Community Best Practices

how to successfully leverage opportunity zones

THE GOVERNANCE PROJECT

CO OEDIT

ECONOMIC INNOVATION GROUP

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Model **Approach** to Opportunity Zones

1 Orient Community around vision for the Zones - develop prospectus

2 Identify Zone-Specific Community Needs

3 Identify Community Resources that Can Be Leveraged

4 Prioritize Projects from the Intersection of Needs and Resources

**5** Advance Priority Projects through Pro Forma Development & RFP Process

Day 1 Agenda

- ❖ **9:30 - 10:00:** Intros, Framing, Examples
- ❖ **10:00 - 10:45:** Identifying Needs, Assets and Stakeholders
- ❖ **10:45 - 11:00:** Break
- ❖ **11:00 - 12:00:** Identifying Good Projects in Opportunity Zones
- ❖ **12:00 - 1:00:** Lunch Presentation – Data: How to Find and Use it
- ❖ **1:00 – 1:15:** Sponsor Presentation - Xcel Energy
- ❖ **1:15 - 2:00:** Building a Local Development Story
- ❖ **2:00 - 2:15:** Break
- ❖ **2:15 – 3:15:** Bringing It All Together
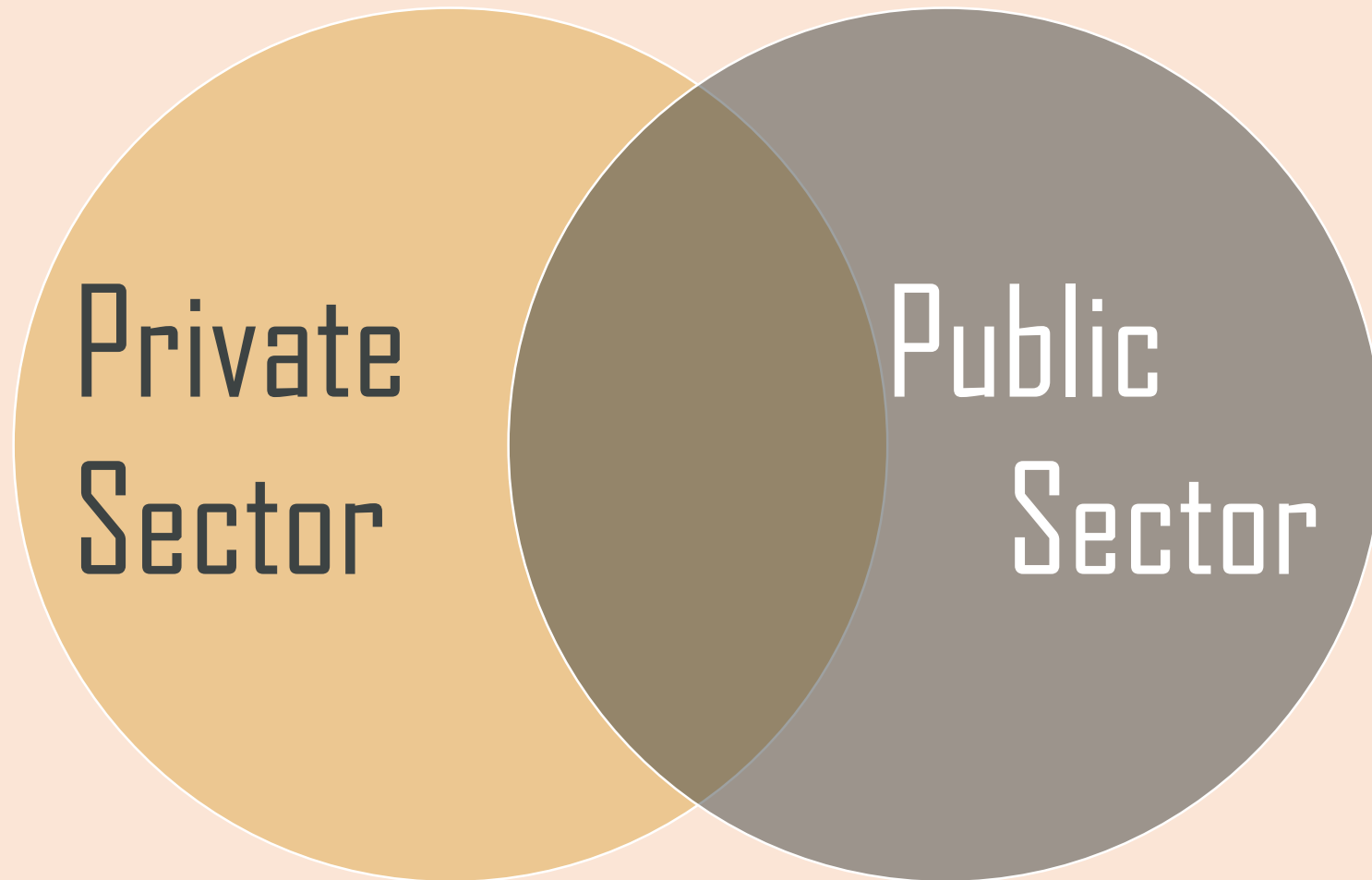- ❖ **3:15-3:30:** Closing and Homework for Next Time

