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MISSED OPPORTUNITY:
THE WEST BALTIMORE OPPORTUNITY ZONES STORY

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Abstract

This paper presents a qualitative evaluation of how Opportunity Zones (OZ) have attracted capital and economic development to highly distressed neighborhoods in West Baltimore. First, we introduce OZ tax policy. Next, we review past evaluations of tax preferences for place-based development. We then describe our research approach: 76 interviews with community and government officials, program managers, developers, businesses, and fund managers about OZ outcomes in West Baltimore. Based on these interviews, and a series of development projects that we document and refer to in the Appendix, we discuss the strengths and weaknesses of OZ in West Baltimore and Baltimore City. We conclude with seven policy changes that are necessary for OZ to encourage investment in highly distressed neighborhoods.

Introduction

Tucked into the 2017 Tax Cuts and Jobs Act was the largest federal initiative for place-based investment in more than half a century. OZ is expected to cost the US government over $15 billion in forgone tax revenue through 2026, exceeding the Clinton Era Empowerment Zones and the Great Society programs of Lyndon Johnson even when adjusted for inflation.[1]

The stated goal of OZ is to bring economic development to distressed communities.[2] The policy offers preferential tax treatment – the ability to avoid or reduce taxes on realized or future capital gains– for investments made in federally approved investment vehicles know as Qualified Opportunity Funds (QOF). A QOF must hold 90 percent or more of its assets in OZs, census

[1] This estimate was established using the Joint Committee on Taxation foregone revenue estimates from 2018-2021 to extrapolate the 10-year (initial "term") of the incentive.
[2] See "The Promise of Opportunity Zones" Congressional Testimony (2018).

tracts where at least 50 percent of households have incomes below 60 percent of the area median income or a poverty rate above 25 percent; or census tracts contiguous to these tracts.

More than 8,700 census tracts were approved by the Treasury Department for OZ designation. Across the country, rural, suburban, and urban census tracts experiencing very disparate levels of poverty, income, employment, and other indicators were selected.[3] According to a cursory analysis by the Brookings Institution, some states selected gentrified areas where access to capital was already abundant.[4]

In Baltimore, 42 census tracts were grouped into five OZ clusters: West Baltimore, Southwest Baltimore, East Baltimore, Southeast Baltimore and Central Baltimore. Approved Baltimore OZ selections also represent different levels of distress. For example, the Southwest cluster, with a population of just over 30,000 residents, experienced $220 million in small business investment between 2012 and 2016 and is positioned for large scale investment with the new Under-Armor Headquarters at Port Covington. By sharp contrast, the West Baltimore OZ cluster, the focus of this study, represents over 40,000 residents including some of the most impoverished households in the city and has seen less than $30 million invested in small business over the same period.[5] While Baltimore City officials did not recommend downtown or Port Covington to be included as OZ tracts, these census tracts were later selected by the Governor's Office and nominated by the Treasury. Such broad and disparate geographic targeting

[3] See Theodos et al. (2018).
[4] See Gelfond and Looney (2018).
[5] See Baltimore Development Corporation (2018).

may direct capital away from very distressed neighborhoods and towards less distressed places considered lower-risk investments.

The policy's flexible guidelines also raise concerns about whether and how the OZ will spur capital investment in distressed neighborhoods. QOFs are permitted to finance a wide array of investment activity including market rate housing and luxury hotel development. There is no indication that regulations will prevent investors from receiving subsidy for investing in projects that did not require subsidy.

In summary, if investments are made in distressed communities or in projects that benefit existing residents, OZ may improve quality of life for distressed community residents. On the other hand, the policy risks funneling taxpayer dollars into neighborhoods that don't require subsidy and supporting projects that lead to displacement of low-income communities and people of color in the neighborhoods that do.

As of this writing, three years into OZ, the federal government has not yet implemented a system to track or audit investments in the zones, to assess what types of projects are being supported, or to confirm the policy is benefitting distressed community residents.[6]

We find that OZ is a missed opportunity. OZ is stimulating investment conversations and local government capacity, but it is failing at oversight and community engagement and not changing development outcomes. Our participant interviews reveal a locality doing its best with a tax policy poorly designed to stimulate development in distressed

[6] See Code, U.S. (2020). Title 26 of the Internal Revenue Code does not indicate any stipulations on tracking.

neighborhoods. OZ is failing West Baltimore because it is a weak incentive for capital gains investors who want market rate returns, because it does not sufficiently support investors and developers already active in distressed neighborhoods, and because of several related design flaws.

In the next section, we review previous evaluations of tax preferences for place-based development. In the methodology, we discuss the case study area, the case study strategy, and the interview and data collection process. In the results section, we summarize Baltimore OZ investments that we document in the Appendix and describe the major findings from our participant interviews. We end with seven recommendations to improve OZ policy for distressed neighborhoods.

Evaluations of tax preferences for placed based development

OZ is a new policy, and this paper is one of the first evaluations of its outcomes.[7] However, tax incentives to attract mobile capital to distressed communities have been advanced by all levels of government for over half a century. Assessments of their outcomes are inconsistent and inconclusive.

By the 1980s, most states had implemented Enterprise Zones (EZ) offering tax incentives and employment credits for investment and job creation in distressed areas. In 1993, the federal government established the Empowerment Zones program; a combination of tax credits, grants, bonding authority and other benefits eligible in

[7] A few OZ studies have recently been released regarding OZ outcomes nationally including Atkins et al. (2020), Theodos et al. (2020), and Chen et al. (2019).

distressed urban and rural communities. These programs are the direct predecessors to OZ.

Econometric studies of these programs have generally found nominal net benefits of both state level EZ programs and the federal Empowerment Zones program. For example, Boarnet and Bogart (1996) found that EZ designation had no significant effect on employment or property values in New Jersey; Engberg and Greenbaum (1999) found that EZ designation had no effect on housing prices across 22 states; and the Government Accountability Office (GAO) found that EZ had little or no effect on job creation in Maryland. In the most exhaustive study, Peters and Fisher (2004) found that EZ in 13 states had little effect on economic growth. Positive effects that are documented tend to be found in less distressed areas.

In contrast, Papke (1994) found that EZ designation in Indiana resulted in an eight percent increase in company inventory value; Greenbaum and Engberg (2004) reported that EZ programs across six states led to increased business development; and O'Keefe (2004) concluded that California's EZ raised employment by three percent over six years. Rubin's (1990) analysis, the most prominent work supporting EZ, found that 30 percent of the 500 companies she surveyed said the New Jersey EZ had affected company location and expansion decisions.

Fewer studies have examined the federal Empowerment Zones program. The GAO conducted two studies in 2006 and 2010 but failed to reach a conclusion due to poor data collection. Oakley and Tsao (2006) found examples of improvements in certain EZs compared to non EZ counterfactual sites -- for example, poverty reduction in Detroit -- but overall, they determined that the zones had little impact. Busso et al. (2013) found greater impacts. Neighborhoods receiving Empowerment Zone designation, according to their study design, experienced a 12-21 percent increase in total employment and an 8-13 percent increase in weekly wages compared to matched zones and these gains came with only modest deadweight losses. However, they found that the program had a nominal effect on rents and vacancy rates. Krupka and Noonan (2009) found that the federal program had a statistically significant and substantially positive effect on housing prices but varying and less impact on indicators of neighborhood quality.

These studies represent a mixture of shift-share and regression analysis including sophisticated quasi experimental designs. All recommend early and periodic performance assessments/reviews/monitoring of zones to help improve understanding of outcomes. This paper takes this recommendation by reporting on our early assessment of the OZ policy in West Baltimore. Our qualitative approach sets the context for applying OZ to distressed neighborhoods and provides nuance on how and why the policy is and isn’t changing development outcomes.[8]

Methodology

Our case study area is the West Baltimore Opportunity Zones Cluster (WBOZC). We selected the WBOZC for four reasons. First, the first author has a deep network and detailed knowledge

[8] A comprehensive analysis of all peer-reviewed studies of state enterprise zones and the federal Empowerment Zones program is available from the first author upon request.

of economic and community development experts and projects in West Baltimore. Second, the WBOZC represents highly distressed census tracts that serve as a “black swan” for analysis; if findings indicate the OZ policy attracted substantial capital, this may indicate that OZ neighborhoods with less distress could also attract equity. On the other hand, if we find negligible effects, we can explore why OZ is not serving neighborhoods most in need of investment. Third, both the City of Baltimore and the State of Maryland, unlike most jurisdictions, established staff positions to work specifically on OZ. These staff members could help identify capital flows and economic development activity in lieu of federal reporting mandates. Finally, Baltimore’s proximity to Washington, D.C. allowed the first author to meet with economic development experts knowledgeable about Baltimore and national OZ activity.

[Table 1: WBOZC Descriptive Statistics]

An original 35-person participant list was developed using the first author’s knowledge and network of economic development contacts. We then held initial meetings with our grant partner, the City Council member for the 7th District of Baltimore City, and Baltimore City’s designated OZ coordinator. We also systematically reviewed OZ documents including enabling legislation, congressional testimony, and articles and press releases by government, think tank and advocacy groups, and local and national media. We emphasized actors and institutions engaged in business or project development in and around the WBOZC. Interviewees included developers, project sponsors, fund managers, wealth managers, investors, philanthropies, nonprofit agencies, community development institutions, city and state level officials, businesses, and the city and state designated OZ coordinators.

The interview list was expanded to 76 people using a snowball sampling method; a non-probability method of convenience in which we asked each interviewee for recommendations for and connections to other experts at the end of each interview.

[Table 2: Study Participant Typology]

Despite our best efforts, the policy's lack of reporting requirements makes it impossible to verify whether we comprehensively identified OZ activity in the case study footprint or in Baltimore City. Our best guess is that we likely missed investors, developers, and businesses who considered but ultimately abandoned OZ financing or that were privately exploring OZ. The Baltimore City and Maryland State OZ coordinators confirmed that, according to their tracking, we had comprehensively documented OZ activity. However, they also believed that OZ conversations and even minor investments were going undocumented.

Interviews were conducted in an open-ended and semi-structured fashion. All interviews were conducted by the first author. The author explained the purpose of the research project and described the participant identification process at the opening of each meeting. He then asked selected questions from a list created by the authors. Not all interviewees were asked all questions because questions were tailored in advance of each interview. Frequently these interviews moved away from a question-by-question format and into dialogue and conversation across questions or topics. However, the author was intentional in balancing depth spent on each question with breadth of questions during each interview. Interviews were scheduled for an hour or longer. Interviews were not recorded. However, the interviewing author took extensive notes during and after each interview including capturing direct quotes.

Interviews started in October 2019 and ended in December 2020. Most interviews were conducted in person through February 2020 at offices, restaurants, coffee shops, and other locations across Baltimore City, New York City and Washington, D.C. In response to the advent of the COVID-19 pandemic in March 2020, we "paused" the study from mid-March to August 2020. We then conducted interviews in an online format. For purposes of clarification, we followed up with 29 participants by email, phone call, or meeting.[9] We also requested OZ documentation from certain participants, such as developer proformas, if the document was discussed during the interview and we determined it may be useful to our analysis.

Project development details and investment estimates come from participant interviews, public reporting, and the first author's knowledge of Baltimore development. Where we do not footnote public reporting, development information and project finance estimates come exclusively from participant interviews and not objective records. Each financing estimate was checked for accuracy with at least three participant sources. Again, it is critical to note, in the absence of public reporting requirements we cannot verify their accuracy.

Results: OZ investments

Three years after the Tax Cuts and Jobs Act (TCJA) of 2017 was signed into law, no OZ deals had closed in the WBOZC. However, we documented six OZ investments across Baltimore City including one in a distressed census tract in East Baltimore. These OZ investments are supporting economic development that benefits city residents at large including investments in

[9] The first author met with nine participants more than once. These meetings were in person pre pandemic and online thereafter. This includes multiple meetings with the Baltimore City OZ Coordinator.

transit-oriented development and a minority owned business, the attraction of high paying technology jobs, workforce housing, and the development of a grocery store and other amenities in under-retailed communities. We also documented three projects, two within the WBOZC, that are likely to secure OZ financing within the next year.

Excluding a $154 million OZ investment made in the $5.5 billion future Under Armor campus at Port Covington, these projects represent $78 million of OZ equity supporting roughly $468 million in real estate and business development projects across Baltimore City. In Maryland, the comparable numbers are roughly $192 million and $800 million, respectively.[10]

We describe Baltimore projects that have received OZ investments in Appendix A. We describe Baltimore projects that we expect to receive OZ capital in Appendix B.[11] Finally, In Appendix C, we highlight three developments, that considered OZ, but, as of this report, were not close to securing OZ capital.[12]

[Table 3: Baltimore City OZ Investments]

The projects in Appendix A and B illustrate that OZ capital is flowing into projects with community benefits and in areas that need investment. They demonstrate that OZ is a "gap" equity source that may speed up the timeline of a project or substitute for other capital sources.

