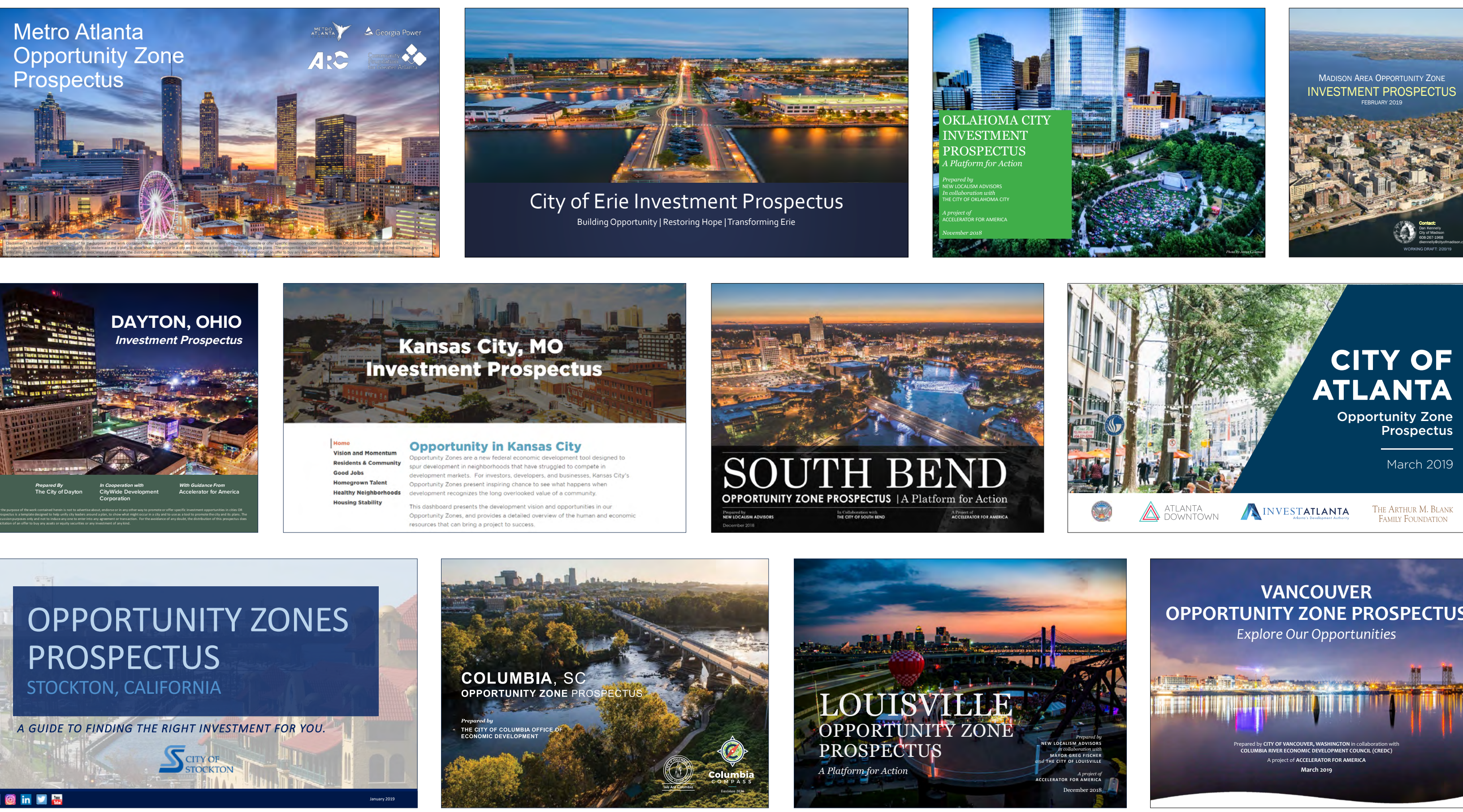
The Opportunity Zone Investment Prospectus:

Early Observations & Next Steps

Co-Authors: Bruce Katz, Rick Jacobs, & Aaron Thomas



DREXEL UNIVERSITY
Nowak Metro Finance Lab
Lindy Institute for Urban Innovation

ACCELERATOR FOR AMERICA

CONTENTS

FOREWORD

The Tax Cuts and Jobs Act of 2017 provides a new incentive—centered around the deferral, reduction, and elimination of capital gains taxes—to spur private investments in low-income areas designated by states as Opportunity Zones. Given the significant interest among investors, it is possible that this new tax incentive could attract hundreds of billions of dollars in private capital, making this one of the largest economic development initiatives in U.S. history.

The broad objective of this new tax incentive—expanding economic opportunities for places and people left behind—cannot be achieved by the market and outside investors alone. Cities in the broadest sense—local governments for sure but also universities, philanthropies, employers, local financial institutions and community development organizations—will need to act with deliberation and purpose if Opportunity Zones are to spur growth that is inclusive, sustainable and truly transformative for each city's economy.

To enable such intentional action, Accelerator for America engaged New Localism Advisors a year ago to create a replicable product—an ***Opportunity Zone Investment Prospectus***[i]*—to enable cities, counties and states to communicate their competitive advantages, trigger local partnerships and identify sound projects that are ready for public, private and civic capital. Our aim was to help communities and investors get smarter and more precise about the broad range of investment possibilities that exist in Opportunity Zones and, literally, help make and shape markets where there were none.*

Accelerator for America and New Localism Advisors initially worked with mayors in five cities—Joe Schember in Erie, Greg Fischer in Louisville, David Holt in Oklahoma City, Pete Buttigieg in South Bend and Michael Tubbs in Stockton—to invent the Opportunity Zone Investment Prospectus and design and publish the first versions of the tool. We also released an Opportunity Zone Investment Prospectus Guide in November, 2018 to enhance the potential for replicability across multiple cities.[ii]

