Using Opportunity Zones to Advance Community Priorities

January 27, 2020

#LiveAtUrban
Speakers

Brett Theodos, Senior Fellow, Urban Institute
Solomon Greene, Senior Fellow, Urban Institute
Bradford Davy, Director of Regional Engagement, Fund for Our Economic Future
Tammy Buckner, Opportunity Zone Program Manager, WeGrowKC

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Housekeeping

- Webinar is being recorded
- The recording will be posted online after the webinar
- All participants are muted
- Type your questions or comments into the QA box at any time. Be sure to include your name and organization

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Opportunity Zone Community Impact Assessment Tool

Solomon Greene, Brett Theodos, Kathryn Reynolds, Brady Meixell, and Martha Fedorowicz
Demonstrating the Tool

▪ Goals
▪ Methods
▪ Features
▪ Use
Goals
How 'Opportunity Zones' Could Transform Communities

The new federal program could spur investment in distressed areas, but the clock is ticking.

Opinion: Opportunity Zones could put the magic back in our city.

Column: Opportunity zones can revive struggling neighborhoods

Opinion: Opportunity Zones — for Billionaires

A federal tax break intended to draw investment to lower-paying tax regions has become one more way for the rich to avoid.

Opinion: Opportunity Zones would help more Americans achieve their dreams.

The Problem With Opportunity Zones

A New York Times Analysis

Opportunity Zones will help more Americans achieve their dreams.

How a Trump Tax Break to Billionaires Keep Helpful Communities Help Poor Communities Become a Windfall for the Rich.

Congress Wants to Investigate.
What the tool does

- Enter project information and receive a score
- Real estate developments (residential, commercial, industrial, or mixed-use) or operating businesses
- Questions tailored to project type
- Score weighted by community priorities
Methods
How we built it

- Interviews with community leaders in Cleveland
- Review of other social impact and racial equity assessments
- Workshop with national experts
- Piloted in Cleveland
- Tested in Alabama, Atlanta, Baltimore, and state of Washington
Features
What is in the tool

Very high
‘F’-cast of 100

What does your score mean?

Based on your responses, the proposed project receives a ‘very high’ score for expected community impact. If the project conforms to responses where relevant, it is likely to provide strong social benefits that are aligned with community priorities.

Your score reflects the level of social benefit and community impact a project could achieve based on your answers to the community impact assessment tool. Scores depend on the answers provided, and we ask you to respond truthfully and in the best of your knowledge. The criteria that influence the assessment of community impact includes an expected level of benefits, as well as your different scores for the same project. When this occurs, we favor 3 key factors: community engagement, social benefit, and clear consideration of the project’s impacts and opportunities for improvement. Your score should reflect input when considering what a project is likely to yield social benefits.
Survey Overview

Community goals and priorities
Accessible, quality jobs
Community wealth building
Affordable and accessible housing
Environment and open spaces
Health, social services, and community amenities
Transportation and connectivity
Survey Overview

**Community goals and priorities**

- Accessible, quality jobs
- Community wealth building
- Affordable and accessible housing
- Environment and open spaces
- Health, social services, and community amenities
- Transportation and connectivity
Sample impact area: affordable and accessible housing

**Affordable and Accessible Housing**

The housing units that will be produced or preserved are in...

- **a rapidly appreciating area that is facing market pressures**
- **an area with highly concentrated poverty**
- **a neighborhood that is not experiencing either rapid appreciation or high levels of poverty**

What share of the units include long-term or permanent affordability restrictions?

- **15 percent or more**
- **1–14 percent**
- **None**

Briefly describe the terms of the affordability restrictions, including income targets and affordability period.

- **60% of our residences will be available to residents with incomes at or below 50 percent of the AMI**

Will 50 percent or more of the housing units developed be priced at or above 1.50 percent of current median rents or sale prices in the census tracts?

- **Yes**
- **No**
## Sample impact area: affordable and accessible housing

**Affordable and Accessible Housing**

The housing units that will be produced or preserved are in...

- More information

<table>
<thead>
<tr>
<th>Area Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>a rapidly appreciating area that is facing market pressures</td>
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</tr>
<tr>
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<td>1-14 percent</td>
</tr>
<tr>
<td>a neighborhood that is not experiencing either rapid appreciation or high levels of poverty</td>
<td>None</td>
</tr>
</tbody>
</table>

What share of the housing units that will be produced or preserved are affordable to residents with incomes at or below 50 percent of the area median income (AMI)?

- More information

- 50 percent or more
- 10-49 percent
- Less than 10 percent

Briefly describe the terms of the affordability restrictions, including income targets and affordability period.

- 60% of our residences will be available to residents with incomes at or below 50 percent of the AMI.

