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# Making Opportunity Zones Work for Communities

The 2017 Tax Cuts and Jobs Act included a new federal tax incentive that permits investors with recognized capital gains to deploy capital into projects and businesses located in designated “Opportunity Zones” in exchange for federal tax advantages. Once governors nominated eligible census tracts and the US Department of Treasury certified them, more than 8,700 census tracts across the country were designated as Opportunity Zones. By spring of 2020, Opportunity Zone equity investments were estimated to exceed \$10 billion.

Champions of the tax incentive assert that it will spur investment in low-wealth and financially distressed communities. Yet from the outset, the design of the incentive was flawed. For starters, few guidelines govern the nature of permitted investments and there is no accountability if investments do not create community-based jobs, contribute to the base of affordable housing stock or create other benefits for current residents. This lack of accountability to community is especially problematic because capital gains taxes are disproportionately paid by high-income White households, since these taxpayers are more likely to own assets that generate the taxable gains. The connection of these investors to the people in places designated as Opportunity Zones is generally tangential at best. Indeed, many early and high-profile projects featured luxury apartment buildings or hotels where the Opportunity Zone subsidy served to accelerate projects that would have otherwise been developed.<sup>1</sup> In addition, neither the authorizing legislation nor the final rules promulgated by the U.S. Treasury included requirements for reporting and tracking Opportunity Zone investments. The absence of statutory or regulatory transparency prevents the public from knowing the impact of the forgone tax revenue or efficacy of the incentive, and makes it virtually impossible to assess whether and how the incentive plays a role in and on communities.

Against this backdrop, The Rockefeller Foundation’s US Equity and Economic Opportunity initiative (EEO) sought to influence stakeholders and maximize the ability of communities to engage and to benefit from the Opportunity Zone designation. In spite of significant structural short-comings, Opportunity Zones are part of the Federal tax code, and the risks to communities from an unmanaged course are significant. The work of EEO related to Opportunity Zones has yielded three important and critical outcomes:

- **Our investments aligned stakeholders around principles to promote authentic community engagement, transparency and accountability. Seven states/cities and 400 entities committed to using an OZ reporting framework developed by grantees to fill a federal vacuum.**
- Communities where we worked increased their capacity to engage and shape the trajectory of the incentive in materially important ways. The Rockefeller Foundation grants and contracts provided staff to 5 cities and developed a national academy focused on technical assistance for an additional 7 cities, both of which built a significant amount of city capacity to bring community voice and social impact into Opportunity Zones ensuring OZs are equitably embedding community perspective into wealth-generating processes, preventing more profit-minded actors from setting OZ strategy.
- The Rockefeller Foundation investments and efforts mobilized a pipeline of more than \$4.5 billion including 6 projects with high-value for local communities in three places that received predevelopment funding to advance. Absent this support, these vital community-oriented projects would not have proceeded.

In the wake of the COVID-19 pandemic and resulting economic devastation, EEO has shifted its focus away from Opportunity Zones. Operating businesses have been especially hard hit by COVID. Small businesses are often financially fragile and those with limited cash reserves are struggling to survive in the wake of pandemic-induced closures and slowdown of demand. Going forward, the EEO focus will be on supporting small businesses owned by Black and Latin(x) entrepreneurs. Yet the investment made by The Rockefeller Foundation to ensure that the Opportunity Zone tax incentive benefits communities will continue to influence people in places.

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**8,700 localities**  
across the country designated as Opportunity Zones

**\$10 billion**  
Opportunity Zone equity investments as of Spring 2020

<sup>1</sup> See for example: <https://publicintegrity.org/inequality-poverty-opportunity/local-developer-wealthy-investors-pave-different-paths-in-opportunity-zones/>

# 3 major outcomes from EEO's OZ work

01

Aligned stakeholders around principles promoting authentic community engagement.

02

Our funding provided staff to 5 cities and technical assistance to an additional 7 cities—tangibly increasing these cities’ capacity to bring about social impact.