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[10] Novogradac, a national professional services organization that is tracking QOF development, estimates that roughly $12 billion of OZ equity was or is being invested across the country as of the third quarter of 2020. Novagradic OZ fund list URL: https://www.novoco.com/resource-centers/opportunity-zone-resource-center/opportunity-funds-listing. The White House Council of Economic Advisors (CEA) contends that this has spurred roughly $75 billion in total development over the same period. CEA's estimate includes investment that would have taken place without OZ. See Office of the President's Council of Economic Advisers (August 2020).
[11] Summary statistics for Appendices A and B are provided in figure 2.
[12] We refer to these as OZ "deals" or "investments" rather than as projects. OZ financing was never the sole or primary financing mechanism supporting a business or development.

However, they indicate that OZ does not determine the fate of a project or stimulate entirely new development. Government subsidy programs and/or federal New Markets Tax Credits (NMTC) are more important sources of capital to spur development.

These projects also illustrate that little OZ capital is flowing into deeply distressed neighborhoods. Appendix A includes a $1 million investment for a minority-owned business to expand in distressed East Baltimore. Appendix B includes a $100 million redevelopment project on the edge of the WBOZC and a $4.5 million project providing affordable housing and retail space for existing residents and businesses in one of the more distressed tracts in Baltimore City. However, these projects represent less than 5% of total OZ equity deployed or expected to be deployed in Baltimore. In contrast, 65% of all of OZ capital is flowing into one gentrified census tract, Port Covington, where a $5.5 billion project was already underway.

These projects reveal dedicated government staff, sophisticated developers, and a few mission driven financiers working to leverage OZ for community development. They illustrate a locality doing their best with a federal tax preference that was poorly designed for distressed neighborhoods. In Appendix C, we provide three examples of how OZ is inadequately supporting small developers who are already working to bring investment into distressed communities.

We expect OZ activity to develop beyond its current status. Participants believe OZ investments will maintain their current pace or accelerate. On the real estate development side, the prevailing sentiment among participants is that the larger “lower hanging fruit” and “investment ready” projects have secured or are close to securing OZ capital and that these projects have established a model for using OZ as an additional capital source in diverse capital stacks. Fund managers expect to raise capital for less sophisticated developers as they learn to navigate this tax preference.

On the business development side, there was a cautious enthusiasm that Baltimore City will continue to successfully leverage OZ as a tool to attract high tech jobs. While participants generally described the policy as poorly conceived for business development, early OZ investments in Galen Robotics and Outlook Studios[13] provide precedent and partners for a replicable model to leverage OZ capital. Fund managers generally felt that Baltimore City, given its well-established bio-tech and university presence, and affordability as compared to nearby New York, Boston, and Washington D.C., was well positioned to raise OZ capital for business development.

However, study participants expect future investments to follow the pattern of investments to date, supporting development that would have happened without OZ. They suggest that most OZ capital will not flow into Baltimore's distressed neighborhoods. Many of our participants, including city and state OZ coordinators, believe it is too early to draw final conclusions about the policy.

Results: OZ Strengths and Weaknesses

In this section, we discuss our early findings regarding how federal OZ policy is and is not supporting development in the WBOZC and in Baltimore City at large.

[13] See Appendix A, OZ Investments 2 and 6, respectively.

1. **OZ is stimulating a new set of investors and development conversations**

The greatest benefit of OZ to date has been its ability to stimulate new investment conversations and put Baltimore on the map for a new set of investors. We documented over 50 funds that had connected with Baltimore City and/or individual businesses and projects. [14] The city and state OZ coordinators reported that they were involved in as many as 80 projects across Baltimore City that were potential candidates for OZ investment.[15] While participants described these conversations as “short term,” “aspirational,” and “very unlikely to materialize,” there was broad consensus that OZ had led to a new development “ecosystem” with potential to stimulate new investments even if the investment was not OZ capital. As the city’s OZ coordinator summarized: “One of the most important outcomes has been OZ’s ability to attract a diverse cadre of new investors to Baltimore City. In the short term, these investors may not do anything here, but in the long term, these relationships represent new doors for attracting capital and development to Baltimore City. We should not underemphasize the importance of new partners even if they don’t [materialize] into OZ projects.”[16] One developer confirmed: “we’re getting looks that we never would have got. This is powerful. Investors are looking at areas that were previously redlined to development because of their race or ethnicity.”[17]

Over the course of the study, OZ investors and other interested actors toured Baltimore City, attended conferences and webinars, and made repeated inquiries with city and state OZ coordinators and project sponsors. OZ events were both local and national in scope. For

[14] It is important to note most of these funds had not actually raised or deployed capital.
[15] Participant Interviews
[16] OZ Coordinator Interviews
[17] Developer/Small Developer Interview 7

example, in January 2019, the Jack Kemp Foundation hosted over 200 people, including Baltimore's Mayor, Maryland's Lieutenant Governor, and the CEO of the Economic Innovation Group, the think tank behind OZ policy, to Port Covington to discuss OZ opportunities and challenges. In October 2019, several project sponsors offered tours of OZ sites as part of an annual Baltimore "Homecoming" event where successful professionals with links to Baltimore are invited back to the city to discuss how they can partner, invest, and collaborate on the city's future.[18] That same month, the authors, along with the CEO of Baltimore's Public Housing Agency and the Baltimore City OZ coordinator, were invited to speak about OZ activity in Baltimore at the Council of Large Public Housing Authorities annual meeting. In October 2020, the online database "Opportunitydb" hosted a three-part webinar with several Baltimore OZ project sponsors as discussants.[19] Project sponsors and developers also created marketing material for OZ investors. For example, a mid-sized development firm working in the WBOZC presented the first author with a sophisticated marketing package for the sale of a multi-million-dollar real estate portfolio that the firm was marketing and offering as an OZ investment opportunity.[20]

Participants described this new investor class as interested in mid to high double-digit returns and market rate development opportunities and said that they did not expect this new ecosystem to make large investments in Baltimore's lower-income and Black neighborhoods including West Baltimore. A housing developer in WBOZC noted, "Sure, there may be new groups of investors that drive through [these neighborhoods] as part of an OZ marketing event. But when

[18] Developer/Small Developer Interview 15
[19] See Milbergs (2020).
[20] Developer/Small Developer Interview 12

push comes to shove, OZ doesn't change their bottom line. We all know they are only going to consider the same five or six neighborhoods that outside investors have always looked at."[21] Likewise, the president of a major regional community development organization, which has completed hundreds of residential and commercial renovation projects in Baltimore's neighborhoods, noted that "the moment one of these investors sees the returns we are offering, the OZ conversation halts and we discuss whether our work might be a candidate for their philanthropic coffers."[22] Mission-driven developers suggested their engagement with this ecosystem did not last long given the high levels of returns most investors were looking for and the technical challenges to establishing funds. A few community developers indicated that OZ had created a false sense of hope; enthusiasm around new investors had taken up their time and resources but the conversations dried up and the investors moved on. The head of an economic development non-profit noted that they now "approach OZ investor connections with caution" as they have had so many that have gone nowhere and that is has "eaten up a lot of their time."[23]

Small developers working in West Baltimore were generally unaware and/or skeptical of any new ecosystem. A housing rehabilitation firm in the WBOZC suggested this new ecosystem "works within the existing power structure of development. Our bottom line concerns social outcomes, outside OZ investors are looking for large financial returns. So, the conversation start[s] and end[s] there."[24] Community Development Entities (CDEs) and affordable housing developers indicated that this new network was fragmented from the development activity

[21] Developer/Small Developer Interview 15
[22] Non-Profit/Community Developer Interview 11
[23] Non-Profit/Community Developer Interview 10
[24] Developer/Small Developer Interview 16

already taking place in low-income neighborhoods. This critique was structural; because OZ was not compatible with Low Income Housing Tax Credits (LIHTC) and other debt led development, they were not part of these new OZ conversations. We also found that the philanthropic sector was largely uninvolved with the OZ policy with an exception being the Abell foundation funding Baltimore City's OZ coordinator position.[25] We discuss OZ's failure to incentivize capital already operating in undercapitalized markets in more detail below.

With few exceptions, participants suggested that this new investment network would serve to expand or substitute for other sources of capital in gentrifying neighborhoods and where projects would have happened without OZ. Mission-oriented developers and elected official participants agreed that due to the OZ's lack of reporting requirements, there was no way to ensure a new development network would translate into positive outcomes for existing residents. One Community Development Corporation (CDC) leader noted "Many of these neighborhoods have a long history of opportunistic land holds and false starts…. Without public information on their bottom lines, in terms of social [outcomes], [a new investment community] discretely poking around Baltimore City shouldn't be assumed a good thing."[26] A mission driven investment fund manager said they were concerned the network included "parasitic" development actors.[27]

2. OZ is spurring new local government development capacity

Related to this new ecosystem was a sentiment, espoused by Baltimore City's OZ coordinator and shared by government actors and many in the development community, that OZ has created

[25] Participant Interviews
[26] Non-Profit/Community Developer Interview 3
[27] Banking/Fund Manager/Business Interview 1

a new organizing structure in which the city engages in development. Much of this was the result of new employees, namely, new city and state positions tasked to work with existing local officials to promote development in these zones, connect investors to OZ projects, track OZ activity, and present on OZ opportunities and progress. It is critical to note that these positions were not mandated by the federal government. To the contrary, OZ legislation mandated no requirement or appropriations for local economic development planning. Consequently, this outcome is best understood as an indirect result of Baltimore and Maryland deliberately establishing new positions. As previously mentioned, the Abell Foundation, a community development philanthropy, funds the OZ coordinator position in Baltimore.

The Baltimore OZ coordinator describes himself as a “matchmaker” for projects and investors. This matchmaking and the database of projects that has flowed from it, is stimulating new and more coordinated conversations within local government about setting priorities, allocating limited local dollars, and identifying resources for projects. OZ, in tandem with a new neighborhood impact investment fund (the “NIIF”), led to “a set of monthly meetings where many of the city’s major agency leaders involved in development come together and took the time to go through projects one by one in a way that wasn’t as intentional before the incentive.”[28] According to leadership at Baltimore City’s Department of Housing and Community Development (DHCD), “as a result of the [steps we have taken around OZ], the city now has a point person to connect the dots on investment and development.” Another DHCD staff member

[28] OZ Coordinator Interviews

noted that "the roll out of OZ fit very nicely in the early adaptation of Baltimore's community development strategy."[29]

In Baltimore, development capacity resulting from OZ included the creation of a "development prospectus," a marketing document that the OZ coordinator pitched to developers and investors to tout the city's opportunities and projects. At the state level, this capacity included an interactive website portal where OZ actors can locate projects, information, and contacts about the state's OZ activity.[30] It also encompasses state legislation which extends existing job incentives to all businesses that locate or expand within Maryland's OZ footprint.[31]

Most developer and investor participants shared this sense of new capacity. One developer noted, "the great thing about OZ is now we have this reliable point of contact in the city to get this project to completion because [the city and state] are laser focused on these OZ deals."[32] Another development firm executive said, "Before OZ, we frequently held off on consulting with the city until we had our sources and uses better lined up. After OZ, we may be inclined to check in with the city on other opportunities…."[33] A third developer stated "the new relationships between the city, state and private sector that OZ is creating are critical for Baltimore. They can lead to future projects."[34]

It is noteworthy that eight study participants mentioned that OZ may be redirecting government capacity away from non-OZ opportunities and privileging an elite set of investors and developers

[29] Government Agency Interviews 1 and 4
[30] See Maryland Department of Housing and Community Development (2018)
[31] See Opportunity Zones Incentives, S.B. 581, Regular Session 2019. (2019).
[32] Developer/Small Developer Interview 8
[33] Developer/Small Developer Interview 11
[34] Developer/Small Developer Interview 7

with access to capital gains dollars. Relatedly, the city OZ coordinator, as well as leadership at Baltimore City's DHCD, noted that one of the major early challenges of their OZ work was dealing with OZ inquiries from people without any development experience or plan, or that hadn't performed even basic due diligence on the project locations they were inquiring about.[35] The developer of the Yards 56 project[36] noted that "OZ hype [comes with] a challenge. Now you also have a bunch of inexperienced people talking about projects without a lick of development expertise… this is wasted time and energy and it worries me."[37]

Five participants were cynical of OZ policy altogether, describing it as a "distraction," "total waste of time" and even a "con." These participants described OZ as a process in which the federal government pushes Baltimore to compete in chasing footloose capital from outside investors instead of leveraging their limited resources to cultivate investment locally. One executive of a regional community development nonprofit stated: "OZ is not the only economic development strategy that needs capacity development or that we should be organizing around [in Baltimore]. We have other zones and programs. For example, this energy would be better served developing a strategy to win [NMTC] through a captive CDE."[38] Two of these participants proposed the OZ effort be redirected toward developing municipal banking.[39] They suggested that the challenge of capital investment in distressed neighborhoods was not lack of equity. Instead, in the Baltimore region, commercial banks lend a trivial amount of their overall

[35] Government Agency Interviews
[36] See Appendix A for full discussion of project
[37] Developer/Small Developer Interviews
[38] Non-Profit/Community Developer Interview 13
[39] See Vanatta (2019) for the Abell Foundation report on this topic -- which two participants referred us to.

loan percentages to Black residents and in Black neighborhoods.[40] One economic development expert described OZ as "the latest in a series of steps to redirect local development capacity to outside and powerful holders of capital."[41] Likewise, a smaller developer described "a process that started with LIHTC where, instead of focusing on the type of development we want and the people capable of getting us there, we [instead] build up a whole new industry that's primary goal is to reduce taxes for the wealthy, not to rebuild neighborhoods for the poor."[42] A program manager at a housing nonprofit commented on "the great irony in OZ…. Once again the government is telling us that the solution to the problem is to compete for the same capital that ignored us in the first place."[43]

13 participants expressed a general concern that OZs primary function was to subvert direct tax expenditures and reduce tax rates for the wealthy. The director of a community development non-profit described OZ as "…a program whose primary purpose is to find new ways to reduce taxes for a bunch of people who…already aren't paying their fair share."[44] Nonetheless, most of these participants supported OZ policy with a 'nothing to lose' explanation.