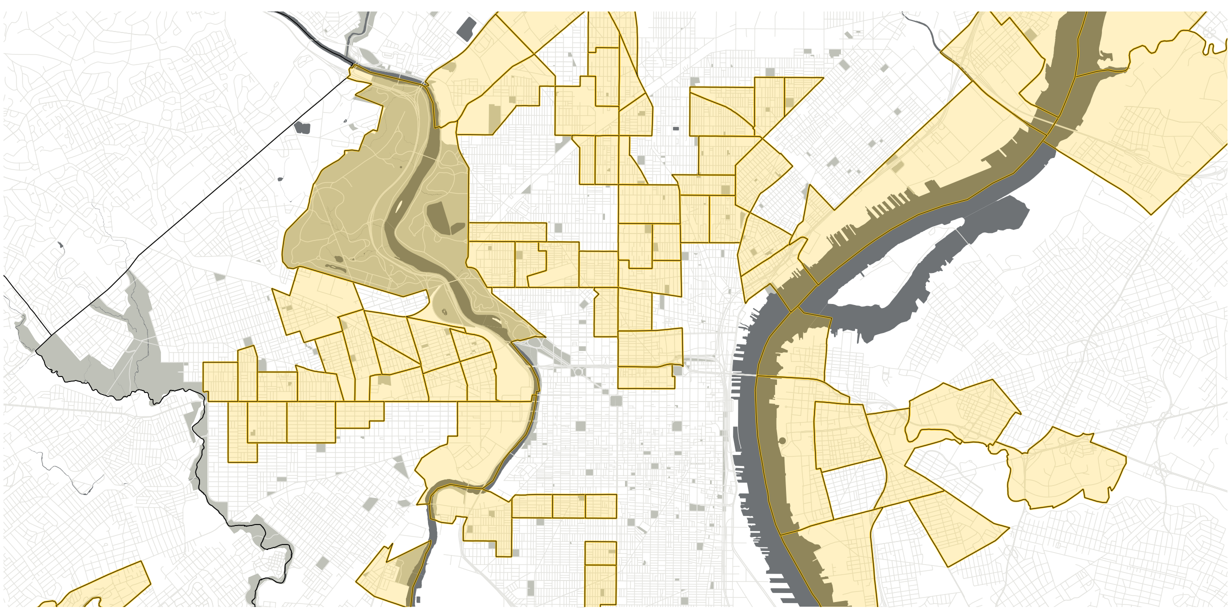


Figure 01: Opportunity Zones in central Philadelphia and surrounding region.

As of March 2018, more than twenty-five cities have used this common template and format to develop their own versions of an Opportunity Zone Investment Prospectus.[iii] A full list of these first mover cities is contained under Appendix A. While cities have largely constituted the first wave of Prospectus adopters, the tool is already being applied at the metropolitan and neighborhood scales and could form a useful tool for states and rural counties.

Five observations emerge from these early efforts:

1. *The Investment Prospectus has become a means for* ***organizing disparate stakeholders in cities around common purpose.***
2. *The Investment Prospectuses created to date represent a* ***diverse cross-section of urban communities,*** *by population size, market condition and region.*
3. *The Investment Prospectuses* ***share common typologies of Opportunity Zones,*** *with similar spatial locations, market characteristics and competitive assets.*
4. *Many Investment Prospectuses have "gone the last mile" and* ***identified concrete projects that are both investor ready and community enhancing.***
5. *The Investment Prospectuses have become a vehicle for* ***mobilizing public, private and civic powers and resources*** *in ways that can leverage the full economic and social impact of the Opportunity Zones incentive.*

These early observations, in turn, inform the next stage of community action around Opportunity Zones. Five "next steps" are of critical importance.

1. *The Investment Prospectus tool should be* ***adopted by hundreds of communities,*** *empowering cities to advance local priorities as well as exercise collective market power.*
2. *The Investment Prospectus tool, fully realized, should yield a major* ***data dividend*** *and reward cities that collect and marshal data in ways that unveil hidden market potential, catalyze private investment and drive inclusive growth.*
3. *The Investment Prospectus should drive a common methodology –* ***a financing charrette*** *– for public, private and civic practitioners to sit together and work through different financing scenarios for concrete deals that have the potential for transformative social impact.*
4. *The Investment Prospectus tool should drive* ***a new system of community development*** *that moves beyond the production and provision of affordable housing to include a focus on growing locally-owned businesses, equipping residents with the skills they need and building wealth.*
5. *The Investment Prospectus tool should enable broader* ***health, energy and social outcomes*** *for disadvantaged people and places.*

The Investment Prospectus provides a new way for localities to think about their strengths rather than passively awaiting the market to decide how to deploy capital. We hope that these early observations and strategies for next steps helps communities make this new tool the norm rather than the exception.

BACKGROUND

Section 1400Z of Internal Revenue Code, amended by The Tax Cuts and Jobs Act of 2017, allows a taxpayer to defer paying federal capital gains tax on the sale of property if that gain is invested in a Qualified Opportunity Fund (QOF). A QOF must invest at least 90% of its assets in businesses or property in designated low-income communities known as "Opportunity Zones." In addition, taxpayers that hold investments in those funds for at least five years receive a 10 percent reduction in their original capital gains tax obligation; holding investments at least seven years adds an additional 5 percent reduction for a total of 15 percent; finally, holding an investment a full ten years means taxpayers do not have to pay any capital gains tax on the appreciation of the new investment.

The federal law directed governors to select Opportunity Zones from an eligible group of low-income census tracts. As of April 2018, governors in all 50 states, the District of Columbia and Puerto Rico had designated more than 8,700 Opportunity Zones across the nation.

To enhance economic and social impact, Accelerator for America and New Localism Advisors developed an Opportunity Zone Investment Prospectus tool to help cities communicate the distinctive assets and advantages of their selected Opportunity Zones and, to the greatest extent practicable, tease out specific investable projects and propositions. We believe cities are best positioned to answer a fundamental question: what gives disparate Opportunity Zones their market traction and potential? Providing this information will help cities harness local tax advantaged capital as well as attract regional and national capital—particularly as large national, multi-investor funds are formed.

More broadly, an Investment Prospectus can help cities organize their stakeholders around a unified vision of inclusive growth and catalyze better investments and decisions—for example, the infrastructure, place-making or skills-to-work investments of the public sector or the location decisions of public, private or non-profit institutions. To this end, smart Opportunity Zone strategies can leverage resources that are driven by the fundamentals and possibilities of the local market and by larger sources of local capital that do not directly benefit from this federal tax incentive.

Figure 02: Investor benefits from the Opportunity Zone Tax Incentive explained. From the Columbia, SC Opportunity Zone Prospectus.

The Investment Prospectus, as originally designed, contains the following common elements:

Set the Economic Context: All Opportunity Zones exist within the broader context of urban and metropolitan areas as well as broader regional economic ecosystems. To that end, an Investment Prospectus should situate the Opportunity Zones on several levels. It should set the economic context for the Opportunity Zones, providing information on driving clusters, sectors, institutions and companies that define the raison d'etre of a given place and unveil the strongest economic growth opportunities given general trends and dynamics. It should explore recent trends in entrepreneurship, company formation and growth and venture funding.

Set the Governance Context: An Investment Prospectus should also act as an introduction to city governance, providing an overview of government structure/leadership, indicating which state and local entities (and who in particular) are in charge of the Opportunity Zone effort and making transparent any local resources and incentives. To the greatest extent practicable, such information should be made available on a widely promoted website.

Drill Down into Zones: After setting the context, an Investment Prospectus should present a granular assessment of the competitive position and prospects of each Opportunity Zone. To that end, information should provide specificity on growth dynamics, investment patterns and catalytic projects. To the greatest extent practicable, an Investment Prospectus should clearly show how the attributes of particular Opportunity Zones relate to the contextual macro strengths of the city and metropolis. For example, cities should discuss Opportunity Zones' strategic location near infrastructure or areas of economic growth, the availability of land and buildings for economic use or the presence of anchor institutions like universities, hospitals and major employers.