03

Rockefeller Foundation investments mobilized a pipeline of more than \$4.5 billion to support 6 projects.



# Laying Groundwork for Community Engagement and Benefit

From the outset of the passage of the Tax Cuts and Jobs Act, The Rockefeller Foundation recognized that strengthening the capacity of people and places to engage with investors on a level playing field would be imperative. As a leading philanthropic foundation committed to equity and economic opportunity for working people in places across the country, we began with a series of grants to create partnerships designed to help empower communities to attract and implement investments intended to provide real economic mobility to the greatest numbers of underserved people. For example, in August 2018, we provided seed funding to Accelerator for America to support the development of a replicable product—an Investment Prospectus—that permits places to communicate their competitive

advantages, trigger local partnerships and identify sound projects that are ready for public, private and civic capital. The prospectus was designed to help communities and investors get smarter and more precise about the broad range of investment possibilities that exist in Opportunity Zones and to shape markets. In March 2019, Accelerator for America convened representatives from 50 communities that created prospectuses to showcase community oriented investable opportunities to investors and other stakeholders. We also made grants to think tanks across the political spectrum to shape and inform the rules in favor of communities. This included grants to organizations including the American Enterprise Institute, the Niskanen Center, the Beeck Center at Georgetown University, and The Milken Institute.

## Principles and a Framework to Promote Authentic Community Engagement, Transparency, and Accountability

The Rockefeller Foundation made a grant to the US Impact Investing Alliance (USIIA) that enabled the organization to partner with the Beeck Center at Georgetown University and the New York Federal Reserve Bank to launch the Opportunity Zones Reporting Framework (OZRF) in February 2019. The Framework promotes a set of core principles and best practices that encourage transparency, accountability and authentic community engagement in each stage of the Opportunity Zone investment process. The OZRF is a voluntary guideline designed to define best practices for investors, fund managers

and cities looking to invest or facilitate investment in Opportunity Zones. The framework was the result of extensive dialogue and engagement with stakeholders.

According to recent estimates from the Beeck Center, **more than 400 Opportunity Zone organizations or initiatives (funds, investors, community intermediaries, projects, etc.) have committed to implementing the OZRF.** Although the initial intent was to focus the OZRF on market participants, it has also influenced policy-makers. At least seven state and local governments

(including the state of Alabama and the cities of Atlanta and Philadelphia) adopted the OZRF as a tool for assessing Opportunity Zone projects, and a California Senate proposal would have tied state capital gains tax conformity to adoption of the OZRF. The Framework was also used as the basis for selecting the Forbes OZ 20 honorees, in partnership with the Sorenson Impact Center at the University of Utah. The Presidents' Council on Impact Investing issued a statement on Opportunity Zones in which they called for adoption of the Framework. The Framework has been widely cited in a range of articles, blog posts and other media as the leading private sector framework of its kind.

In addition, USIIA regularly promoted the imperative for authentic community engagement, transparency and accountability. This included presentations at more than a dozen public events on the principles established for the OZI. USIIA participated in conferences, public

hearings, podcasts and round tables to emphasize the importance of impact measurement and reporting as well as community engagement, reaching audiences of investors, policymakers, wealth managers and other important stakeholders. Notably, the Alliance spoke at a practitioner panel at the White House Opportunity Zone Conference in April 2019, as well as two events hosted by the U.S. Department of Housing and Urban Development (HUD) in June and September, respectively.

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• **07 states/cities**

**400 entities**

committed to use an OZ reporting framework developed by grantees to fill a federal vacuum.