Thinking of Opportunity Zone projects as translating between investors and municipal leaders

Framing the Day

Status Quo Local Development

Private Sector

Public Sector
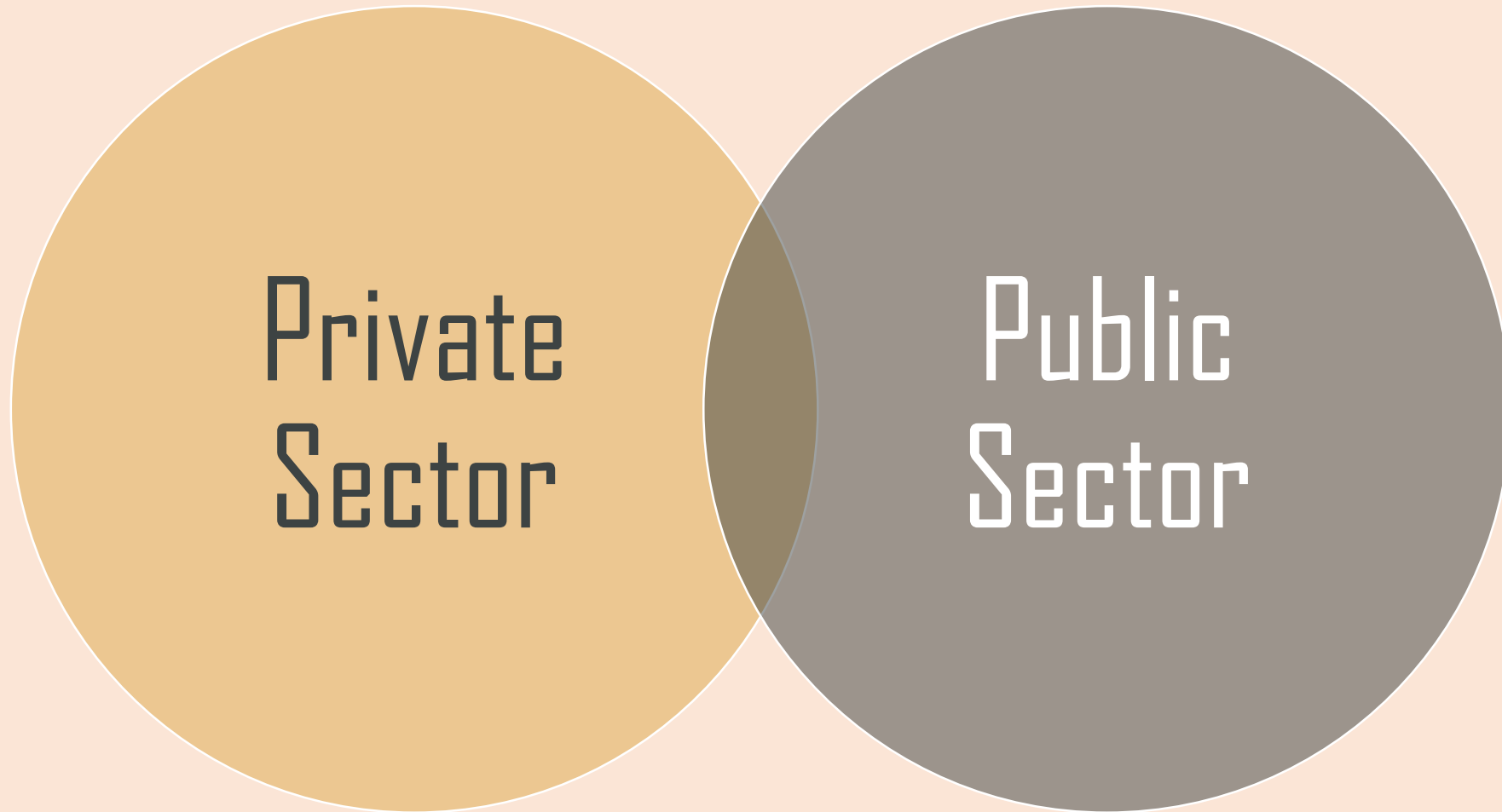
Opportunity Zone Potential for Local Development

Private Sector

Public Sector

What's Required to Achieve This Potential?

Changing the story of development: investors & community coming together to build something that is locally beneficial

Advancing the right projects, which can unite investors, the community, and the local government

Creating a more even playing field between municipal government, developers, and investors.

Understanding and developing creative financing mechanisms for community projects.

