LOCUS | Smart Growth America

Improving lives by improving communities

Thank you for joining us for

Understanding your Opportunity Zones

Live broadcast will begin momentarily.
Please enter your questions in the chat box below
or tweet them to us @LOCUSDevelopers.

Welcome

Christopher Coes

Director, **LOCUS**

Vice President of Real Estate Policy and External Affairs, **Smart Growth America**

@christophercoes

LOCUS | Smart Growth America

Improving lives by improving communities

Understanding your Opportunity Zones

@LOCUSDevelopers

LOCUS | Smart Growth America
Improving lives by improving communities

Today's presenters

Kenan Fikri
Director of Research,
Economic Innovation Group

Gary Heidel
Chief Housing Investment Officer,
Michigan State Housing Development Authority

Kenan Fikri

Director of Research,

Economic Innovation Group

ECONOMIC INNOVATION GROUP

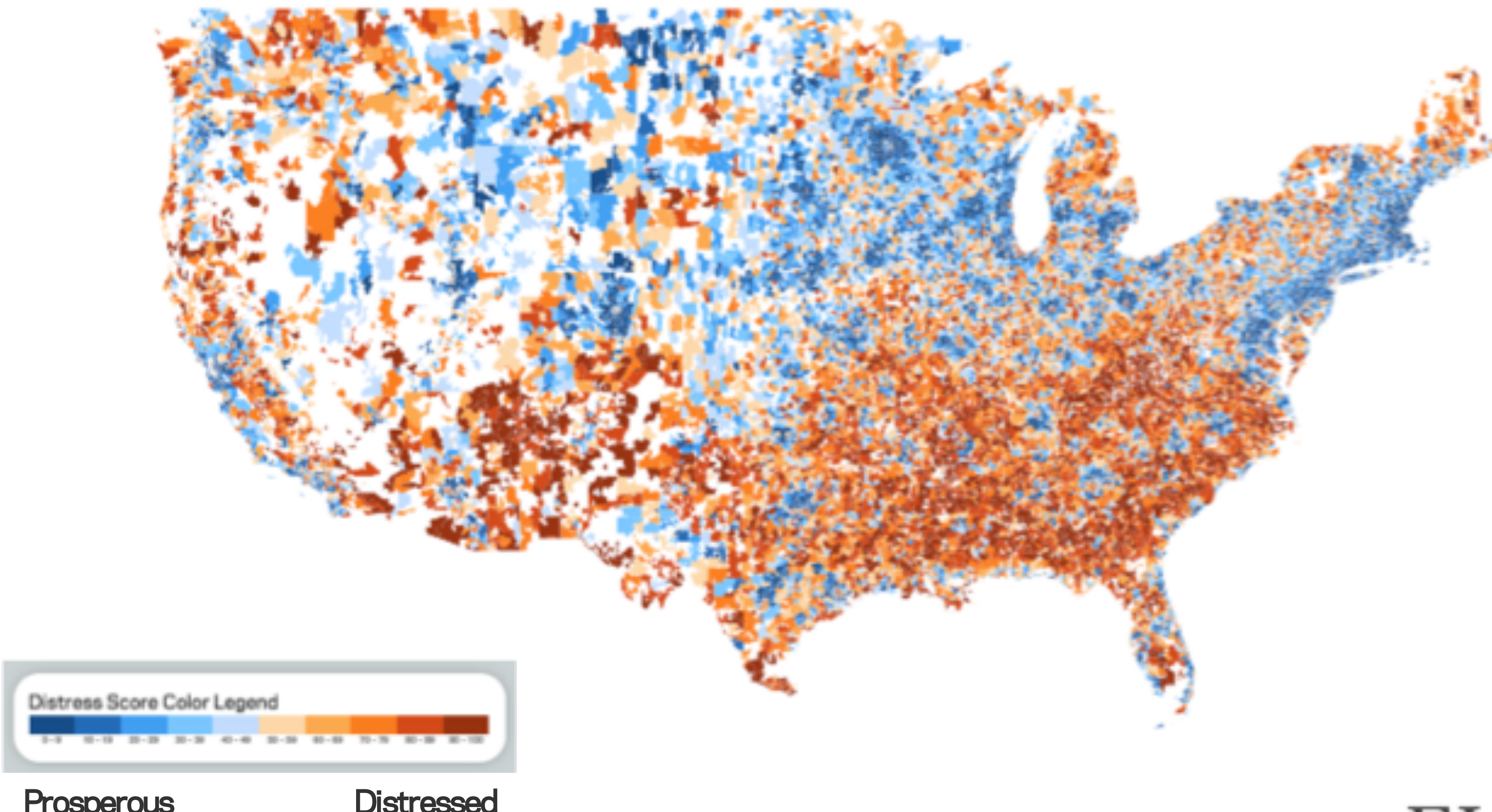
Opportunity Zones: An Overview

Kenan Fikri, Director for Research

ECONOMIC INNOVATION GROUP / Washington, DC / @kenanfikri

Why Opportunity Zones and why now?