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## Strengthened Community Capacity to Shape the Trajectory of the Incentive

The Rockefeller Foundation funded a Chief Opportunity Zone Officer (COZO) along with two community engagement liaisons to support and facilitate community engagement and involvement in the proposed Opportunity Zone projects and businesses in five cities: Atlanta, Newark, Oakland, St. Louis, and Washington, DC. Each COZO was embedded in a city economic development agency or Mayor's Office. The primary role of the COZO was to advance projects of importance to the community, to connect promising projects to resources, and to serve as a point of entry for residents and other individuals interested in Opportunity Zones. Each COZO tailored the role to fit the needs and dynamics of their place.

In parallel to the investment in COZOs and community support teams, The Rockefeller Foundation funded Smart Growth America (SGA) to launch the National Opportunity Zones Academy, an initiative in six other cities designed to help communities across the country use Opportunity Zones to grow into more socially equitable, economically prosperous, and environmentally sustainable places. Each city developed a customized local plan and the cohort engaged in information sharing, networking and joint problem-solving.

Examples of the impact on community capacity of EEO's investments follow:

## Atlanta

Atlanta, which has more than 82,000 residents living in 26 designated Opportunity Zones, embedded their COZO in Invest Atlanta, the City of Atlanta's economic development authority. The Atlanta COZO performs three primary functions:

**01**

Works with community stakeholders to educate them on Opportunity Zones generally and Invest Atlanta's Opportunity Zone initiative.

**02**

Identifies projects in designated Opportunity Zones that promote inclusive economic development by creating jobs and works with stakeholders to mobilize financial support for projects that have significant and demonstrable community support.

**03**

Cultivates relationships with social impact funds to encourage them to consider Atlanta Opportunity Zones when making social impact investments. Support from The Rockefeller Foundation for the COZO in Atlanta made it possible to engage the community and facilitate project investments.

### PROJECT HIGHLIGHT

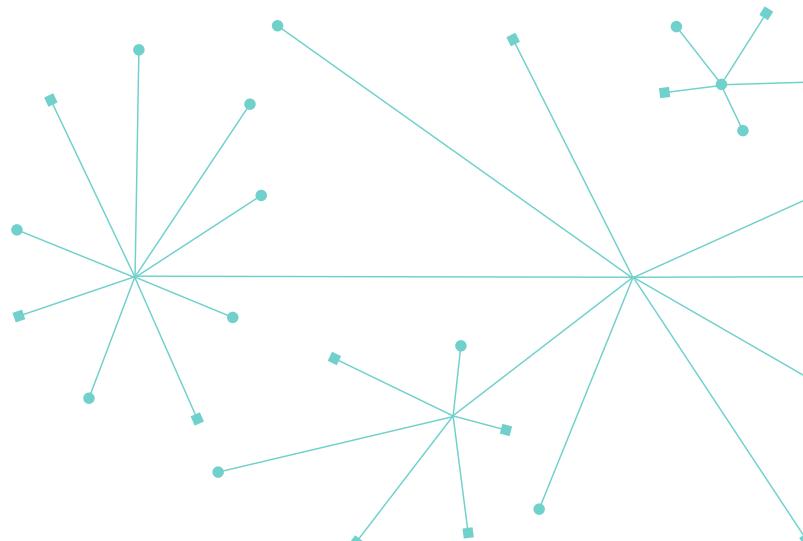
#### Mod City

**320 - 750**

projected new jobs over 10 years.

**2,000+**

units of multi-family housing able to be produced each year.



## Newark

The Newark COZO is part of the Newark Alliance, a nonprofit organization committed to the ongoing economic revitalization of the city. As part of advancing Opportunity Zone projects with strong and demonstrable community benefits, the Newark COZO introduced project sponsors to qualified Opportunity Funds. For example, the COZO connected the sponsors of Halsey Central Avenue to a qualified Opportunity Funds. For example, the COZO connected the sponsors of Halsey Central Avenue to a qualified Opportunity Fund based out of Chicago with \$250 million to deploy. Halsey Central Avenue is a \$42.8 million redevelopment of a 17,000 square foot, two-story commercial building in disrepair. The project includes the demolition of the existing asset and the new construction of a mixed-income, mixed-use building that will add quality affordable housing options for individuals and families in Newark.

