Innovation and Responsiveness: Opportunity Zones

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Economic Development Committee
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Innovative and Responsive

- Opportunity Zones are low-income census tracts

- The same definition of a "low-income community" that is used by Treasury CDFI Fund's New Markets Tax Credit (NMTC) program is the basis for defining eligible Opportunity Zone census tracts.

- The Community Reinvestment Act (CRA) focuses on low- and moderate-income.

- The policy goals of the Opportunity Zone tax incentive
  - **Drive long-term private sector investments**
  - **Channel equity capital into overlooked and underserved markets**
  - **Reinvest realized capital gains into distressed communities**
  - **First new national community investment in more than 15 years**
  - **May scale to the largest economic development program in the country**

Community Development Finance

- Pair with other funding streams that support stronger and more resilient communities.
- New opportunities--affordable housing, small businesses, and jobs--that specifically benefit low-income neighborhoods and people.
- Collaborate with financial institutions, CDCs, CDFIs to help meet the credit, housing, and economic development needs of communities.
- Use with other State, Federal tax incentives
- Use with Local tax incentives

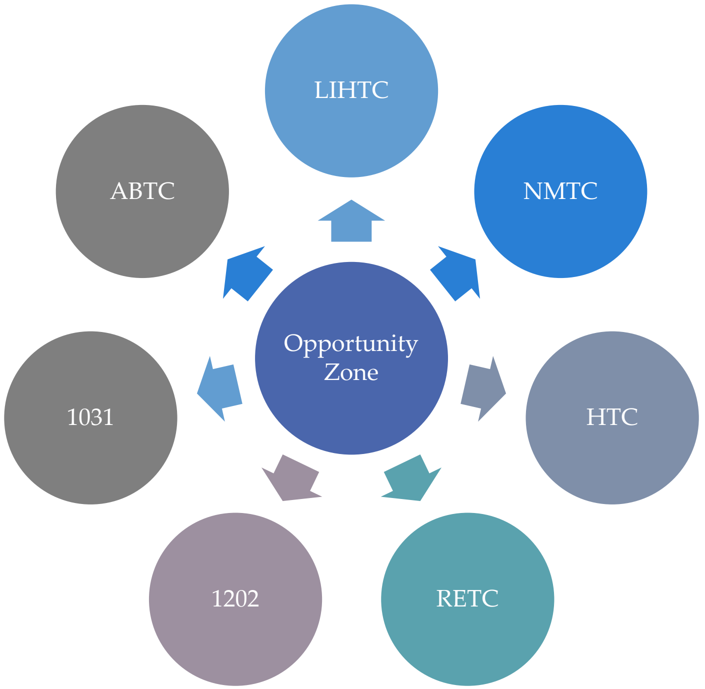

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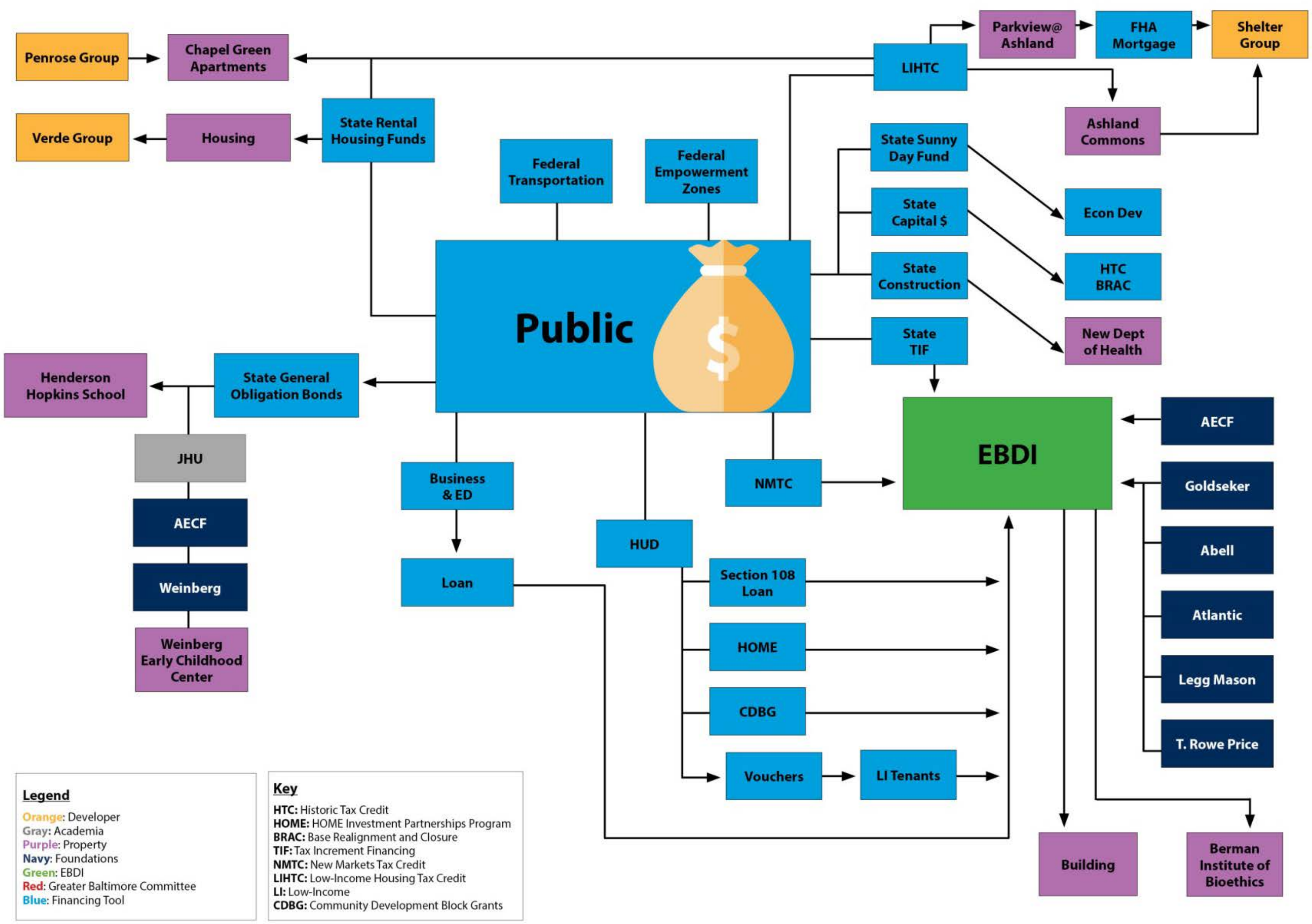
Diagram 1: Financing Tools, Projects and Actors in Phase 1 Redevelopment of East Baltimore



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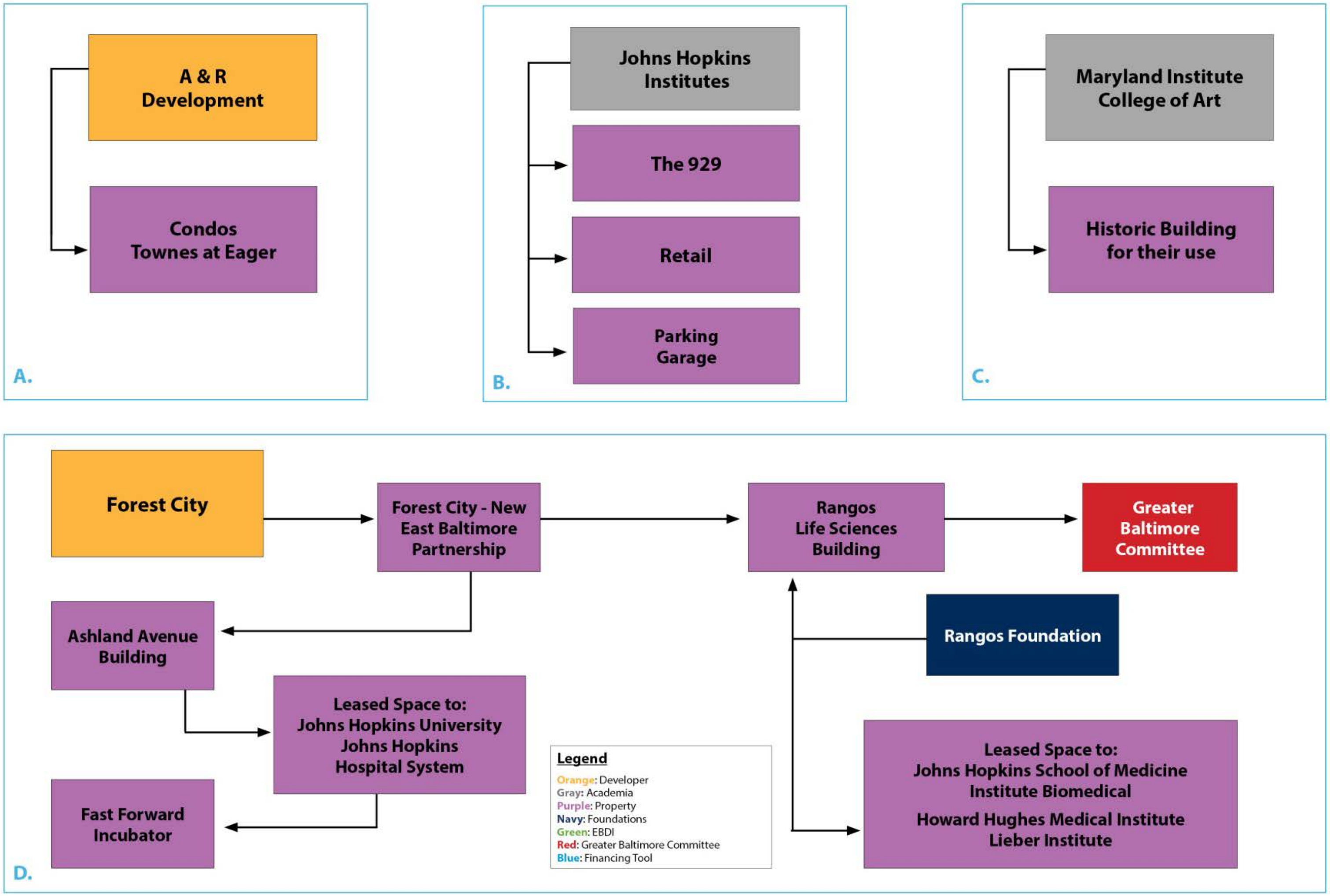
https://www.richmondfed.org/publications/community_development/practice_papers/2018/practice_papers_2018_no3