52 million Americans (1 in 6) live in economically distressed communities.

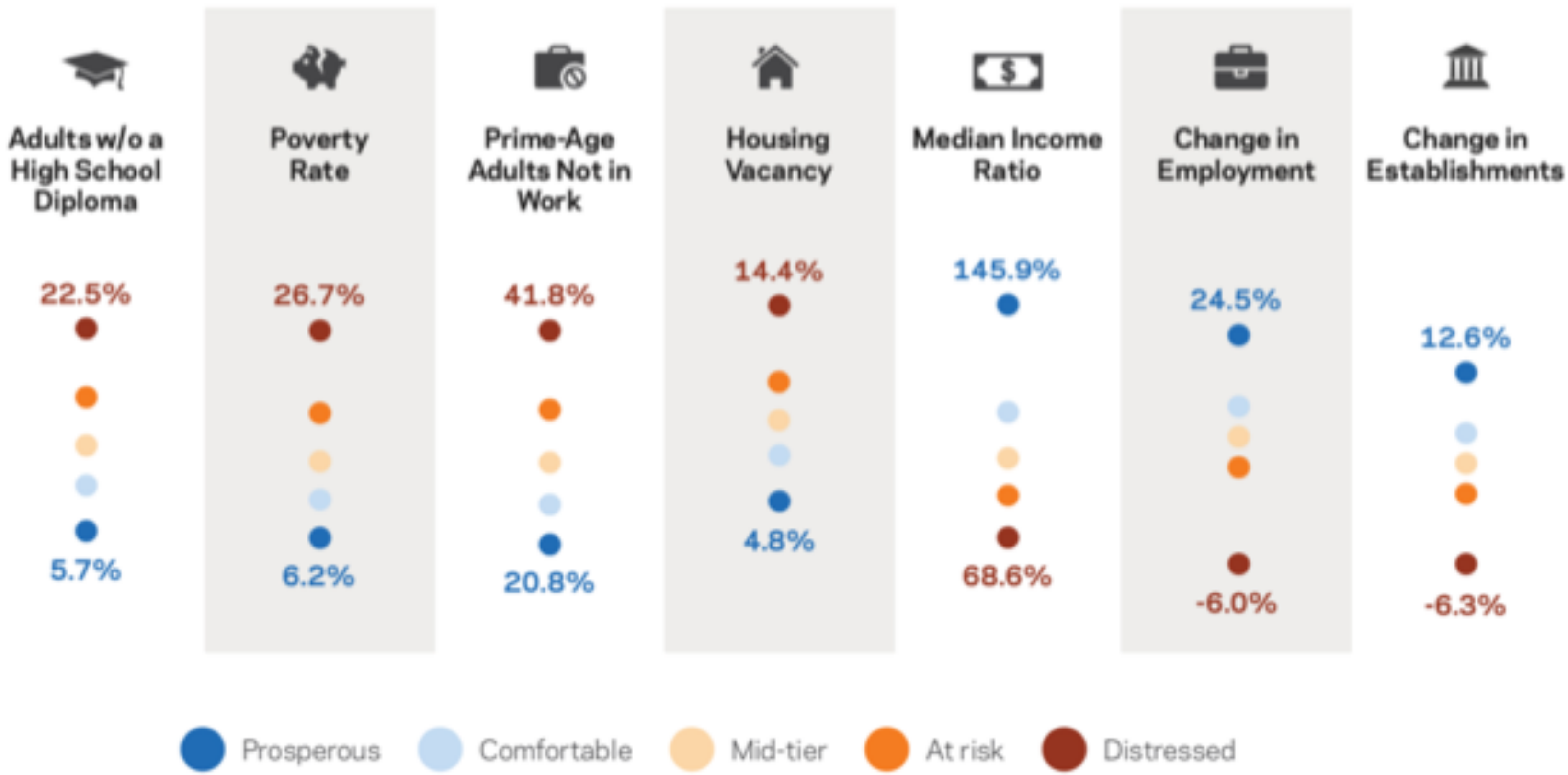


Source: EIG's "Distressed Communities Index"

EIG

What does it mean to live in a distressed zip code?

