NNIPCamp Milwaukee, June 13, 2019

Session 1 – Opportunity Zones

Led by Brett Theodos, Urban Institute

Notes by Kelley Hanni

Participants: Austin Harrison, Troy Rosencrants, Kate Madison, Jie Wu, Katie Wang, Mingming Zhang, Leah Hendey, Jana Hirsch, Anthony Galvan, Michael Schramm, Jordan Ayala, Eric Jackson, Katie Zager, Liz Whelan, Jennifer Newcomer, Fabrizio Fasulo, Scott Gaul, Denise Linn Reidl, Danielle Wood, Adam Poor, Jay Heermann, Devin Keithly

1. Introductions - name & city
   * Who's here from a hot market city - Dallas, Charlotte
   * who's here from a not hot market city - Cleveland, Hartford
2. Brett - Things that you're interested in and questions? There seems to be a general understanding of OZ
3. We’ll let everyone know when the video is posted. Helpful links:
   1. [Opportunity Zones Landing Page](https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/opportunity-zones)
   2. [Capital Flows Landing Page](https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/capital-flows)

Questions:

Jana Hirsch- what is the role of the fed?

BT -essentially no role, but the question is if there is a CRA oversight and what will the CRA look like in the future.

Liz Whelan – Are investors held accountable?

BT - my critique in 2016 was try to avoid this. To me, by taking out the value of the land you allow a large subsidy to high cost areas. The underlying land has a huge difference in value. But to be clear, it also makes it easier to do good things. The Treasury put out an RFI and I responded that I wanted to know who the investor is, the address, when is the actual date, how much, what kind of project is this for? Currently, there is the potential, but the treasury has to certify funds. The conference report says that the certification has to be done in line with what was done in New Market Tax Credits. This means a community advisory board and to have the purpose of doing community development. We want a more robust certification process. The treasury has decided to be as hands off as possible to allow more to qualify. You can also certify retroactively or self-certify where the only mechanism for oversight is an IRS audit.

Anthony Galvan -  How do you create an opportunity fund?

BT - You self certify on your tax form. Most CDFIs don’t do equity investment and would be a small player in this space.

Leah Hendey – can people share what they want to learn/share?

* Jordan Ayala – Can you talk more broadly about tracking capital flows?
* Eric Jackson – How do you actually track this?
* Scott Gaul – Why is disinvestment happening
* Liz Whelan – Capital flow tracking
* Devin Keithly – Do you think that OZs will create or push out affordable housing?
* Jana Hirsch– On the health side, what are downstream impacts. What are ways to get out in front and measure impact on health/health equity?
* Jennifer Newcomer – If anyone is working with their regional HUD group, do you work with your philanthropic partners? How do you take advantage?
* Fabrizion Fasulo –There is a conversation about how to memorialize areas of Richmond, and how black communities can maintain ownership of businesses, can ozs be used for something like this? For an economic development tool?
* Devin Keithly – does anyone have examples of non housing investments?

Leah Hendey – partners are good at tracking single family sales, but we don’t always look at commercial real estate and multi-family properties. What about mixed use properties?

Michael Schramm – Even going beyond single family property transactions there are small office buildings and commercial things being developed as OZ work. The issue is that these are owned by corporations and the LLC does not show up on the property records.

BT- part of the problem is that there aren’t a lot of multi-family sales in a tract in a year. And if there are, there are multiple trends as far as what kinds of units so don’t do trends over time. It’s very thin

Jana Hirsch– We’ve been using business level data and business churn overtime. With the exception of a few years you don’t see a lot of turn over. It always seems like there is a lot because of visible turn over, but it depends on the owner/tenet.

Anthony Galvan – And you need to look at land use.

Leah Hendey – has anyone started to look at investment flows?

Memphis, Dallas raise hands

Austin Harrison– when we look at the data it’s been difficult to find out who owns the land and the single-family housing.

BT – single family rental is also a use case for OZs

Austin Harrison –How does that show up in the parcel data? It’s different LLCs. We track addresses. It’s all by hand. It’s hard work.

Leah Hendey – These are national investors

BT – You don’t know if it’s an investment or OZ investor because they don’t have to disclose that info.

Liz Whelan – What does tracking cap flows and permitting processes look like? Our agency doesn’t necessary need this info, but we are responsible for collecting building permit data. What should we consider?

