



May 31, 2019

Responses to the U.S. Treasury's RFI: Data Collection and Tracking for Qualified Opportunity Zones (QOZs)

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The City of Los Angeles Housing + Community Investment Department (HCIDLA) and the Economic and Workforce Development Department (EWDD) appreciate the opportunity to provide comments in response to the U.S. Treasury Department's request for information (RFI) on data collection and tracking for qualified opportunity zones. The City of Los Angeles strongly recommends creating additional investment criteria that prioritizes benefits to low-income community residents and small businesses, adherence to this criteria should be tracked through a carefully designed data collection process. Furthermore, prioritization should include meaningful data collection to assess investment impacts on distressed communities in Los Angeles. The data is to be useful for purposes of long term-investment planning in opportunity zones and to incentivize economic improvements for future decades. In addition, data collection and tracking regulations should not only protect residents and existing businesses, but also ensure that the new businesses in the opportunity zones directly benefit these communities. Requiring the accountability and transparency of real estate and business investments are imperative to the success of opportunity zone areas; the City of Los Angeles encourages the U.S. Treasury to put forth a data approach that results in equitable and measurable outcomes that demonstrate financial growth and social development for communities and prevent any future harm resulting in displacement of existing businesses and residents which is counter to the objectives of the QOZs in terms of revitalizing distressed neighborhoods.

The following reflects the City of Los Angeles' responses to the U.S. Treasury's RFI questions:

- 1) What data would be useful for tracking the effectiveness of providing tax incentives for investment in qualified opportunity zones to bring economic development and job creation to distressed communities?

Comment: The U.S. Treasury should require opportunity funds to report on the number of living wage jobs created, the number of dedicated affordable housing units created or preserved (60 percent of AMI or less), quantify the number of investments in minority/disadvantaged/women-owned businesses, vacant structure repurposing, and details about the critical services available to vulnerable populations. This data should be shared periodically with the public and local governments for every investment.

The U.S. Treasury should secure services from an entity (e.g., academic institution, research institute, national organization, or other non-federal government entity) to design

a user-friendly online data portal that requires Qualified Opportunity Funds (QOFs) to enter the following, but not limited to:

- Identifying details about opportunity zone business (i.e., official name, location, type of business);
- Investment types (i.e., jobs/employment, economic objectives/strategies);
- Amount of investment dollars (i.e., proposed investment amount);
- Projected length of investment;
- Number of new jobs created and retained;
- Locations of investment (by address or census tract);
- Issues confronted and successful outcomes; and
- Any other pertinent details.

This online data portal is to be publicly accessible for transparency purposes and for use by jurisdictions with QOZs to carry out economic planning and assist in overall public policy development.

Instructions should be developed to easily allow provided data to be evaluated utilizing key metrics to determine socio-economic impact on distressed communities and properly assist in economic forecasting. The U.S. Treasury should establish an entity that will design a QOZ data portal and require fund managers/investors to provide data on a periodic basis. Data collected should be publicly available and include detailed analyses (i.e., written reports which include charts, tables, maps and other illustrations demonstrating QOZs trends and impact throughout the county) on a quarterly basis.

RECOMMENDATION: The U.S. Treasury should include all data points as indicated above. Localities must be able to properly track the outcomes of collected data on opportunity zones due to the economic impact QOZs will have on residents and businesses for decades. The online data portal is to be easily accessible and transparent to the public. Furthermore, the data must be collected and inputted in a manner that can be evaluated to assist in policy development and analyses for future investment planning. It is imperative that the entity that designs the data portal is also required to collect periodic data from fund managers/investors and make analytical reports regularly available (quarterly).

- 2) In addition to the anticipated revisions to Form 8996 discussed in the Summary of this Notice and Request for Information, is there other information that could appropriately be collected on a tax form that would be helpful in measuring the effectiveness of the opportunity zone incentives. For example, should qualified opportunity zone businesses be required to report on a tax form the location by census tract of (1) owned and leased tangible property or (2) employees of a qualified opportunity zone business?