How (Most) Investors think about an OZ Investment

Excellent tax incentives to invest, but still seeking risk-adjusted market-rate returns (12% - 15%)

Will attract long-term investments within portfolios, patient capital

Focus project-by-project, since current rules make multi-asset funds difficult

For investors approaching new places, it's not always clear how to find viable projects

Business investment recently became more clear, but implications still unknown

Example: From Engagement to Anchor Development in Erie

Anchor institution engaged

Land donated by key local stakeholders
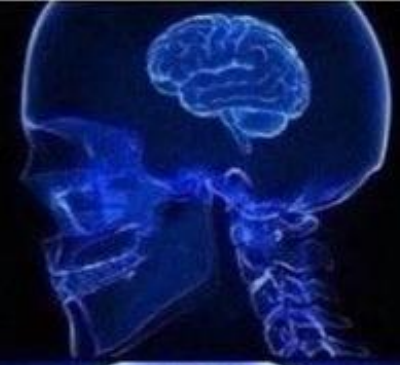
City agrees to help with financing

Surrounding commercial development plan

Needs + Assets = Opportunity

Identifying Needs, Assets, and Stakeholders

Needs + Assets = Opportunity
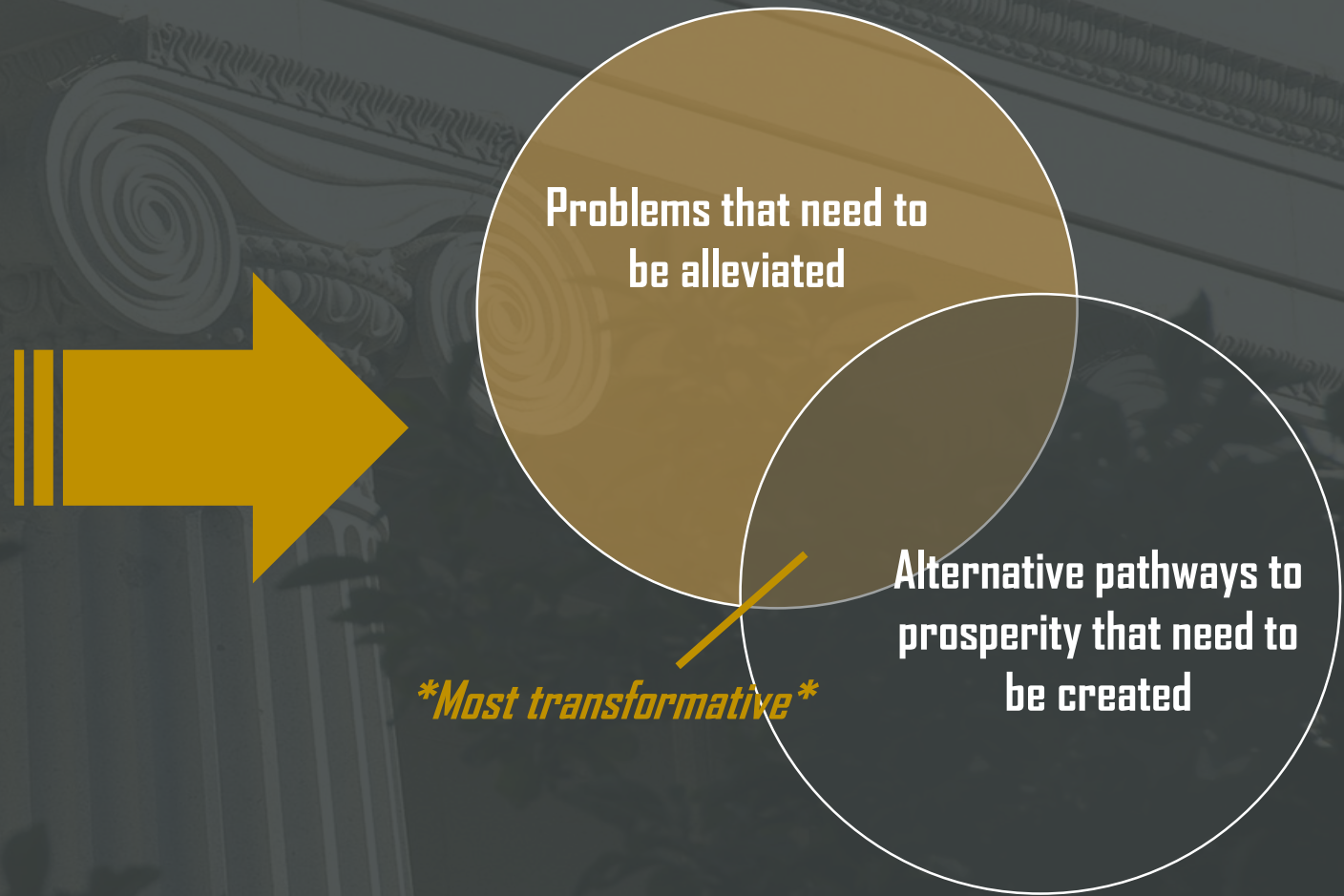
Identifying Needs

1. **Targeted data is necessary to gauge needs:** Local officials should engage universities and state offices to retrieve such data.

2. **Convene stakeholders to establish zone priorities:** Community leaders should bring local parties together to get on the same page about what they want for the zone. This process should make clear that *now* is the time to act and should focus on projects with demonstrated community buy-in.

3. **Focus on lowering downside risk:** Community leaders should guide stakeholders to projects that carry low displacement risks while addressing needs. This often is vacant or brownfield land.

