

Missed Opportunity



Sandtown-Winchester in West Baltimore: designated as one of 8700 Opportunity Zone census tracts across the country following the Tax Cuts and Jobs Act of 2017 (Photo: *Baltimore Sun*)



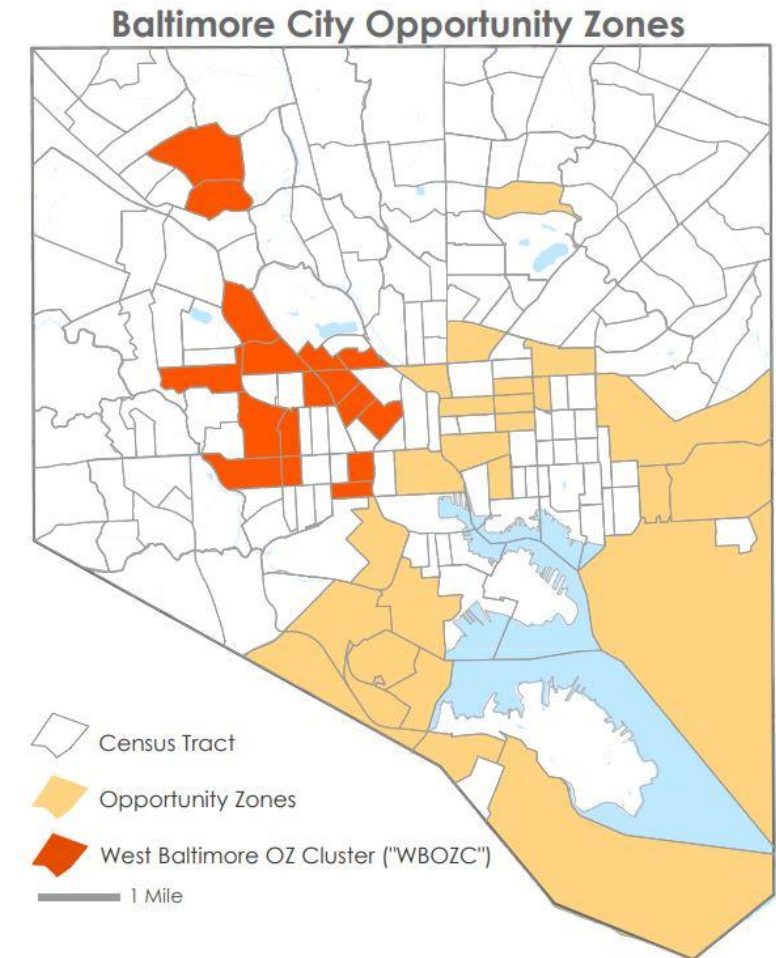
The Winter Innovation Summit in Salt Lake City: hedge funds, banks, corporations, and mission investors gather to discuss raising money to invest in Opportunity Zones funds (Photo: *New York Times*)

The West Baltimore Opportunity Zones Story

West Baltimore Opportunity Zones Cluster (WBOZC)

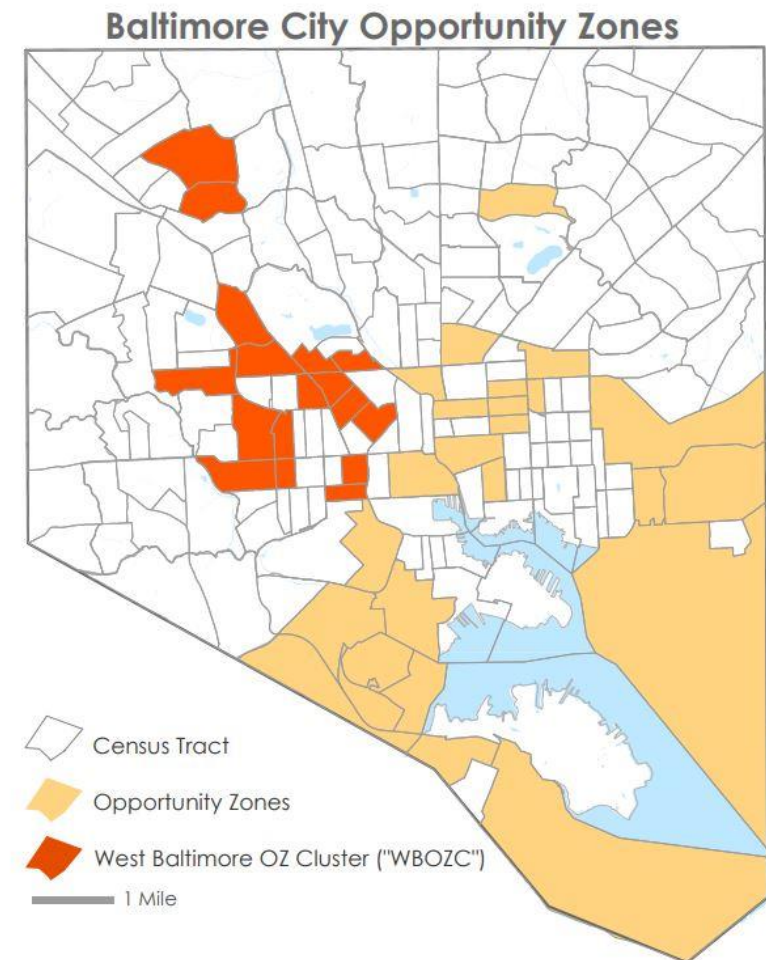
Geography (# of census tracts)	Med Income	Med House Price	Med Rent	Poverty Rate	Unemployed	College Educated or Greater
WBOZC (15)	\$24,549	\$87,000	\$955	38%	18%	12%
Baltimore City OZ (42)	\$32,785	\$110,200	\$943	33%	16%	17%
Baltimore City (183)	\$42,094	\$134,800	\$961	24%	13%	25%
Maryland OZ (149)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