Given that "capital follows capital," an Investment Prospectus should identify public, private and civic initiatives that have already been undertaken in Opportunity Zones. These should include public investments in transportation (e.g., roads, transit) and other infrastructure, company expansions and investments in capital assets, university support for centers of excellence, commercialization and entrepreneurial assistance, the designation of Innovation or other special Districts, the transformation of public or assisted housing, the creation of special high schools or workforce intermediaries, and the design and implementation of "buy-local" procurement efforts by major employers.

Catalyze Inclusive Growth: Given the intent of this tax incentive, an Investment Prospectus should also strive to show how each city is working to maximize economic benefits for low and moderate-income people and places. The Prospectus should, at a minimum, include an analysis of human capital issues in each city/community and show how skill building connects to capital investment dynamics. While there are many dimensions to poverty reduction, cities should focus on how to best increase income across the population by upgrading the education and skills of children and young adults, who will become part of the workforce during the life of this tax incentive.

Go the Last Mile: An Investment Prospectus should identify concrete projects that are both "investor ready" and "community enhancing." Investor ready might include projects (on the real estate side) that have site control, design specifics, a detailed construction budget, adequate financial analysis and alignment with city plans and zoning. Community enhancing might include, at a minimum, projects that show attention to community needs, have had meaningful community engagement, will create jobs that can be filled by local residents and are transparent around resource allocation. The ultimate goal is to create a system of community development that continuously unveils a pipeline of projects or businesses that meet the criteria expressed above and has a demonstrable impact on income growth and wealth building among low- and moderate-income residents.

Enable Accountability and Reporting: An Investment Prospectus should rely on objective quantitative evidence as well as qualitative local knowledge. To the greatest extent practicable, it should use readily accessible data that can help investors uncover investable projects and help cities and their stakeholders build inclusive growth strategies and create new (or repurpose existing) institutions to market Opportunity Zones, leverage public, private and civic investments and enhance the linkage of local residents to resulting employment opportunities. The robust use of national data that is locally relevant will also help cities build accountability systems to measure Zone performance and inclusive growth outcomes.

EARLY OBSERVATIONS

Five early observations emerge from our engagement with dozens of cities and our review of dozens of Investment Prospectuses.

Observation One

The Investment Prospectus has become a means for organizing disparate stakeholders in cities around common purpose.

Maximizing the potential of Opportunity Zones requires the full engagement of different sectors and stakeholders which can leverage their collective assets and align their collective decisions. The evidence-driven nature of this tool enables public, private, civic and community leaders to get a collective "consensus on reality"[iv] and articulate locally-led visions for renewal and investment. No one sector is large enough, resourced sufficiently or empowered to do all that is necessary to realize the full economic and social potential of this tax incentive; this must be a product of network governance.

Successful cities thus must organize for success—within government and across multiple sectors—to ensure that the broad array of powers and resources that cities possess can be smartly deployed in the service of Opportunity Zones. Residents in the communities that have been designated as Opportunity Zones should also be informed, engaged and consulted.

Cities have taken a variety of approaches in developing their Investment Prospectuses. In cities like Columbia, South Carolina, Louisville, Oklahoma City, South Bend and Stockton, strong-willed mayors drove the development of the Investment Prospectus, directing public or quasi-public staff to carry out the necessary data collection and analysis tasks.

Other cities pursued a task force approach, organizing their "grass-top" organizations to build the Investment Prospectus. A review of Erie's Investment Prospectus[v] shows the impressive collection of public, private and civic institutions that contributed to the building of the tool and the aggressive marketing that has followed.

Kansas City followed an intensive process that combined task force and working group meetings with outreach to both community residents (to gauge their priorities) and potential investors (to gauge their expectations). Dozens of interviews were conducted to source projects that are both investor ready and community enhancing and thus bridge the gap between community advocates and capital allocators.

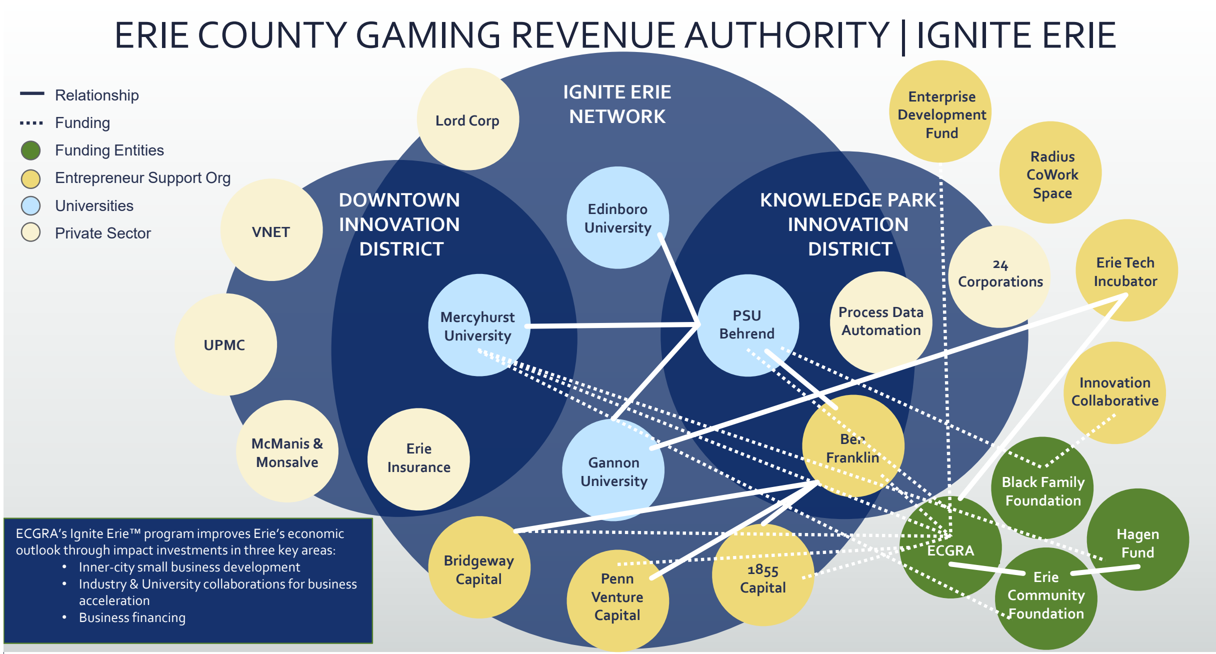


Figure 03: Diagram illustrating the institutional connections of the Erie County Gaming Revenue Authority's 'Ignite Erie' program. Ignite Erie is one of several inter-agency collaborations between public, private and civic institutions highlighted in Erie's investment prospectus.

In some cities, philanthropies have played a substantial role in the development of a Prospectus. Foundations often possess the community legitimacy necessary to convene disparate urban stakeholders around hard challenges and intriguing possibilities and have the respect for evidence-driven decision making that is the hallmark of the Investment Prospectus tool.