Will 50 percent or more of the housing units developed be priced at or above 1.50 percent of current median rents or sale prices in the census tract?

- Yes
- No
### Affordable and Accessible Housing

The housing units that will be produced or preserved are in...

- [More information](#)

#### Features

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What share of the housing units that will be produced or preserved are affordable to residents with incomes at or below 50 percent of the area median income (AMI)?

- [More information](#)

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<td></td>
</tr>
<tr>
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<td></td>
</tr>
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</table>

Briefly describe the terms of the affordability restrictions, including income targets and affordability period.

- 60% of our residences will be available to residents with incomes at or below 50 percent of the AMI.

Will 50 percent or more of the housing units developed be priced at or above 150 percent of current median rents or sale prices in the census tracts?

- [More information](#)

<table>
<thead>
<tr>
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<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td></td>
</tr>
</tbody>
</table>
Very high
92 out of 100

What does your score mean?

Based on your responses, the proposed project receives a "very high" score for expected community impact. If the project conforms to responses when executed, it is likely to provide strong social benefits that are aligned with community priorities.

Your score reflects the level of social benefits and community impacts a project could achieve based on your answers to the community impact assessment tool. Scores depend on the answers provided, and we ask users to respond truthfully and to the best of their knowledge. To the extent that there is uncertainty or disagreement over community priorities or anticipated project impacts, users may receive different scores for the same project. When this occurs, we hope it sparks broader community discussion and closer consideration of the project’s impacts and opportunities for improvement. Your score should serve as just one input when considering whether a project is likely to yield social benefits.

The graph above displays the project’s raw score in each community impact area. In the community goals and priorities section, we asked you to rank the areas according to the priorities of residents in the Opportunity Zone, based on community engagement and consultation with community plans. Your ranking of the impact areas can be seen in the graph, starting to the right of “Community priorities” and going clockwise. A project’s overall community impact score is not the average of scores displayed above; it is calculated by weighting the scores for each impact area according to your ranking.
Opportunity Zone Community Impact Assessment Tool User Guide

Solomon Greene, Brett Theodos, Kathryn Reynolds, Brady Meixell, Martha Fedorowicz
January 9, 2020

Abstract

The Opportunity Zone Community Impact Assessment Tool User Guide is meant to accompany the use of the Assessment Tool which can be found here. The User Guide describes why the Assessment Tool was created, how and by whom it can be used, the principles around which the Tool was developed, and how to interpret and apply the results of the assessment. The User Guide also provides the methodology behind the Tool’s development and shares additional resources for those looking to create positive impact in their community.
Use
How the tool can be used

<table>
<thead>
<tr>
<th>Stakeholder type</th>
<th>Possible uses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project sponsor</td>
<td>▪ Solicit investment from Opportunity Funds, impact investors, and other private funds.</td>
</tr>
<tr>
<td></td>
<td>▪ Share score with community groups to gain support for a project.</td>
</tr>
<tr>
<td>Public entity</td>
<td>▪ Evaluate proposed projects for tax benefits.</td>
</tr>
<tr>
<td></td>
<td>▪ Identify projects that present risks for closer scrutiny in development and permitting approvals.</td>
</tr>
<tr>
<td>Nonprofit or community-based organization</td>
<td>▪ Negotiate a community benefits agreement with a project sponsor.</td>
</tr>
<tr>
<td>Project investor</td>
<td>▪ Seek funding for community-driven projects.</td>
</tr>
<tr>
<td></td>
<td>▪ Find projects with maximal community benefits.</td>
</tr>
<tr>
<td></td>
<td>▪ Avoid projects that risk harming communities.</td>
</tr>
</tbody>
</table>
Next Steps
For more information and to use the tool:

www.urban.org/oztool

If you have questions, email us at:

opportunityzones@urban.org
Bradford Davy
Director of Regional Engagement
The Fund for Our Economic Future
Email: Bdavy@thefundneo.org | Social: @Bradford__James
A total of 64 census tracts in Cuyahoga County are eligible for Opportunity Fund investments. Among these, 48 are located within the City of Cleveland, while the remaining 16 tracts lie in the suburban communities of Bedford Heights, Brook Park, Cleveland Heights, Euclid, Garfield Heights, Maple Heights, North Randall, Richmond Heights, and Warrensville Heights.

These 64 census tracts have been organized into 11 unique districts based on numerous factors, including but not limited to their geography within the county, existing community development areas, recent planning efforts, common land uses and assets, and infrastructure. As such, each district offers distinct investment opportunities as part of the Opportunity Fund program.