American Community Survey 2011-15 Data



Participant Interviews

Participant Identification	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



Missed Opportunity



- OZ is supporting development that benefits city residents at large
- Minor OZ equity is flowing into deeply distressed neighborhoods
- OZ is stimulating investment conversations and local government capacity



- OZ is failing at oversight and engagement
- OZ does not change development outcomes
- OZ is a weak incentive for capital gains investors who want market rate returns
- OZ does not sufficiently support investors, institutions, developers, and businesses already active in distressed neighborhoods
- OZ suffers from design flaws

OZ Investments in Baltimore

Project/ Business	Description	OZ Investment Estimate	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
Prosper on Fayette	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	\$70 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 Armour 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 2011-15 Data and represent the census tract the project is located in.

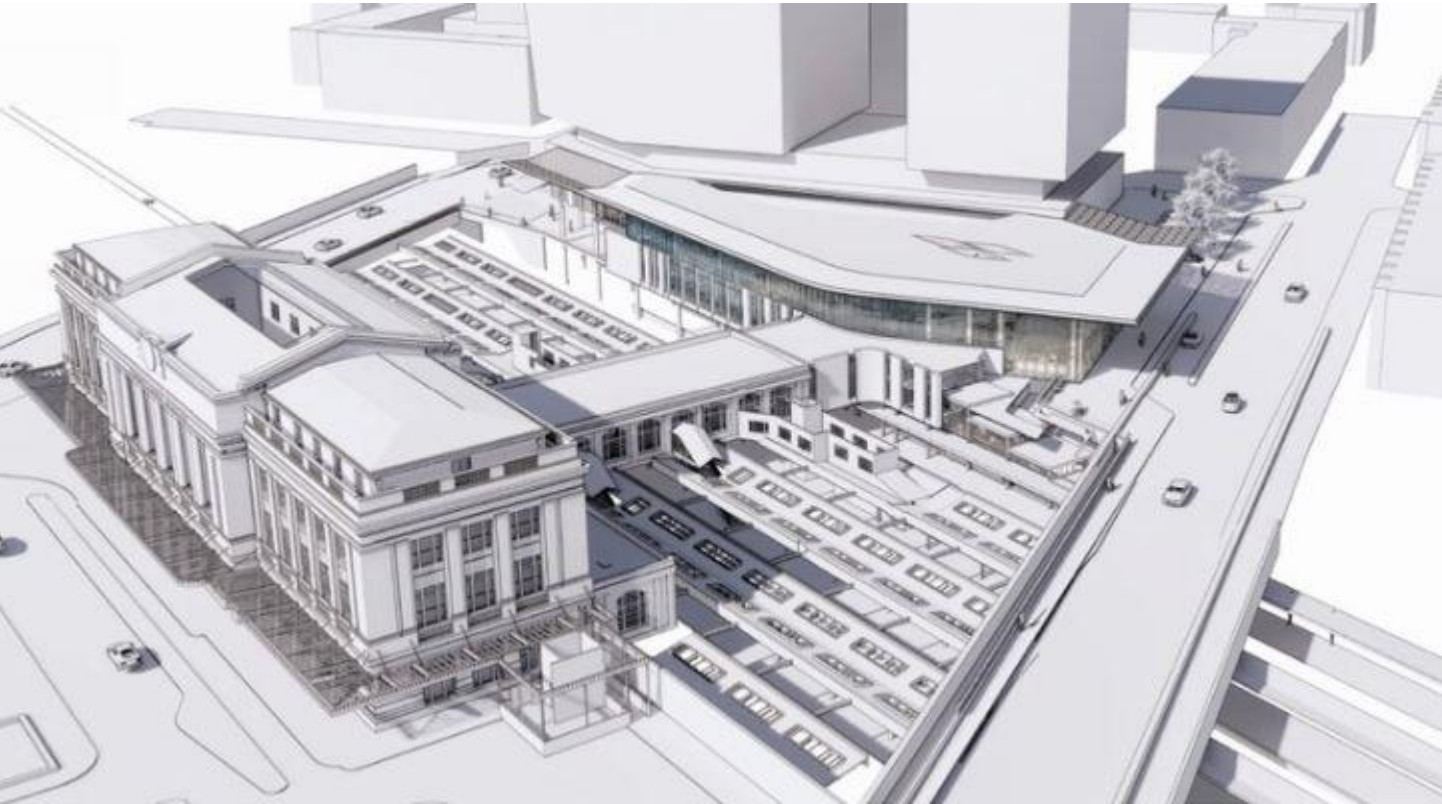
*Note 2: See paper for description and source of “Investment Score.” This is the score of each census tract and not an average.