A&R Development and Forest City engaged in redevelopment of property within the scope of phase 1. Johns Hopkins Institute and the Maryland Institute College of Art redeveloped buildings and property within the scope of phase 1.



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Economic Conditions and Impact

- Massive influx in capital and the ability of a community to absorb it
- Few guardrails
- No “owner”
- Gentrification and Displacement
- Hot spots and Deserts
- Concentration in high-cost cities
- Unwelcome or harmful investments in communities
- Displacement of existing Community Development investments
- Lack of reporting requirements and metrics
- Incentives race
- Stakeholder engagement

OZ Strategies for Local Communities

Many local community stakeholders have begun conversations to both capitalize on the potential of the Qualified Opportunity Funds and develop strategies to mitigate possible harm i.e. S.C. Do no Harm

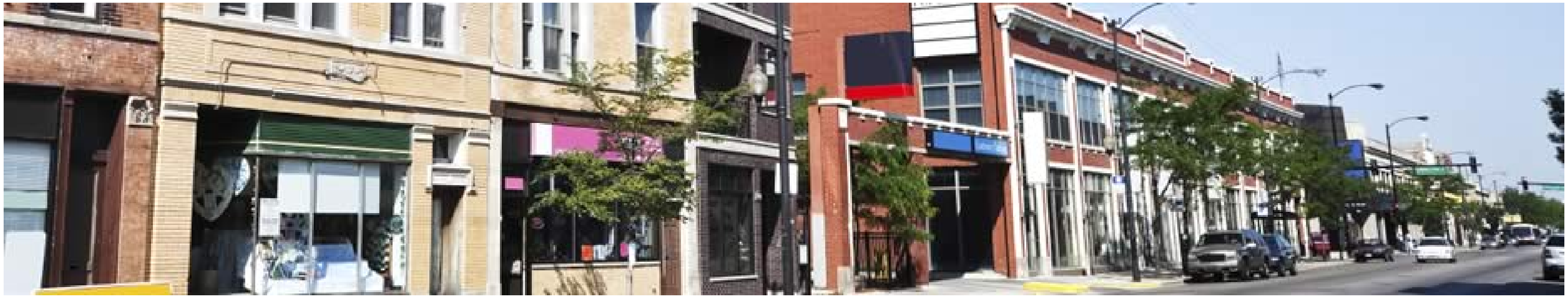
- Partnerships to raise and deploy funds (HBCU QOF, Knight Foundation West End Charlotte)
- National vs local vs regional Qualified Opportunity Funds
- Mission-oriented institutions' sponsorship of Qualified Opportunity Funds (Enterprise, Foundations)
- Qualified Opportunity Funds paired with other impact investing products
- Pairing Qualified Opportunity Funds with existing tools and credits
- Local government-driven funds
- Zoning Overlays
- Community vision and the capacity to plan

Guiding Principles for Investors & Communities

- Synergy and Balance
- Social Equity
- Impact Investing
- Collaborative Partnerships
- Transparency

Resources

- Urban Institute Opportunity Zones Investment Score Dataset
- Urban Institute Community Development Financial Flows
- Council of Development Finance Agencies Opportunity Zones page
- Novogradac Company Resource Center (Opportunity Funds)
- Federal Reserve Webinar
- Federal Reserve Bank of Richmond East Baltimore Financing



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