td>Renter-Occupied, 3 Bedroom</td>
<td>30.5</td>
<td>$1,200</td>
</tr>
<tr>
<td>Renter-Occupied, 4 Bedroom</td>
<td>32.0</td>
<td>$1,300</td>
</tr>
</tbody>
</table>

Source: 2018 American Community Survey 1-Year Estimates

Median Age is the median age of the population in the census tract. Average Rent is the average monthly rent paid by renters age 18 and older.
Part 2 – Census Tract Analysis
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## Part 2 – Census Tract Analysis

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</tr>
</thead>
<tbody>
<tr>
<td>Jobs Accessible within a 45 min drive</td>
<td>310,000</td>
<td>112,000</td>
<td>600</td>
</tr>
<tr>
<td>Residential Vacancy Rate</td>
<td>25%</td>
<td>19%</td>
<td>59%</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>26%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>% of Adults with a Bachelor’s Degree or Higher</td>
<td>6%</td>
<td>31%</td>
<td>9%</td>
</tr>
</tbody>
</table>
Part 2 – Policy Discussion: Framing the Conversation

Attracting Investments Aligned With Local Priorities & Community Needs:

- Market-based Approach - There will be more than 8,000 designated Opportunity Zones nationwide, creating competition for investment.

- Investor Behavior – Investors will evaluate a number of factors: risk, return, impact. Levers to alter behavior to align with local priorities.
  - Can state and local put assurances in place? Can they subsidize investor returns? How else can governments de-risk capital to influence investor decisions and steer those funds towards socially minded projects?

- Different efforts underway on waivers, exemptions, tax credits
  - We are already seeing states consider legislation to provide additional investment incentives to attract investors, including regulatory relief (waivers), tax credits, and tax exemptions.
Part 2 – Understanding Your Opportunity Zone

What communities can begin asking about designated Opportunity Zones:

- Am I in an Opportunity Zone?
- If not, how close are we to an Opportunity Zone?
- Think regional, you can benefit (jobs, investment) from an Opportunity Zone within commuting distance
- Understand the investor motives
  - Temporary Deferral
  - Step Up In Basis
  - Permanent Exclusion
- Profile (mock up) a potential investor scenario to present to your clients and the investor
Part 2 – Engagement

Begin Engagement:

- Raise awareness of Opportunity Zones with your networks (banks, developers, property owners, business networks)
- Raise awareness with local entrepreneurs and growth companies
- Develop relationship with local universities, trade schools, business incubators for longer term investment strategy
- Discuss with local planners and developers how these investments might fit into ongoing pipelines of their work
Part 2 – Preparation

Preparation Activities:

- Inventory your local assets, i.e. land, shovel ready sites, infrastructure, buildings, etc.

- Have your demographics/numbers down pat
  - Elevator speech, written material, website, social media
  - Investor day in your area (shark tank pitches)
**Part 2 – Incentives**

**Pair Incentives:**

- Discuss and promote add on incentives from the local, regional, state partners
  - Reduced/abated taxes, waivers of fees, tax increment financing, workforce development training
  - Stay informed and stay connected with your peers in region/state. Benefits may not be direct to you immediately but think long term
Part 2 – Incentives

Examples:

- California – [AB3030](#) would add projects financed by Opportunity Funds to list of those exempt from the California Environmental Quality Act
  - Are there regulatory barriers that can be eased for investments targeted to Opportunity Zones?

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What’s Next for States and Communities

- Engagement with governors, mayors, county executives, local leaders, and other important community stakeholders
  - Assess residents’ needs
  - Document and communicate priorities
  - Stay informed

- Keep us posted on new ideas – we love to hear what you’re learning!
Part 2 – Strategies to Attract Investment

Part 2 – Q&A
More Information

Enterprise Community Partners - Opportunity Zones Information Page

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www.enterprisecommunity.org

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