** Note 3: Project, in Appendix B or paper, is an expected not finalized OZ investment.

DO NOT QUOTE, CITE, OR USE WITHOUT PERMISSION OF AUTHOR

OZ Investments in Baltimore

Project/ Business	Description	OZ Investment Estimate	Total Investment	Med Income	Med House Price	Med Rent	Poverty Rate	Unemployed	College Educated or Greater	Investment Score (1-10)*
Penn Station	Amtrak Station redevelopment	\$10 Million	\$70 million	36,607	219,200	908	30%	17%	43%	6



Roughly \$10 million in OZ equity was invested into the ~\$70 million redevelopment of the headhouse of Baltimore’s Penn Station.

Rendering: Gensler

OZ Investments in Baltimore

Project/ Business	Description	OZ	Total Investment	Med Income	Med House Price	Med Rent	Poverty Rate	Unemployed	College Educated or Greater	Investment Score (1-10)*
		Investment Estimate								
Galen Robotics	Business expansion	\$1 Million	\$7 Million	46,250	167,500	1,341	27%	15%	42%	7



Around \$1 million in OZ equity was invested in Galen Robotics, part of a ~ \$7 Million capital raise for Galen to permanently locate and expand in the 1100 Wicomico building in Southwest Baltimore.

Photos: 1100 Wicomico (above) and Baltimore Business Journal (Below)

OZ Investments in Baltimore

Project/ Business	Description	OZ Investment Estimate	Total Investment	Med Income	Med House Price	Med Rent	Poverty Rate	Unemployed	College Educated or Greater	Investment Score (1-10)*
Outlook Studios	Business expansion	\$1 Million	Unknown	28,109	182,600	906	49%	20%	12%	2



Roughly \$1 million in OZ equity was invested into Outlook Studios, a minority owned business, that moved into the \$30 Million redevelopment of the Hoen & Co. Lithograph building in distressed East Baltimore

Photo: Cross Street Partners

OZ Investments in Baltimore

Project/ Business	Description	OZ Investment Estimate	Total Investment	Med Income	Med House Price	Med Rent	Poverty Rate	Unemployed	College Educated or Greater	Investment Score (1-10)*
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



Roughly \$1.2 Million in OZ equity is likely to be invested in a ~4.5 million zero energy mixed use development for original residents and local businesses in the WBOZC



Around \$10 Million in OZ equity may be invested in a ~\$100 million redevelopment of Madison Park North, long described as "murder mall," on the edge of the WBOZC

OZ Investments in Baltimore

Project/ Business	Description	OZ Investment Estimate	Total Investment	Med Income	Med House Price	Med Rent	Poverty Rate	Unemployed	College Educated or Greater	Investment Score (1-10)*
Port Covington	Under Armour HQ	\$154 Million	\$5.5 Billion	103,667	276,000	1,802	9%	6%	71%	10