Comment: The tax form should also collect all information as stated in comment #1(above). In addition, opportunity zone businesses should be required to report on a tax form the location by census tract and street address of owned and leased tangible property. This reporting requirement should not be imposed upon the employees of the QOZ business.

RECOMMENDATION: The U.S. Treasury should ensure that the required tax form solicits questions that require a thorough explanation of investment objectives in the opportunity zones. Requested information for the tax form should include the gathering of data points as indicated in comments #1, as well as the location by census tract and street address of owned and leased tangible property.

- 3) What data would be useful for measuring how much would have been invested in qualified opportunity zones in the absence of the opportunity zone incentives?

Comment: Analyzing data regarding the current economic viability of investment in similarly distressed, but non-qualified census tracts using measures such as:

- Period of housing and transit investment efforts over the past 5, 10, and 15+ years;
- Change of population and household income (cultural/ethnic shift over time);
- Displacement of tenants and businesses;
- Foreclosures;
- Housing stock age and uninhabitable properties;
- Land costs and land use restrictions;
- Types of schools/educational institutions/job training programs (based on school rating system – academic achievement scores) which exist in the community;
- Types of employment options within the community (influx of businesses which provide employment growth, opportunities to achieve increased income over time and/or require higher education and higher skills);
- Types of businesses that currently exist and those newly located to the community within the past 10 years or more (i.e., grocery stores, retail shops, etc.);
- Environmental health (including measuring factors which could impact economic investment/decisions); and
- Population demographics – race/ethnicity, AMI levels, educational attainment levels, percentage of renters vs. owners, and other key indicators.

RECOMMENDATION: The U.S. Treasury should include all data points as indicated. Localities must be able to understand how much would have been invested in qualified opportunity zones in the absence of the opportunity zone incentives. Furthermore, the U.S. Treasury must collect key data as outlined above to analyze the current economic trends in qualified and non-qualified census tracts which study the investments over a time period and future projections. This information will be crucial for cities to assess the actual impacts of opportunity zone investments.

- 4) What data would be useful for ensuring that the investment opportunity remains an attractive option for investors?

Comment:

- Collected data should indicate the dearth of economic attention within the QOZs – which investments are lacking in the community and over what period of time.
- Data should also address how the QOZ is expected to benefit/experience economic improvement and by what time period based on location and the amount of investments.
- Data is to demonstrate the potential for increased financial gain for the investors/fund manager determined on the investment's length of time. Data collected should reflect types of property and business investments and outcomes of strategic financial investments in QOZs.

RECOMMENDATION: Jurisdictions and communities will rely upon the positive outcomes of new opportunity zone investments. It is critical for investments to continue to further improve distressed areas. The U.S. Treasury must ensure the suggested data points are included in the data collection process since the analyses could potentially attract other investors, develop additional investment plans, and cultivate even more business partnerships.

- 5) What are the costs and benefits of various methods of information collection? Who should perform this data collection?

Comment: As stated in comment #1 (above), an entity outside of the U.S. Treasury (a non-federal entity) should be selected to collect the data. This entity should be selected based on their experience and expertise with economic forecasting and ability to manage a large volume of data and analyses on an ongoing basis. Those for consideration should provide a proposal of costs and benefits of different information collection approaches based on their expertise. A determination to select the data collection entity must be based on proposals submitted and decided upon by the U.S. Treasury officials.

It is important that data is made publicly available for easy access and development of various economic reports as needed. The data must be collected in a manner that allows for the ease of geographic analyses and to assess trends over time. Also, the data must demonstrate how strategic investment in distressed and at-risk communities (including those that are undergoing economic changes) benefit from real estate and business QOZ entities.