Average performance of zip codes in each quintile across the seven component metrics of the DCI



Source: EIG's "Distressed Communities Index"

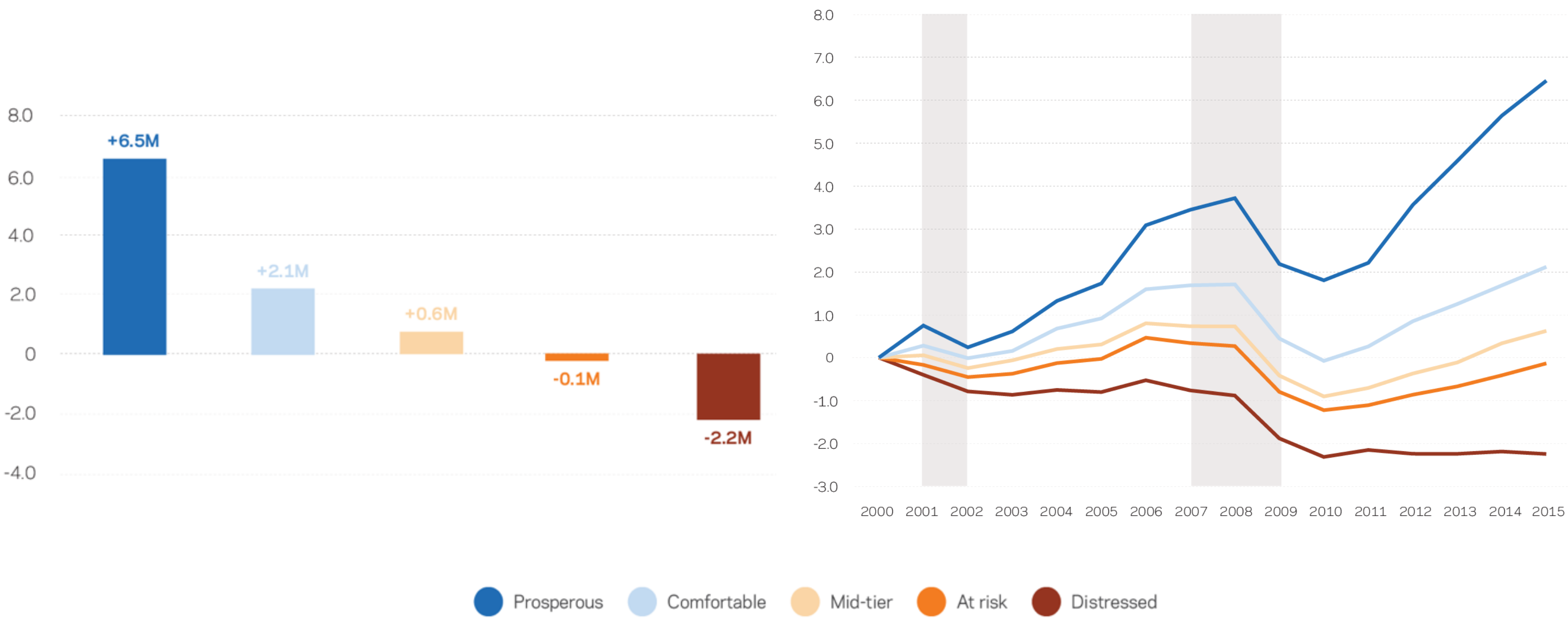
EIG

National patterns job and business growth are leaving our neediest communities behind.

- More than half of the country's distressed zip codes contained **fewer jobs and places of business in 2015 than they had in 2000.**