3. OZ is Failing at Oversight and Community Engagement

Baltimore City and the State of Maryland made good faith efforts to track OZ development. The city held multiple meetings and workshops with neighborhood leaders and community organizations to introduce OZ designated communities to OZ. The OZ coordinator noted that

[40] ibid
[41] Think Tank/Consultant/Philanthropic Interview 10
[42] Developer/Small Developer Interviews
[43] Non-Profit/Community Developer Interview 1
[44] Non-Profit/Community Developer Interview 10

the city was "very intentional with investors. We wanted them to know that we care about investing in distressed neighborhoods."[45] City officials selected low-income neighborhoods for OZ, were deliberate about trying to establish community benefits agreements and employment targets around the policy, and were guiding investors to high priority projects that would be beneficial for Baltimore's lower-income and minority communities.

Even so, OZ is opaque and undemocratic. It offers no planning mechanisms for communities to prevent harmful investment. Participants repeatedly noted that OZ provided no resources to guide equitable development, particularly designated funding to introduce communities to the mechanics of the tax preference or to educate them on how they could identify and connect with investors. Commitments like these, which help build trust with communities, are necessary to stimulate positive development in distressed communities, especially those with long histories of race-based disinvestment and deep skepticism of outside investors.[46]

The city coordinator frequently referred to OZ as a "marketplace" and not a "program." He acknowledged that "at the end of the day, these are private sector investors, and we don't control their purse strings." A manager of an investment fund described local ability to steer OZ investment as "like being placed in a sea with a paddle. The federal tax code is a pretty blunt mechanism to just throw at localities for economic development," this participant added.[47]

A Baltimore City councilmember commented that "private and public parties have dumped toxins [into] our water and homes, and then they have made [money] doing that! It is remarkable

[45] Government Agency Interviews
[46] Non-Profit/Community Developer Interviews and Government Agency Interviews
[47] Banking/Fund Manager/Business Interview 5

that the feds are not requiring oversight for a program that is now incentivizing development in these [same] neighborhoods."[48] The two state legislators interviewed for this study indicated that a critical motivator for Maryland's OZ enhancement legislation was to try to establish a mechanism for oversight. A delegate critical to the legislation's passage summarized:

My immediate thought was OZ could be full of potential and how are investors going to decide where to invest? But at the same time, how are neighborhoods, and I as a legislator representing those [neighborhoods], going to have any idea on what is happening in the district, where the money is coming from, and who is doing the development? We should know this stuff…not to stop it but to be able to know what is going on (in) our communities and… yes, we should be able to give a bad actor a hard time too! There is no transparency. There is no accountability. There is no way to influence any of this and if you can build another methadone clinic in [a poor neighborhood] that already has a methadone clinic… then that is bullshit. But at the state we can't [create] restrictions without threatening development. The only thing we can do is incentivize better behavior since [the federal legislation] doesn't care what OZ funding [is used] for. [49]

Developer and investor participants were conflicted about how much oversight was needed. Some developers, including those involved in OZ deals, admitted they did not know how the OZ certification process worked. Even the most "laissez-faire" participants believed the existing tracking mechanism, self-certification by Form 8996, was insufficient and undermining trust. One developer with a history of working in West Baltimore and a proponent of OZ's lack of rules and regulations noted, "In my experience, too much community oversight of private development can lead to misinformed actors that end up scuttling good development… but we have clearly moved too far to the [opposite] end here. In the case of [OZ], there is no community empowerment unless the developer wants to provide it. This program could… at least have some sort of interim reporting so residents know what the hell is going on and so developers have

[48] Elected Official Interview 2
[49] Elected Official Interview 5

some guardrails."[50] Likewise, a program manager for a national OZ fund noted, "some of the press against OZ is misrepresentative and overly pessimistic. But OZ has laid bare just how far we have moved away from transparency in economic development governance. A lot of parasitic development is happening and [the federal government] should not be incentivizing that."[51] A CDE executive went as far as to describe the reporting requirements as "comically corrupt" and noted that there "is a whole bunch of space between the current criteria and community engagement requirements that stifle development."[52] The developer of an OZ funded project commented: "We are talking millions of dollars. We can all report it."[53]

CDCs and smaller developers were most concerned. A developer working within the WBOZC said, "I have gone out my way to engage with [OZ]…but beyond the city effort and responsible [developers] … [who were] already communicating about their projects, engagement just means a webinar of white males [discussing] a need for patience to see how the program [works out]. But I want to know where exactly the incentive is being tried."[54] A CEO of a community development organization similarly stated, "I was here for the roll out of the [Community Development Block Grant]…and the Enterprise [Zone] Programs. Those programs may not have succeeded but at least the community knew how they worked. All these zonings are not exactly simple. So why isn't there a grant program to educate the residents on how they work?[55] The message this… sends is [that]the program needs you but it's…not for you." The developer of the

[50] Developer Interview 5
[51] Banking/Fund Manager Interview 1
[52] Non-Profit/Community Developer Interview 3
[53] Developer Interviews
[54] Developer Interview 16
[55] Community Developer Interview 1

WBOZC North Ave project,[56] which expects OZ financing noted, "the potential for unintended consequences is massive. One, all the development may just be concentrated on areas that don't need it much and two, it isn't… but [OZ] leads to development that causes displacement."[57]

Consistent with these views is the incomplete understanding of how OZ works by some institutions, legislators, and developers that participated in our study. We did not find this to be the product of the city and state poorly communicating their OZ efforts. Again, interviews and other documentary sources indicated that Baltimore and Maryland, unlike most jurisdictions, were attempting to build capacity through local coordinators. Moreover, almost all participants had attended city-sponsored events on OZ. However, OZ is a sufficiently complicated economic development tool that requires federal funding for education and engagement. Even the office of a United States Senator, representing Maryland, showed a tenuous grasp of how OZ worked.[58]

4. OZ is not changing economic development outcomes in distressed neighborhoods

OZ is stimulating new conversations and interest about investment in Baltimore City, but this interest has not materialized into new developments for distressed neighborhoods. In Appendix B, we document two projects likely to receive OZ financing in the WBOZC, the $100 million Madison Park North development and a $4.5 million workforce housing and commercial development focused on minority owned business development, zero energy waste, and affordable housing. Most study participants described these projects as excellent examples of community-oriented development in and around West Baltimore. While OZ offers each project

[56] See Appendix B for this project.
[57] Developer Interviews
[58] Elected Official Interviews

an additional source of capital for development and may speed up timeline to secure project finance, neither project depends on this financing. Both projects were well into the development process before incorporating OZ. Several aspects of OZ explain its inability to attract economic development to truly distressed neighborhoods like West Baltimore, which we discuss next.

OZ investors demand market rate returns

There is a major disconnect between the returns expected/required on OZ investment funds and the returns project sponsors can offer. Investors see the value proposition of an OZ as eschewing future taxes on appreciation. They see the downside of OZ as having to hold their capital in one place for 10 years, which is 5-8 years longer than their typical "exit strategy." Consequently, OZ investment funds typically seek double-digit internal rates of return (IRR) between 10 and 16 percent, while projects in Baltimore's distressed tracts are more likely to generate IRRs no higher than 3-6 percent. In brief, most OZ funds are seeking market rate returns on the same types of investments that other funds are making regardless of the OZ incentive. An established national developer reported that he was "disappointed at the number of national OZ funds that are expecting pre-tax, compounded IRRs of high teens or even 20% for a 10-year hold on 'easy stuff.'"[59] In our research, the lowest IRR we identified that was sought by an investment fund, that was not based upon an existing relationship for a specific project, was about eight percent.

Mission-driven actors and funds willing to accept lower returns for investments have either been unable to raise OZ equity or unable to deploy it in truly distressed census tracts. This is partially because low- income census tracts are not expected to appreciate and partially due to technical

[59] Developer/Small Developer Interview 5

design flaws, which we discuss in more detail later in this section. According to the director of a nonprofit impact investment firm, which considered a fund to support projects in the WBOZC: "there are a lot of reasons, from market realities to specific technical issues, that OZ is not going to work for us. [We are] not unique… 95% of mission funds have not raised equity."[60] A manager at a development firm exploring locations for an OZ business in Baltimore noted, "Neighborhoods are on an investment or an extraction path. OZ doesn't offer the value proposition … to reverse extraction."[61] Another project sponsor who had talked to numerous investors but who had not secured OZ capital stated, "OZ is meant for market-rate investments, some as high as 18%. And this does not fit the race and income profile of [distressed] neighborhoods in Baltimore or elsewhere…I hear of 'unicorn' funds where 3-4 percent returns are being accepted….But these [exist] because there is something else going on like a pet project or an existing relationship…. [Do not] expect these funds to [be invested] in low-income Black and brown neighborhoods."[62]

OZ is a weak incentive that doesn't spur "but for" development

OZ is considered a weak incentive that does not change development outcomes on its own. Participants for this study and reviews of project proformas indicate that OZ's year-five and year-seven step-up basis advantages offered little if any value to investors. One Baltimore developer described them as "worthless." Another noted "we basically don't bother trying to model those into our proformas anymore." Investors and developers alike find the value of the

[60] Banking/Fund Manager/Business Interview 6
[61] Developer/Small Developer Interview 1
[62] Non Profit/Community Developer Interview 10

tax preference to be a 10-year investment that shows appreciation -- not the shorter-term deferments or minor reductions on existing capital gains.[63]

Based on interviews for this study, we estimate the overall value of the tax preference to be worth 150 to 400 basis points (1.5-4 percentage points on an IRR). Investors and developers described this value as relatively meager. A developer in the WBOZC noted “game changing tax policy would need to incentivize way deeper than this.”[64] Another development team sent us a proposal to layer OZ with a host of other incentives and strategic planning. The proposal reads: “Attracting OZ equity investment for important but challenging projects in highly distressed OZ neighborhoods is proving to be especially difficult.”[65] A Baltimore developer with a long track record of community-oriented development responded by email “No need to talk OZ with us. A few conversations with investors and some backroom math and we quickly determined to stick with [NMTC] investments and avoid the headache.”[66] The developer of the North Avenue Commercial project[67] commented “I think the development community sees [NMTC] as a [much] more effective program both for navigation and for returns. OZ places a higher risk to reward ratio on the developer.” The developer of the Yards 56 project[68] noted that “OZ made the capital easier to identify, and it was a critical component of our project, but it was not the ‘but for;’ if anything [NMTC] were the ‘but for.’”[69] A community banking expert explained “There is no balance sheet on a lot of these projects in lower-income neighborhoods. There are great

[63] Developer/Small Developer Interviews
[64] Developer/Small Developer Interview 3
[65] Developer/Small Developer Interview 5
[66] Developer/Small Developer Interview 9
[67] This project is detailed in Appendix B.
[68] This Project is detailed in Appendix A.
[69] Developer/Small Developer Interviews

projects with great, dedicated people…but they need additional subsidy. OZ doesn't stop the car from running out of gas…."[70]

That said, several investors and developers pushed back at the notion that development relies on any single policy, program or incentive, or that the concept of 'but for' development truly exists or is an instructive way to judge OZ policy. For example, one developer commented: "big deals, especially in poor neighborhoods, are extremely complicated and anyone who suggests that 'this' program or 'that' assistance didn't matter doesn't… understand the development process. I have deals with over 30 sources. A project doesn't depend on one of them, it depends on all of them."[71] Even with this understanding of development in mind, participants frequently described OZ as being for "investment grade" and "shovel ready" projects. Participants described NMTC, state subsidy programs, and direct subsidy sources like federal EDA grants as more important to supporting development than OZ.

OZ fails to incentivize community developers and investors.