Problems that need to be alleviated

Most transformative

Alternative pathways to prosperity that need to be created

Example: South Bend, Indiana

Problems that need to be alleviated:

- Need to combat population loss

- Need to redevelop swaths of vacant and abandoned land

Alternative pathways to prosperity:

- Need to develop post-industrial growth narrative

- Need to develop cradle to career strategy

Need for an entrepreneurial ecosystem

What are the 2-3 needs for achieving community vision that Opportunity Fund capital could help address?

Activity: Identifying Needs

View from City Hall: Local Resource Categories

❖ **Anchor Institutions:** Higher education, hospitals, churches, natural resources, existing industry, etc.

❖ **Government- Controlled Assets:** City-owned land, buildings, or tax districts

❖ **Key Partnerships:** Non-profit/community groups, chambers of commerce, local champions, etc.

❖ **Human Capital:** Demographic trends, workforce strengths, etc.

❖ **Regulatory Resources:** Zoning codes, planning approval processes, additional incentives, etc.

❖ **Sources of Capital:** Investors, philanthropy, family offices, government funds, etc.

❖ **Success Stories:** Positive examples of transformative growth

In particular, Anchor Institutions are Resource-Multipliers

Colleges & universities, hospitals, and churches are vital community institutions

Anchors can use QOZ for needed expansions

Can develop land and use returns for mission driven purposes

Can elevate role as local and regional anchor

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What are strongest aspects of community that will help attract investors?

Activity: Identifying Assets

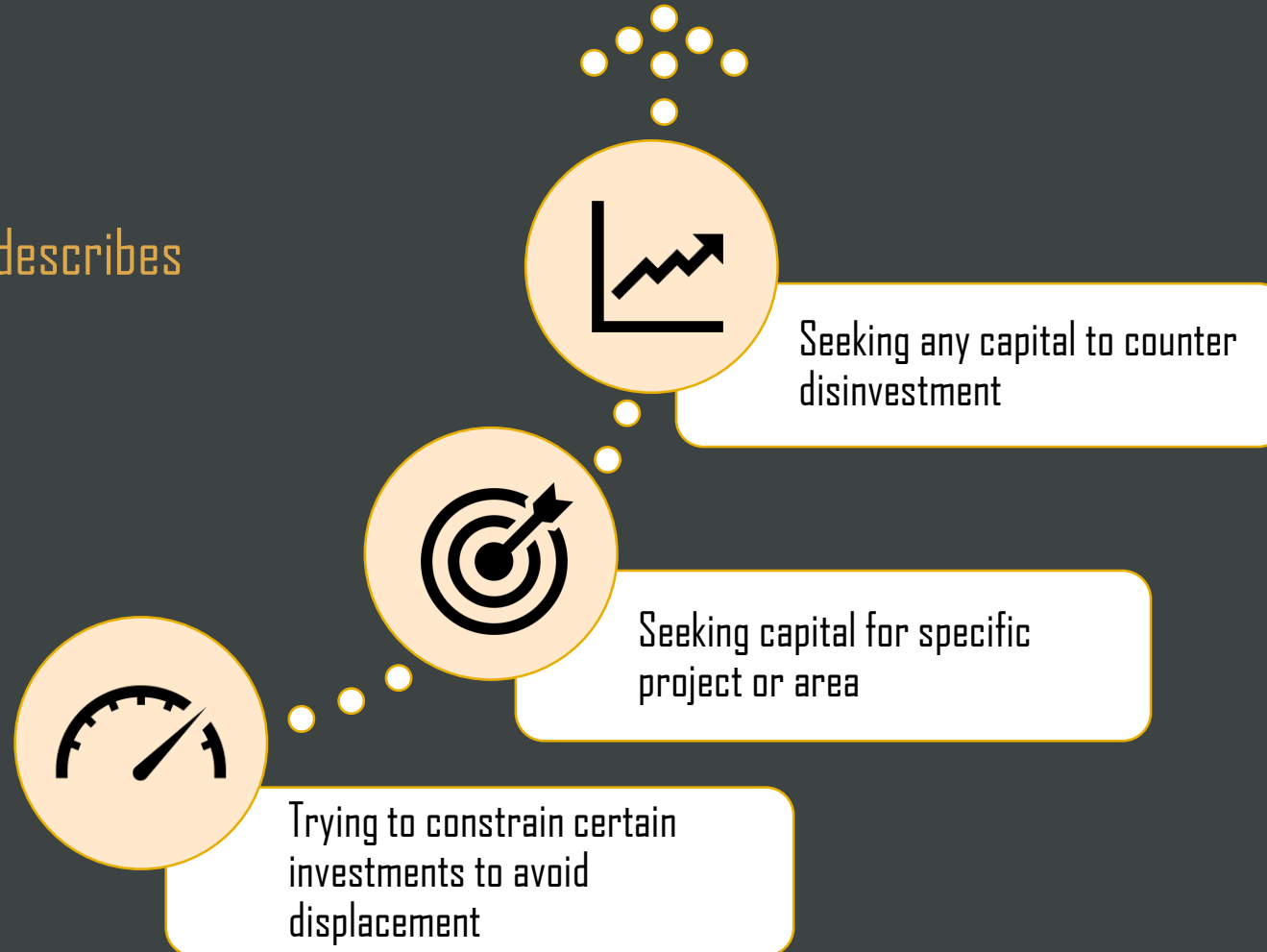Where do needs and assets meet to create potential for projects?