In Atlanta, the Blank Foundation convened major public, private and civic stakeholders in Atlanta in December 2018 to drive a unified narrative around Opportunity Zones. This convening ultimately catalyzed the creation of Prospectuses at both the city and metropolitan levels. In Kansas City, the Kauffman Foundation engaged New Localism Advisors and Blueprint Local to craft an Investment Prospectus for Kansas City in close collaboration with the city government and leading private, civic and community leaders and institutions. In Baltimore, the Abell Foundation issued a grant to the Baltimore Development Corporation to hire an Opportunity Zones Coordinator. Enhancing the capacity of that key organization was critical to the development of the Baltimore Investment Prospectus.

Observation Two

The Prospectuses created to date represent a diverse cross-section of urban communities, by population size, market condition and region.

Even a cursory review of the cities that have developed Investment Prospectuses to date show a wide variety of economic starting points and advantages.

Dayton, Ohio, Erie, Pennsylvania, and South Bend, Indiana, for example, are relatively small, older industrial cities located in the Midwest that are generally characterized in the national media by their experiences over several decades with deindustrialization, depopulation and, most recently, the housing foreclosure crisis. Yet each of these cities possesses distinctive assets (e.g., exceptional universities, committed anchor companies, strategic locations, collaborative leadership) that could form the basis of sustained economic renewal. The level of mayoral leadership, institutional investment and imaginative projects is truly inspiring and deserves broad national exposure.

Atlanta, Georgia, Kansas City, Missouri, Louisville, Kentucky, Norfolk, Virginia and Oklahoma City, Oklahoma are cities with better performing economies but historic, culturally rich African American neighborhoods that were the targets of urban renewal and divisive freeway construction decades ago and have been battered by disinvestment ever since. Each city has made the inclusive regeneration of these communities the priority for Opportunity Zones.

San Jose, California and Seattle, Washington are "hot" markets with enormous traction in advanced industry and next generation technologies. Both cities are experiencing rapid gentrification and are working to exercise strong leadership, impose progressive public policies and engage across multiple sectors to ensure that Opportunity Zone investment can flow in responsible ways.

Each of these disparate cities, in short, have used the Investment Prospectus to project its authentic self, grounded in hard evidence and local knowledge. The Investment Prospectuses for each city reveal highly distinctive economies with diverse histories and pathways for growth and investment, which yield different possibilities for public, private and civic investors.

Observation Three

The Prospectuses share common typologies of Opportunity Zones, with similar physical locations and layouts, market characteristics and competitive assets.

While the Investment Prospectuses have been written by and for individual cities, they have revealed repeated spatial patterns across places. This is because cities and metropolitan areas more broadly have followed similar development patterns in the United States. Many of the Opportunity Zones throughout the country are located in areas of the city (e.g., central business districts, anchor districts, industrial districts and port districts) which have both high concentrations of employment as well as qualifying levels of poverty, exhibiting market traction and social need.

Each of these areas have distinctive qualities and characteristics. Central business districts or downtowns, for example, are generally located along waterfronts and house large public and private sector employers as well as

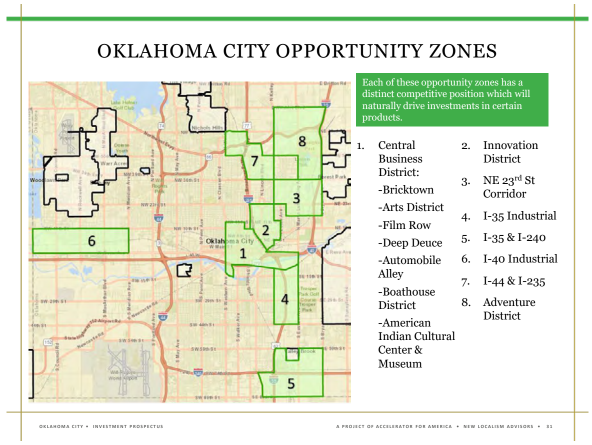


Figure 04: In their prospectus, Oklahoma City highlights specific zone opportunities based on their typology.

entertainment venues, convention centers and amenities like hotels and restaurants geared to tourists, workers and residents alike. In anchor districts, generally located in midtown areas of the city, or areas adjacent to downtowns, universities and other institutions, such as hospitals, other medical facilities and research centers, are the dominant landowners. Industrial districts are generally located on the periphery of downtowns near road, rail, and water transportation infrastructure, with (depending on the city), old (and recently revalued) production and manufacturing facilities, warehouses and car dealerships.

The preponderance of census tracts and, by extension, Opportunity Zones, are located in residential communities. Many of these communities have been racially segregated for decades and are generally bereft of the kinds of market investments in housing, retail and general amenities which are common and routine in other parts of the city and metropolis. These neighborhoods are generally characterized by high poverty, high levels of abandoned or foreclosed property and low business demand. Yet these communities are often located near nodes of growth and have "good bones" (e.g., road networks, historic properties) that can be leveraged.

New Localism Advisors has created a typology of census tracts across the country that uses the ratio of jobs to residents to unveil the special economies and investment possibilities of distinct urban geographies.[vi] This raises the intriguing prospect of grouping similar kinds of Zones into asset classes and investment sectors that can attract large amounts of place-focused capital in more effective, efficient and impactful ways.

Observation Four

Many Investment Prospectuses have "gone the last mile" and identified projects that are both investor ready and community enhancing.

The ultimate goal of the Investment Prospectus is to unearth investable projects that, when financed, can drive inclusive growth locally while creating norms and models that can applied nationally. A review of the published Investment Prospectuses reveals dozens of projects that have already been community vetted and have the right mix of investor ready and community enhancing qualities for which Opportunity Zones were designed. The volume of such investable projects ultimately enables the codification of prototypical deals and routine financing structures (e.g., workforce housing, commercial real estate, operating businesses that serve low-income neighborhoods, renewable energy), critical to ensuring that the Opportunity Zone market scales quickly and yields inclusive outcomes.

The Atlanta and Kansas City Investment Prospectuses both identify one such prototypical deal, which adheres to what Ross Baird and Bruce Katz call the "street corner" thesis. The "street corner" thesis focuses on creating a dense ecosystem of businesses, properties, and residences at strategic intersections or along strategic corridors of a community. This aims to create an area of multi-purpose and mixed-use strength that has the potential both to build local wealth and transform a neighborhood by combining commercial real estate, local serving businesses, growth companies with

Figure 05: Example of an investor-ready and community enhancing project from Stockton, CA's investment prospectus.

a social purpose, workforce housing, health clinics and other amenities. As Jane Jacobs observed nearly 60 years ago, the co-location and concentration of mixed economic and social activities in small nodes has a synergistic effect that naturally comes from density and diversity of uses.