Developers, and institutions investing or interested in investing in West Baltimore do not have readily available access to capital gains dollars. A recurrent theme in participant interviews was that there was no shortage of capital in Baltimore, particularly in the larger and very wealthy Baltimore-Washington region, that could be incentivized to invest in West Baltimore and other distressed tracts across Baltimore City. However, OZ's favoring of capital gains over other capital sources means it fails to attract these actors. As one real estate developer put it bluntly:

[70] Banking/Fund Manager/Business Interview 5
[71] Developer/Small Developer Interview 6

"private equity guys with marble floors from New York are not going to come down to do a deal in the 'hood in West Baltimore regardless of the incentive you offer them. But there is private wealth here and there are plenty of people who say 'shit, my grandparents are from Baltimore. I want to make an investment here.'"[72] Another developer similarly stated "OZ is funding some fine projects in Baltimore. But the value proposition is a grocery store in a [middle income] neighborhood. There won't be bigger community transformation without incentivizing … people [already] involved in the development process."[73]

Appendix C highlights three examples of OZ failing to support development in the WBOZC. They include an expert in Black wealth building who is redeveloping single family housing, a nonprofit providing construction contracts and homeownership opportunities for women of color, and a warehouse in an old lumberyard that could be used for adaptive re-use. These are illustrative only. In total, we documented eight plans or projects by small developers in the WBOZC that had seriously explored OZ as a development source but had not used it. We also documented four small businesses that had considered OZ financing to locate in a distressed community in Baltimore City but had not used it.

Participants also indicated that OZ overlooked larger institutional sources of capital that could help turn around disinvestment in low-income neighborhoods. Institutional pension funds and endowments came up in over 10 interviews as under-tapped sources of private capital that should be incentivized to invest in low-income neighborhoods. For example, three participants discussed HopkinsLocal, a 2015 initiative promoting local hiring and investment. Among other

[72] Developer Interviews
[73] Developer Interview 1

investment targets, the initiative has committed to investing $75 million of the Hopkins Endowment into local minority-owned firms in Baltimore City.[74] According to an executive of an economic development nonprofit, "OZ is focused on attracting Silicon Valley dollars, which is all fine and good. But what the local economic development community has been realizing here… is that there is a lot of money sitting smack here in the Baltimore region that needs to stay in Baltimore…not go to Boston or leave the country all together."[75] Similarly, an executive at a development non-profit noted "given all the thought cities have put into anchor institutions and homegrown investment, I was disappointed to learn OZ is still working under the failed idea of chasing corporations…."[76]

Participants frequently mentioned the absence of Community Development Financial Institutions (CDFIs) and CDCs as actors that were "critical to development in distressed communities" but "left on the sidelines" as one CDFI executive described.[77] Participants explained the disconnect through OZs technical design. CDFIs typically engage in debt driven development while OZs incentivize equity. While an OZ fund can be set up as a separate private investment to support nonprofit development, because OZ investors seek high double-digit IRRs, they are often not suited to investing in these lower IRR projects. CDFIs also do not have the resources or human capacity to set up these private funds. Moreover, federal rules about timing requirements for the deployment of capital make it difficult and risky for mission-driven organizations to execute OZ

[74] See Johns Hopkins University (2015)
[75] Non-Profit/Community Developer interviews
[76] Non-Profit/Community Developer Interview 13
[77] Non-Profit/Community Developer Interview 15

deals. [78] Likewise, CDCs tend to have long planning and development periods including using the 15-year duration LIHTC. This leads to timing challenges in deploying and calling capital.

A few national nonprofits, including Enterprise Community Partners, reported successfully incorporating OZ capital in projects outside of Baltimore. However, executives described these models as “not replicable to scale.”[79] Baltimore’s one exclusive CDFI,[80] and seven other CDFIs active in Baltimore, are not directly involved in any OZ projects.

Six participants mentioned that OZ didn’t properly align OZ with existing affordable housing and public housing redevelopment efforts. Two national affordable housing experts said OZ was providing a new source of capital for workforce housing but that it did not support the development or preservation of deeply affordable housing.[81] As one of these experts summarized, “the [affordable housing] industry does not see OZ as a game changer, but [rather] just as a bridge source for development.”[82]

Public housing authorities [PHAs] appear to be largely unfamiliar with the tax preference and how it works.[83] The Housing Authority of Baltimore City (HABC) confirmed this observation: “the mission-driven nature of public housing redevelopment, and the affordable housing toolkit that it works with, don’t align with what the investors are looking for…part of this is [because

[78] See more on technical design challenges in next section.
[79] Nonprofit/Community Developer Interviews
[80] Note: Baltimore’s Neighborhood Impact Investment Fund (NIIF) was applying for CDFI status and may become a second Baltimore City CDFI.
[81] The authors have compiled a detailed list of findings on how OZ is and is not being used for affordable housing. These are available upon request.
[82] Non-Profit/Community Developer Interview 7
[83] The first author presented this study to the Council of Large Public Housing Authorities at their annual meeting in October of 2019. PHAs were largely unfamiliar with how the tax preference worked.

our work] is residential but part of [this]… is that OZ just doesn't work for deeply affordable housing… or schools or infrastructure -- the needs which we are involved in."[84] Another city official reiterated "housing authorities are being expected to engage with OZs but OZs didn't engage with housing authorities. Frankly, [PHAs] being left out is a shame because [they] are… deeply knowledgeable in the challenges facing distressed neighborhoods and… [they] are thinking critically about how to integrate housing with employment."[85]

All study participants believed that CDFIs should be better integrated into and supported by OZ. However, the need to connect OZ with affordable housing and LIHTC was at times contested. The disagreement is part of a larger debate about whether the affordable housing sector concentrates poverty in Baltimore City. As one high ranking city official noted, "I think it's a good thing that this incentive isn't geared to pair with LIHTC. Many of our distressed neighborhoods don't need more affordable housing… they need market-rate investments."[86] A program manager of an OZ fund argued "we can't expect OZ to do everything. The goal of this tax preference was never housing… it was business development." Similarly, a developer noted: "economic development has been driven by LIHTC for too long."[87]

OZ was poorly designed to serve distressed neighborhoods

OZ suffers from design flaws that make investment in distressed neighborhoods unlikely. Although Baltimore City selected distressed neighborhoods in need of investment, federal

[84] Government Agency Interview 3
[85] Government Agency Interview 4
[86] Government Agency Interview 5
[87] Developer/Small Developer Interview 10

selection criteria forces distressed communities to compete for investment with non-distressed communities both locally and nationally. This limits the likelihood capital will flow to distressed neighborhoods. Nationally, OZ selections have been shown to be of higher and or equivalent levels of distress when compared to areas eligible for OZ investment that were not selected.[88] However, gentrified neighborhoods or neighborhoods already experiencing capital investment were also selected.[89] Across the U.S., 56 percent census tracts qualified for OZ designation.[90] In Baltimore, the rate is 92 percent. Selection criteria allowed non-low-income tracts contiguous to low-income tracts to qualify. [91] Studies on OZ selections uncovered that some selections were made using outdated data and that distress was not always defined properly.[92] For example, numerous college campuses, including the University of Maryland, were eligible for selection because students are considered low income. [93]

Baltimore City officials selected 41 census tracts based on a set on overlapping investment strategies[94]. City government participants noted that OZ selection was also aligned with the new NIIF and with a new “neighborhood investment framework.”[95] Of the 41 tracts proposed by

[88] See Gelfond and Looney (2018) and Theodos et al. (2018).
[89] Ibid
[90] See Din (2018).
[91] If they did not represent more than five percent of census tracts selected by a state and if the median family income of the tract didn’t exceed 125 percent of its adjacent tract.
[92] See Gelfond and Looney (2018).
[93] States had the option of using American Community Survey from 2011 to 2015 or 2012 to 2016. See Gelfond and Looney (2018).
[94] Strategies included: (1) areas where the city has major plans or investment or where a large amount of vacant land is available to investors; (2) opportunities for industrial development; (3) opportunities for business development in commercial projects or pre-existing businesses; (4) opportunities to invest in housing construction projects; and (5) areas where major redevelopment or unspecified projects were underway. See Seigel and Estores (2018).
[95] See Neighborhood Impact Investment Fund (2020). For development framework see Baltimore City Department of Housing and Community Development (2020).

Baltimore City, 38 were selected by the Governor, four were added, and the resulting 42 tracts were approved by the U.S. Department of Treasury. It is again noteworthy that two of the four tracts added by the Governor were downtown and Port Covington. Downtown had an area median income (AMI) higher than any census tract that city officials had recommended and Port Covington, had an AMI twice as large as any census tract city officials had recommended.[96] The latter was erroneously allowed to be selected because of a mapping error.[97]

Theoretically, it is easy to understand why poor federal criteria for targeting and defining distress is likely to lead to distressed areas receiving little investment. OZ puts localities in competition with each other for a new class of investors with most of the direct costs of the incentive, federal capital gains collections, the federal government's responsibility. For governors to complete with other states, they are incentivized to propose higher income or gentrifying census tracts. These census tracts are likely to offer greater levels of price appreciation and thus receive most OZ investments.

Participants inside and outside government reflected positively on the city's OZ selections. They described Port Covington as a logical and smart choice for the Governor to compete for OZ investments. However, they also expressed concern regarding its inclusion. A developer active in the WBOZC noted: "now we have a situation where new investors…come in town and do their homework but end up focusing on Under Armor … [not] all the other places that actually need

[96] Based on 2011-2015 ACS data, Downtown and Port Covington had AMI's of $55,277 and $103,667, respectively. The census tract with the highest AMI recommended for OZ designation by city officials was $50,280.
[97] Port Covington qualified as a "contiguous" census tract due to a computer program glitch. See Ernsthausen and Elliott (2019).

this outside [capital]."[98] Similarly, a banker described Port Covington as "a totally different beast than the other OZs."[99] They felt that the inclusion of downtown and Port Covington made it challenging for distressed neighborhoods to compete successfully for OZ capital.

Participants involved in OZ at the regional and national level recognized this as a federal design flaw. One fund manager said this is "not a story about Port Covington" but rather a challenge with OZs broad selection criteria: "Unfortunately, what you have here is a bunch of places that already weren't going to see development put on a stage against places with development and savvy developers. Investors follow the heard… if the playing field is West Baltimore against gentrifying Brooklyn or [downtown] Portland, West Baltimore isn't happening."[100] An economic development expert confided, "Frankly, I'm concerned, and I think it is totally possible we see 75 percent of [total] investment being made in just a few [non-distressed] neighborhoods."[101] These participants suggested that OZ required a more accurate definition of distress, including the removal of contiguous tracts, and/or a deeper tax incentive for the truly distressed tracts. A national nonprofit focused on equitable development in underserved communities described the selection criteria as the "original sin" of the policy.[102]

Most developers that we interviewed believed that allowing less distressed tracts to qualify for OZ would help spur investment in more distressed tracts. They described Baltimore as requiring "domino effect," "edge" neighborhood led development, and/or "working from your strengths"

[98] Developer/Small Developer Interview 2
[99] Banking/Fund Manager/Business Interview 4
[100] Banking/Fund Manager/Business Interview 1
[101] Think Tank/Consultant/Philanthropic Interview 10
[102] Non-Profit/Community Development Interview 15

strategy.[103] They thought projects like the redevelopment of Amtrak's Penn Station, Madison Park North, and Northwood Commons,[104] which are not located in deeply distressed tracts, but still qualify as distressed by OZ definition, may catalyze development in adjacent tracts that are deeply distressed.

Another impediment to using OZ for investment in truly distressed neighborhoods is OZ's short selection period[105] and top-heavy incentive structure that do not align with planning processes that help stimulate market interest in disinvested neighborhoods. Study participants indicated that Baltimore's distressed neighborhoods required "development gestation periods" and "market making" in advance of a market-based incentive. These are processes in which public, philanthropic, and nonprofit actors strategically align resources and ideas/plan/proposals to assist neighborhoods to engage with the market. As one city agency executive stated, "Some of our distressed neighborhoods could be poised for development if… given [time] to continue creating market conditions…and with long term planning for future investment. But the … short timeline didn't give the city the ability to be strategic like that."[106] Likewise, an executive at Baltimore's DHCD indicated, "there is a lot of tilling of the soil that needs to be done in some of [Baltimore's distressed] neighborhoods….[But] the quick designation means [we have to] focus on the short-term deals that you already knew were going to happen." [107]

[103] Note "working from your strengths" was the development slogan and strategy of Baltimore Mayor Martin O'Malley and Baltimore City continues to maintain a strategic focus on "Middle Market" neighborhoods. See Baltimore City Department of Planning (2020).
[104] These projects are described in Appendix A and B.
[105] States had 90 days to submit their selections to the Treasury but could ask for a 30-day extension.
[106] Government Agency Interview 4
[107] Government Agency Interview 2

Participants provided a spectrum of opinions regarding how much planning was necessary to prime distressed neighborhoods for OZ. Ideologically "laissez-faire" developers and investors frequently noted that too much local community or government involvement in projects might dissuade private investor interest in OZ. Nonetheless, participants, including these investors and developers, indicated that the fast, unorganized roll out of OZ, including Treasury Department guidelines disseminated on a piecemeal basis, discouraged transformative or higher-risk investments. Interviewees working at the regional and national level added that states and cities with long-term and clear development plans were seeing greater OZ investment.