BREAK

Identifying Good Projects in Opportunity Zones

Needs + Resources + Strategy

1. Identify your general OZ strategy

Which strategy best describes your community?

Seeking any capital to counter disinvestment

Seeking capital for specific project or area

Trying to constrain certain investments to avoid displacement

2. Triangulate projects from criteria

Where does project fit within intersection of goals, resources, and needs?
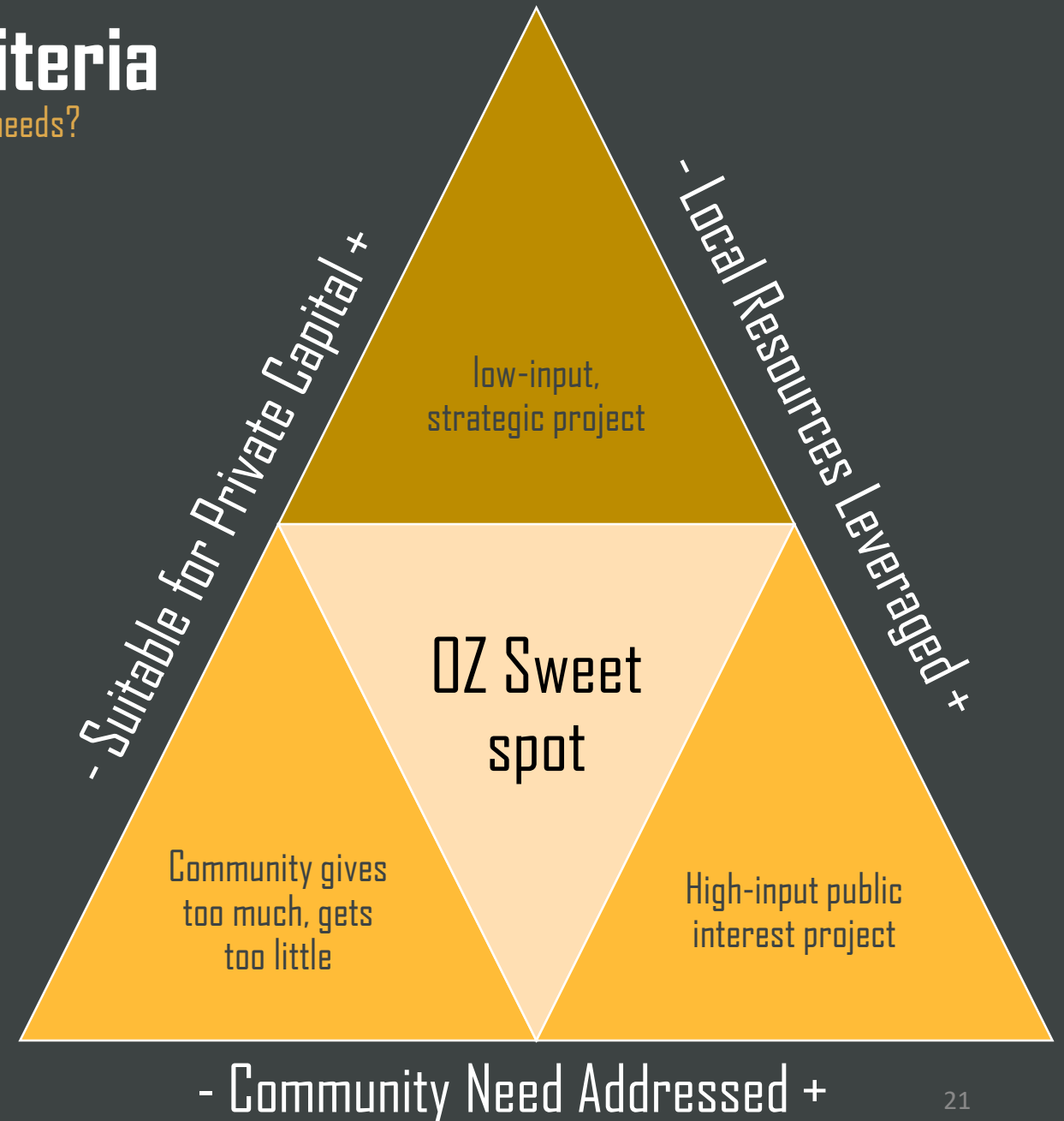
Local resources leveraged: how much are you willing to put on the table, and for what outcomes?

Community needs addressed: how deeply or broadly does this project address prioritized community needs?

Suitable for private capital: where does this project fit within investors' risk preferences? What does the return look like?