RECOMMENDATION: Given the role that Community Development Entities (CDEs) play in facilitating New Market Tax Credits (NMTC); specifically, collecting data necessary to track project performance and its familiarity with many of the communities to benefit from the QOZ investments, the U.S. Treasury should consider selecting CDEs to ensure QOZ investments adhere to the regulations.

- 6) What considerations should government officials take into account when considering data to analyze the effectiveness of the qualified opportunity zone incentives to promote economic development to distressed areas? Over what time period should this analysis occur?

Comment: The data points for consideration may differ across localities due to their economic and social climate and community-specific issues. In general, data must reflect how effective opportunity funds are used in promoting economic development and preventing abuse of opportunity zone incentives and displacement of residents.

For the City of Los Angeles, it is important to ensure fair housing practices are implemented through investment efforts. Many of the QOZs in the City of Los Angeles are within racially and ethnically concentrated areas of poverty (R/ECAPs), and therefore, these census tracts require economic successes to improve the lives of residents rather than further hinder advancement outcomes.

- Projects in the QOZs should result in jobs providing wages that support a meaningful standard of living, full benefits and workers' rights, and safe and

healthy working conditions. Developers and investors of color should have access to contracting opportunities in the zones.

- Low-income residents and communities of color within the zones should have an opportunity to benefit from equitable growth and prosperity. Projects should increase services available to vulnerable populations such as affordable transportation options, health-care facilities, healthy food retail, and quality education services.

In addition, qualified opportunity zone incentives should be paired with existing programs to generate social impact. For example, the Low-Income Housing Tax Credit (LIHTC) and New Markets Tax Credit (NMTC), which are proven, powerful tools with long track records in community revitalization should be considered. Both require competitive and rigorous application processes. These requirement components can serve as a model for the opportunity zone investment requirements.

Analyses should occur on an ongoing quarterly basis, a less frequent time frame is not recommended for implementation. To coincide with proper reporting and ongoing tracking of economic development, analyses must be conducted as frequently as possible.

RECOMMENDATION: The U.S. Treasury should consider data points that may be applied across the nation, with special acknowledgement that the economic and social climate of individual jurisdictions vary. In addition, the U.S. Treasury must take into account already existing programs that demonstrate economic and social improvement as models for measuring and analyzing the effectiveness of the QOZs to promote economic development – models such as the LIHTC and NMTC serve as valuable blueprints for positive community revitalization efforts. Furthermore, analyses must occur no less than on a quarterly basis.

- 7) How do you view the role of the Federal Government, and Tribal, State and local governments in the ongoing maintenance and administration of opportunity zones?

Comment:

- The federal government should develop a set of clear guidelines and framework that helps to structure the QOF investments. The federal government is to set the tone, provide guidance for the fund investments, as well as responsible for the ongoing maintenance and administration of opportunity zones.
- All states should have an opportunity to further guide how the QOZs should be implemented.
- Local governments should have a role in accessing information to promote opportunity fund investments in QOZs while also ensuring the investments are done in accordance to local economic development policies in general.

RECOMMENDATION: The federal government is to set the tone, provide guidance for the fund investments, as well as be responsible for the ongoing maintenance and administration of opportunity zones. Also, all states should have an opportunity to further guide how the QOZs should be implemented. Local governments should have a role in accessing information to promote opportunity fund investments in QOZs while also ensuring the investments are done in accordance to local economic development policies in general.

- 8) Is there any additional information regarding data collection and tracking for opportunity zones not already addressed that you would like to provide?

Comment: It is important that the prescribed data collection provisions ensure the transparency of all QOF activities. In addition, the collection of transaction-level data from QOFs is critical to allow the public and Congress to evaluate the efficacy of opportunity zone incentives. Collecting and analyzing this data will be particularly imperative when considering the impact on residents who were living in the community at the time the QOZ was designated. The U.S. Treasury should explain its approach to address the possibility of the misuse of opportunity zone incentives in the opportunity zone regulations. This method is an attempt to ensure that projects do not result in evictions of tenants or small businesses, dramatically increase rents in the acquired properties, and do not lead to the loss of deed restricted or rent stabilized housing.