Change in employment from 2000 to 2015 by quintile

Cumulative change in employment by quintile

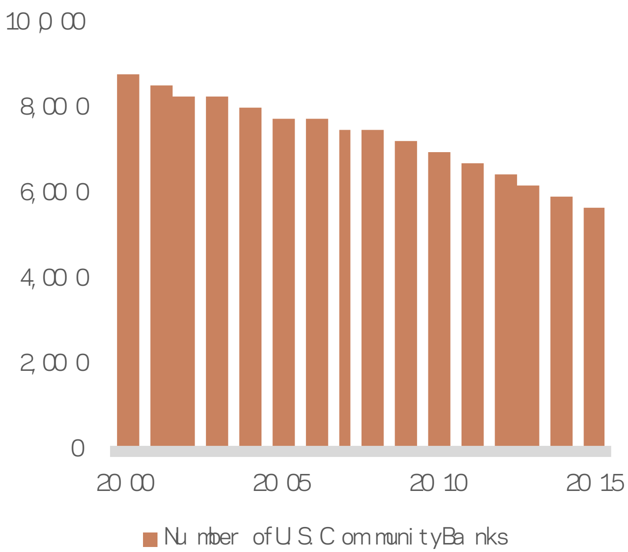


Source: EIG's "Escape Velocity" zip code level data

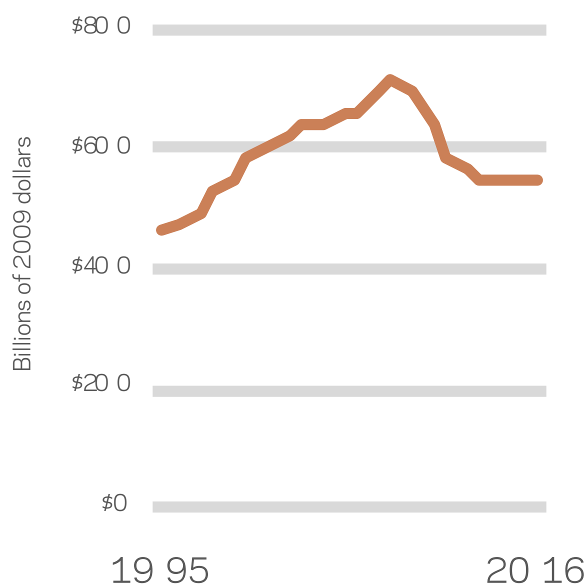
EIG

Traditional finance looks unlikely to kickstart community renewal any time soon.

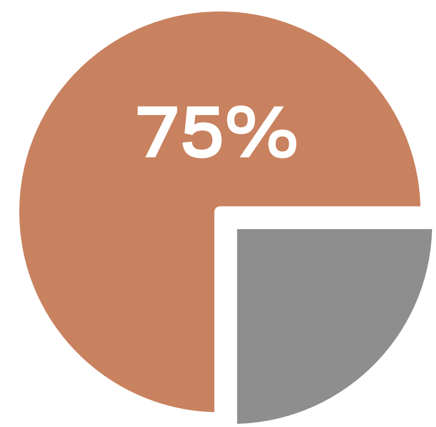
Nearly **one out of every four** community banks has disappeared since 2008



In real terms, small business lending remains **down by a quarter**



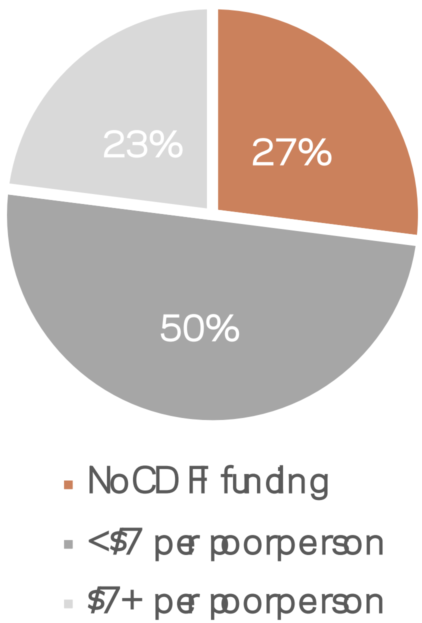
75% of all venture capital concentrates in three states: California, New York & Massachusetts



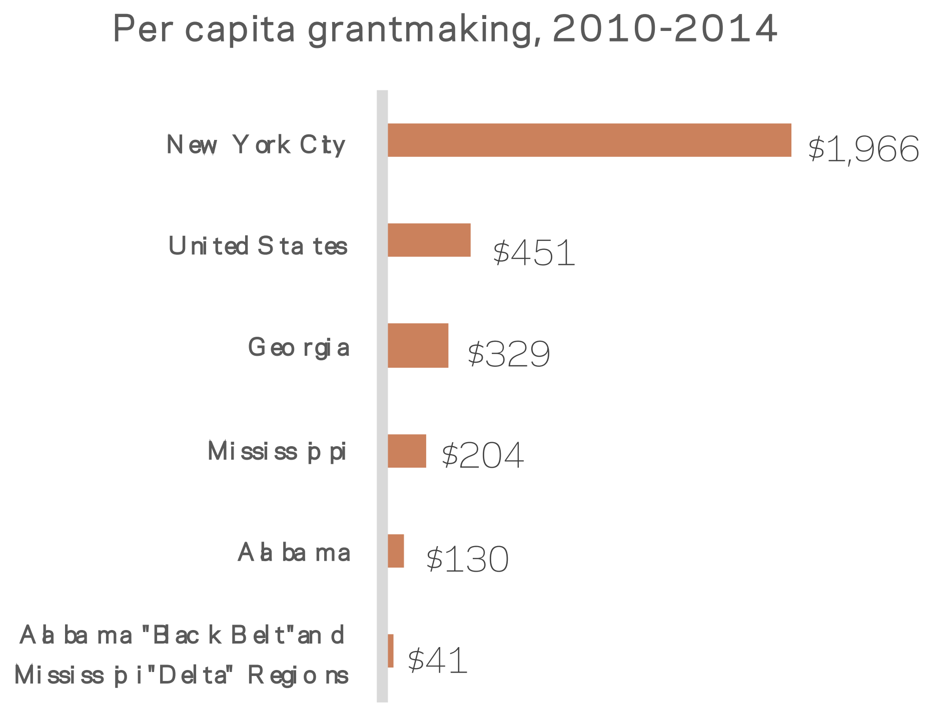
Sources: FDIC and National Venture Capital Association

Access to mission-oriented capital is also deeply uneven.