Rendering: Sagamore Development

DO NOT QUOTE, CITE, OR USE WITHOUT PERMISSION OF AUTHOR

Baltimore City Opportunity Zones

North Ave Commercial
Expected OZ Investment: \$1.2 Million
Total Investment: \$4.5 Million
2015 Poverty Rate: 33%

Madison Park North
Expected OZ Investment: \$10 Million
Total Investment: \$100 Million
2015 Poverty Rate: 35%

Prosper on Fayette
OZ Investment: \$15 Million
Total Investment: \$55 Million
2015 Poverty Rate: 27%

Galen Robotics
OZ Investment: \$1 Million
Total Investment: \$7 Million
2015 Poverty Rate: 27%

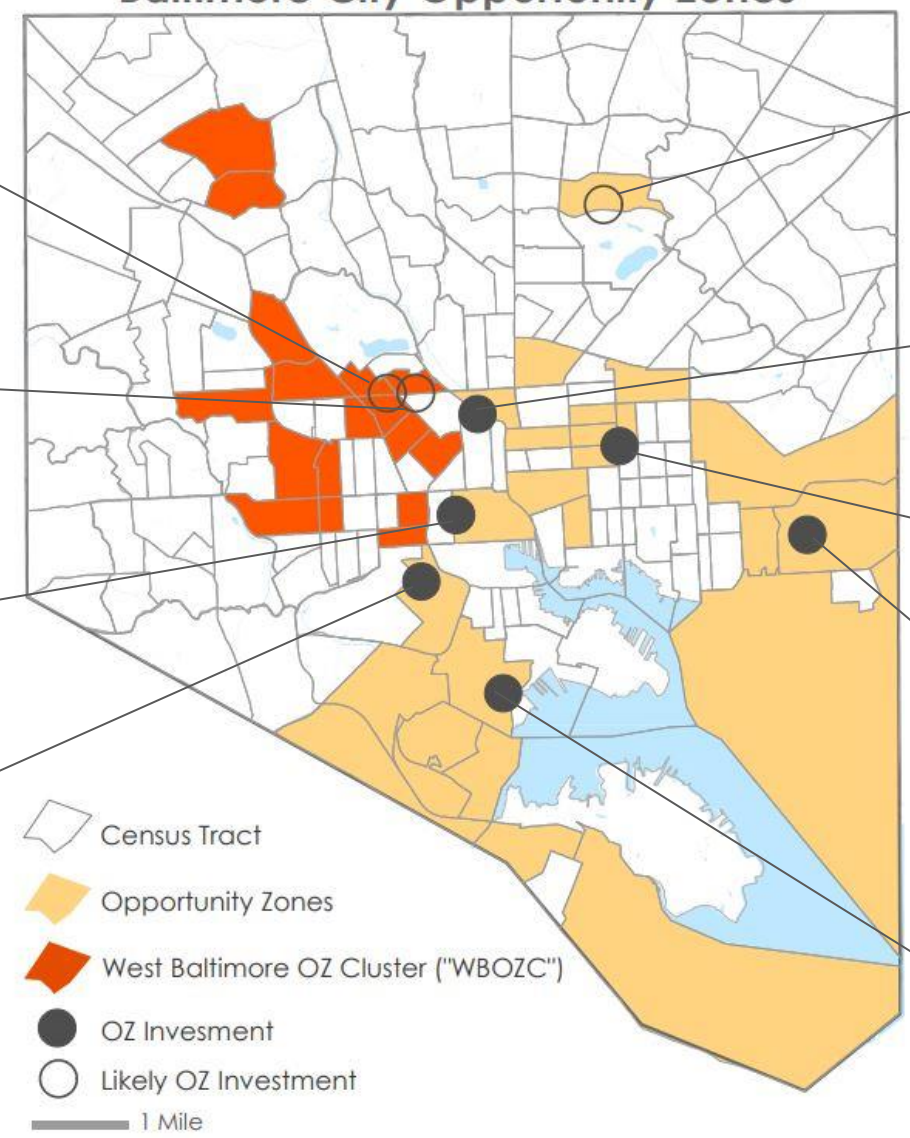
Northwood Plaza
Expected OZ Investment: \$10 Million
Total Investment: \$100 Million
2015 Poverty Rate: 16%

Amtrak Penn Station
OZ Investment: \$10 Million
Total Investment: \$70 Million
2015 Poverty Rate: 30%

Outlook Studios
OZ Investment: \$1 Million
Total Investment: Unknown
2015 Poverty Rate: 49%

Yards 56
OZ Investment: \$30 Million
Total Investment: \$150 Million
2015 Poverty Rate: 11%

