

# **From Transactions to Transformation: How Cities Can Maximize Opportunity Zones**

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# How Cities Can Maximize Opportunity Zones



# Opportunity Zone Tax Incentives

The Tax Cuts and Jobs Act has established  
New Internal Revenue Code Section 1400Z – Opportunity Zones

- This section allows any taxpayer to defer paying tax on capital gains from the sale of property if those gains are timely invested in Qualified Opportunity Funds (QOF).
- A QOF must invest 90% of its assets in businesses located or property used in a low-income community.
- If investors invest for ten years, they also pay no capital gains tax on the appreciation on that investment

# Why Cities Must Act

- The Tax Cuts and Jobs Act of 2017 does not provide any guidance on the role of cities or localities.

*“Yet city governments and other local entities have a complex set of powers, resources, assets and relationships which, if smartly deployed, could help leverage the Opportunity Zone incentive to shape markets and maximize economic and social outcomes.”*

# 7 Principles for City Action

1. See the big picture
2. Act as networks, not as governments
3. Identify the distinctive competitive assets and advantages of Opportunity Zones
4. Balance rewards and controls, incentives and protections
5. Structure strong, inclusive partnerships
6. Link market investments to investments in human capital and other strategies that maximize impact for low-income residents
7. Use Opportunity Zones as a catalyst for modernizing local institutions

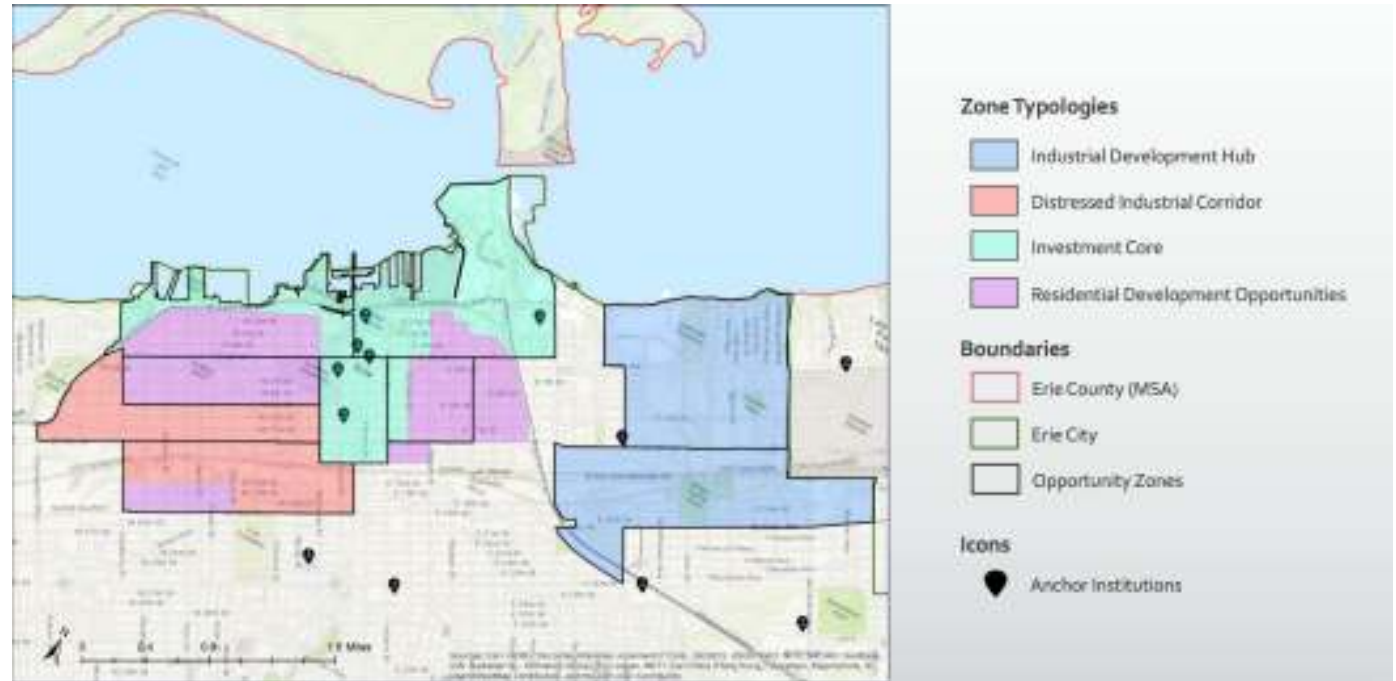
# Ten Steps Toward Transformative Impact

1. Design and market an *Investment Prospectus*
2. Maximize economic impact of anchor institutions
3. Maximize the economic impact of publicly owned assets
4. Accelerate employment density and smart place making
5. Ensure Opportunity Zone infrastructure is of high quality
6. Align city investments/decisions with Opportunity Zones
7. Support local entrepreneurs
8. Help local residents obtain skills
9. Support production/preservation of affordable housing
10. Create modern institutions