27% of counties received **no CDFI funding** from 2011 to 2015

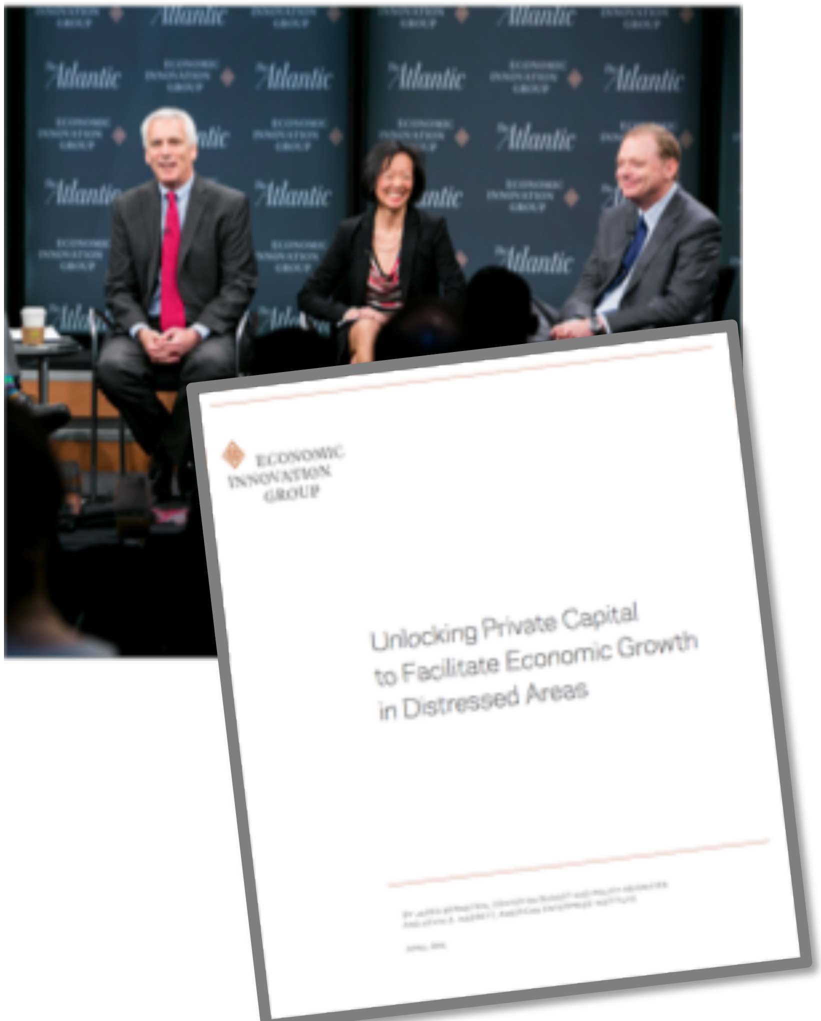


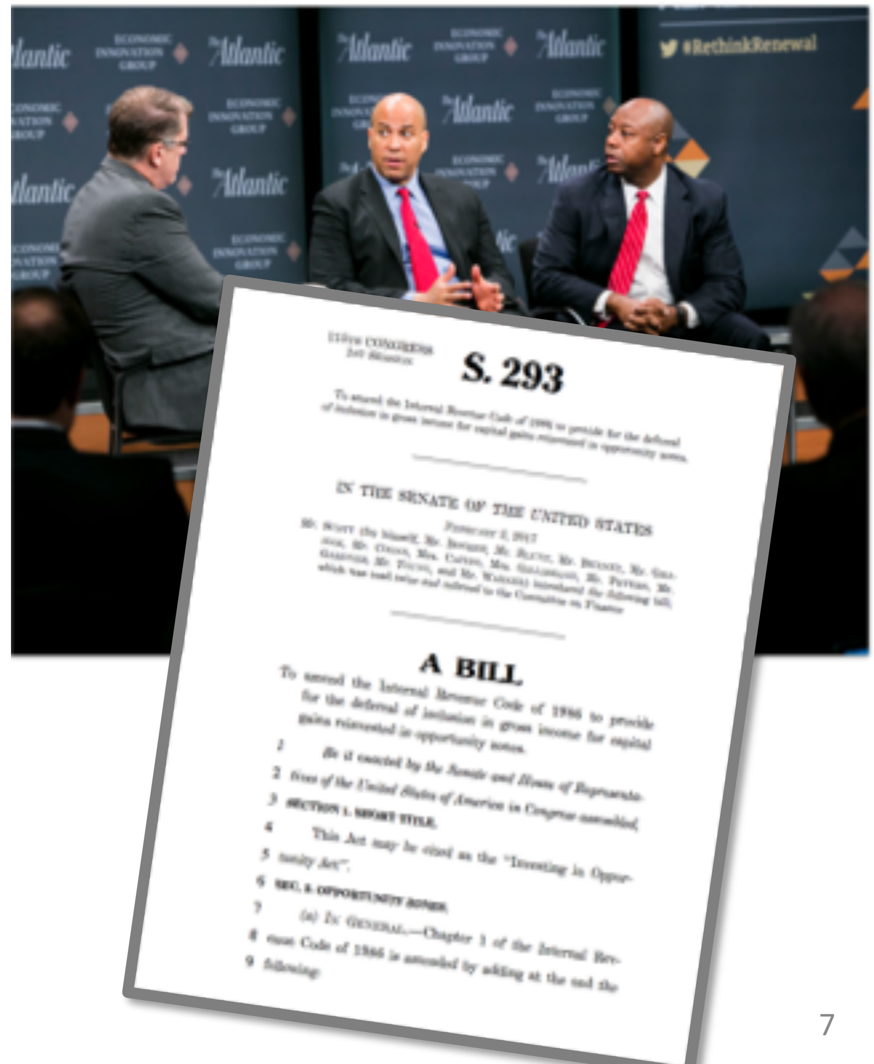
Philanthropies and foundations bypass some of the country's neediest communities too