BT – We can share the local area cap data flow work, we’ve taken three lenses to look at it – thinking about sources instead of uses. Building permits are useful to learn about the use. But you need sales info to look at ownership. They need to be paired together. And it depends on the city – what the market is and what the rehab costs are. In Detroit we went to every CDFI and asked for all of their loans and city and state investments. We used this to create a data set by year and by property. And calculate that 42% of investment in Detroit were corporate investments. We’re doing this in other cities as well. But at the end of the day it doesn’t tell us a story we don’t already know.

Leah Hendey – It can make a difference like in St. Paul and looking at capital spending. This was brought to city council and they were able to show how certain communities were not being invested in.

BT – this is also happening in Chicago. In Detroit, the study was released prior to the election and what we found was that the public sector was similar to what the private market was doing. And it was caught up in the campaign.

Scott Gaul – Do you have ways of looking at the qualitative factors behind the quant? Certain communities opposing housing and community opposition? There are explanations behind why you do or don’t see capital flows. So what is behind that?

BT – We were perusing qualitative work with an eye for solutions. The big question was how can we get more. The answer is very grounded in the local economy. In Detroit, in part around the appraisals and the lack of a qualified GM/developer/people to do the work and do it well, sufficient supply, market rents being so low in certain neighborhoods. They still need people to make rent to make these deals work. Investment is often smaller and if they are making a profit that is X percent, the percent isn’t changing as the dollar amount of the deal grows.

LH – In DC labor is also a problem

Scott Gaul- We’re getting so much anecdotal info, but need stronger evidence.

BT – Asset class makes a difference; the answer depends on the asset class– how people measure capital gaps. There are qualitative methods, survey methods.

Scott Gaul- We read the methods paper. It was super helpful and we met with CDFIs and had a list of questions to come in with.

BT – We tried to walk though and show examples of what we measured and have real examples.

Jana Hirsch – How can we align work that we’re doing with issues that come up so quickly and with such a short timeline? This is happening much faster than our research institutes function. Have we seen other groups reduce that gap?

BT – this is a struggle, but NNIP does have a tracking mechanism and shared data. It allows you to respond faster because you have the data and you may have to rerun the data in a different way, but you have the foundation. Theoretically, that should allow you to react a little faster.

Anthony Galvan – we’ve been working with a local org that has a pro-neighborhoods grant from JPMC and they are interested in OZs. We are working with them on an equitable development project. The reality is that this isn’t the space they want to be in. They are interested in the money and not equity, just trying to check a box. The point is that they are interested, but there doesn’t seem to be a space for us. We’re there because it seems like we have to be.

Leah Hendey – Can you bring other advocates to the table?

Anthony Galvan – We need to think about whether or not we can actually work with them.

Katie Zager – What role does the city or local government have in this? Do they have a say in what gets built?

BT – When we calculate the share of investment to the city it is small. Government support is so small compared to the private market and how investment shapes communities. The role of govt is essential and needed, but it has to be smart because they don’t have the same funds as the private market.

Leah Hendey – in DC one of the policies that we’ve looked at is tax evaluation and incentivizing.

Eric Jackson – I understand there is no way that a govt investment would be a blip on the radar – but our new city councilor asked for a map of city investment by neighborhood and we are now rolling out a budget equity tool. It’s new. But the top two capital projects are required to use it. You have to analyze what is the history of the neighborhood and what impact does this investment have. It’s important that we use this equity lens and be able to measure impact.

BT – Most city spending is facilities, schools, police …. I’ve tried to bring in more about what type of investment is happening. Like in Chicago, the white neighborhoods got zero investment. And that looks positive, but not all subsidized housing should be in communities of color.

Jana Hirsch - One thing that might be useful is to think about the two different tracts. And codified classification of the different markets and see how they play out in hot or not hot markets. And each city can have hot or not hot tracts.

Scott Gaul– Connecticut passed legislation around land value taxation, but why don’t many cities us this? There are very few that do. We hear a lot about a lack of mixed use developments and that people steer clear of it. Is this right? Have people looked at this?

BT – I think it would be worth looking into and seeing what the barriers are there

Anthony Galvan – For us, we don’t have a lot of mixed use, but it’s very popular right now

Kate Madison– Zoining and plan development are a huge part of it. We’re getting rid of a lot of normal zoining and switching to plan development. It is nicer because the city is more involved. And has more control.

Anthony Galvan – we use it to relinquish control.

Fabrizio Fasulo – When you look at investment flows in a city is there a conversation at the political level about contributions?

BT – everyone thinks that they’re not getting a fair share. How do you measure that?