**Cuyahoga County - Overall**
- Land Area: 457 sq. miles
- Population: 1,248,514
- Median Age: 40.7 years
- Median Household Income: $46,784
- Median Home Value: $131,700
- Poverty Rate: 18.0%

**City of Cleveland - Overall**
- Land Area: 78 sq. miles
- Population: 385,552
- Median Age: 36.2 years
- Median Household Income: $28,974
- Median Home Value: $70,200
- Poverty Rate: 33.1%
Our Economic Development Community

CONNECT WITH ONE OF US, BENEFIT FROM ALL OF US

Cleveland and Cuyahoga County’s robust and agile network of public, private, and philanthropic partners creates a cohesive economic development ecosystem unlike any other in the nation. Working with one of us provides access to the full spectrum of resources, including neighborhood level organizations, state and federal governments, utility and infrastructure agencies, workforce development organizations, private developers, and key industry experts.

The City of Cleveland Department of Economic Development provides technical assistance, creative financing and educational opportunities that will ensure a vibrant economic future for the region. Our mission is to provide assistance to businesses expanding within or relocating to the City of Cleveland including financing, workforce solutions and technical assistance that will encourage investment in the community to enhance the lives of our citizens. The City’s economic development tools encourage wealth creation throughout the community by supporting entrepreneurs and small businesses seeking growth.

The Cuyahoga County Department of Development works to facilitate job creation and economic growth by developing and administering creative and innovative programs in community development, economic development, and housing. Our professional staff works with local elected officials, business leaders, small business owners, entrepreneurs, non-profits, arts and cultural organizations, and universities to provide technical assistance and educational opportunities that will ensure a vibrant economic future for our region.

The Cuyahoga Land Bank serves as a key partner in urban land aggregations, research and spatial analysis for developers and development projects. Whether partners are seeking land and buildings in opportunity zone geographies or projects based development throughout the county, the Land Bank can serve as a valuable research and land assembly tool. Through its unique land banking powers, the Land Bank has directly assisted project developers and political subdivisions assemble parcels for dozens of projects resulting in over $250 million of investment.

With more than 12,000 members, the Greater Cleveland Partnership is one of the largest metropolitan chambers of commerce in the country. We’re focused on building a strong and thriving climate for the broad business community, including small businesses, middle-market companies and large corporations. We do this by mobilizing private-sector leadership, expertise and resources to create attractive business conditions that create jobs, grow investment and improve the economic prosperity of the region.

Cleveland Development Advisors is a real estate and business development finance organization that invests private capital and New Markets Tax Credit allocations into catalytic projects in Cleveland. We have helped provide financing for more than 130 projects, including regional icons such as the Gateway sport complex, the Rock & Roll Hall of Fame and Museum and FirstEnergy Stadium.

The Fund for Our Economic Future is an alliance of funders -- foundations, corporations, education institutions, health care systems, business and civic organizations, and government entities -- from across Northeast Ohio, who pool their collective knowledge and resources to strengthen and sustain the regional economy in ways that also increase access to opportunity for all people. The members of the Fund all agree that a healthy economy is necessary to advance their diverse missions.

Key Opportunity Zone Partners

Municipal Partners
- City of Bedford Heights
- City of Brook Park
- City of Cleveland Heights
- City of Euclid
- City of Garfield Heights
- City of Maple Heights
- Village of North Randall
- City of Richmond Heights
- City of Warrensville Heights

Philanthropic Partners
- The Cleveland Foundation
- The George Gund Foundation

Neighborhood/Community Partners
- Burton, Bell, Carr Development Corporation
- Campus District Inc.
- Downtown Cleveland Alliance
- Fairfax Renaissance Development Corporation
- Family Foundation
- Hispanic Business Center
- Metro West Community Development
- Midtown Cleveland
- Ohio City Inc.
- Playhouse Square
- Slavic Village Development
- St. Clair Superior Development Corporation
- Tremont West Development Corporation
- University Circle, Inc.

Regional Partners
- Aearo Alliance
- Cuyahoga Metropolitan Housing Authority
- Northeast Ohio Regional Sewer District
- Port of Cleveland
- Team NEO

State Partners
- JobsOhio
- Ohio Department of Transportation
OpportunityCLE Workstreams

**Marketing**
Build a stand-alone brand on a website with visible sponsorship from OpportunityCLE partner organizations. The site will include an opportunity zone prospectus and provide a direct connection to our platform.

**Local Fund**
Create a locally supported Qualified Opportunity Fund that leverages capital to invest in socially conscious projects specifically in the Greater Cleveland Area.

**Pipeline + Database + Platform**
Host deals on a front-facing, web-based platform. Create a deal aggregation site for a cultivated set of projects to solicit investment.

**Social Impact Framework**
Create a framework that will allow OpportunityCLE to award a social impact designation to projects that have the potential for social benefit by utilizing well-established, straightforward metrics developed by reputable partners.

