**Paved with Good Intentions: A Community Blueprint for Opportunity Zones**

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The “community development” space is filled with people meaning well but doing harm. For decades, well thought out programs, designed by compassionate great minds have destroyed the very communities to be “developed.” As capital flows into underserved areas and those areas receive amenities, infrastructure, and neighborhood improvements, the population is priced out and displaced. While top-down, profit-driven investment can create structures and places, it can also pave over generations of heritage and displace the very community it purports to develop.

Opportunity Funds and Opportunity Zones embody this paradox. Created as part of the Republican tax cuts in 2017, Opportunity Zones are certain low-income census tracts that provide powerful tax shelters for developers. Here’s how they work:

-Investors reinvesting capital gains from things like stocks and oil wells can defer taxes on those gains by investing in property sited in Opportunity Zones. Any investments in properties must provide improvements matching the purchase price.

-After holding the property for 5 years, 10% of the taxes on the deferred gains are forgiven. After 7 years, this becomes 15%. If an investor holds property in an Opportunity Zone for 10 years, any appreciation on that property is untaxed.

There are 8,700 Opportunity Zones, covering 12% of census tracts in the United States. This is an unprecedented vehicle to direct concentrated capital into low-income communities across the country. While Opportunity Zones provide a powerful avenue for investment, there are no requirements that projects actually benefit the community living in the Zone. Investors taking advantage of this program could build luxury condos in areas desperately in need of affordable housing, or a strip mall in an area starved for social services. Opportunity Zones give wealthy investors a powerful tool, leaving vulnerable communities to face the consequences.

Municipalities can take steps to guarantee Opportunity Zone investments benefit current community members. The first step would be to inform residents about the program, especially those living in Opportunity Zones. This lets them know that their property is more attractive to investors than it otherwise would be. In addition, this protects them from property speculation, and selling their property for less than it is worth to a developer who has no problem investing twice the purchase price in the property. This simple action can protect community members who have finally secured homeownership from being taken advantage of by savvy, predatory investors.

Municipalities could also create a zoning overlay for their Opportunity Zones. A zoning overlay is a zoning map that with a set of requirements and incentives for a certain neighborhood. It can ensure that any projects considered for Opportunity Zones provide genuine community benefits like affordable housing, social services, green features, open space, job training, public art, and fair and sustainable employment opportunities. This can be thought of as a screen that encourages the development of productive projects; i.e. ones that serve the community, to proceed.

In addition to an overlay district, cities could develop a prospectus focused on land value recapture: the idea is that as land values increases, cities can recapture some of that value in the form of community benefits. While prospectuses typically promote a city to a wide range of investors, cities can use an Opportunity Zone prospectus to market directly to impact investors. Impact investors seek out projects that provide community benefit, and are willing to take a lower return on their investment in exchange for social return. An impact investment oriented city prospectus could detail the city’s underserved areas, and what types of services are needed in those areas. It could also outline homeownership statistics, showing where affordable housing is most needed. Prospectuses could even cite specific projects that incorporate community benefits, received extensive community outreach, and have design partners and city approval ready for potential investors. In this way, municipalities could actually use Opportunity Zones to their advantage.

The ultimate step municipalities could take to harness the powerful investment incentives of Opportunity Zones would be to create their own municipal Opportunity Fund to compete with investors directly. Cities can either create their own fund or work with third-party vendors to manage a municipal fund. Municipal funds can give the city final say over projects marketed to investors in Opportunity Zones, or provide the fund’s manager with criteria for those projects. In addition, municipal funds afford cities the avenue to perform community outreach and have a community board consisted of local stakeholders. These neighborhood folks would empowered to have direct input into the community benefits created by projects in their communities. A municipal fund could feature three entities: 1) an investment group made up of economic and investment experts; 2) a policy arm of elected officials and/or city staff with a broad vision of zoning, permitting, and other civic details; 3) a community coalition to channel community input.

The investment group could find and market projects while the policy arm ensures projects align with legal standards and the city’s vision for the area. The community coalition could advise both the investment and policy arms and help prioritize projects.

United States citizens and corporations currently hold an estimated $6 trillion in unrealized capital gains. Opportunity Zones are a powerful avenue to channel that wealth into historically-underserved communities. In its current form, the law has no requirements for Opportunity Zone projects to actually benefit the residents in those Opportunity Zones. It is therefore imperative that cities take a proactive approach to ensure that Opportunity Zones do not continue the malicious pattern of top-down displacement, and instead, reinvest in communities according to their needs in a respectful and comprehensive manner. Cities can and should inform their community members living in Opportunity Zones about what Opportunity Zones are, and how they work to protect them from speculation and displacement. Cities should also create zoning overlays to ensure projects proposed in Opportunity Zones actually provide community benefit. Cities can even create impact investing prospectuses marketing their Opportunity Zones to ethical investors. And, finally, cities should be ambitious, and create their own Opportunity Funds to include investment experts, policy experts, and members of the community to fund equitable, sustainable projects that actually benefit communities.