Participants suggested that if the federal government had better aligned OZ policy with direct investment programs, particularly targeting infrastructure and housing, and had they given localities more time to prepare and align their local tools and resources, additional development and investment might have been stimulated. As one community developer summarized:

OZ misses precisely what we have been trying to do with Choice [Neighborhoods]…. We know transformative outcomes require everyone… public, private, nonprofit, and [philanthropic actors] at the table. [But] look at the philanthropic [actors, for example]. They were just expected to align [their funding objectives] with OZ….Why didn't OZ [engage with] them in the first place?"[108]

A participant exploring an OZ deal stated, "If you really want to see a whole neighborhood improve, you need some sort of planning process…to connect this to the city's strategy around anchor institutions and innovation processes, [etc.]."[109] Multiple participants suggested that Treasury Department policy should be better aligned with subsidy from the Department of

[108] Non-Profit/Community Developer Interview 4
[109] Developer/Small Developer Interview 1

Housing and Urban Development (HUD), the Economic Development Administration (EDA), and/or the Department of Transportation (DOT). A City Council member representing West Baltimore described OZ as "putting the cart before the horse; suggesting these agencies should have provided additional dollars for predevelopment in advance of the OZ tax preference."[110]

OZ rules, particularly those pertaining to capital deployment, also make investment in distressed neighborhoods unlikely. OZ rules and regulations stipulate that capital gains investors must deposit their capital into a QOF within six months of the gain being realized. In turn, QOFs must invest their capital in an OZ property or business within six months. These strict timing hurdles, meant to ensure that tax deferred equity is invested in OZ, create risks and technical problems for investors. The timing is particularly challenging for mission-driven investors whose margins for error are lower. A director at a nonprofit impact investing firm, which decided against pursuing an OZ fund, summarized:

"The overarching problem [for us] is technical… holding, calling, and deploying OZ capital flies in the face of how private equity often works. The timing requirements around when an investor has to get money into a fund and then how much time a manger has to move that money into a project… and then how much time a project sponsor has to build that project… are extremely problematic." [111]

Another fund manager said: "You must be simultaneously raising and investing capital because of limited investment windows …. This is a real challenge and may be why many funds don't materialize and many businesses aren't funded."[112] A third investment fund indicated that

[110] Elected Official Interview 3
[111] Banking/Fund Manager/Business Interviews
[112] Banking/Fund Manager Interview 6

deployment rules restricted their OZ venture capital from investing in new start-ups like traditional venture capital.[113] A final mission-driven fund confirmed, “the challenge is timing, timing, timing. Developers are looking at options on property where OZ doesn’t give them enough time to do their due diligence.”[114] The developer of the OZ supported project, Yards 56[115] noted: “because you have to get money out the door quickly, time pressure may lead to missed opportunities but also dumb inexperienced investments.”[116]

Challenges around capital deployment were not the only design shortcoming that surfaced in participant interviews. The CEO of a Baltimore-based software start-up company that had sought but did not secure OZ financing sent by email, “the biggest issue was just uncertainty on how a software business could qualify without intangible assets… It was deemed to be too risky for the investors [given]the potential retroactive penalties and interest on taxes.” A more established company which had also considered OZ investment for their expansion indicated “[OZ policy designers] didn’t understand what ‘substantial improvement’ meant for a small business. Maybe they will figure it out… but we have moved on…. They should have consulted with fund managers about the differences between real estate and business development before [putting this into] the tax code.” [117]A consistent theme that emerged from interviews is that OZ would have been more effective had its designers better engaged with venture capitalists and fund managers on the front end.

[113] Banking/Fund Manager/Business Interview 10
[114] Banking/Fund Manager/Business Interviews
[115] This project is detailed in Appendix A.
[116] Developer Interviews
[117] Banking/Fund Manager/Business Interview 17

Finally, OZ has failed to address a historic and racialized hurdle to development in low-income neighborhoods, the "appraisal gap." In Baltimore, historic banking practices, such as redlining, drove down land values in targeted neighborhoods for decades. Part of the legacy is that current bank regulations now prevent investments in these neighborhoods because the as-is built value of many proposed projects remains low. For example, we interviewed an officer at a national bank that was deploying OZ equity for projects that met Community Reinvestment Act compliance standards. This model provided 70 percent equity and 20 precent debt to meet 10 percent project sponsor equity for the development of affordable housing, workforce housing, retail and healthcare facilities in several location across the country. The bank accepted preferred returns as low as three percent, thereby facilitating true mission-based development.

The bank was excited about OZ and interested in investing in distressed neighborhoods. The hope was to deploy over a $100 million dollars in OZ equity in 2021. They were looking at four different OZ projects in distressed Baltimore neighborhoods over the course of our study. However, as of this writing, they were unable to close on a project explaining "we have found that in low-income neighborhoods, the appraisal gap [remains] a significant challenge in having a developer find true equity… because we have to right size the debt and equity based on the appraisal." [118]Similarly, in a conversation about appraisal gaps, a nonprofit developer stated, "I think an OZ type program could be valuable if we decide and figure out how to value low-income Black and brown communities."[119]

[118] Banking/Fund Manager/Business Interview 4
[119] Non-Profit/Community Developer interview 10

Eight participants discussed how neighborhood value is tied to race and how development standards and criteria -- that OZ relies upon -- help maintain and replicate a system that denies wealth building in Black communities. In addition to appraisal gaps, these participants noted that OZ failed to address the lack of sophisticated developers and desirable retail anchors in historically disinvested neighborhoods – both critical to changing the course of development. They recommended direct government intervention in the form of subsidy or by the Treasury acting as a guarantor in historically redlined OZ tracts. We take these and other ideas up in the policy recommendations that follow.

Restructuring OZ

OZ requires substantial restructuring to stimulate investment in distressed neighborhoods. We propose seven changes below. Recommendations 1-2 include actions that could be taken immediately by Congress. Recommendations 3-7 are illustrative only. We present these five recommendations roughly in order of complexity. They require additional analysis and the convening of development, policy, and legal experts.

1. **Institute a reporting requirement**

A federal reporting requirement is needed to fully understand OZ successes and failures. Data reporting is also critical to protect against fraud and abuse. The current absence of data reporting is sending a message that OZ may be a handout to the wealthy that is not designed to benefit distressed communities. While study participants differed in opinion on how comprehensive the data reporting should be, all agreed that the current data collection mechanism, the voluntary form 8996, was insufficient.

As of this writing, legislation requiring detailed reporting requirements is pending. For example, Senate Bill 1344 and House Bill 2593, introduced in May of 2019, would require the Treasury to collect data on the number of funds created their holdings and their asset class. [120] These bills would also require that data be collected on the census tracts that have received QOF investments including measures of poverty reduction, job creation, and new business starts. Data would be collected at both national and state level, to be determined by the Secretary of Treasury. It would be reported to Congress five years after the Bill's enactment and every year thereafter. [121]

The "Opportunity Zone Reporting and Reform Act," which was introduced in November of 2019, requires that QOFs report on a host of information including the identities of all investors, partnerships, and corporations in which the fund holds interest. This Bill also creates penalties for taxpayers that fail to comply with the reporting requirements. Finally, the Bill directs the GAO to report on the effectiveness of the OZ legislation at years five and 10.[122] Several policy research and advocacy organization have also put forth reporting standards that are not too burdensome for development.[123]

The original legislative proposal for OZ included reporting requirements that did not survive passage of the TCJA. Past federal initiatives offer more robust data collection standards than OZ.[124] Data collection should be implemented immediately.

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[120] See H.R. 2593, 1st Session 116th Congress. (2019).
[121] These bills do not clarify how counterfactuals would be established.
[122] See summary of the proposal by Novagradic (2020).
[123] For example, See Theodos (2019).
[124] For example, the CDBG program and NMTC programs have federal reporting requirements.

2. Remove non-distressed census tracts from OZ eligibility

Giving localities, which compete for footloose investment, the authority to pick neighborhoods that may not meet the intention of investing in distressed neighborhoods has led to census tracts being designated for OZ that do not represent the ostensible objective of the legislation.[125]

The continued inclusion of non-distressed census tracts that are contiguous to distressed tracts may crowd out other private investment, result in large equity investments going to a few neighborhoods that did not need investment, and reduce the chances that OZ reaches low-income neighborhoods. Removing contiguous tracts will not remove an important "edge neighborhood" development process that participants described in this study.[126] In Baltimore, edge neighborhoods qualified for OZ because they met the definition of low-income.

Census tracts that no longer qualify for low-income status based on up-to-date data and those that were never intended to be eligible for OZ investment, such as college campuses, should also be removed.[127] The aforementioned "Opportunity Zone Reporting and Reform Act" provides an example of a provision to remove these tracts and replace them with more distressed tracts.[128]

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[125] In addition to Maryland´s designation of Port Covington, Portland, for example, has come under harsh criticism for designating its entire downtown in an OZ. See Buhayar, N., & Leatherby, L. (2019). States that generally prioritized less distressed areas can be found in Gelfond & Looney (2018).
[126] See Results section for discussion.
[127] Projects that have already raised or committed OZ equity could be grandfathered in to avoid unfair burden for revoking their OZ status.
[128] See Gelfond & Looney (2018) for additional guidance.

3. Deepen the tax preference for neighborhoods in high distress

OZ is a relatively weak tax incentive that is not luring the private sector to invest in deeply distressed neighborhoods. The step-up basis advantages of OZ are poorly conceived and of little value to investors. Flat tax rate incentive for a large and diverse set of census tracts is resulting in a perverse outcome in which most OZ equity investment is concentrating in a few census tracts least in need of investment. This requires a reconsideration of the original step-up basis advantages provided by the tax preference, which offer 10 and 15 percent reductions for a five and seven year hold on the original investment, respectively.

Conversations with study participants combined with analysis of developer proformas indicates that at some very high level, a reduction in capital gains taxes owed on the original investments might stimulate investment in very distressed tracts.[129] Increasing the incentive would need to be tied to project eligibility and reporting requirements and should only be considered for deeply distressed neighborhoods and long-term investments.

4. Funding for education and engagement

OZ in Baltimore has been heavily dependent on local support and capacity, most notably the creation of economic development coordinators who connect a new class of investors to developers. These positions were supported by local government and philanthropies, not federal

[129] Our analysis in Baltmore suggests this would have to be higher than 50%. However, analyzing the depth of the incentive required in different housing markets across the country is needed before a precise change can be advised.

policy. Even with local support, community stakeholders and small developers feel there has been insufficient education and engagement at the neighborhood level. This is especially so because many OZ designated census tracts have histories of parasitic and discriminatory development by both public and private actors. Moreover, OZ dollars are primarily available to highly experienced and sophisticated developers with deep contacts in private finance that are lacking in truly distressed neighborhoods. To address this deficiency, the federal government should provide grant support for education and engagement around OZ.[130]

5. Fund infrastructure and provide a federal guarantee for OZ investments

Additional OZ investment is likely to be stimulated if the federal government aligns new direct investment with OZ, particularly around infrastructure projects, in highly distressed neighborhoods. This investment would increase opportunities for appreciation which is what drives OZ investments.

A federal guarantee should be added to reduce the developer's risk in deeply distressed tracts.[131] As many distressed neighborhoods were not designated for OZ, and as this would represent an even smaller set of targeted tracts, it is critical that appropriations not be relocated from existing

[130] Study participants indicated that the minimum level of support should include Congressional allocations for states to develop OZ cooridnator positions and/or development strategy documents. Based on a preliminary analysis, we think this support would cost less than $75 million over five years of the program. At a greater cost, Congress should also consider grant support for predevelopment loans, techincal assitance for businesses, and business incubator and start up support.

[131] The amount of risk capital necessary to change project outcomes requires anaylsis across multiple states and housing markets. According to a prelimary estimate shared by a mission driven investment firm, $95 million per state in gaurentee capital, over a five year window (approximately $4.75 Billion total) would generate signifigant activity in distressed OZ census tracts.

resources. The justification for new expenditures should be made based on saving money from the removal of contiguous census tracts.

6. Incentivize CDFIs

CDFIs have a long history of investing in low-income communities. However, as debt led actors, they were not incorporated into OZ policy, which incentivizes equity investments.[132] In Baltimore, CDFIs are only indirectly engaged in OZ.[133] This is a major shortcoming. CDFIs are trusted community actors that are willing to take on higher risks and lower returns than traditional private equity actors.

Most CDFIs don´t have the capital or capacity to develop QOFs. For CDFIs to make OZ investments, large grant capital would need to be made available so these institutions can develop the personnel and knowledge to make equity investments.

