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CITY OF OAKLAND

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COUNCILMEMBER LOREN TAYLOR
DISTRICT 6

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AGENDA MEMORANDUM

Date: May 2, 2019
To: Member of the City Council and Members of the Public
From: Councilmember Loren Taylor
Subject: Resolution in Support of Greater Quality of Life and Equitable Outcomes for Residents Living in and Near Opportunity Zones

Colleagues on the City Council and Members of the Public:

In December of 2017 The Federal government created a mechanism by which investors who have earned money from past investments (capital gains) can avoid paying taxes on those gains when they invest into low-income and underserved areas of the country. This incentive was designed for wealthy Americans who have significant resources to invest, and not those who live in the target communities – mostly Black, Latino, and low-income populations. Many investors are already pooling their resources and preparing to purchase property and businesses in these qualified Economic Opportunity Zones, expecting windfall profits and tax savings, but with little regard for the impacts on the indigenous populations.

Oakland has more than 30 precincts that are qualified economic opportunity zones and two-third's of District 6 is designated as qualified economic opportunity zones. What this means is that if left unfettered, the speculative investments and the rapidly increasing property values that are displacing masses of black and brown long-time Oakland residents will further erode that which makes us "Oakland." We cannot stick our heads in the sand and pretend that these realities aren't already upon us. We cannot get stuck in analysis paralysis. Inaction is tacit approval and acceptance of us losing our indigenous communities, our culture, and our heritage. We must instead proactively use the energy created by economic opportunity zones to to the benefit and advantage of our communities.

This resolution calls on the City Administrator and her team to present their plan of action on how Oakland will preempt the potentially exploitation by those hoping to profit off of economic opportunity zones without sharing those benefits with the local Oakland communities. Other cities have developed detail plans, prepared new planning/zoning overlays, established economic opportunity zone-specific CDFIs, hired dedicated Opportunity Zone staff, and detailed project prospectuses to target investments in specific areas. In District 6 we don't even have a requirement that new developments



provide Community Benefits. This proposed resolution directs the city administrator to develop and report to the Council no later than July 9, 2019.

For all the foregoing reasons, I respectfully urge your support for the attached Resolution.

Sincerely,

Loren Taylor
Councilmember, District 6

Recommendations for Opportunity Zones
Leveraging private investment for equitable economic development

The Opportunity Zones designation, a provision nested within the *Tax Cuts and Jobs Act of 2017*, presents significant opportunities and potential challenges for local leaders seeking to advance equitable economic development. The new initiative is expected to bring trillions of dollars in investment capital into a selection of the nation’s lowest income neighborhoods. At the same time, local leaders are looking for tangible ways to connect people to growth and opportunity and ensure all of their residents participate and thrive. Of the 100 million people in America who are economically insecure (living at or below 200 percent of the federal poverty level), approximately 19 million of them live in the census tracts designated as Opportunity Zones.

If invested in the right type of projects, this new capital infusion could spark catalytic development that creates economic opportunity and improves neighborhood quality of life. On the other hand, if the resources are deployed without a focus on improving opportunities and outcomes for the residents living inside the zones, the investments could lead to displacement of low-income people and communities of color in addition to the loss of community assets and land.

Equity advocates, investors, developers, city and state officials, philanthropy, and federal officials should take a proactive approach to guide Opportunity Zone investments toward these outcomes:

1. **Equitable growth.** Opportunity Zones should leverage tax incentives to create good jobs, increase economic security and mobility, and eliminate the racial wealth gap. Projects in the zones should result in jobs that provide wages that support a dignified standard of living, full benefits and workers rights, and safe and healthy working conditions. Developers and investors of color should have access to contracting opportunities in the zones.
2. **Development without displacement.** In addition to bringing economic opportunity and vitality to disinvested communities, development in Opportunity Zones should foster greater housing affordability and security for families most at risk of displacement, including low-income households and households of color.
3. **Healthy communities of opportunity.** Investments should drive equitable growth and prosperity for current low-income residents and communities of color within the zones. Projects should increase services available to vulnerable populations such as affordable transportation options, health-care facilities, healthy food retail, and quality education services.

Below are action steps for guiding Opportunity Zone investments, organized by several sectors – equity advocates, investors, developers, city and state officials, philanthropy, and federal officials.

Equity advocates should:

1. Advocate for equitable development in Opportunity Zones, via letters to governors and U.S. Treasury.
2. Promote a pipeline of projects for investment that can deliver equitable growth, development without displacement, and healthy communities of opportunity.