The model for the "street corner" thesis emerged in Shelby Park in Louisville, Kentucky over the past decade.[vii] There, Access Ventures, a neighborhood intermediary, focused on a holistic investment strategy that involved the rehabilitation of dilapidated buildings, support for local entrepreneurs and civically minded technology companies and a commitment to local arts and culture and engaging residents. The result: the creation of 200 jobs for the community, the adaptive reuse of multiple blighted properties and the restoration of community pride and optimism. There are literally thousands of street corners in the United States that can follow the Shelby Park model.

Observation Five

The Investment Prospectuses have become a means for mobilizing public, private and civic resources and powers in ways that can leverage the full economic and social impact of the Opportunity Zones incentive.

An Investment Prospectus is written initially to unveil competitive assets and attract private capital that is enticed by federal tax incentives. But the Prospectus does not solely focus on private investors. The transactions that most cities seek to drive inclusive growth (e.g., investments in workforce housing and local businesses) will require a blended "capital stack" of debt, subsidy and equity. Cities will, therefore, need to align broader pools of public, private, civic capital and create new forms of innovative financing that can be captured, codified and transferred from city to city. Weak market cities will also need to create business demand by increasing employment density within nodes of Opportunity Zones (e.g., the downtown initiative pursued by Erie, PA).

Economic and community development, in short, is a practice exercised by multiple layers of government and varied public, private, civic and community institutions and actors. Local and state organizing of Opportunity Zones shows the breadth and depth of stakeholders who need to coordinate their activities and efforts for transformational purpose. Opportunity Zones have also unveiled the vast arrays of capital and resources that are available but untapped at the local and state level, locked in governments (e.g., general purpose city, county and state governments, special public authorities), financial institutions (e.g., pension funds, family offices, philanthropies) and anchor institutions (e.g., universities, hospitals, large corporate employers). As we often say, "The United States does not have a capital problem; it has an organizing problem."

The Investment Prospectus offers cities an opportunity and format by which to organize how they think about and carry out inclusive economic development. Our review of the Investment Prospectuses published to date show that city governments are organizing their powers and incentives in ways that advance inclusive growth. The Prospectuses, in particular, show how cities are making transparent city policies around zoning, joint ventures, low cost or no cost land, tax increment financing, tax abatements and the like.

Going forward, we believe the Prospectus should and will be a vehicle for organizing private, civic, university and community assets in novel and imaginative ways. We also believe that cities will establish one-stop-shops for guidance about this unique tax incentive, provide easy access to support (e.g., legal, accounting, design) for local entrepreneurs with valid business propositions and provide an integrated mechanism for Qualified Opportunity Fund investors to apply for additional city support for projects, where appropriate. Here, again, Erie, Pennsylvania is ahead of the curve, with its new Flagship Opportunity Zone Development Corporation.[viii]

NEXT STEPS TOWARD TRANSFORMATIVE IMPACT

The Opportunity Zone Investment Prospectus tool is a work in real-time evolution. Cities are adapting the tool to their own distinctive needs and market demands as well as treating the Prospectus as a living document that needs to be continuously refreshed and enhanced. We believe that realizing the full potential of the Investment Prospectus will require five steps.

Step One

The Investment Prospectus tool should be adopted by hundreds of communities, empowering cities to advance local priorities as well as exercise collective market power.

Today's economic and community development systems focus on policy and practice. As Opportunity Zones evolve, they are placing an intense focus on routinized market tools and mechanisms that can be invented by one or several communities (or Qualified Opportunity Funds for that matter) and then scaled.

The Opportunity Zones Investment Prospectus is one such tool. It is our firm belief that every city can produce an Investment Prospectus. That will enable local communities to declare and advance their local priorities, particularly as project norms and financial structures get routinized.

Yet the Investment Prospectuses also have collective impact. Dozens of Investment Prospectuses will ultimately yield hundreds of projects that are desired and vetted by communities. This will give cities and their intermediaries the ability to negotiate as a group with financial institutions and investors around new ways of financing critical projects like workforce housing and locally owned and neighborhood serving businesses.

We fully recognize that many small and even medium-sized communities face capacity challenges that may impede the creation of an Investment Prospectus. To that end, we highly recommend that a community engage, perhaps with philanthropic support, the low-cost services of an entity like PolicyMap. PolicyMap gives cities access to critical data on demographics, real estate, jobs and more and provides easy-to-use online mapping that is a core element of the Investment Prospectus tool. States could also play a critical role in helping small communities design and deploy Investment Prospectuses, either in concert with or separate from an organization like PolicyMap. [ix]

Step Two

The Investment Prospectus tool, fully realized, should yield a major Data Dividend and reward cities that collect and marshal data in ways that unveil hidden market potential, catalyze private investment and drive inclusive growth.

Opportunity Zones have come along at the precise moment when data analytics and geographic mapping enable new tools to emerge and scale quickly and bring order out of what would otherwise be the chaos of 8700+ Zones. Going forward, we believe the Investment Prospectus could become a recognized platform for financial institutions, local economic development organizations and other intermediaries to carry out deeper data collection and analysis that unveils market dynamics and helps match capital to investable projects.

The potential to catalyze the collection of new, market critical data is vast. Opportunity Zones, for example, are already compelling governments at all levels to unveil what they own and deploy these public assets in transformative ways.[x] It is not unusual for the largest landlord in a city to be the public sector. Yet most cities, counties and states have webs of different entities that may own distressed properties: the city government itself, a housing authority, a convention center authority, a port or airport authority, a county land bank, a regional redevelopment authority, or a statewide school construction corporation. Given this fragmentation, few places understand what the public sector owns and how such ownership could contribute to the general revitalization of Opportunity Zones as well as the financing structure of individual transactions. In addition, non-profit organizations (e.g., religious organizations, Boys and Girls Clubs) own vast amounts of fallow or underutilized property that, combined with publicly owned assets, can form new and potentially transformational investment opportunities in Zones.

We also think technological advancements can be used to make community development smarter and more impactful across cities. There are literally thousands of street corners that have the potential to be turned on, reanimated and re-energized all across the United States. Finding them has been made easier by new data analytics and geo-spatial mapping that enable all cities to pinpoint small geographies that are near critical employment

