AGN. NO.

MOTION BY SUPERVISOR HILDA L. SOLIS **June 11, 2019**

Opportunity Zones: Development of County Strategies for Social Impact

In 2018, the federal government put forth the Opportunity Zones (O-Zones) Program. Under this initiative, census tracts that are designated as O-Zones are provided an opportunity for mainstream private investors to support businesses and underserved communities. In return, these investors will receive a temporary tax deferral and other tax benefits when they rollover unrealized capital gains into pooled Opportunity Funds (O-Funds).

Eligible census tracts generally included those with poverty rates of at least 20 percent or median family incomes no greater than 80 percent of their metropolitan area or statewide median family income. One of the major criticisms of O-Zones thus far however has been the uneven degree of transparency and local participation in designating the 8,762 U.S. zones.

United States investors currently hold trillions of dollars in unrealized capital gains in stocks and mutual funds alone, which is a significant untapped resource for economic development. O-Funds provide investors the chance to put that money to

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work rebuilding economically distressed communities. The proceeds from successful private investments would be used to stimulate new economic revitalization efforts in the communities that struggle with high poverty and sluggish business and job growth. According to the Urban Land Institute, approximately 35 million people currently live within O-Zones census tracts, and the majority of them are people of color. While Los Angeles County as a whole has seen growth in jobs and businesses, they have been heavily concentrated in certain major metro areas and not necessarily in suburban or rural areas or in urban communities that have historically been disenfranchised due to inequitable policies and practices, such as redlining. Neighborhoods have been heavily impacted by the lack of investment from the private sector for years, so capital markets and managers lack experience working in these underserved communities.

The rule-making process for the O-Zones Program is currently underway at the federal level. The County of Los Angeles (County), however, can initiate the development of affirmative approaches to integrate the County's mission of social impact and goals for economic development, affordable housing, jobs and career pathways for individuals with barriers to employment, local and small and medium-enterprise opportunities, among other key areas of priority. A county pro-active approach should focus on key principles that adopt place-based and capacity-building strategies to ensure transparency and community-based partnerships.

Currently, there are efforts underway in other parts of the country to take advantage of the social impact benefits of the O-Zones program and do community-focused development projects and training. Some of these efforts include an innovative approach to build capacity for local stakeholders willing and able to participate in ensuring an equitable implementation of the O-Zones program. The approach, sponsored by the Kresge Foundation in Michigan, provides support and technical advisory services to mission-driven managers seeking to build and launch Qualified Opportunity Funds, the vehicles that are designated to make Qualified Opportunity Zone investments. To achieve this goal, the foundation funds capital managers to train local community development corporations to accomplish the following:

- Identify and build their investment strategy based on the demand they see in their communities;
- Determine the feasibility of a mission-driven, marketable Qualified Opportunity Fund;
- Develop the appropriate fund structure that is responsive to the market demand and fits the requirements of the Opportunity Zone legislation and regulations;
- Draft the fund's main documents, including a term sheet and offering memorandum;
- Model the economics of the strategy at the project and fund level to understand the terms and investment profile; and
- Develop an investor outreach strategy and gather initial feedback from the relevant investor community.

Given the County's' diverse demographics and unique communities, it is important to ensure that the County provide the leadership within the O-Zones Program context to guide equitable economic development while addressing vulnerabilities like displacement.

I, THEREFORE, MOVE that the Board of Supervisors:

1) Direct the Chief Executive Officer (CEO), or her designee, in coordination with the Los Angeles County's Center for Strategic Partnerships, to:

   a. Assess the feasibility of sponsoring a capacity building program for local community and economic development corporations to fully develop an Opportunity Zone investment strategy in partnership with community-based organizations, designated capital managers, philanthropic groups, relevant mission-driven financial institution, as well as relevant adjoining jurisdictions;

   b. Assess the feasibility of creating site-specific public-private Opportunity Funds with a social impact goal in partnership with a fund management entity and/or a community development financial institution (CDFI). The feasibility assessment shall place emphasis on, but not be limited to, County sites where there are capital projects, including those in other jurisdictions, and/or planning efforts underway with established integrated community engagement mechanisms;

   c. Research and develop policies and guiding principles for the equitable implementation of the Opportunity Zone Program within the County of Los Angeles unincorporated eligible census tracts by emphasizing capacity-building and social benefits such as, housing affordability, community-centered economic development, and anti-displacement. The recommendations shall be informed through a stakeholder engagement process with community-based and mission-driven public and private institutions, as well as other relevant jurisdictions within Los Angeles County as needed; and,

d. Report back to the Board with recommendations, an implementation plan, and as relevant, an evaluation of funding needs and potential funding partnerships associated with recommended actions, in writing within 120 days.

2) Direct the CEO, or her designee, to enter into an agreement with a consultant, as needed, to ensure coordination of activities required per the above directives.

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