3. Engage with local officials and investors to create an equity assessment to understand the benefits and harms of investments proposed for each zone. Advocates can use the results of the assessment to hold investors and local and state officials accountable for prioritizing projects that deliver on the aforementioned outcomes.

Investors and developers should:

1. Engage residents in setting priorities for investment in the zones.
2. Prioritize investments in projects that yield equitable growth, development without displacement, and healthy communities of opportunity.
3. Prepare and distribute an annual assessment of investments according to performance indicators such as: living wage jobs created, number of dedicated affordable housing units created or preserved (60 percent of area median income or less), and investments in minority/disadvantaged/women-owned businesses.

Foundations should:

1. Offer financial and technical resources to fund projects in Opportunity Zones which can deliver equitable growth, development without displacement, and healthy communities of opportunity.
2. Support grassroots organizing, particularly in communities of color to influence investment priorities within Opportunity Zones.
3. Leverage program-related investments to contribute to Opportunity Funds (i.e. the investment pools that fund development in Opportunity Zones, as defined in Internal Revenue Code § 1400Z-2).

Cities should:

1. Engage residents in setting priorities for investment in the zones.
2. Design and advance local equity policies that govern investments within zones.
3. Dedicate local dollars to projects in Opportunity Zones which can deliver equitable growth, development without displacement, and healthy communities of opportunity.
4. Monitor and report outcomes of the Opportunity Zone investments, according to performance indicators such as: living wage jobs created, number of dedicated affordable housing units created or preserved (60 percent of area median income or less), and investments in minority/disadvantaged/women-owned businesses.
5. Explore opportunities to capitalize existing Opportunity Funds and / or establish publicly-administered Opportunity Funds.


States should:

1. Dedicate State dollars to projects in Opportunity Zones which can deliver equitable growth, development without displacement, and healthy communities of opportunity.
2. Monitor and report outcomes of the Opportunity Zone investments, according to performance indicators such as: living wage jobs created, number of dedicated affordable housing units created or preserved (60 percent of area median income or less), and investments in

minority/disadvantaged/women-owned businesses.

The federal government, specifically the U.S. Treasury Department, should:

1. **Allow local and state governments to configure additional guidelines for Opportunity Zones.**
The U.S. Treasury should grant flexibility to local and state governments to issue guidelines as needed to advance equitable growth, development without displacement, and promote healthy communities of opportunity.
2. **Ensure that investments 'Do No Harm' to low-income residents and small businesses.** Require investors, and states and cities to use data disaggregated by race to assess economic benefits and displacement risks.
3. **Specifically define "abuse" in the regulations.** The U.S. Treasury should define "abuse" in the regulations to ensure that projects do not result in evictions of tenants or small businesses, dramatically increase rents, and do not lead to the loss of deed restricted or naturally-occurring affordable housing in places.
4. **Require declaration of intent.** In order to be certified by the U.S. Treasury as an Opportunity Fund, the agency should require Opportunity Funds to declare their investment intentions and commit their investments to specific community benefit outcomes (i.e. equitable growth, development without displacement and healthy communities of opportunity) as a condition of certification.
5. **Set performance measures and reporting requirements, and re-evaluate designations.**
Building on the measures outlined in the *Tax Cuts and Jobs Act of 2017 Conference Report*—related to job creation, poverty reduction, and new business starts—we recommend the following measures: living wage jobs created, the number of dedicated affordable housing units created or preserved (60 percent of AMI or less), investments in minority/disadvantaged/women-owned businesses, vacant structure repurposing, and critical services available to vulnerable populations.



City Attorney's Office

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OAKLAND CITY COUNCIL

RESOLUTION NO. _____ C.M.S.

INTRODUCED BY COUNCILMEMBER LOREN TAYLOR

RESOLUTION DIRECTING THE CITY ADMINISTRATOR TO DEVELOP RECOMMENDATIONS FOR LEVERAGING AVAILABLE INCENTIVES AND CITY RESOURCES TO ENCOURAGE RESPONSIBLE INVESTMENT RESULTING IN THE IMPROVEMENT OF THE QUALITY OF LIFE FOR OAKLAND RESIDENTS LIVING IN THE COMMUNITIES IN AND AROUND OPPORTUNITY ZONES.