There are shorter term and smaller scale ways to incorporate CDFIs into OZ policy as well. First, legislation could be drafted to treat subordinated debt and royalty debt products, used by CDFI banks, as OZ investments. This would increase CDFI bank lending capacity in distressed neighborhoods.[134] Another possibility is to allow or even require QOFs to partner with CDFI loan funds, bringing OZ under CDFI purview and steering funds towards mission-driven

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[132] For more on this debt equity disconnect see Tansey and Swack (2019).
[133] For example through the allocation of NMTC to projects that were also recipients of OZ.
[134] Note 1: Given the long duration of CDFI supported projects, which typically take months if not years, to engage with communities, special allowance around capital deployment timelines may be necessary for CDFI Banks to effectively invest this capital. Note 2: two study participants suggested that OZ could be amended to treat equity equivalent (EQ2) investments in CDFIs as OZ investments. This deserves additional examination and analysis.

projects. House Bill 7262, introduced in June of 2020, proposes to amend the Tax Code of 1986 to allow QOFs to invest in CDFIs and could result in greater CDFI involvement in OZ.[135]

7. Democratize OZ to non-capital gains dollars

In Baltimore, we identified capital that, if given tax preference, is more likely be invested in distressed neighborhoods than capital gains dollars. OZ misses an opportunity to attract "doctor and dentist" dollars that are geographically and emotionally connected to wealth building in distressed neighborhoods. OZ also fails to engage institutional dollars like university pension funds that operate in and around distressed neighborhoods but often invest in primary or foreign capital markets.[136]

Most capital gains investors already have a diversity of investment options and demand high rates of return that are unlikely to be found in distressed neighborhoods. Moreover, few small businesses and developers have access to these investors. We recommend expanding, or even substituting, the OZ capital gains tax preference to include a refundable tax credit for community-based actors that invest non-capital-gains equity into deeply targeted distress census tracts.[137]

If properly implemented, these changes can encourage development in distressed neighborhoods and prevent waste of future tax dollars for direct federal investment. However, none of these

[135] See H.R. 7262, 116th Congress (2020).
[136] For a discussion of the role pension funds can play in local investment see Baird et al (2019).
[137] Such a change requires the convening of community development experts, anchor institutions, philanthropies, tax experts, and even communities themselves – to determine the mechanisms and institutions necessary to pool and manage this capital and determine how such tax preference would pass federal securities regulations.

recommendations nor OZ policy can provide the broader framework necessary for a durable urban policy regime.[138]

[138] Based on the history of placed based development policy, and the interviews and findings from this study, the first author is currently preparing a paper on the components of a durable urban policy regime.

Appendix A: OZ Investments

OZ Investment 1

Yards 56

OZ Investment: $30 Million

Total Investment: $150 Million

Complete Phase 1 of Retail at Yards 56
Source: Yards 56 Website

Neighborhood retail replaces blight next to a middle-income neighborhood

Two OZ Investments were made in the "Yards 56" Shopping Center in the Greektown/Bayview neighborhood of East Baltimore. Yards 56 was developed by MCB Real Estate, a Baltimore headquartered commercial real estate investment firm that owns and operates approximately eight million square feet of commercial real estate and another roughly two million square feet under development across the East Coast and Mid Atlantic. MCB is managed by two partners with deep ties to Baltimore. We conducted an interview with one of the partners, Dave Bramble, who grew up in West Baltimore and who is viewed as one of the most sophisticated developers in Baltimore and along the Interstate 95 Corridor.

Yards 56 sits directly across from Johns Hopkins Bayview Hospital with a 6,000 person workforce and is blocks from Interstate 95. The development replaces the former site of the Porcelain Enamel Manufacturing Company (PEMCO) plant that operated for nearly a century at that location before it closed in 2006. The site was contaminated and suffered repeated vandalism and crime. The developer reported that the PEMCO building repeatedly caught on fire before and after their acquisition of the site.[139]

When completed, Yards 56 will contain an independently operated grocery store, national chain retail including a Chipotle, Panda Express, LA Fitness, 220 apartments, medical office space and a hotel. The project is also expected to create around 300 full-time and part-time jobs. Through a partnership with Civic Works, a Baltimore based organization that focuses on job employment for out-of-school and unemployed youth, some portion of these jobs will go to Baltimore residents.[140]

The project is being developed in two phases with a total cost of $150 million. We estimate about $30 million of OZ equity was invested in the first $77 million phase of the project. The OZ investment is coming from two different funds, one operated by Prudential Financial and the other a single asset fund established by the developer. The second $73 million phase of the project may raise additional OZ equity.

The development was complicated in terms of environmental remediation and financing. In addition to OZ, the project was supported by NMTC, EPA Brownfield Tax Credits, and state subsidy for predevelopment.[141]

[139] Participant Interviews
[140] See Prudential (2019).
[141] Participant Interviews

The Yards 56 development pre-dates OZ policy. The developer indicated that the passage of OZ legislation was well-timed with the company's capital raise for the project. While the development would have gone forward without OZ, it made the capital easier to identify. Further, by providing a substitute for traditional private equity, OZ allows Yards 56 to remain a long-term community asset. The project was one of the first OZ deals in Maryland and was the first OZ commitment made by Prudential Financial – a Fortune 500 financial institution.

OZ Investment #2

444 Apartments

OZ Investment: $15 Million

Total Investment: $55 Million

Rendering of 444 apartments
Source: Maryland information Exchange

Student housing on the westside of downtown

An OZ investment was made in a 314-bed student housing project, by the name of "444 Apartments," that includes a boutique hotel, ground floor retail, and a parking garage developed by Javelin 19 Investments, a Washington, DC based real-estate investment, development, and advisory firm.

The project is being developed in a section of downtown referred to as the "westside," a historic central retail district that suffered from heavy disinvestment through the 1990s. But since then, the area has slowly experienced redevelopment and adaptative reuse projects, adding serval thousands market rate apartments. Over the past 10 years, large mixed-use redevelopment projects have been completed and others are underway including a $40 million redevelopment of the city's historic Lexington Market.[142] 444 Apartments will be adjacent to the new market.

However, the westside still suffers from high vacancy and street level drug activity. Developers we interviewed believed that additional market rate housing was critical to infill this vacancy and blight and to attract new retail. A series of mayoral administrations have seen the westside as critical to revive Baltimore's downtown by connecting the central business district to Campden Yards, historic Mount Vernon, the Inner Harbor, and West Baltimore.[143] It is served by both the city's light rail and the city's one line Metro system. The area also encompasses the Bromo Tower Arts & Entertainment District which was established by the State of Maryland in 2012 to encourage revitalization. The designation provides income, property and amusement tax deductions for artists, property owners, and entertainment venues, respectively.[144]

The completed 444 apartments will replace surface parking lot and will provide market rate housing for University of Maryland medical campus students. Javelin 19 was unwilling to discuss the project with us and there has been little public reporting on the development to date. We estimate the total project cost to be around $55 million with OZ equity filling about $15 million of project costs.

[142] On development of Lexington Market see Milligan (2018).
[143] For a summary of redeveloping downtown's "westside" see Brodie (2020).
[144] See details on Bromo Arts and Entertainment District (2020).

OZ Investment #3

Galen Robotics

OZ Investment: $1 Million

Total Investment: $7-$25 Million

The Wicomico Building where Galen Robotics is leasing 5000 square feet as part of an OZ investment.

Robotics company settles permanently in Southwest Baltimore

The third deal we documented is the College Park based Verte Opportunity Fund providing OZ equity to Galen Robotics, an operating business that specializes in computational sensing and robotics. Galen Robotics expands the benefits and possibilities of minimally invasive surgeries by providing surgeons with mechanical hand technology that removes or reduces tremors in surgeries that are sensitive to the most microscopic hand movements. Examples include removing brain tumors and cysts on vocal cords and fitting hearing equipment in the ear. Specifically, the technology is a steady robotic hand that prevents human surgeon hand movements from being amplified during surgery.[145]

The technology was developed and incubated at the Laboratory of Computational Sensing and Robotics at Johns Hopkins University (JHU) in Baltimore City and then commercialized and licensed to Galen Robotics in 2016. The company was originally located in Silicon Valley but continued to hire Baltimore engineers. Subsequently, Galen rented temporary space in the Port

[145] For more on technology see Galen Robotics (2020).

Covington innovation hub known as City Garage. Exploring opportunities for a permanent location in Baltimore, the company connected with the city's OZ coordinator who, in turn, connected Galen Robotics to the Verte OZ Fund.

The Verte OZ Fund was launched in 2019 as a national fund with a focus on community investing in technology innovation including logistics, biotech, and the carbon economy. Verte is expecting to raise $100 million and to develop an investor base "interested in taking part in impactful venture capital opportunities."[146]

In late 2019, Galen Robotics located their headquarters in 5000 square feet of the "Wicomico" building which the Baltimore City OZ coordinator had recommended for location. Wicomico, in the Southwest Baltimore Opportunity Zone Cluster and Pigtown neighborhood of Baltimore City, is an old industrial warehouse that has been repurposed with eight floors and over 400,000 square feet of open and flexible office space. It is a well-known startup and incubator space in Baltimore City that is currently developing the "Baltimore Innovation Center" which will be dedicated to shared space, networking, and access to consultants and venture capital for early-stage growth companies.[147]

Verte's investment was reportedly part of a larger $7 million equity raise by Galen Robotics. We estimate but cannot confirm that the fund invested a little under $1 million in what, if successful, could ultimately be a $25 million capital raise. We also believe Verte accepted slightly below market rate returns on their investment; around an 8-10% IRR. Local reporting suggests that OZ

[146] For more see Verte Opportunity Fund (2020).
[147] See *Baltimore Innovation Center*

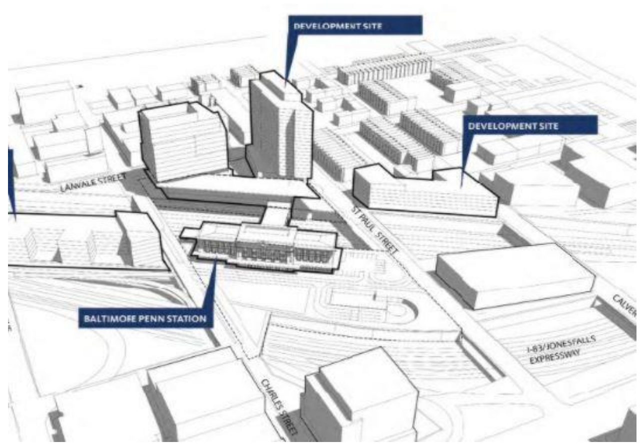
financing was not a “make or break” for Galen’s decision to permanently relocate from Silicon Valley and that local government support, including a $250,000 tax break from the State of Maryland were more important.[148] The building is also in a state Enterprise Zone and Small Business Administration (SBA) HUBZone, which gives businesses preferential consideration for federal contracts.[149] Engineer talent in the region and the company’s connection to JHU were the most important drivers in Galen’s decision to make Baltimore their headquarters. [150]

OZ Investment #4

Amtrak Penn Station

OZ Investment: $10 Million

Total Investment: $70-$600 Million



Rendering of Future Penn Station Office Space.
Source: Amtrak

Support for the redevelopment of Amtrak station in center city

Blueprint Local, a national investment platform, invested OZ equity into the redevelopment of Baltimore’s Penn Station. The station, a historic landmark, sits in the center of the city and is the

[148] See Cohn (2020).
[149] See U.S. Small Business Administration (2020).
[150] See Cohn (2020).

eighth busiest Amtrak station in the country, accommodating around one million passengers annually.[151] It also provides MARC commuter rail service to Washington, DC's Union Station.

To the south of Penn Station is Baltimore's Mount Vernon neighborhood, which has experienced a residential building boom over the last 15 years. Mount Vernon is also home to several landmarks and cultural institutions including the Washington Monument, the Walters Arts Museum, the Center Stage Theatre, the Joseph Meyerhoff Symphony Hall, and the Peabody Institute. The University of Baltimore's Law School opened its Angelos Law Center, a student facility directly south of the station in 2013. To the north of Penn Station is "Station North," three neighborhoods that were designated the city's first Arts and Entertainment District in 2002.

Several developers and city agency participants described Station North as a model of successful redevelopment in Baltimore City. They described its multi-modal transit opportunities, diverse housing stock, rehabilitated movie theaters, restaurants and bars, and more than 400 artists living in the area. They believe this bodes well for opportunities for continued growth without displacement.[152] The Maryland Institute College of Arts campus sits directly to Penn Station's west.

Station North has gentrified. However, developers and investors who were interviewed thought its continued development might serve as a catalyst for development for severely distressed neighborhoods directly to its east and southeast. For example, just several blocks southeast of Penn Station, disconnected by the 1955 urban renewal highway project, Interstate 83, is Johnston

[151] See Amtrak (2015).
[152] For additional discussion of neighborhood change in Station North see Morton (2005).

Square, one of the poorest and highest crime neighborhoods in Baltimore City that has long suffered from unemployment, disinvestment, and population decline. Two developers that we spoke with mentioned that the redevelopment of Penn Station may be large enough to attract interest and investment to Johnstone Square. A third developer suggested the same but argued the development proposal needed to be even larger.[153]

The station has only a single retail establishment on site. It is also poorly connected to nearby public transit, surrounded by several underused parking lots, and lacks integration into the surrounding neighborhoods. Interstate 83 isolates the station from the South and West while the railroad tracks and undeveloped surface parking lots disconnect it from the North.

The redevelopment plan will help mitigate several of these design failures and better leverage the station's ability to stimulate broader neighborhood development. The plan includes building a new passenger concourse, creating new entrances and a landscaped plaza, establishing a lounge for first class and frequent Amtrak users, and restoring the existing historic headhouse to include a boutique hotel along with office and retail space. The headhouse, expected to cost $70 million, is the first phase in a multi-phase and multi-firm effort to redevelop 5-10 acres of land surrounding the station. The goal is to eventually include 1.6 million square feet of residential, office and retail space, resulting in a $600 million investment in Baltimore City. Amtrak has committed $90 billion to the project. The development team, "Penn Station Partners," includes several of Baltimore's most established developers including Bill Struever at Cross Street Partners and Beatty development, the developers of Baltimore's Harbor Point.