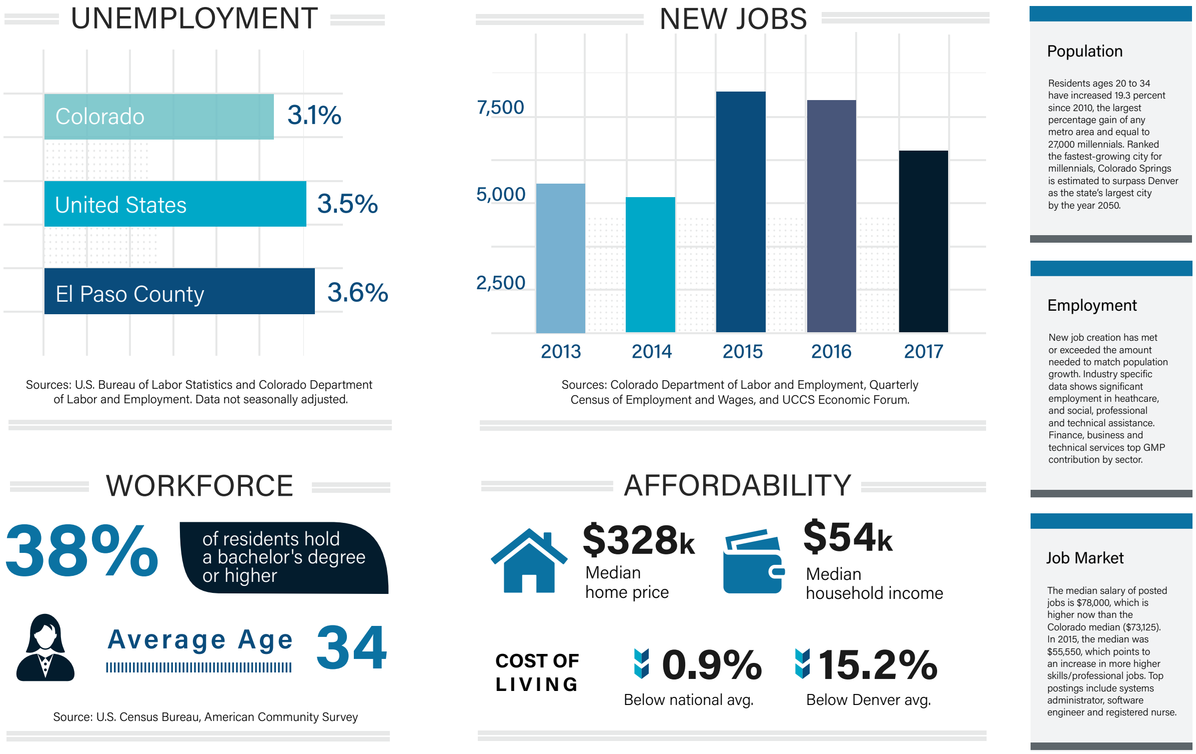


Figure 07: Regional demographic data dashboard from Colorado Springs' investment prospectus. Other cities such as Kansas City, MO and Stockton, CA also have robust online prospectus resources that marshal data from a variety of sources, including federal census data and localized publicly-owned assets. Smart use of this data can serve to identify unique opportunities at a granular scale and target investment impact.

centers in a city (e.g., central business districts, university or hospital enclaves) and have real estate that is either owned by the government or non-profit actors (e.g., churches, service providers) or is tax delinquent or in foreclosure. To date, cities have used big data to make the allocation of public resources (e.g., community policing, fire inspections, code enforcement, street and sewer repair) more efficient and effective. Opportunity Zones, in other words, could take the "smart cities" movement to another level.

Step Three

The Investment Prospectus should drive a common methodology—a financing charrette—for public, private and civic practitioners to sit together and work through different financing scenarios for concrete deals that have the potential for transformative social impact.

Charrettes are intensive design and planning sessions where citizens, designers and others collaborate on a vision for development. For decades it has been used extensively in the place making arena, by respected intermediaries like the Urban Land Institute. Opportunity Zones are tailor made for the charrette process, giving cities a tried-and-true method for working through different financing scenarios for concrete deals that have the potential for transformative social impact.

The City of Norfolk, Virginia, for example, held a financing charrette on February 19, 2019 to assess the potential use of Opportunity Fund equity in the transformation of the St. Paul's area, currently populated by public housing developments, into a mixed-income, mixed-use community of the future.[xi] The charrette brought together 70 representatives from public, private, state, philanthropic and private-wealth investment firms in addition to representatives from state and federal partners to think creatively about new financing models to make the St. Paul's Area vision a reality. The charrette included a tour of the St. Paul's Area, review of Opportunity Zones, and discussion on how to sharpen the vision for St. Paul's and specify resources needs for the initial planned phase of redevelopment.

Codifying a financing charrette process would require practitioners to rethink and simplify the blend of public, private and civic capital as well as the mix of debt, subsidy and equity that are needed to move the deals we want. The Opportunity Zone inspired "capital stacks" being formed around workforce housing, commercial real estate in low-income neighborhoods, small business (and minority-owned business in particular) and clean energy (just to name a few) will also necessitate and create new market products. It could accelerate and routinize the nascent impact investing field and force more clarity and uptake in next generation financial instruments.

Step Four

The Investment Prospectus tool should drive a new system of community development that moves beyond the production and provision of affordable housing to include a focus on growing locally-owned businesses, equipping residents with the skills they need and building wealth.

Opportunity Zones have emerged at the tail end of a system of community development that primarily focused on expanding and preserving the supply of affordable housing as a means to regenerate neighborhoods and on bank debt, bank equity (enticed by federal tax incentives) and federal subsidies (e.g., CDBG, HOME) as the vehicle for finance. This system has no doubt had substantial impact but, as currently structured, doesn't have the scale necessary to address the quintuple whammy of technological displacement, deindustrialization, depopulation, housing foreclosures and institutional racism nor the tools or mechanisms to deal with the education, skills and wealth gap that divides our cities, metropolitan areas and nation.

The goal of the new community development would be to enhance social mobility and build wealth for the residents living in disadvantaged communities. This would require a fundamental shift in emphasis from the existing system that is housing-centric, low-income-concentrated, subsidy-dependent and grant-driven to the emerging system that strives to be neighborhood-centric, mixed-income, entrepreneur-driven and focused on new "capital stacks" that imaginatively blend a broader mix of equity, debt and subsidy. This, in turn, demands an evolution from intermediaries that are federal program-driven and domain-dependent (i.e., "We do housing;" "we do small business loans") to institutions that are locally-driven, interdisciplinary and unlock multiple types of capital within one neighborhood. It also requires a fundamental rethinking of investment from a two-pocket mentality that separates market investment and social philanthropy (i.e., 95% of assets sit in endowments that invest in Wall Street, 5% go to grants in local community) to a one-pocket reality that marries private and civic capital and channels the vast stores of local wealth (e.g., pension funds, university endowments, corporation balance sheets, high net worth family investments) back into local communities.