Sources: The Urban Institute and National Center for Responsive Philanthropy

Opportunity Zones was conceived as an innovative, bipartisan solution to expand the geography of economic growth.





EIG

It is designed to be a simple, flexible vehicle for investors to take a bet on—and stake in—the future of struggling communities.

- The program offers a frictionless way to **reinvest capital gains** into distressed communities through **Opportunity Funds**, in exchange for a graduated series of incentives tied to **long-term** holdings.
- Ultimately, OZs should lead to the creation of **a new asset class** and lead to a shift in investor behavior as information asymmetries and market gaps fill in.
- It is the **first new national community investment program in over 15 years**, and has the potential to be the largest economic development program in the United States.

"Subchapter Z—Opportunity Zones

EIG

What makes Opportunity Zones so unique?

- ✓ It is an **investor incentive** (rather than a corporate one) that pertains exclusively to **capital gains.**
- ✓ It is designed to **concentrate capital** rather than diffuse it.
- ✓ It rewards **patient capital**: All incentives are tied to the longevity of the investment.
- ✓ It unlocks scarce **equity** capital.
- ✓ It provides **no up-front subsidy** and doesn't pick winners.
- ✓ It can move at the **speed** of the market.
- ✓ It was **designed with startups** in mind.
- ✓ It gives investors a **stake in communities' future**: Most programs reward individual projects; this one ties investor payoff to community success.

EIG

What makes Opportunity Zones so promising?

- ✓ **Flexibility:** Low income communities come in many different shapes and sizes and all have different needs. OZs can support a variety mutually reinforcing activities.

- ✓ **Scalability:** There is no statutory cap on the amount of capital that can flow to OZs in any given year. As such, the tool has the potential to help fuel economic renewal on an unprecedented scale.

- ✓ **Simplicity:** Complexity has often been the Achilles heel of past attempts to unlock private capital in low-income areas. It adds cost, time, and risk to business transactions, and it biases programs towards a narrower set of stakeholders and more risk-averse outcomes. OZs are designed to encourage broad participation.

Three core components of Opportunity Zones

Zones – States and territories designated up to 25 percent of Low-Income Community Census tracts in their state to be certified by Treasury as Opportunity Zones.

Funds – Opportunity Funds are investment vehicles organized as corporations or partnerships for the purpose of investing in qualified Opportunity Zones.

Investments – Funds make equity investments in businesses and property in Opportunity Zones, providing the much needed capital to spur economic development.