[153] Participant Interviews

The OZ investor, Blueprint Local, a fund at Brown Advisory, was founded by the former CEO of Village Capital, a Washington, DC-based venture capital firm that invests in startups with a social mission.[154] Their platform is based in the "new localism" ideology, which espouses that local and metropolitan governance and innovation, not the federal government, are key to solving the problems of economic inequality, climate change and other major challenges of our time. Blueprint is focused on investing in locally supported opportunities and wholistic neighborhood redevelopment as opposed to "one off" projects. The city OZ coordinator helped connect the fund to the developers and both developer and government agency participants described Blueprint as uniquely dedicated to community impact.[155] We estimate their OZ investment at about $10 million in the $70 million headhouse phase of the Amtrak project.

[154] See Village Capital (2020).
[155] See Blueprint Local (2020).

OZ Investment #5

Outlook Visual Effects

OZ Investment: $1 Million

Total Investment: Unknown

The completed Hoen & Lithograph Co. Campus renovated by Cross Street Partners. Outlook Studios received an OZ equity investment as part of their relocation and expansion into the building.
Source: Cross Street Partners

Business relocation and expansion for East Baltimore

OZ capital was invested in Outlook Visual Effects Company, a full-service animation studio focusing on children and pop culture. The studio was founded by Trevor Pryce, a former football player for the Baltimore Ravens. The company received funding to expand operations in a move from an office at the Maryland Institute College of Arts to the redeveloped Hoen Lithograph Building in East Baltimore. This building had been vacant for nearly 40 years and was recently redeveloped by Cross Street Partners. While the building is only half a mile to the northeast of Johns Hopkins Medical Campus, this area of East Baltimore is disconnected from the campus by the Amtrak railroad tracks and has high rates of vacancy and crime and other neighborhood disparities.

We estimate about $1 million is being invested by the Verte OZ fund[156] to expand Outlook's business operations in this distressed census tract. The city OZ coordinator connected the

[156] Described in Appendix A, Investment 3.

company to Verte. Outlook's expansion will provide professional education and employment opportunities for local animators and actors and offer pathways for women and people of color to pursue careers in the arts sector.[157]

However, Outlook had investors before OZ. Moreover, their move would not have been possible without the $30 million redevelopment of the Hoen building. That development was supported with NMTC and state historic tax credits. It was also subsidized with a $1.6 million grant from the EDA, a $1 million grant from the State of Maryland, and $1.1 million from Baltimore City's DHCD.[158] Study participants believe the building redevelopment may continue to help attract OZ equity investments for other operating businesses.

OZ Investment #6

Port Covington

OZ Investment: $154 Million

Total Investment: $5.5 Billion

A rendering of the future Under Armor campus at Port Covington Source: Sagamore Development

Additional equity for Port Covington

While finalizing this paper, Goldman Sachs announced they were investing $154 million of OZ equity in the $5.5 billion future headquarters of Under Armor Port Covington.[159] We expect both

[157] See Rao (2019).
[158] Grant financing information from Simmons (2019).
[159] See Simmons (2020).

Weller Development, the team overseeing the redevelopment of Port Covington, as well as Goldman Sachs, which, before this OZ capital commitment, had invested over $230 million into the Port Covington project, to explore additional OZ equity for building on the Port Covington site.

We were unable to confirm how this equity investment was being used for the project.[160] It is possible the original $154 million investment, as well as future OZ investments, may lead to expanded or enhanced development. However, we think it is more likely to serve as substitute capital for the already planned 1.1 million square feet of mixed-use waterfront development.

Port Covington was previously underutilized industrial land but in no way represents a distressed community. The development was praised by study participants for its community benefits agreement with six neighboring low-income communities in South Baltimore. This agreement will provide $139 million for workforce development, economic development, and other local benefits.[161] However, these benefits existed before OZ and there is no indication that OZ directly increases community benefits.

[160] Participant Interviews
[161] See details on Port Covington Community Benefits Agreement and Memorandum of Understanding (2021).

Appendix B: Future OZ Investments

Madison Park North

OZ Investment: $10 Million

Total Investment: $100 Million

Developer rendering for the vacant "murder mall" site in the WBOZC. Source: MCB Real Estate

Supporting transformative redevelopment on the edge of West Baltimore.

In addition to the completed OZ deals discussed above, we expect three other projects to receive committed OZ capital in the next year. Two of these projects are located within the original WBOZC study footprint.

The first is the redevelopment of Madison Park North, a site which sits on the edge of West Baltimore. Before its demolition, this site was regularly referred to as "Murder Mall;" a 200-unit private mixed-use development complex well-known for its slumlord, high crime, drug activity, and blight. Before demolition, most of the storefront retail was shuttered. The site is located within a mixed income and racially diverse neighborhood (Reservoir Hill) and directly across from an upper middle-class neighborhood (Bolton Hill). It is adjacent to the Maryland Institute College of Arts, has easy access to Interstate 83, and is in walking distance to Penn Station, the city's light rail line, and Druid Hill Park, one of the city's largest parks which includes amenities such as the Maryland Zoo, and a conservatory and botanic gardens.

However, Madison Park North also borders some of the most distressed and violent neighborhoods in the city. The center of the 2015 Freddie Gray uprising is less than half a mile away. Study participants, including the developer of the project, the councilmember representing the district, and city agency heads, all described the revitalization of Madison Park North as critical to creating a gateway to, and a market within, West Baltimore.

Murder Mall was demolished with state support in 2016. Redevelopment was originally expected to begin in 2018 but the project has stalled and changed due to a host of legal and development obstacles including negotiations with Amtrak over land rights. The site is being redeveloped by the same developer as Yards 56, partnering with another development firm, MLR partners. Like MCB Real Estate, MLR partners has deep roots in Baltimore City. Dave Bramble, one of the developers grew up around the corner from the site. He described a fear of walking through the complex as a child (his mother worked in an office building in the complex) and said he was personally committed to the project: "The deal is near and dear to my heart." He believed it was the most impactful project he was working on in Baltimore City and the country.[162]

The current development plan includes about 160 townhomes, 420 apartments and street level retail including a community grocery store. Affordable housing is not included. We read some local media and opinions criticizing the project's lack of affordability.[163] However, public and

[162] Developer Interviews
[163] For example, see the *Baltimore Fish Bowl (2017)*

private development experts directly involved in the project, that participated in this study, defended the decision. They noted the site's history of concentrated poverty, existing LIHTC housing that was already in the neighborhood, and the need for market rate housing to support new retail, like the grocery store, that would benefit people of all incomes.

As of this writing, Madison Park North is expected to start construction in late 2021 with a projected cost of $100 million. The developer was in conversation with several QOFs when we met with him. We do not know the size of the investment nor the identity of the investors. Our best estimate is that it will be no more than 10 percent of the capital stack or $10 million. The project was being planned well before OZ legislation. $2 million in Maryland State grant money to support predevelopment of the site was critical to moving the project forward. The development will also include NMTC financing. The developer described OZ as an important but not necessary source of capital for the project. He also noted that support from and collaboration with city and state government were more important to the project.[164]

[164] Developer/Small Developer Interviews

North Ave Commercial

OZ Investment: $1.2 Million

Total Investment: $4.5 Million

A zero-energy mixed used development for indigenous residents and businesses is expected to secure OZ capital. The developer is intending to have a community mural competition to shape the outcome of the development. Source: Schreiber Brothers Development.

Gap equity for mission driven community development in West Baltimore

We documented a project in the heart of the WBOZC that has a commitment for OZ capital to support affordable housing and retail space for existing residents and business. Schreiber Brothers, a construction firm founded in 2017, is developing two buildings and roughly 24,000 square feet into a "live where you work" model, which will include five ground floor commercial spaces dedicated to local minority owned businesses and16 apartment units. Half of the apartment units will be affordable to renters with incomes ≤ 80 percent of the area median income, one of the income-eligibility standards used by HUD for affordable housing.[165] The units will include three-bedroom apartments for families, but the hope is to offer a variety of unit sizes to support non-conventional definitions of "family." The commercial tenants will have first

[165] The company is seeking to make these units even more affordable at ≤ 60 percent of the area median income.

right of refusal to live in the apartments. The project design and location aim to reduce costs for community businesses and residents. The building is being designed as zero energy; it will combine energy efficiency and renewable energy to consume only the amount of energy that is produced on site through renewable resources. The goal is to achieve close to zero utility costs. The development team is also engaging with the community around its recent Black Arts District designation including incorporating a mural to be produced through a community competition.

The development is in the Penn North neighborhood, an area of historical disinvestment that was the center of the 2015 Freddie Grey uprising. The neighborhood suffers from high vacancy rates, blight, and crime.

The developer describes their company as “social and economic justice driven.” They focus on West Baltimore as their geography of development with the goals of undoing redlining, preventing displacement and gentrification, and building intergenerational wealth. Their development strategy is community partnered development, building zero energy buildings, mixed use design, and rent to own models. The developer repeatedly referred to the firm as a “for profit doing non-profit work.”

The project is expected to cost about $4.5 million and include around $1.2 million in OZ equity. The developer stated that this equity may speed up their capital raise but that they were committed to getting the project done and are not dependent on it. He also noted that “OZ wasn’t designed for this kind of mission driven development, rather we are repurposing it to make sure it meets the goals of the community.”

Schreiber Brothers described their use of OZ as a "unicorn," noting "a somewhat unique situation where we as a developer are committed to bending over backwards to making this project work because of the mission…where the city is committed to getting OZ projects done…. [And thus] where the city has made a connection to a fund that needs to get the capital out on a timeline that just happens to work well for us."

The investment is being made by the Woodforest CEI-Boulos Opportunity Fund which was created by Woodforest National Bank and CEI-Boulos Capital Management, LLC. The latter is a joint venture between Coastal Enterprises Inc., a national CDFI, and the Boulos Company, a commercial real estate firm with most of its activity and assets based in Maine and New Hampshire.[166] The city's OZ coordinator introduced the developer to the fund. The developer stressed DHCD and the city support in locating below market rate OZ capital.

However, the developer was generally concerned that OZ might be used for gentrification projects and not serve the communities most in need of new capital sources. He suggested the OZ model intended for the project was not replicable for most mission driven development. However, his hope is to find a way to leverage OZ equity in at least two other projects in the WBOZC in the future.[167]

[166] The Woodforest CEI-Boulos Opportunity Fund was not interviewed as part of this study.
[167] Developer/Small Developer Interviews

Northwood Plaza

OZ Investment: $10 Million

Total Investment: $58 Million

The Northwood Commons development (rendering) will replace a blighted shopping center and fill a hole in a food desert.
Source: MCB real Estate

Desired retail and community benefits next to an HBCU

In addition to OZ financing for the Yards 56 project, and the OZ investment we expect for Madison Park North, MCB Real Estate may secure OZ equity for a third project in their joint venture redevelopment of Northwood Plaza Shopping Center, again with MLR partners. To be called “Northwood Commons,” the shopping center will serve Morgan State University and the neighborhoods of Original Northwood, New Northwood, and Hillen surrounding it. Original Northwood is a racially diverse upper middle-class community, New Northwood is a predominantly Black middle-class community, and Hillen is a predominantly Black lower middle class community. Morgan State recently invested $60 million in a state-of-the-art business school that is immediately adjacent to Northwood Commons.

The old shopping center has a history of civil rights activism. Read’s Drug Store, a former tenant, was the site of the first successful anti-segregation sit-ins in the country. During Jim Crow, racial covenants prevented Black families from purchasing homes in Northwood and students of color were not permitted to use the restaurants or movie theatre in the shopping center. However, the center became a source of blight and crime, including violent crime, starting in the 1970s. In 2008, it made national headlines when a city councilmember, Ken Harris, was shot to death outside a club located there.[168] It continue to fall into disrepair over the past 20 years as the city, the university, the developers, and the property owners negotiated a development plan. News articles describe the negotiations as challenging both physically and emotionally.[169] The developer noted that it "was a lot of work and collaboration for everyone to begin to change the feeling of distrust between the community, the university and the private owners of the property."[170] The site has had high vacancy and, in the years following the murder of the councilman, has offered little beyond a McDonalds, a sandwich shop, and a liquor store.

Northwood Commons will be a $58 million project that will include a 30,000 square foot grocery store, a Barnes and Noble bookstore collaboration with Morgan State, 20,000 square feet of office space, and a building for the Morgan State Public Safety department. OZ capital had not been committed to the project as of the writing of this paper but according to the State's information exchange, they were considering $10 million in gap finance.[171] More important than this possible OZ investment was direct subsidy from the university and bond and grant support from the State of Maryland.[172]

[168] See Collins and Ross (2020) for more on this history.
[169] ibid
[170] Developer/Small Developer Interviews
[171] See Maryland Department of Housing and Community Development (2018).
[172] Developer/Small Developer Interviews

Appendix C: Missed Opportunities

A small developer, Venroy July, sits in front of six vacant rowhomes that he is currently redeveloping in the Hollins Market neighborhood of the WBOZC. July sees an unrealized opportunity for OZ: to incentivize regional capital held by Black professionals like himself to invest in West Baltimore neighborhoods.
Source: First Author

Single-family rowhome development near Hollins Market

The first author conducted three interviews with a partner at a Baltimore law firm, Venroy July, who was redeveloping single family housing in the WBOZC. July was born in Jamaica, raised in the Bronx and is now a resident in West Baltimore. He has been redeveloping homes in the Hollins Market neighborhood of the WBOZC for nearly seven years. He describes his redevelopment work as part of a vision for "a neighborhood where young Black and brown professionals come together to live, work and play right next to downtown Baltimore." He has been trying to convince his professional and friend network to join him in investing in the neighborhood. He is currently renovating six adjacent rowhomes, encompassing an entire half block, for rental housing that he intends to ultimately transition to homeownership. July describes the Hollins Market WBOZC neighborhood as "uniquely positioned next to the University of Maryland Biopark campus, transit, I-95, and downtown Baltimore, and [having] enough land and vacant housing to attract new residents and businesses without driving up livability costs for existing residents."