### **The project will include approximately 100 rental residential units—with just over half priced below market.**

These affordable units are 28% larger on average than the market rate units—exceeding the inclusionary zone ordinance. The unit mix range from studios to three bedrooms will be offered to a wide range of incomes (60% of AMI to market rate tenants), and nearly 14,000 square feet of community-based uses that will activate the corner of Central Avenue and Halsey Street, add to the neighborhood's social infrastructure, and continue the work of creating 24/7 activity in the city of Newark.

Under the guidance of the COZO, the VISTA volunteer community liaisons have led community engagement outreach efforts to explain the Opportunity Zone initiative and document the needs of the communities.

The community liaisons communicated with more than 1,000 residents along with small and mid-size business owners/developers. As a result of this purposeful engagement and outreach, the COZO's office saw increased interest and engagement from residents as measured by calls and office visits.

Additionally, as part of the strategy to ensure OZ investments benefit the residents of Newark, the COZO is engaged with other parts of the municipal government. For example, the Newark COZO is coordinating with the Mayor's 15-member Equitable Growth Commission tasked with creating policy recommendations that will achieve equitable and inclusive growth for all Newark residents. The Equitable Growth Commission is creating a scorecard by which new investments can be measured for community benefits. Based on the scorecard, the COZO's office will advocate for expediting permits and approvals for Opportunity Zone projects with the highest community benefits.

Additionally, the COZO's office has engaged the Planning office within the Department of Economic and Housing Development to join in a post COVID-19 community engagement campaign as Newark renews its master plan. The community engagement campaign will visit every community within Newark in over 300 meetings, and the COZO's office will join those meetings that touch Opportunity Zone neighborhoods to solicit inputs from residents on their needs, challenges and types developments they want incorporated in the City's new master plan.

In response to the COVID-19 crisis, the COZO's office has pivoted to support community cohesion and economic stability efforts in Opportunity Zones.



**50+** affordable housing units

affordable housing units developed by the Newark COZO.

## Oakland

The COZO and community liaisons in Oakland were embedded in the Economic and Workforce Development Department of the city of Oakland. The COZO and her team focused on ensuring that residents, especially property owners, in East and West Oakland neighborhoods that are designated Opportunity Zones understand what the designation might mean for them and can act on their interests. The Oakland COZO and the community liaisons worked with neighborhood organizations and other stakeholders to increase the resource flows to Black-led authentic community organizations.

**In June of 2020, the Opportunity Zone community liaisons shifted their focus to help 350 businesses owned by people of color or women that employ fewer than 10 people prepare to re-open in the wake of the shelter-in-place pandemic response orders.**

The Opportunity Zone team worked with city council members representing designated Opportunity Zones and authentic local organizations to prioritize the need for personal protective equipment (PPE) to enable these very small and hard-hit businesses to prepare for

safe re-opening. The team reallocated a portion of The Rockefeller EEO grant to assemble PPE kits. The PPE kits included masks, gloves, hand sanitizer, disinfectant spray, sneeze guards, floor marking tape, and health guidelines from the city, county and state. Contents of the kits were sourced through local minority-owned suppliers. Kits were distributed to small business owners including independent contractors, food cart operators and brick and mortar businesses in tandem with local organizations and the municipal mobile food vending unit that issues permits to food carts.



### PROJECT HIGHLIGHT

## Esther's Orbit Room and Cultural Arts Center

**6,557 SQ. FT**  
of affordable commercial space

**10**  
permanent, affordable  
housing units for local artists

## Washington D.C.

The DC COZO is embedded within the DC's Office of the Deputy Mayor for Planning and Economic Development (DMPED). The COZO drives community engagement in the District's 25 Opportunity Zones and fosters local partnerships that have broad and inclusive community benefit. Specifically, the COZO engages think tanks, law firms, investors and community development experts to align investment activities, regulations and policy initiatives with community priorities. This includes creating jobs and career pathways, building affordable housing and ensuring that capital projects contract with local, DC Certified Business Enterprises. The COZO also works closely with the community to ensure neighborhood organizations, leaders and residents are informed about OZs and the way they can get involved as partners, project sponsors or investors. Lastly, the DC COZO is tasked with building community wealth by identifying pathways to homeownership, affordable housing, tenant protections and providing support for local businesses.