- Suitable for Private Capital +

- Local Resources Leveraged +

low-input, strategic project

OZ Sweet spot

Community gives too much, gets too little

High-input public interest project

- Community Need Addressed +

3. Apply Scorecard to Project
Example scorecard with key factors

Economic fundamentals
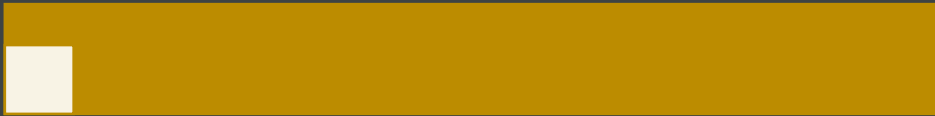
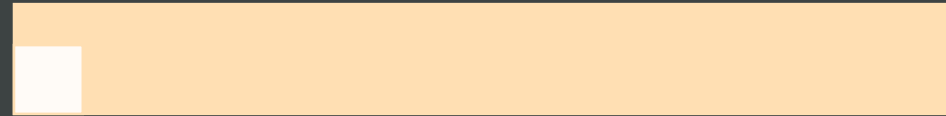- Does the city control the key resources? (e.g., land, building, incubator)

- Is there strong community desire?

- Is it likely to appreciate over 10 years?

- Is there a clear exit from investment?

- Who is the project a strategic investment for?

Need-resource overlap

- Where in the planning process is this project? (conceptual vs. permitted)

- Has a project champion been identified?

- How does the investment story fit within the mission orientation of investors?

- How do these investments fit within the municipality's broader development strategy?

- Which community members benefit from the project? And which will pay the most?

5 Common Pitfalls

1. The brewery-coworking space-café industrial complex

2. "This project will make us the next Silicon Valley"

3. "the neighborhood doesn't realize it wants this yet..."

4. "There are so many interesting projects happening here, any good investor will find them"

5. "This project addresses 7 different missions at once"

Bottom line:

*The best projects meet some **understood, specific, local need** and keep all stakeholders (community, local government, developers, investors) active and engaged.*

Example 1: University Anchored Zone in Delaware

University Targeted in Designation
Governor strategically selects the university tract to leverage impact

Old Chrysler Plant on Campus
Abandoned in 2008, part of U-Del STAR campus development plan
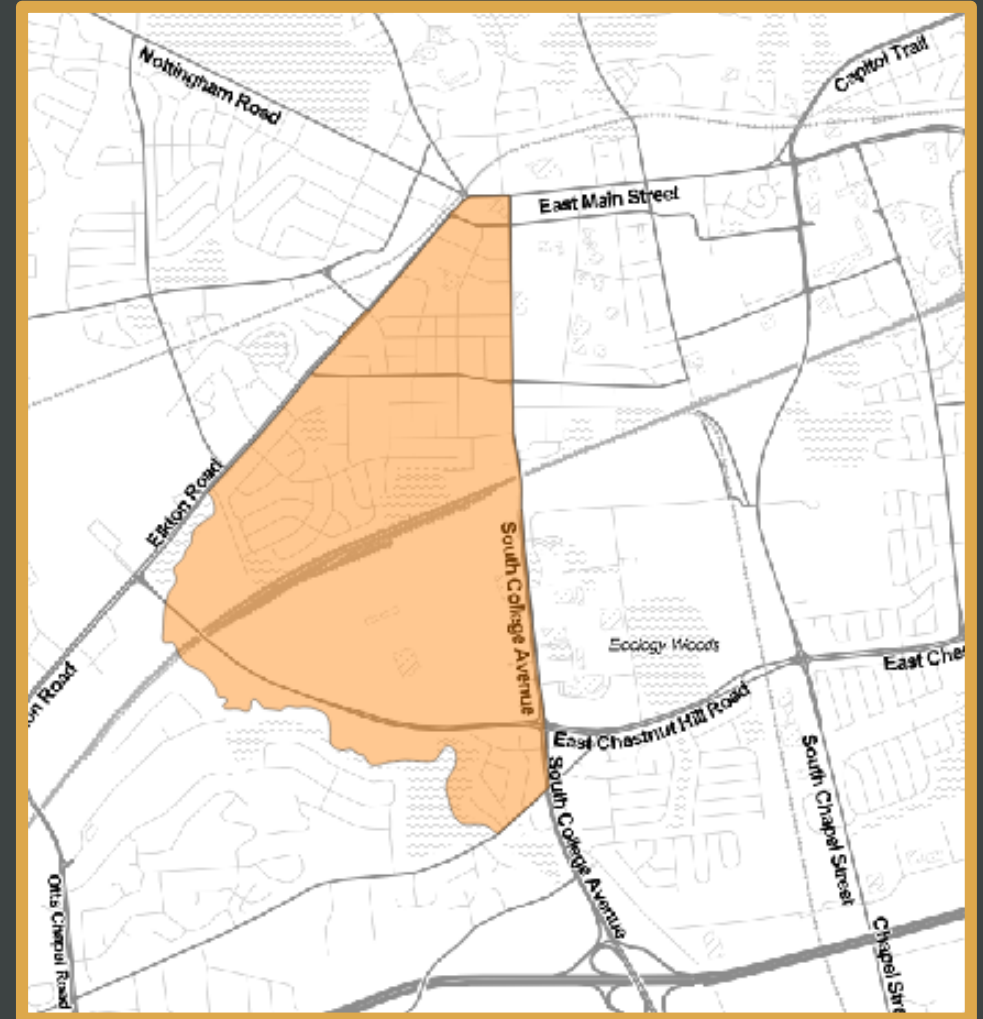
Brought Stakeholders together
Held statewide Opportunity Zone forum on campus in December

Focus on Mixed-Use Development
University hopes to leverage the zone to assist in community presence and create jobs

Example 2: Affordable Housing in Louisville

Prioritize Project from Prospectus
Selected affordable housing as the most workable from those identified in prospectus

Model Capital Stack
Worked with TGP to develop a model for the 10 year returns and capital needs

Find Suitable Public Property
To help project pencil, identified properties that the city could provide below-rate to make project pencil.