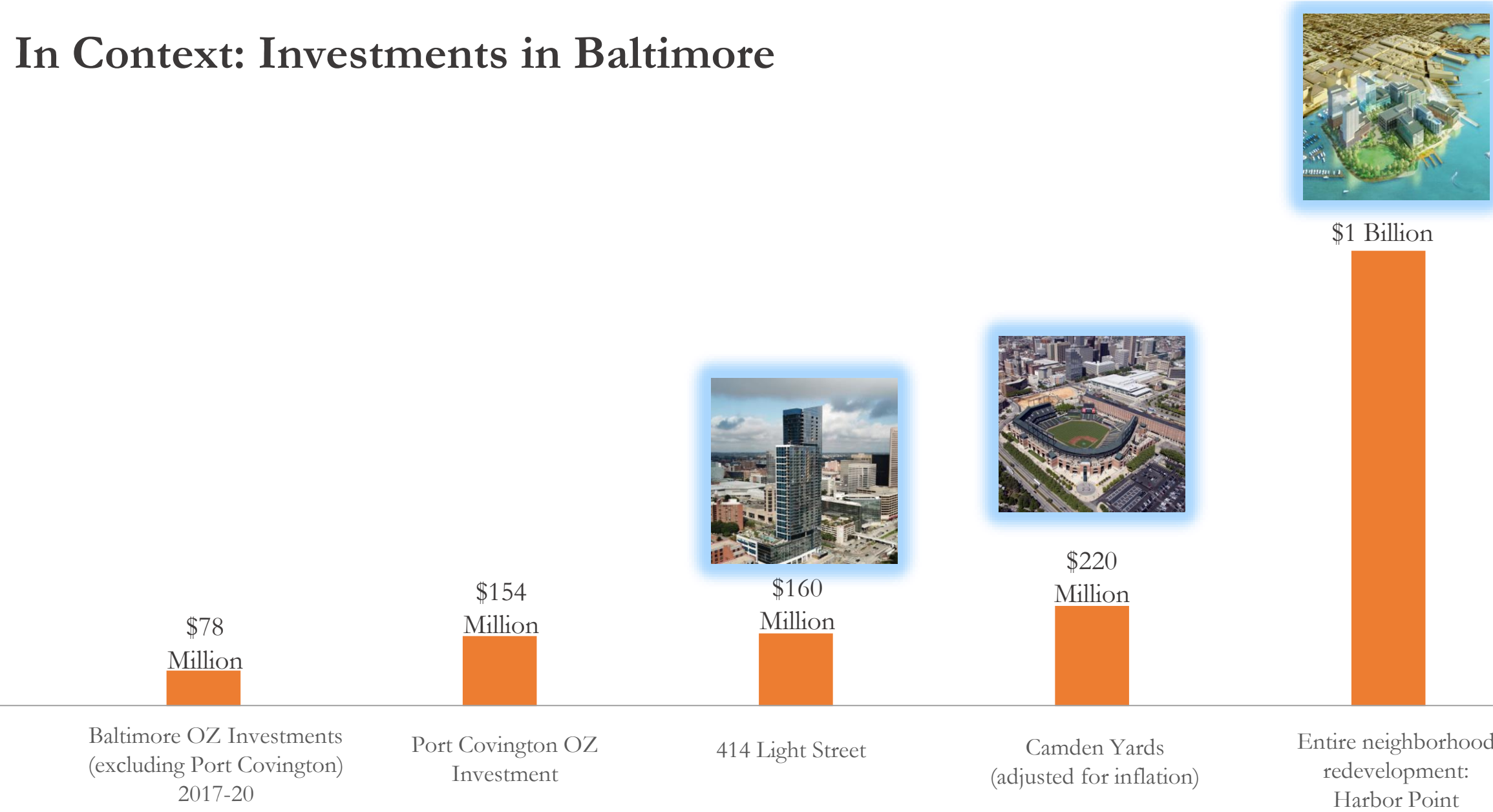
Port Covington (Under Armour)
OZ Investment: \$154 Million
Total Investment: \$5.5 Billion
2015 Poverty Rate: 9%



Michael Snidal 2020

In Context: Investments in Baltimore

DO NOT QUOTE, CITE, OR USE WITHOUT PERMISSION OF AUTHOR



In Context: OZ Investment in US

DO NOT QUOTE, CITE, OR USE WITHOUT PERMISSION OF AUTHOR



\$5.5
Billion

Baltimore Port
Covington
Development

\$25
Billion

US OZ Investments
2017-20



\$25
Billion

New York City's
Hudson Yards
Development

OZ is stimulating new investment conversations

“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.”