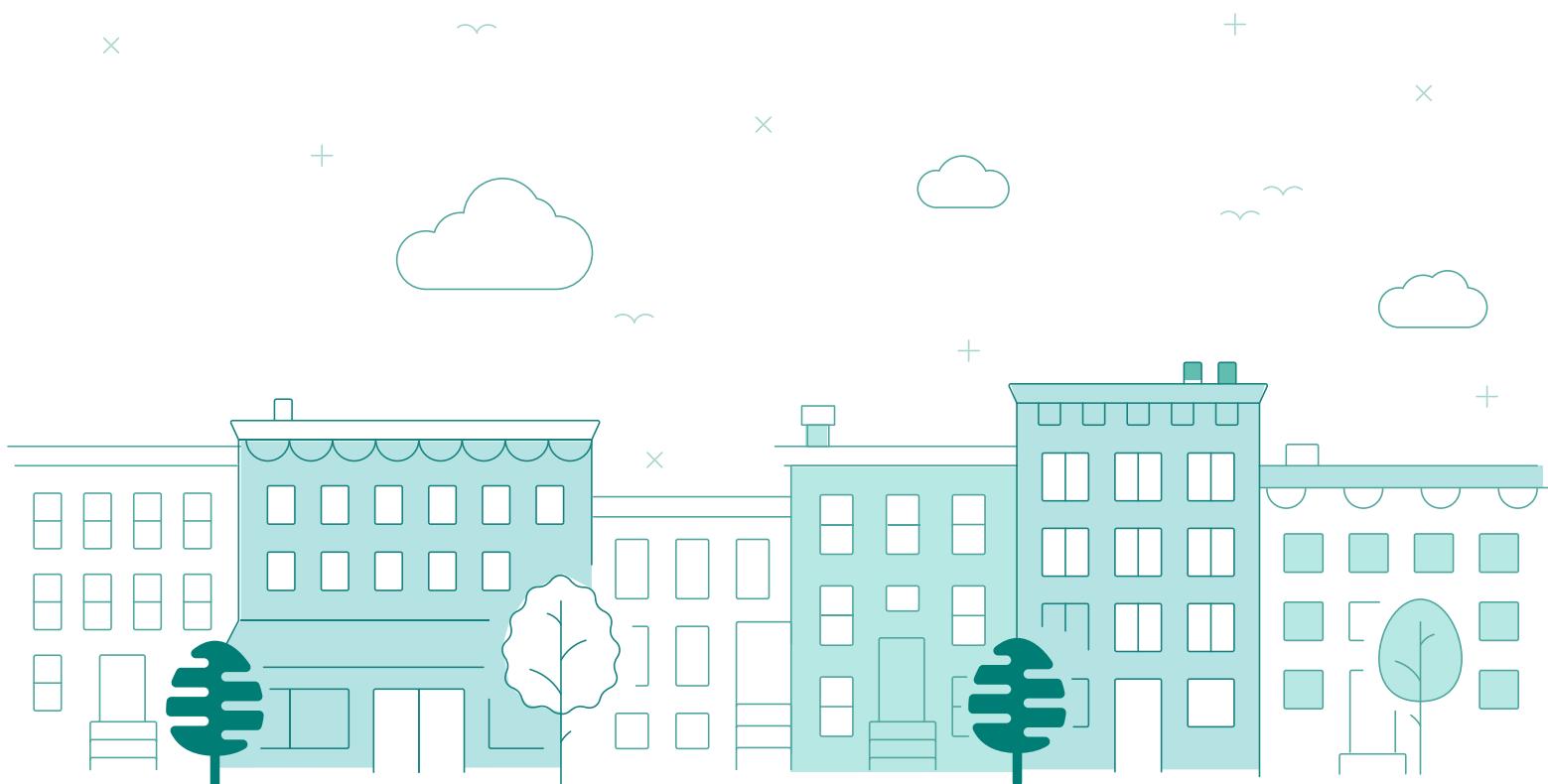
In addition to funding a COZO, the Foundation also awarded a grant to the Local Initiatives Support Corporation (LISC), a non-profit that works with

