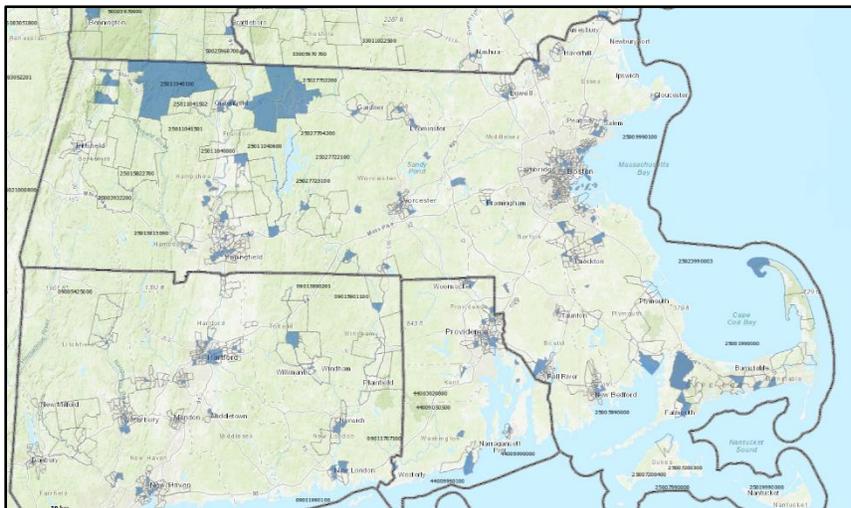




## Capacity Building for Opportunity Zone Investment Community Toolkit Initiative

The Opportunity Zone tax incentive was established by Congress in the 2017 Tax Cuts and Jobs Act to spur long-term private investment in low-income communities. U.S. investors currently hold approximately \$2.3 trillion in unrealized capital gains. Opportunity Funds will allow these investors to pool and deploy their resources as opportunity zone investments in real estate and businesses in low-income communities. The program has the potential to harness private capital to seed investment in low-income communities, but developing investments that meet investors' return expectations poses certain challenges. The law's simplicity results in the potential for investment to flood into communities in ways that work against the community's vision for investment and growth. LISC seeks to build community capacity to capitalize on the Opportunity Zone program in ways that fuel locally-driven growth and investment strategies.

**Opportunity Zones in Massachusetts.** Massachusetts has designated 138 Opportunity Zones in 79 municipalities. They have an average poverty rate of 26.2% and an average unemployment rate of 12.4%. The average family income in these census tracts is just 53.1% of area median income. They stretch from Provincetown to North Adams and include areas as diverse as downtown Brockton, Assembly Row in Somerville, Revere Beach, and Otis Air National Guard Base. 48% of them are located in Gateway Cities, and 18% are in rural communities. The state's designations reflect a desire to leverage the program to spread job creation and economic activity throughout the Commonwealth.



The Executive Office of Housing and Economic Development is leading efforts to attract opportunity zone investors to the Commonwealth. EOHD is working with each of the municipalities containing designated opportunity zones to create a statewide prospectus of investment opportunities. Our goal will be to give those

municipal leaders tools to help them drive a growth strategy within their community. It is possible that this work will point to the need for technical assistance resources. Should that be the case, we would work with EOHE and other stakeholders to design and propose a subsequent phase of deeper capacity building with a targeted set of communities to build their capacity to insure equitable and inclusive economic growth and protect people from displacement as investment unfolds in their Opportunity Zones.

### **Creating a Toolkit for Opportunity Zone Communities in Massachusetts**

LISC proposes to develop and publish broadly guidance for communities containing designated opportunity zones, to build their capacity to define community-driven strategies for investment and growth. We propose the following scope of work (in two phases that will likely overlap), which we expect to complete within 60 days.

#### **a) Phase I – Outreach and Information Gathering**

- Meet with community/economic development and housing officials in 6 to 10 communities with different demographics, markets, characteristics and growth trajectories to review LISC-generated maps of their opportunity zones, understand the goals they had in mind when requesting designations, review current pipeline of real estate and/or business projects they seek to advance, identify concerns about privately-driven opportunity zone investment and assess their toolbox and capacity to proactively plan for and attract community-driven opportunity zone investments. Where appropriate, we will include local community development corporations in these conversations.
- Meet with and collaborate with state officials implementing the Opportunity Zone program on behalf of the Commonwealth and compiling a prospectus of investment opportunities in Massachusetts. Develop a strategy for complementing and extending the Commonwealth's initiatives to assist Opportunity Zone communities to plan for and attract community-driven Opportunity Zone investment.
- Interview local and national thought leaders in land use, real estate development, finance and urban policy to identify and develop solutions and tools for Opportunity Zone communities. Engage key stakeholders, including MassInc., the Mass Municipal Association, regional planning associations, and others to build support and strategies for proactive community management of Opportunity Zone investment.
- Collect and expand a preliminary list or compilation of potential tools, resources, solutions and approaches that communities with designated opportunity zones might take to attract and incentivize opportunity zone investments that address community needs. By way of example, the toolkit might include (but not be limited to), proactive planning and community engagement processes, data collection and analysis, site

acquisition/assembly or land banking, outreach to and partnerships with developers and investors, the use of smart growth districts or overlay zoning, strategies for expediting development approvals, collaboration with adjacent or similarly situated communities, and incentives for targeted development types.