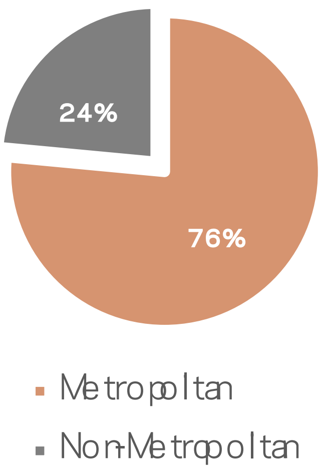
EIG

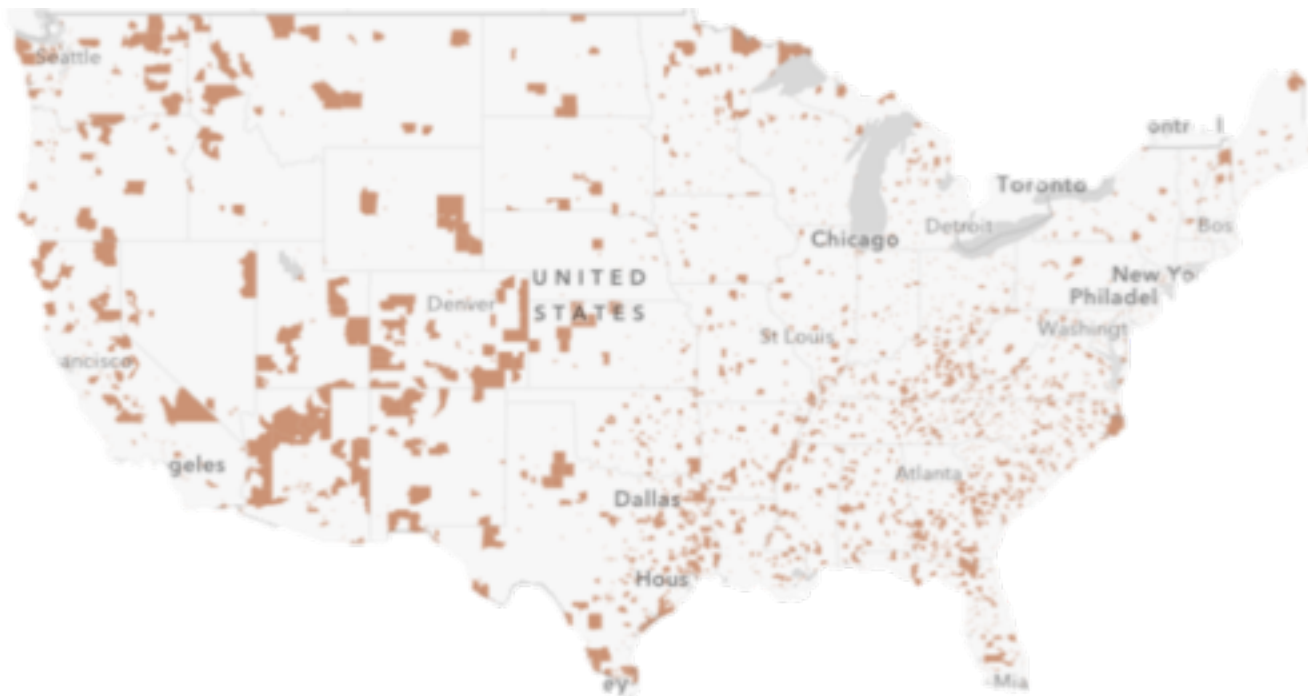
Mapping Opportunity Zones

31.3 million residents

24 million jobs

1.6 million business establishments

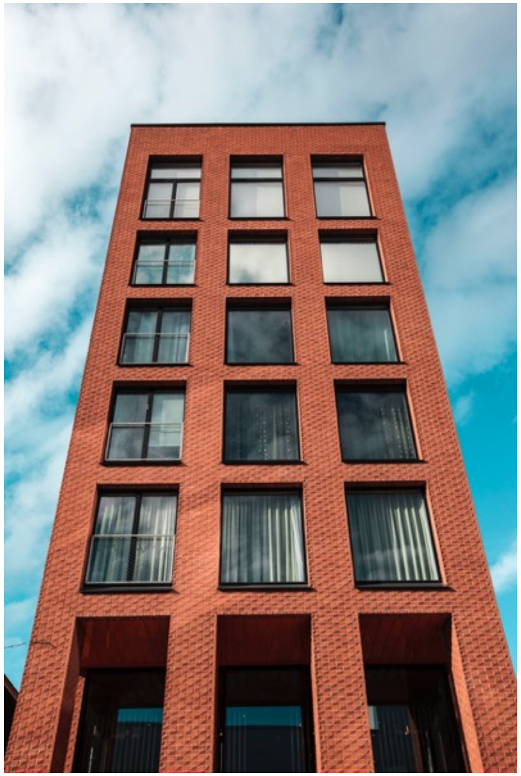




Sources: U.S. Census Bureau and ESRI Business Data
Note statistics are for the 50 states and the District of Columbia

Opportunity Zones can help finance any number of projects in urban, rural, and suburban areas alike.

Startups



Housing

Commercial Developments

EIG

Opportunity Zones can help finance any number of projects in urban, rural, and suburban areas alike.

Innovation Districts

Brownfield Redevelopment

Energy Assets

EIG

EIG brings together leading entrepreneurs, investors, economists, and policymakers from across the political spectrum to address America's economic challenges.