# Step One: Investment Prospectus

Develop an *Investment Prospectus* to:

- Set the economic and governance context
- Unveil distinctive assets of Opportunity Zones
- Catalyze Inclusive growth



*Opportunity Zone Typologies  
Erie, PA*

## Step Two: Anchor Institutions

- Serve as local clearinghouse
- Directly invest in Opportunity Funds / other Funds
- Encourage alumni Opportunity Funds



*Hazelwood Green Masterplan  
Pittsburgh PA*



## Step Three: Public Assets

- Identify ownership
- Bundle properties
- Maximize community benefits



*West Side Heights redevelopment renderings  
Newark, NJ*

## Step Four: Accelerate employment density and smart place-making

- Spur co-location
- Enhance commercialization
- Animate public and private spaces
- March zoning to new uses



*Bailey Park, Wake Forest Innovation Quarter  
Winston-Salem, NC*

# Step Five: Infrastructure

- Reimagine Uses
- Highlight lesser known Infrastructure
- Provide TIF for critical infrastructure projects



*Adaptive reuse developments  
Lowell, MA*

# Step Six: Align Resources

- Single point of application
- Fast track entitlements
- Reporting mechanisms



*City of Chicago's Tax Increment Financing Portal*

## Step Seven: Help entrepreneurs

- Set up clinics for legal/capital advice
- Enforce inclusionary requirements



*Youngstown Business Incubator  
Youngstown, OH*

# Step Eight: Work Skills

- Design and implement cradle-to-career initiatives
- Better link Employers and workers



*Challenges & Opportunities of the West Philadelphia Skills Initiative Philadelphia, PA*

# Step Nine: Affordable Housing

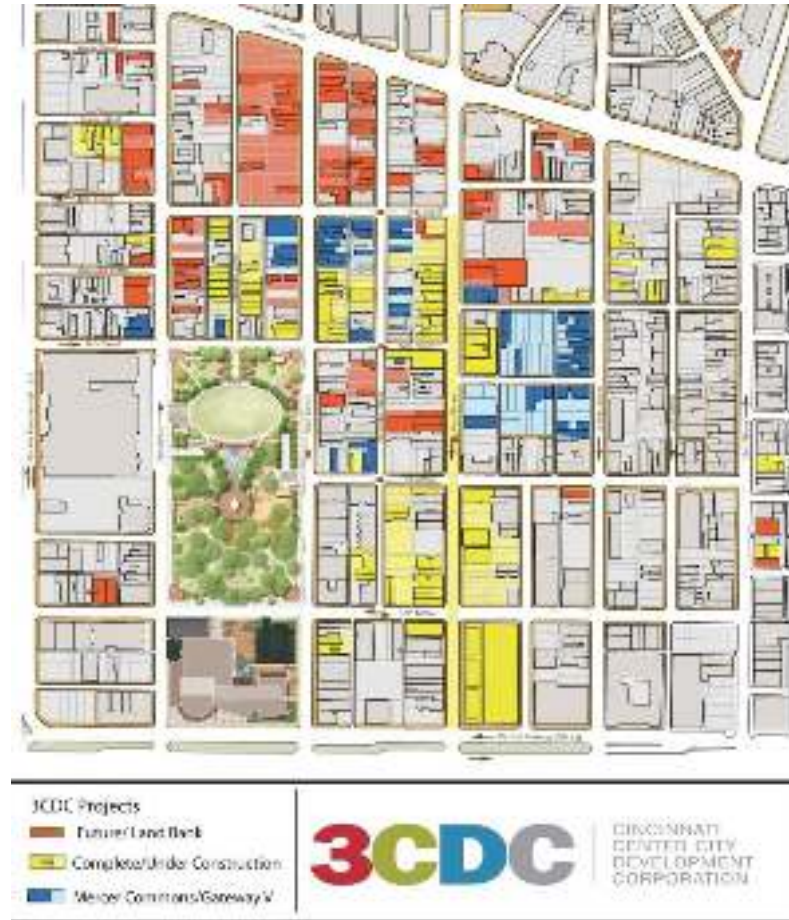
- Maximize impact of existing intermediaries and institutions
- Spur workforce housing
- Join-up Capital sources



*Oxford Mills  
Philadelphia, PA*

# Step Ten: Institutional Transformation

- Conduct institutional scan
- Create modern institutions
- Explore new governance structures



*3CDC focus area in the Over-the-Rhine neighborhood Cincinnati, OH*



# Organizing for Success

- Establish Task Force
- Be an Open Front Door for Investors
- Designate a Lead
- Keep Score
- Engage Community



*Community Partners in Pennsylvania's Flagship Opportunity Zone  
Erie, PA*