## b) Phase II – Creation of Capacity Building Toolkit for Communities

- Deploy a consulting group of expert planners, developers, attorneys and financiers to expand upon the proposed resources and strategies and develop practical expert guidance for communities. Effort will be made to align strategies with existing programs, tools and resources. Draft, review and edit guidebook/toolkit compiling such strategies and tools. Circulate draft to key stakeholders for feedback and input. Revise and publish guidance/toolkit in formats most useful to communities.
- **Distribute Guidance to Municipalities and Key Stakeholders.** LISC will work together with the Commonwealth and key stakeholders to ensure community leaders have access to the guidance and tools developed, presenting the guidance in public sessions sponsored by LISC and/or others, via webinar, digitally and otherwise.

### LISC's Experience

For 40 years, LISC has been leading investment and working hands-on in many of the places now designated Opportunity Zones, in the Commonwealth and nationally. We know the complex ins and outs of bringing stakeholders together, of easing the passage for capital into challenging markets, and of assembling projects that change lives and make neighborhoods better places to live, do business, visit and raise families.



- Since 2008, LISC has invested \$2.3 billion in areas designated as Opportunity Zones.

- We have 40 years of experience and flourishing partnerships in Opportunity Zone markets in the Commonwealth and across the country. (Nationally, **924** Opportunity Zones are in LISC's footprint, where we've done some **861** investments.)
- We are a national leader in utilizing federal tax incentive programs, with affiliates specializing in Low Income Housing Tax Credits and New Market Tax Credits.
- Our financial strength is proven: LISC has a 'AA' rating from S&P.
- We are leaders in social impact investing - we've been doing it for four decades, in all 50 States in both urban areas and hundreds of rural counties.
- We have unique financing expertise and know how to put together complex capital stacks to get tough deals done.

In short, this is what we do: The Opportunity Zones incentive dovetails perfectly with our vision for business investment and infrastructure development. We are mindful that the intent of Opportunity Zones is to attract a new pool of funding to neighborhoods in need of intensive, long-term investment. Past experience as a leading syndicator of other federal tax incentives has shown us both the promise and the pitfalls of such interventions, especially their potential to cause displacement of the very people and businesses the legislation intended to help. As an organization dedicated to promoting equity of opportunity, our work on this program will emphasize strategies to avoid unintended consequences and maximize the Zones' benefit for communities of low income and their residents.

### **LISC's Opportunity Zone Depth**

LISC's national experts have advocated with the Treasury Department and IRS for guidance and regulations that will provide investors and Opportunity Funds with clarity, and insure that the legislative intent of Opportunity Zones is being met. In May, our CEO, Maurice Jones, testified before Congress to stress the priorities of community needs and equitable development as the tax law is implemented. Our work on Opportunity Zones in Massachusetts will be informed by this deep national expertise and the best strategies emerging nationally and in other markets. As we do this work, we'll be collaborating with LISC staff working on a national Ford Foundation funded white paper on Opportunity Zone strategies for communities. We'll also be harnessing our deep expertise deploying tax-incentivized investments through our affiliates, the National Equity Fund and the New Markets Support Corporation, and capitalizing the Opportunity Funds necessary to deploy investment. On the local level, we'll be leveraging LISC Boston's deep relationships with community development corporations and other stakeholders in many of the Commonwealth's designated zones.



### **LISC National Policy Team**

LISC's national policy team is leading LISC's efforts to advance the needs of low income communities through the opportunity zone program. <http://www.lisc.org/our-initiatives/opportunity-zones/>



### **National Equity Fund (NEF)**

Our affiliate the National Equity Fund (NEF), is the largest syndicator of Low Income Housing Tax Credits. NEF's investments have created nearly 2,600 quality affordable housing developments which, in turn, revitalize communities and strengthen local economies. NEF will be assisting us to leverage opportunity zone investment in housing.

<https://www.nationalequityfund.org/whatwedo/opportunity-zones/>



### **New Markets Support Company (NMSC)**

The New Markets Support Company (NMSC) helps investors and developers use New Markets Tax Credits to drive economic development projects and the creation of community facilities in under-invested places. NMSC will be working with us to leverage commercial opportunity zone, and may provide Opportunity Fund consulting and administrative services. <http://www.lisc.org/new-markets-support-company/opportunity-zones/>

**Karen E. Kelleher**, LISC Boston's Executive Director will lead this project. Karen has extensive experience with real estate development and finance, housing, land use, zoning and transformative development projects.

**Mike Davis**, Senior Program Officer for Lending, will provide local staffing, together with local expert consultants engaged by LISC Boston, with respect to real estate development.

**Karleen Porcena**, Senior Program Officer for Economic Development, will provide local staffing with respect to business investments.

**Matt Josephs**, Senior Vice President of Policy, will provide policy support and help identifying tools emerging nationally and in other markets.

**Karen Przepyszny**, of the National Equity Fund, will provide expert technical guidance regarding housing developments utilizing opportunity zone investments.

**Kevin Boes**, Executive Director of New Markets Support Company, will provide expert technical assistance regarding commercial investments utilizing

LISC will also engage consultants with subject matter expertise to assist with information collection and strategy and tool development. It is expected that this will include land use/planning, community and real estate development and legal expertise.

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