LOUISVILLE OPPORTUNITY ZONE PROSPECTUS
A Platform for Action

Prepared by
NEW LOCALISM ADVISORS
in collaboration with
THE CITY OF LOUISVILLE

A project of
ACCELERATOR FOR AMERICA

Example 3: Birmingham's American Life Building

Iconic Local Landmark
The American Life Building's vacancy was a sign of the city's decline

PNC funds & nonprofit partner
The city engages PNC Bank with a nonprofit to provide mission-oriented development

Dedicated workforce Housing
The building is funded to be redeveloped as housing at workforce rates with a portion dedicated to formerly incarcerated individuals.

What are the 3-5 most important projects?

Activity: Prioritizing Opportunity Zone Projects

Lunch Presentation

Data: where to find it and how to make it meaningful

Thank you to Xcel Energy!

Sponsor Presentation

Hearts + minds + the bottom line

Building a local development story

Three Elements of a Compelling Project Narrative

What is innovative?

This part of the story shows how and why the project special, new, and creative. It explains what the project is and why it's a good, and unique, fit for this particular place.

What is traditional?

This part of the story lets the people know the project is not too "out there." It shows the project as the next logical extension of either an asset class, a place's history, or a development trajectory.
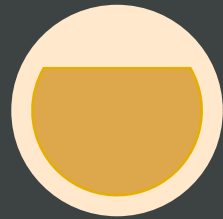
What is next?

This part sets the story in motion. It shows anyone reading why this project matters and what they can do to support it.
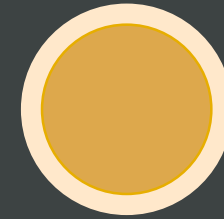
Different ways to theme a project's narrative
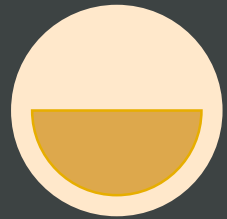
Geographical Focus

- ❖ Innovation hub
- ❖ Downtown Business District
- ❖ Logistics Hub

Historical Focus

- ❖ "The home of the energy transition"
- ❖ The Conant Thread District
- ❖ "The future of manufacturing"

Combination Focus

- ❖ "Bourbonism"
- ❖ Civil Rights District

Logistics Hub

Stockton's **central location** has made it an ideal location for manufacturing and distributing goods – serviced by the Port of Stockton; Burlington Northern Santa Fe Railway; Union Pacific Railroad; Stockton Metropolitan Airport and major highways; including Interstate 5, Highway 99 and Highway 4.

CONANT THREAD

WHY HERE — TRANSIT HUB — FOR DEVELOPERS — NEWS — MAPS — CONTACT

BOURBONISM
A new and rapidly growing year-round tourism draw

The Assets
- Louisville is the official start of the Kentucky Bourbon Trail
- 1.4 million visitors a year
- Nine distilled spirits attractions in a growing Bourbon District

The Opportunity
- Invest in the "Napa Valley of Bourbon," with distilleries, attractions, and adjacent hospital