**Policy**
Craft, advocate, and advise on additional policy levers and incentives that will increase the impact of Opportunity Zones locally/regionally.

**Education + Technical Assistance**
The community requires a more in-depth technical understanding of QOZ's and QOFs. We will work to provide opportunities for investors, stakeholders, business owners, and residents to realize the opportunity.
Integration and Systems Change

How OpportunityCLE has implemented the Assessment Tool in our process
Early Wins

**CDA Targeted Opportunity Zone Fund**
CDA raised $9 million in new commitments to support development in Clark-Fulton, Glenville and Buckeye-Kinsman, all of which are key Opportunity Zone neighborhoods. Mission investors were attracted to their commitment to using strong social impact measures.

**Arctaris Impact Fund**
Development of 10MM fund in partnership with Arctaris Impact Investors. Cuyahoga County (1.5MM) and The George Gund Foundation ($500K) have provided loans with the understanding that investments will follow social impact parameters contained in the assessment tool.

**OZ Catalyst Prize**
OpportunityCLE named as a Forbes “OZ Catalyst” for leading community-focused OZ work and for its creation of a positive model for other communities.

**Fund for Our Economic Future Grant Making**
Technical Assistance grant to The Central Kitchen, a business incubator and accelerator whose OZ expansion plan scored high-marks on the Social Impact Assessment Tool.
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We Grow KC is a coalition brought together by The Kauffman Foundation, The Kansas City Chamber of Commerce, and the Urban Neighborhood Initiative to engage in dialogue and formulate a strategy focused solely on improving the livelihoods of one residents.

Tammy Buckner
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816-382-5966
Twitter: tammycbuckner
Our Process

1. Brought together the ecosystem of stakeholders into a conversation (private foundations, & investors, CDFIs, local government, community development organizations more importantly community residents.)

2. Conducted interviews with dozens of practitioners to begin “last-mile” evaluation of combinations of projects, both operating businesses and commercial real estate.

3. Solicited feedback from local working groups to build deals that meet both community and investor needs.

4. Interviewed investors to bridge the gap between community advocates and capital allocators.

5. Resident engagement: community-based organizations engaged residents both on overarching values for investments and specific deals.
Vision

Stimulate economic activity and jobs in areas of disinvestment in Kansas City in ways that:
1. Build wealth
2. Increase economic mobility...
3. ...for residents currently living in the zones

Mission

We work to connect economic development resources with each other to help build a trusting and diverse ecosystem.

We help enable Kansas City East Side neighborhoods by involving them in the process of economic development.
Our Zones

Zone types:

**Type one:** Industrial

**Type two:** Greenfield project

**Type three:** City ‘street corner’
Transactions with synergistic effect, versus one-off deals

Core real estate deals clustered between 18th & 25th street.

To be combined with investments in high growth commercial tenants & main street tenants.
1. Active Neighborhood Outreach

A method of neighborhood inclusion that is actively driven by the economic development entity.

A measurable amount of time is spent in the field searching for potential opportunities.

Trust is developed between the entity and neighborhoods.

A physical office location is easily accessible and welcoming for neighbors.

2. Placemaking Through Matchmaking

A system that evaluates economic development projects with the goal of combining projects so they meet specified economic and neighborhood impact criteria.

Unlocking incentives by combining projects to meet minimum capital or impact thresholds.

3. Partnered Wealth Building

A partnership between neighbors and philanthropies where philanthropic capital is leveraged to create an (ESOP-like) trust.

Neighbors, over time, would purchase shares per their payment of "rent" or utilities.

The development of various "terms" would be driven by customer need and opportunity.
Data Expertise and Data Collection

Part of the outreach is collecting data and projects from the neighborhood and using the OZ Assessment Tool to assist with other data provides intelligence for development and the means to evaluate impact.
Equity Transfer - Over time philanthropic equity is bought out by neighborhood members.
We Grow KC Coalition

- **We Grow KC** recognized and named as one of Forbes Top OZ Catalysts for leading community-focused OZ work and for its creation of a positive model for other communities.

- **The Affordable Living KC Opportunity Fund** allows investors to invest in the volume production of net zero ready new construction for-sale housing for buyers earning between 30 - 120% AMI in urban neighborhoods that have been designated oz.

- **Alt Cap created Equity 2** as a qualified opportunity fund to provide patient capital for new and growing businesses and community-enhancing projects.

- Neighborhood Equity, a for-profit entity with community engagement at its core.

For more information visit [wegrowkc.org](http://wegrowkc.org)
Questions?
Thank you!

For more information and to use the tool:

www.urban.org/oztool

If you have questions, email us at:

opportunityzones@urban.org