A new system of community development, at its core, requires community and economic development institutions that have the capacity, capital and community standing to move markets in inclusive and transformative ways. To this end, Opportunity Zones compel us to stand up new intermediaries that can build the capacity of local practitioners so that transformative investments can be seamlessly designed, financed and delivered. In the 1990s, the federal government worked with major philanthropic and financial institutions to form the National Community Development Initiative (now Living Cities), and strengthen the capacity of affordable housing intermediaries like LISC and Enterprise. We

OTHER CITY AND LOCAL DEVELOPMENT INCENTIVES

Financial Incentives
- Tax Incremenet Financing
- New Markets Tax Credits
- EB5 Regional Center
- Social Impact Fund
- Economic Opportunity Fund
- EOF BRE
- Atlanta BeltLine Affordable Housing Trust Fund

Bonds
- Housing Opportunity Bonds
- Lease Purchase Bonds
- 501c3 Bonds
- Industrial Revenue Bonds
- Housing Revenue Bonds

Workforce Training
- WorkSource Atlanta
- Georgia Quickstart

Site Selection Support
- Real Estate Consultation
- Site and Building Search Assistance
- Permitting Assistance
- Zoning Advocacy

Home Ownership
- Down Payment Assistance
- Lease Purchase Financing (TRIO)
- Owner-Occupied Rehab
- iMAP Down Payment Assistance Program

Business Support Services
- Advocacy Assistance
- Client Service Assessment

Loans
- Small Business Loans
- Homebuyer Loans
- Developer Loans
- Atlanta Leverage Loan Fund
- Transit-Focused Fund

Tax Incentives
- Opportunity Zones
- Job Tax Credit
- Quality Job Tax Credit

International Trade Development Services
- Trade Missions
- Export Trade Counseling and Support
- International Trade Representation

Figure 08: A summary of local development incentives offered by the City of Atlanta from their investment prospectus. As new community development approaches evolve to become more neighborhood-centric, mixed-income-focused, and entrepreneur-driven through opportunity zone investment, so must the institutions and intermediaries who administer these programs and incentives.

now need new federalist support from multiple levels of governments and the private and philanthropic sectors to bring promising intermediaries like Fuse Corps to full scale so that they can service thousands of communities that need the help.

Opportunity Zones also require us to create and capitalize new institutions that can deploy capital at scale in sustained ways. We need a new generation of community development institutions that can pursue development, enable finance, grow local entrepreneurs, unlock public assets and upgrade the skills of local residents. Most existing community institutions simply do not have the capacity or capital to get the job done. Some early models are emerging that could have large scale potential for replication. Cincinnati's Center City Development Corporation (C3DC) and, more recently, the Erie Downtown Development Corporation show how patient private and civic capital can help fuel the strategic redevelopment of distressed communities. Baltimore's new Neighborhood Impact Investment Fund shows how public assets (in this case the revenues from public parking garages) can be used to capitalize a new community development finance institution with the concessionary capital necessary to make hard deals pencil out. And Kansas City's Alt Cap shows how a traditional community development entity charged with managing new market tax credits can expand into a larger institution with greater tools and resources.

Step Five

The Investment Prospectus tool should enable broader health, energy and social outcomes for disadvantaged people and places.

As Bruce Katz and Evan Weiss have written,[xii] the Opportunity Zone tax incentive differs markedly from other federal tax incentives (e.g., historic preservation tax credits, low income housing tax credit, new markets tax credits) that are designed to revitalize communities. The Opportunity Zone tax incentive is most notable for its lack of guardrails and many commentators have rightly called for the federal government to impose reporting requirements.[xiii]

Yet the permissive design of this tax incentive has the unique potential to drive integrated, interdisciplinary projects that connect the dots between community development interventions that have heretofore been silo-ed and compartmentalized. Opportunity Zones are a market rather than a policy tool and can be used for a wide variety of projects and propositions (e.g., residential real estate, commercial real estate, industrial, operating businesses, community infrastructure), provided they offer investors the potential to appreciate in value and generate investment returns.

This raises intriguing possibilities. Graham Richards, the former mayor of Fort Wayne, Indiana provocatively says that "Every project can be a clean energy and a clean jobs-producing project." He and talented individuals like Danny Kennedy and Jon Bonnano at the California Clean Energy Fund are exploring how Opportunity Funds can be used to drive multi-sectoral outcomes, like a clean energy, affordable multifamily building or a clean microgrid that powers municipal buildings.

At the same time, Evan Weiss, Ken Gross and Bruce Katz and a growing group of respected practitioners like Kevin Bryne and Mason Ailstock at The University Financing Foundation and Stephanie Copeland at The Governance Project are arguing that anchor institutions can use Opportunity Funds to drive critical missions around reducing health disparities or enhancing product and process innovation.[xiv] Still further, innovative practitioners across the country are experimenting with governance and legal arrangements that might help drive market equity to schools and other public or nonprofit owned facilities that are in desperate need of re-capitalization.

The upshot of this: Investment Prospectuses might evolve in several different directions. Investment Prospectuses might weave clean economy notions and interventions seamlessly into community development projects that have mostly lacked a broader focus of sustainability and resilience. At the same time, separate Investment Prospectuses might be developed around anchor institutions like hospitals or universities or sectors like manufacturing. We are, in other words, in brave new territory where the limits are more our own specialized disciplines than federal prescriptions.

CONCLUSION

The evolution of Opportunity Zones is an unprecedented exercise in bottom-up rather than top-down market making. While the federal government will ultimately write the basic rules, the evolution of the Opportunity Zone tax incentive will also take place via market norms and policy and practice innovations that are invented in one city and then replicated or adapted in rapid fashion across multiple communities. This is just another indication of the ability of sub-national actors, particularly cities and metropolitan areas, to be the vanguard of problem solving, what Bruce Katz and Jeremy Nowak labeled The New Localism.

The Opportunity Zone Investment Prospectus is the first of what could be multiple market tools designed to normalize and routinize investment for economically and socially impactful projects across the United States. We look forward to working with public, private, civic and community innovators across the country to realize the full potential of this tool and to invent others that can be quickly scaled.

ABOUT THE AUTHORS

Bruce Katz is the inaugural director of the Nowak Metro Finance Lab at Drexel University and the co-author (with Jeremy Nowak) of The New Localism: How Cities Can Thrive in the Age of Populism.

Rick Jacobs is the CEO of Accelerator for America. Rick's career as a Fortune 500, government, non-profit executive and entrepreneur underscores the Accelerator's mission to bridge the public and private sectors to connect people with fulfilling work. Formerly Deputy Chief of Staff and currently senior advisor to Los Angeles Mayor Eric Garcetti, he founded Accelerator for America in 2017.

Aaron Thomas is the Director of Economic Development at Accelerator for America. Prior, he facilitated equity transactions at Deutsche Bank and spent time as a fellow in the California Senate.

Bruce Katz, Director
Nowak Metro Finance Lab, Drexel University

ABOUT ACCELERATOR FOR AMERICA

Accelerator for America is a non-profit organization created by Los Angeles Mayor Eric Garcetti in November 2017. It seeks to provide strategic support to the best local initiatives to strengthen people's economic security, specifically those initiatives that connect people with existing jobs, create new opportunities and foster infrastructure development

Rick Jacobs, Chief Executive Officer
Accelerator for America

ABOUT DREXEL UNIVERSITY NOWAK METRO FINANCE LAB

The Nowak Metro Finance Lab was formed by Drexel University in July 2018. It is focused on helping cities find new ways to "finance the inclusive city" by making sustained investments in innovation, infrastructure, affordable housing, quality places, and the schooling and skilling of children and young adults. It is situated within the Drexel University's Lindy Institute of Urban Innovation.