–Major Baltimore Developer

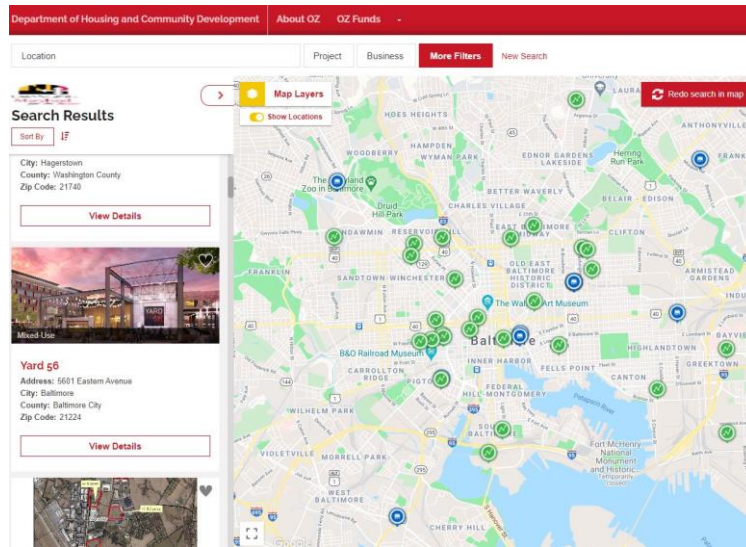


Photo: Jack Kemp Foundation

Baltimore 2019: the Jack Kemp Foundation hosts top government officials, policy designers, corporate investors, and developers to discuss OZ.

Baltimore 2017-2020: OZ investors and other actors toured Baltimore City, attended conferences and webinars, and made repeated inquiries with city and state OZ coordinators and project sponsors about development opportunities.

OZ is stimulating new investment conversations encouraging local economic development capacity



Maryland Information Exchange

At the state level, capacity includes an interactive web portal to locate projects, information, and contacts

“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.”

-Baltimore developer

“The city now has a point person to connect the dots on investment and development.”

-Baltimore Housing leadership

“The new relationships between the city, state and private sector that OZ is creating are critical for Baltimore. They can lead to future projects.”

-Regional developer

OZ is stimulating new investment conversations encouraging local economic development capacity failing at oversight and engagement

“Private and public parties have dumped toxins [into] our water and homes, and then they have made [money] doing that! It is remarkable that the feds are not requiring oversight for a program that is now incentivizing development in these [same] neighborhoods.”

-Elected official

“We are talking millions of dollars. We can all report it.”

-Major Baltimore developer

“...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.”

-Community Developer

“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.”

-Small developer

“The federal tax code is a pretty blunt mechanism to just throw at localities for economic development,”

-Fund manager

“... a whole bunch of space between the current criteria and community engagement requirements that stifle development.”

OZ is stimulating new investment conversations
encouraging local economic development capacity
failing at community oversight and engagement
not simulating investment in distressed neighborhoods

1. Investors demand market rate returns greater than what projects in distressed neighborhoods generate
2. Weak incentive that does not change development outcomes on its own. Government subsidy, infrastructure investments, workforce quality, and NMTC are more important sources of capital to spur development
3. Fails to incentivize those already investing in West Baltimore without capital gains
4. Design failure: poor selection criteria, failure to establish a planning process; timing issues around capital deployment; does not address appraisal gaps and other development criteria connected to the segregationist practices that devalued these neighborhoods in the first place.

Recommendations

1. Institute a reporting requirement
2. Remove non-distressed census tracts from eligibility
3. Deepen incentives for neighborhoods in high distress
4. Allocate funding for education and engagement
5. Fund infrastructure & provide a federal guarantee pool in deeply distressed tracts
6. Incentivize/incorporate CDFIs
7. Democratize OZ to non-capital gains dollars



Photo: First Author

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: incentivize regional capital held by Black professionals like himself to invest in West Baltimore neighborhoods.

Missed Opportunity



Sandtown-Winchester in West Baltimore: designated as one of 8700 Opportunity Zone census tracts across the country following the Tax Cuts and Jobs Act of 2017 (Photo: *Baltimore Sun*)



The Winter Innovation Summit in Salt Lake City: hedge funds, banks, corporations, and mission investors gather to discuss raising money to invest in Opportunity Zones funds (Photo: *New York Times*)

The West Baltimore Opportunity Zones Story