residents, government, foundations and for-profit companies to attract resources that benefit the local community.

Working with the LISC, the DMPED and COZO were able to secure over 41,000 square feet of retail and commercial zones as well as community-serving space, including a community kitchen and a playhouse for community meetings and advocacy trainings. More than \$500,000 were also directly contributed to neighborhood-based organizations

Additionally, more than \$50 million in DC contracts are being awarded to D.C. Certified Business Enterprises, which are small and local businesses that receive preference in DC government contracting opportunities. The partnership and funding also helped create 1,665 permanent local jobs.

D.C. families also saw the creation of 146 affordable homes and the preservation of 30 affordable homes. An additional 157 affordable assisted living homes were created for DC seniors.



## OZ Academy

Since the Academy's launch in September 2019, SGA has worked with 17 representatives from the Academy's six participating cohort cities to develop and execute personalized technical assistance, networking, and peer learning experiences that meet each city's Opportunity Zone knowledge and capacity needs. Specifically, this included:



### Opportunity Zone Investment Readiness Assessment(s)



### Curated Networking Events and Project Promotion



### Academy Convenings



### Peer Network Services

Prior to the launch of National Opportunity Zones Academy, SGA solicited Statements of Need and Partnership Commitments from each cohort to determine the needs of its cohort cities. These submissions included a description of the challenges facing development in each city's Opportunity Zones, identification of their most investment ready Opportunity Zones and additional

census tracts for targeted technical assistance, and their demonstrated willingness and ability to prioritize equitable community development and planning that minimizes displacement of current residents and businesses.

## Catalyzed Projects that Benefit Communities

The Rockefeller Foundation Equity and Economic Opportunity Initiative's efforts resulted in an aggregated pipeline of more than \$4.5B dollars across our focus cities. As part of advancing this pipeline of high-impact deals, EEO invested pre-development funds in 4 projects with high value for local communities in three places. Absent this support, these vital community-oriented projects would not have been able to proceed.

For example, in Atlanta pre-development funds were deployed into the Briarwood Medical Office complex, a 45,000 square foot building including Urgent Care, Multi-Disciplinary Medical/Dental Practices, and Professional Office Suites located in the Greenbriar neighborhood in Atlanta. More than 98% of residents in the census tract are Black or African-American and the median income in the census tract of just over \$25,000 compared to a median income for residents of the entire city of Atlanta of just over \$55,000.<sup>2</sup> The COVID-19 pandemic highlights the imperative of bringing health care infrastructure to the community, which has been a health care desert. More broadly, **the project is expected to benefit residents of the community in several ways: +100 permanent living wage jobs and +125 construction jobs.** As planned, the project will also yield 70 affordable housing units in addition to senior housing.

**\$4.5 billion**

in Rockefeller Foundation investments to focus cities

<sup>2</sup> <https://www.census.gov/quickfacts/fact/table/atlantacitygeorgia/INC110218>

**As the EEO initiative shifts our focus to strengthening Black and Latin(x) small business owners in 12 places across the United States, we are confident that our investment in shaping Opportunity Zones has made the incentive materially better for the people who live in these places. The details of our work have changed but we remain committed to catalyzing public and private sector investment in places to promote more inclusive growth, both in the post-pandemic recovery and over the long term.**