ABOUT NEW LOCALISM ADVISORS

The mission of New Localism Advisors is to help cities finance, design and deliver transformative initiatives that promote innovative, inclusive and sustainable growth. The firm was co-founded by Bruce Katz and Jeremy Nowak and operates in close collaboration with the Nowak Metro Finance Lab at Drexel University.

Aaaron Thomas, Director of Economic Development
Accelerator for America

ACKNOWLEDGMENTS

The creation of an Opportunity Zone Investment Prospectus has drawn on the work and expertise of many people.

Once again, we owe Jeremy Nowak an incalculable debt of gratitude. Jeremy was a friend, mentor and fellow traveler and a constant source of inspiration, imagination and agitation. He was present at the creation of the Investment Prospectus and his handiwork, in measures large and small, can be seen throughout. The Investment Prospectus represents his unyielding confidence that market tools could mobilize capital for disadvantaged communities and people, a vision that is at the heart of the Nowak Metro Finance Lab at Drexel University.

Jeremy would be proud of what has been accomplished in such a short period of time. But he would admonish us to keep pushing so that this tool can result in real outcomes in real places for real people. He had a relentless focus on tangible impact that could be measured and amplified.

We are in enormous debt to Los Angeles Mayor Eric Garcetti, the Chair of the Advisory Council of the Advisory Council for Accelerator for America. Mayor Garcetti was an early supporter of the Investment Prospectus tool, understanding that it could help cities access tax advantaged capital in a way that met local needs and respected local priorities. He has been an engaged advisor, providing strategic guidance particularly during Accelerator for America meetings in Las Vegas and Los Angeles in June, 2018 and Philadelphia in November 2018.

We have learned much from our burgeoning relationship with Mastercard, a company that recognized early on the potential for data to help market capital find its way to areas of disinvestment. We particularly thank Mike Froman, Shamina Singh, Arturo Franco and Parag Mehta for their encouragement and counsel throughout this process.

The US Conference of Mayors encouraged the participation of numerous mayors in this groundbreaking work. For that we owe much to their passionate President, Steve Benjamin, the Mayor of Columbia, South Carolina, and the indefatigable Tom Cochran, Executive Director and guide extraordinaire of cities and mayors across the nation.

We also want to recognize the Rockefeller Foundation, which provided early seed capital for invention of the Investment Prospectus. Thanks to Raj Shah and Ryan Whalen who took the risk of betting on an unformed tool. We are deeply appreciative, as well, of the guidance and support provided by Wendy Guillies and Larry Jacob of the Kauffman Foundation, who have enabled us to work closely with Ross Baird and the remarkable team at Blueprint Local as well as an exceptional group of leaders in Kansas City.

We also thank Ken Gross and Roni Lagin, who worked with Jeremy and Bruce Katz from the very inception of New Localism Advisors to design and iterate the Investment Prospectus. Ken is the personification of the modern data scientist who can unearth hidden nuggets of data in ways that illustrate market and social potential and, ultimately, improve people's lives. Roni is a gifted designer who brings order and clarity to what at times can be the fog and complexity of information.

We are deeply grateful to Lori Bamberger for her insights about the potential of Opportunity Zones to drive a new community development financing system.

As before, our colleagues at the Lindy Institute for Urban Innovation have been a key part of the process. Mary Tredway helped Bruce and Aaron field calls and inquiries from dozens of cities and made certain that the process moved forward amidst competing demands. She is a source of much needed competence and calm during what has been a hectic year. Ryan Debold worked under crushing deadlines to design and post this report, as always with creativity and good humor. Drexel University, in general, has given Bruce Katz the freedom and platform to bring the Investment Prospectus to fruition, an indication of what civically engaged universities can accomplish when they marry academic rigor with market and urban practice.

The invention and deployment of the Investment Prospectus, in short, has been a team effort. We look forward to working with individuals across the country to maximize the impact of this tool.

REFERENCES

i. We have purposefully used the market terminology of an "investment prospectus" to describe our work but it is clear that this tool is quite different from other "investment prospectuses" that are subject to SEC regulation. Each Investment Prospectus, therefore, contains appropriate disclaimer language to avoid any confusion about the intent or import of this community document.

ii. Many of the Prospectuses followed the Opportunity Zone Investment Prospectus Guide http://www.acceleratorforamerica.com/OZGuide

iii. Accelerator for America intend to post all Opportunity Zone Investment Prospectuses that conform, in whole or in part, to our recommended template.

iv. Credit goes to Larry Jacobs of the Kauffman Foundation for this evocative phrase.

v. http://www.erie.pa.us/Portals/0/Content/News/City%20of%20Erie%20Investment%20Prospectus.pdf

vi. Bruce Katz, "Rethinking Capital and Geography," (New Localism Advisors): https://www.thenewlocalism.com/newsletter/rethinking-capital-and-geography/

vii. https://thephiladelphiacitizen.org/the-street-corner-answer/

viii. https://www.flagshipopportunityzone.com/

ix. See www.policymap.com

x. A growing number of cities are using the services of technology companies like Tolemi to integrate ownership data across multiple entities. See, e.g., www.tolemi.com

xi. https://www.stpaulsdistrict.org/

xii. Bruce Katz and Evan Weiss, "From Transactions to Transformation: How Cities Can Maximize Opportunity Zones," (Accelerator for America and Nowak Metro Finance Lab): https://drexel.edu/lindyinstitute/initiatives/nowak-metro-finance-lab/publications/reports/opportunity-zones/

xiii. https://ozframework.org/about-index

xiv. https://www.thenewlocalism.com/newsletter/health-care-and-opportunity-zones-the-game-begins/

APPENDIX A: LIST OF CITIES WITH OPPORTUNITY ZONE INVESTMENT PROSPECTUSES

Prospectuses posted online are available for the following cities with blue hyperlinks. NOTE: Clicking hyperlinks will open the link in a web browser.

This list is also available on the Accelerator for America and the Nowak Metro Finance Lab's websites, and will be periodically updated as cities finalize their prospectuses.

http://www.acceleratorforamerica.com/tools
https://drexel.edu/nowak-lab/publications/prospectuses/

Azusa, California

Atlanta, Georgia (city)

Atlanta, Georgia (metro)

Baltimore, Maryland

Birmingham, Alabama

Colorado Springs, Colorado

Columbia, South Carolina

Columbus, Ohio

Dayton, Ohio

Erie, Pennsylvania

Kansas City, Missouri

Lancaster, California

Lansing, Michigan

Louisville, Kentucky

Madison, Wisconsin

Marina, California

Newark, New Jersey

Norfolk, Virginia

Oklahoma City, Oklahoma

Ontario, California

Pittsburg, Kansas

San Bernardino, California

San Jose, California

Seattle, Washington

South Bend, Indiana

Stockton, California

Tacoma, Washington

Vancouver, Washington

Waterloo, Iowa