WHEREAS, racial and socio-economic disparities persist in the City of Oakland, as evidenced by well-documented inequities of income, educational opportunities, economic mobility, healthcare outcomes, and access to basic services; and

WHEREAS, those disparities which are a direct result of redlining and other practices of institutionalized racial discrimination are most prominent in the Flatlands of East and West Oakland, which are geographically segregated from more affluent and rapidly developing areas of the City; and

WHEREAS, the Oakland City Council acknowledges that unfettered development in our City leads to greater displacement of vulnerable communities, and the importance of guiding investment in a way that ensures maximum community benefits concerning jobs, locally-owned businesses, affordable housing, preservation of arts and culture, improvement of public health and safety, and accessibility to local services and amenities; and

WHEREAS, The Federal Tax Cuts and Jobs Act of 2017 created Qualified Opportunity Funds as a tool to reinvest capital gains in designated Opportunity Zones, which are census tracts nominated by the governor of each state, as a flexible tool to encourage investment in low-income communities (census tracts) where the median family income is 80% of the median family income for the area in which the census tract is located, and that have a poverty rate of at least 20%; and

WHEREAS, in Oakland XX% of census tracts in District 3, XX% of census tracts in District 5, XX% of census tracts in District 6, and XX% of census tracts in District 7, have been designated as qualified opportunity zones; and

WHEREAS, the Spirit of East Oakland community engagement initiative was designed to assess the needs of East Oakland residents who have historically been underrepresented and live in lower-income communities, and the lack of access to

grocery stores was repeatedly raised by members of these communities throughout these engagement opportunities; and

WHEREAS, the City of Oakland's 2017 Community Survey shows that residents of Council Districts where Opportunity Zones are located are more likely to report dissatisfaction with their access to high-quality and affordable food options; and

WHEREAS, the City has committed to supporting complete communities that provide easy-to-access, nearby amenities to improve residents' quality of life through the Imagine Oakland Comprehensive Plan and the Strategic Direction 2023; and

WHEREAS, the City has committed to encouraging responsive and responsible private sector investment, as shown by the City Council's approval of new Chapter 380 economic incentive agreements to encourage responsible development that benefits all Oakland residents; and

WHEREAS, the City of Oakland requested that the Internal Revenue Service provide expanded guidance on investments in Qualified Opportunity Funds, the qualifying and appropriate investments that can be made with these funds, the role of state and local governments in guiding such investment, and the use of state and local incentives in conjunction with these funds to encourage development that is appropriate and responsible for each community. Similar requests have come from other jurisdictions, community financial organizations, and investment groups; this additional regulatory guidance remains in progress; and

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF OAKLAND: The City directs the City Administrator to develop recommendations for leveraging available incentives and City resources to encourage responsible investment resulting in the improvement of the quality of life for Oakland residents living in the communities in and around Opportunity Zones. Such guidance shall include recommendations pertaining to and shall take into consideration:

- The development of a program to encourage and oversee responsible development in Opportunity Zones located in Oakland;
- The development of an investment prospectus for attracting investors who are committed to strengthening our communities, supporting long-time residents, in parallel with seeking an attractive return on their investment;
- The expressed needs of Oakland residents in and around Opportunity Zones that can be addressed through private investment in their communities, including and particularly the need for accessible and affordable high-quality grocery store options;
- Any additional engagement strategies needed to understand residents' needs throughout the life of the Qualified Opportunity Fund investments;

- Existing and proposed economic incentive programs or tax credits available to investors in Oakland that can be used in conjunction with Opportunity Fund investments;
- Approaches considered and enacted by other local jurisdictions and states;
- Analysis of the capacity of financial institutions serving the Oakland area to establish and certify Qualified Opportunity Funds;
- Incorporation of any additional guidance that may come from relevant regulatory agencies or legislation;
- Identification of the need for additional regulatory guidance from the federal or state government to ensure the effective use of Qualified Opportunity Funds to fulfil the needs of Oakland residents; and
- Evaluation of the potential for creation of a City of Oakland CDFI.

BE IT FURTHER RESOLVED: The City of Oakland will continue engaging with state and federal lawmakers and regulatory agencies to communicate the need for cooperation with and guidance from these jurisdictions; and

BE IT FURTHER RESOLVED: The City Administrator is requested to report back to the City Council on recommendations and proposed programs to leverage incentives and resources by May 28, 2019.

IN COUNCIL, OAKLAND, CALIFORNIA,

PASSED BY THE FOLLOWING VOTE:

AYES - FORTUNATO BAS, GALLO, GIBSON MCELHANEY, KALB, REID, TAYLOR, THAO AND PRESIDENT KAPLAN

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council of the
City of Oakland, California