July took interest in OZ from its inception, exploring it as an incentive to raise new equity sources for redevelopment work and envisioning it as "a tool to be used for Black empowerment in the redevelopment of historically Black neighborhoods." He, like many other development experts interviewed for this study, believes the small investor community is fundamental to wealth building and redevelopment in Baltimore's distressed neighborhoods. "The $100 million dollar projects aren't likely for West Baltimore, OZ or no OZ, and if they do come, it may result in [displacement]. But the small investor community is connected to this place and they are committed to it. People like me doing 'onsie-twosie' projects… we can help create a neighborhood that Black people will buy into. We can help bring back young Black professionals here…places we can walk to our nice jobs, go to brunch, and build wealth. But we need to be able to scale…we need to be able to make a splash."

July recognizes that OZ's 10-year exit strategy creates a challenge for outside investors looking for a quick exit, and that's precisely why he thinks OZ should incentivize investors already committed to deploying long-term "patient" capital. In June of 2019, he wrote an article for *Black Enterprise*[173] arguing that the tax preference be "democratized" to non-capital gains holders.[174] He suggested that Black investors take collective action to pool resources to invest in distressed OZ neighborhoods, generate capital gains, and recycle those investments back into distressed neighborhoods through an OZ fund. This article, buttressed by conversations with

[173] See July (2019)
[174] We pursue this recommendation (see recommendation section).

July, highlight a critical shortcoming of OZ: it incentivizes a class of outside wealthy individuals and corporations with capital gains dollars who, by and large, are not interested in providing patient capital to distressed communities. At the same time, OZ excludes existing stakeholders who are already committed to long-term investments in these neighborhoods but who do not have the resources to engage in transformative development.

A $21 million affordable mixed-use development (front) raises next to Coppin Heights University. The developer and CDC and nonprofit partners have not received serious interest from OZ investors to renovate the (back) warehouse. Redevelopment opportunities like these do not provide rates of return that most OZ investors are looking for. Source: *Baltimore Sun*

Adaptive reuse project next to Coppin State University

Following the 2015 Freddie Gray uprising, Osprey Property Companies, a real estate and affordable housing development firm based in Annapolis, Maryland, commenced the redevelopment of five-acre site just a mile to the west from where the uprising was centered. The "Walbrook Mill" project sits on the West North Avenue commercial corridor immediately serving the Walbrook, Panway Braddish, New Community Action, and Coppin Heights neighborhoods, which all suffer from high levels of poverty, unemployment, and segregation.

They are all over 90% Black.[175] Within a three-block radius, the developer had identified over 60 vacant homes on North Avenue and described the neighborhood as a "retail amenity desert." [176]

The site is also adjacent to the Coppin State University campus. With State grant support, the University has invested hundreds of millions of dollars in a new physical education complex, a health and human services building, and a science and technology center.[177] Coppin is a Historically Black Institution that offers undergraduate and graduate degrees as well as certificate programs. Over 60 percent of its students are working adults with young children, over 75 percent are female, and almost 70% are first generation college students.[178]

Walbrook Mill replaces vacant single-family rowhomes, a nuisance business known for drug activity, and an abandoned warehouse and railroad depot that belonged to the former Walbrook Lumber Co. In 2009, the president of the lumber yard consolidated operations in suburban Baltimore County. They cited high crime and utility costs, but also that the business was not included in the State Enterprise Zone or federal Empowerment program, in their decision to leave.[179]

Osprey's projects are primarily located outside of Baltimore City. They describe Walbrook as an opportunity to make an impact in the city. Developer participants, including the councilmember representing the district, described Walbrook as having the potential to encourage investment beyond its development footprint and help connect the university area to Mondawmin Mall, a

[175] ACS Census data 2011-2015
[176] Developer/Small Developer Interviews
[177] For more on Coppin State University investments see Mullin (2010).
[178] See Coppin State University (2020).
[179] See Lumber Yard President on reasons for leaving see Zulver (2013).

retail center to the north of the site, Druid Hill Park, and the Madison Park North redevelopment.[180]

The project was made possible because the developer collaborated with the Coppin Heights CDC and a housing nonprofit, Neighborhood Housing Services. The collaboration secured state grant funding for site acquisition and predevelopment and is committed to attracting desired neighborhood retail for students and residents. In addition to this state and community level support, the developer noted a $2 million DOT grant for streetscaping, as well as the LIHTC program, as critical to the project.

The first $21 million phase of the project includes affordable housing, a bank branch, and a retail complex with a food hall that will feature eight local restaurateurs. On the back of the site sits a vacant 16,000 square foot warehouse. The developer has been trying to attract OZ capital for its redevelopment. With 20-foot vaulted ceilings, the developer, as well as three other developer participants we spoke to, felt the location was ideal for adaptive reuse. In a 2019 editorial, the *Baltimore Sun* highlighted the warehouse as an ideal opportunity and location for federal OZ desingation to stimulate development.[181]

However, OZ is not providing a deep enough incentive to attract investors. An urban agriculture company approached Osprey about locating on the site but neither the developer nor the company could attract OZ funding. According to the developer, investors likely see the $2 million redevelopment of the warehouse as “not worth the headache” and not offering high

[180] The Madison Park North development is described in Appendix B.
[181] See Rodericks (2019).

enough returns. The developer also described a downtown development project they were working on as receiving much greater attention from OZ investors given its expected appreciation.

Investors did not expect the neighborhoods around Coppin to experience rapid appreciation. Unless OZ offered a greater front-end subsidy through the year-five and year-seven step up basis advantages, investors would not see the returns they were looking for. “What we are seeing is that [OZ] doesn’t change a neighborhood, a neighborhood needs to be changing for OZ,” the developer noted.

Black Women Build (BWB) provides homeownership and contracting apprenticeships for women of color in West Baltimore. OZ policy does not provide the capacity building support necessary for BWB or other innovative nonprofits to tap into private investment from a new class of OZ investors or to partner with private developers that have access to capital gains dollars.
Source: *Baltimore Magazine*

Homeownership and Black wealth building non-profit

The first author conducted two interviews with Black Women Build (BWB), a 501©3 nonprofit that creates home ownership and builds wealth by training Black women in carpentry, electrical, and plumbing through the renovation of vacant properties in West Baltimore. The organization was founded by Shelley Halstead in 2017.

Halstead joined the carpenters union in her youth in Seattle. She continued to cultivate her carpentry skills by purchasing, renovating, and selling homes in Seattle, Portland, and Baltimore. After working for an LGBTQ advocacy nonprofit in Washington DC, she moved to Baltimore with a mission, and grant support, to help Black women gain skills to renovate and maintain homes.

BWB buys and acquires vacant homes through grant funding and property write downs. Halstead interviews and trains selected participants to assist in restoring homes through a construction training program. If the participants complete the program, they become the owners of one of the homes that they worked on. The homeownership element of the program includes wrap around support including financial literacy training.

When Halstead was interviewed for the present study in January of 2020, BWB was working on their second set of housing rehabilitations. The organization had acquired four boarded up row homes on Etting Street in the neighborhood of Druid Heights, about half a mile to the southeast of the major redevelopment of Madison Park North.[182] Druid Heights is an inner-city community that suffers from high poverty, unemployment, and vacancy due to historic segregation laws and redlining. However, according to Halstead and several development experts that participated in this study, it offers several assets that make it particularly well suited for redevelopment and growth. These include proximity to downtown and transit, a 40-employee CDC that was a partner and participant in this research, and a professional/merchant class housing stock with high ceilings, cornices, and marble stoops that offer high rehabilitation value.

[182] The Madison Park North project is described in Appendix A.

The homes acquired by BWB were previously scheduled for demolition by Baltimore City with funding from the State of Maryland. Halstead convinced the city to give her title to the properties and, after vetting participants, enrolled a new three-person cohort to rebuild and eventually live in the homes. Her plan is to expand the Etting Street project to another set of vacant homes on the same block and build neighborhood stability through homeownership.

In addition to grant funding and land write downs, BWB is supported by low-interest loans and the sale of rehabbed homes. Halstead has been examining opportunities for additional capital sources since founding BWB. When OZ was publicized, she inquired about OZ and attended a city hosted workshop on the tax preference. However, she determined that OZ hadn't been structured to support the work that BWB was undertaking. First, BWB conducts its work as a non for profit. It might be possible for her to "side car" OZ investments, a process where a for profit OZ fund simultaneously invests in properties in which the non for profit renovates. However, the OZ did not allot resources for her to explore such an option and, ultimately, Halstead didn't have the time or capacity to see if this financing structure was possible. Second, BWB does not have access to capital gains or a network of capital gains that could support their work. Third, even if a third party, like Baltimore City, connected her to OZ funds, the rates of return OZ investors were seeking were incompatible with the appreciation trends in the neighborhoods like Druid Heights that BWB is working in. These incompatibilities have led Halstead to describe OZ as "just hype."

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Table 1: West Baltimore OZ Cluster (WBOZC) Descriptive Statistics

Geography (# of census tracts)	Med Income	Med House Price	Med Rent	Poverty Rate	Unemployed	College Educated or Greater	Average Investment Score (1-10)*
West Baltimore OZ (15)	$24,549	$87,000	$955	38%	18%	12%	3.2
Baltimore City OZ (42)	$32,785	$110,200	$943	33%	16%	17%	4.4
Baltimore City (183)	$42,094	$134,800	$961	24%	13%	25%	4.2
Maryland OZ (149)	$46,856	$173,400	$1,063	21%	10%	24%	5.4
Maryland (743)	$74,551	$290,400	$1,156	10%	7%	37%	5.5
USA OZ (8,763)	$33,345	$108,000	$725	31%	12%	18%	5.3
USA (67,148)	$53,657	$178,600	$953	15%	5.8%	29%	5.5

Note 1: Housing, poverty, employment, and education statistics are derived from American Community Survey (ACS), 2011-15 Data.
*Note 2: The Investment Score is the average score assigned to each census tract by the Urban Institute (UI) to capture lending activity before the introduction of OZ. UI established this investment score by census tract, ranging from 1-10, through a composite index which incorporates commercial lending, multifamily lending, single family lending, and small business lending data from ACS, CoreLogic, Home Mortgage Disclosure Act, and Community Reinvestment Act data. Their full methodology can be found online: https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/opportunity-zones-maximizing-return-public-investment.

Table 2: Participant Typology for West Baltimore OZ Evaluation

Participant Identification	Number of Interviews
Government Agency	7
Elected Official	6
Banking/Fund Manager/Business	18
Developer/Small Developer	16
Non-Profit/Community Developer	15
Think Tank/Consultant/Philanthropic	14
TOTAL	76

Table 3: Baltimore OZ Investments

Project/ Business	Description	OZ Investment	Total Investment	Med Income	Med House Price	Med Rent	Poverty Rate	Unemployed	College Educated or Greater	Investment Score (1-10)*
Yards 56	Mixed use development	$30 Million	$150 Million	50,280	124,500	1,061	11%	7%	17%	5
444 Apartments	Workforce housing and hotel	$15 Million	$55 Million	55,277	254,000	1,445	27%	4%	79%	9
Galen Robotics	Business expansion	$1 Million	$7 Million	46,250	167,500	1,341	27%	15%	42%	7
Penn Station	Amtrak Station redevelopment	$10 Million	$90 million	36,607	219,200	908	30%	17%	43%	6
Outlook Studios	Business expansion	$1 Million	Unknown	28,109	182,600	906	49%	20%	12%	2
Port Covington	Under Armor HQ	$154 Million	$5.5 Billion	103,667	276,000	1,802	9%	6%	71%	10
North Ave Commercial**	Affordable housing & local business	$1.2 Million	$4.5 Million	31,855	122,500	976	33%	21%	24%	2
Madison Park North**	Mixed use development	$10 Million	$100 Million	39,470	252,600	959	35%	16%	34%	1
Northwood Plaza**	Mixed use development	$10 Million	$58 Million	43,221	150,700	935	20%	14%	31%	6

Note 1: Housing, poverty, employment, and education statistics are derived from American Community Survey (ACS), 2011-15 Data.
*Note 2: See Table 1, Note 2, for description and source of "Investment Score." This is the score of each census tract and not an average.
** Note 3: Project, in Appendix B, is an expected not finalized OZ investment.