2 Takeaways:

1. The scope of the story should match the scope of the project.

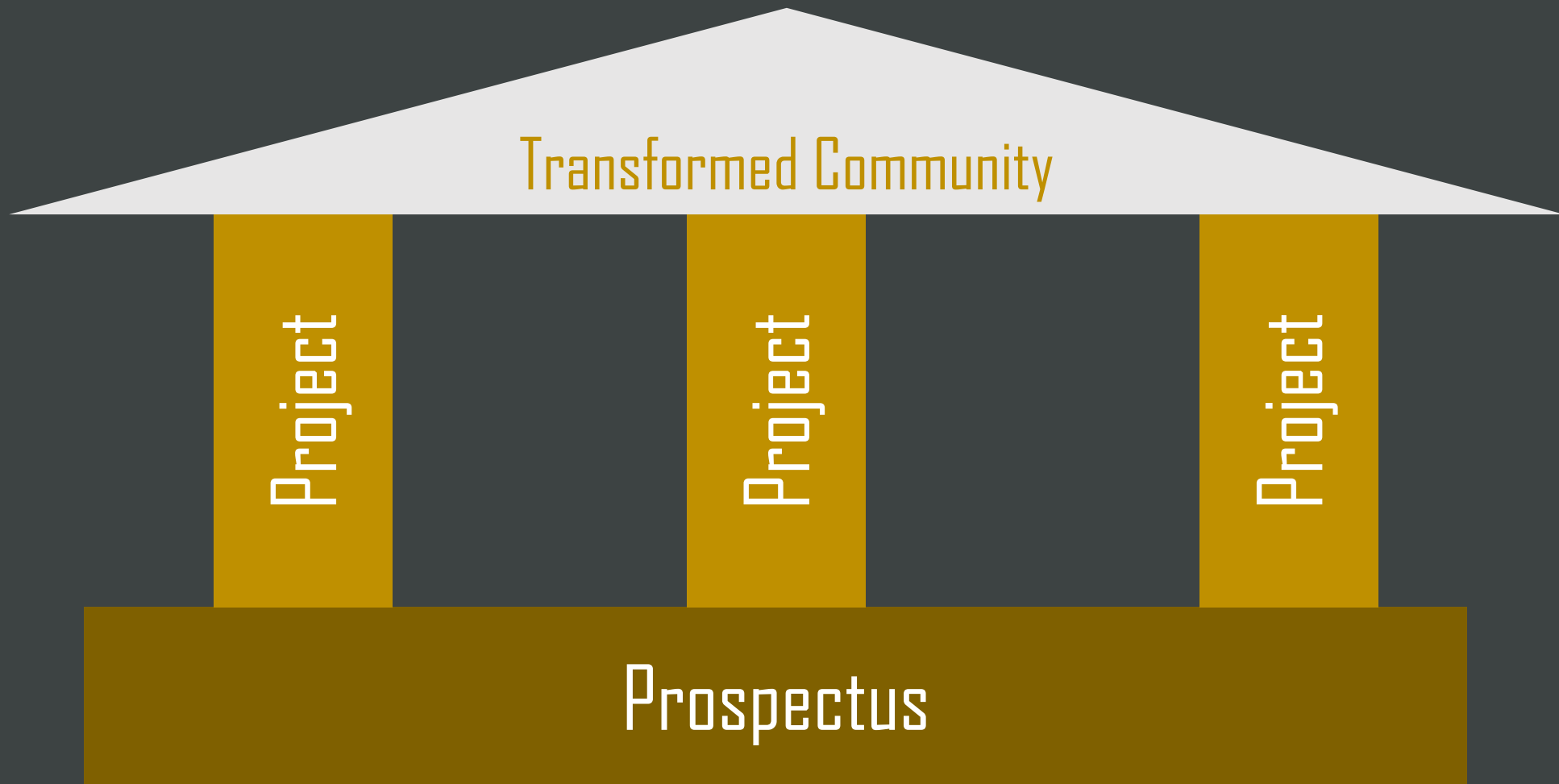2. A good story will not make a financially bad project work, but a bad story can sink a financially good project.

Build a 30-second elevator pitch for a priority project.

Activity: Developing your story

BREAK

Developing an action plan

Bringing it all together

Transformed Community

Project Project Project

Prospectus

We built the foundation today...but there's still work to be done

Important Resources

Data Sources
- Opportunity360 - https://www.enterprisecommunity.org/opportunity360
- State Demographers Office - https://demography.dola.colorado.gov/
- Census Bureau Site - https://www.census.gov/
- Bureau of Economic Analysis - https://www.bea.gov/

Grants
- DOLA Planning Grants - http://choosecolorado.com/wp-content/uploads/2018/08/OppZone-1.pdf
- OEDIT Technical Support Grants - https://choosecolorado.com/wp-content/uploads/2019/03/OZ-Technical-Support-Grant_March-2019.pdf
- EDA Grants
- HUD Grants

Policy Frameworks
- OZ Impact Framework - https://ozframework.org/
- Equitable Economic Development - http://www.policylink.org/sites/default/files/
- OZ Policy Strategies and Opportunities - http://choosecolorado.com/wp-content/uploads/2018/08/Opportunity-Zones-Policy-Strategies-Opportunities-updated.pdf

Fact Sheets
- Opportunity Zone Fact Sheet - https://eig.org/wp-content/uploads/2018/07/Opportunity-Zones-Fact-Sheet-7.6.18-Update.pdf
- IRS FAQs - https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions

What are you going to do to advance priority projects?

Activity: Developing your Action Plan

Financial Service Providers

Entrepreneurs

Banks / CDFIs

Developers

Property Owners

Wealthy Individuals

Foundations / Philanthropy

Opportunity Zones can be a **hook** to begin conversations with critical stakeholders

Consider having an OZ Convening if you haven't already

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Prospectus Action Plan

Action	Due Date
❑ Finalize community story	
❑ Compile data to support story	
❑ Lay out information in clear, compelling way (can be document or website)	
❑ Identify priority projects	
❑ Share with community for feedback	
❑ Complete draft prospectus	June 13th

Project Action Plan – for 1-3 Priority Projects

Who Do I Need to Get Involved?			When am I Going To Contact Them?
Project Leaders	Developers / Entrepreneurs		
	Community leaders		
Policy Makers	City/County Officials		
	State policymakers		
Potential Investors	Local investors		
	Local family offices		
	State and national philanthropies		
Service Providers	Accountants		
	Lawyers		
	Consultants/researchers		

"I'm going to need a developer…who are the first three people I can call?"

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Closing

1. Draft Prospectus

2. Identify 3-5 Priority OZ Projects

3. Identify 1-2 projects to workshop on June 13th & invite project lead(s)

Homework for next time

THANK YOU
questions and comments welcome

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