WEB **eig.org** EMAIL **kenan@eig.org**

facebook.com/EconomicInnovationGroup

linkedin.com/company/economic-innovation-group

twitter.com/InnovateEconomy

EIG

Michigan:
Making the most of its Opportunity Zones

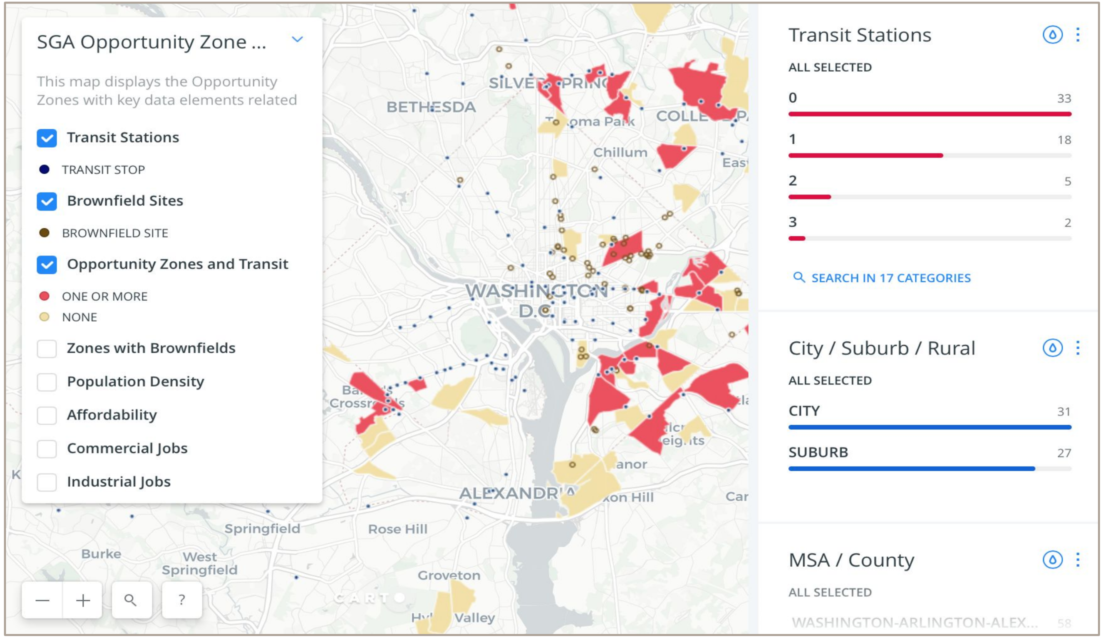
Gary Heidel
Chief Housing Investment Officer,
Michigan State Housing Development Authority

… Leveraging the impacts of the Opportunity Zones program in communities across the state

… Recommendations for state and local authorities to implement now

… Development projects in Michigan taking advantage of this new program

LOCUS Opportunity Zone Navigator: An interactive mapping tool for individuals and organizations interested in real estate, policy, and business, economic, and community development activities in America's newly designated **Opportunity Zones**



https://smartgrowthamerica.org/program/locus/opportunity-zones/

Search America's 8,761 new Opportunity Zones for…

… Transit stations
… Brownfield sites
… Population density
… Poverty rate
… H + T
… Job type
… And more

Understand…

… The economic, environmental, demographic, housing, and infrastructure characteristics of each Opportunity Zone

… The type of development needed to revitalize distressed communities and stimulate economic growth there

LOCUS | Smart Growth America
Improving lives by improving communities

What can you do now?

Maximize your stakeholder capacity

Government...

...inspire confidence for investment & equitable outcomes

...implement do-no-harm policies

Advocates…

… sponsor mission-driven funds

...elevate existing local ecosystems for investment

Philanthropies…

… help shape place-based investment strategy, organizing, and development efforts (i.e., Kresge/Rockefeller LOI)

Private sector…

… normalize equitable development principles

... Prioritize smart growth investments; self-reporting

LOCUS | Smart Growth America
Improving lives by improving communities

LOCUS | Smart Growth America

Improving lives by improving communities

OZs
&
TOD &
P3s

LOCUS | Smart Growth America
Improving lives by improving communities

OZs & Attainable Housing

LOCUS | Smart Growth America

Improving lives by improving communities

OZs & Small Business Retention

Remember to be mindful of…

1) Convene an Opportunity Zones task force to align state and local development resources and identify top investments
2) Provide incentives to encourage the formation of equitable Opportunity Fund
3) Understand your OZ investor and their risk profile and exit strategy
4) Develop a **real** attainable housing strategy now, before it’s too late
5) Prioritize shovel ready, simplicity, self-reporting

Are you a real estate company or local government seeking guidance on how to navigate the Opportunity Zones program?

Still wanting to learn more?

LOCUS' ***Opportunity Zones Advisory Group*** in a skilled team of legal, accounting, and policy experts ready to answer your Opportunity Zones questions and provide you with the support you need.

Contact Christopher Coes, LOCUS Director, at ccoes@locusdevelopers.org for more information.

LOCUS | Smart Growth America

Improving lives by improving communities

Questions?

Please enter your questions in the chat box below
or tweet them to us @LOCUSDevelopers.

Join LOCUS and First & Main

LOCUS | Smart Growth America
Improving lives by improving communities

FIRST & MAIN