RECOMMENDATION: The U.S. Treasury must require that data collection provisions are transparent for an effective investment approach and to measure its impact on residents in QOZs in an equitable manner. The U.S. Treasury is responsible for preventing investors from benefitting from a tax deferral at the expense of residents and businesses in already existing low market areas. In addition, the U.S. Treasury should explain its approach to address the possibility of the misuse of opportunity zone incentives in the opportunity zone regulations. This method is an attempt to ensure that projects do not result in evictions of tenants or small businesses, dramatically increase rents in the acquired properties, and do not lead to the loss of deed restricted or rent stabilized housing.

Concluding Remarks

It is imperative for the U.S. Treasury and localities across the country to effectively work together to positively shape investments in opportunity zones, areas that are in need of extreme economic revitalization to advance predominately lower income communities. The City of Los Angeles requests that the U.S. Treasury accepts these comments in response to the department's RFI for data collection and tracking for qualified opportunity zones. Los Angeles considers this as a valuable opportunity to provide its feedback on the outcome of needed investments in targeted census tracts. The City of Los Angeles consists of many racially and ethnically concentrated communities that suffer from decades of disinvestment and lack of economic opportunity. The opportunity fund incentives in these communities will be fully utilized, however, we must ensure proper implementation, oversight, and data collection to factually demonstrate the direct impact of the QOZs in revitalizing these areas. In summary, HCIDLA and EWDD issue the following list of recommendations:

- o **RECOMMENDATION:** The U.S. Treasury should include all data points as indicated in comments #1. Localities must be able to properly track the outcomes of collected data on opportunity zones due to the economic impact QOZs will have on residents and businesses for decades. The online data portal is to be easily accessible and transparent to the public. Furthermore, the data must be collected and inputted in a manner that can be evaluated to assist in policy development and analyses for future investment planning. It is imperative that the entity that

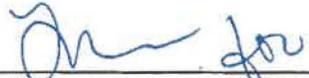
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- **RECOMMENDATION:** The U.S. Treasury should include all data points as indicated. Localities must be able to understand how much would have been invested in qualified opportunity zones in the absence of the opportunity zone incentives. Furthermore, the U.S. Treasury must collect key data as outlined above to analyze the current economic trends in qualified and non-qualified census tracts which study the investments over a time period and future projections. This information will be crucial for cities to assess the actual impacts of opportunity zone investments.
- **RECOMMENDATION:** Jurisdictions and communities will rely upon the positive outcomes of new opportunity zone investments. It is critical for investments to continue to further improve distressed areas. The U.S. Treasury must ensure the suggested data points are included in the data collection process since the analyses could potentially attract other investors, develop additional investment plans, and cultivate even more business partnerships.
- **RECOMMENDATION:** Given the role that Community Development Entities (CDEs) play in facilitating New Market Tax Credits (NMTC); specifically, collecting data necessary to track project performance and its familiarity with many of the communities to benefit from the QOZ investments, the U.S. Treasury should consider selecting CDEs to ensure QOZ investments adhere to the regulations.
- **RECOMMENDATION:** The U.S. Treasury should consider data points that may be applied across the nation, with special acknowledgement that the economic and social climate of individual jurisdictions vary. In addition, the U.S. Treasury must take into account already existing programs that demonstrate economic and social improvement as models for measuring and analyzing the effectiveness of the QOZs to promote economic development – models such as the LIHTC and NMTC serve as valuable blueprints for positive community revitalization efforts. Furthermore, analyses must occur no less than on a quarterly basis.
- **RECOMMENDATION:** The federal government is to set the tone, provide guidance for the fund investments, as well as be responsible for the ongoing maintenance and administration of opportunity zones. Also, all states should have an opportunity to further guide how the QOZs should be implemented. Local governments should have a role in accessing information to promote opportunity fund investments in QOZs while also ensuring the investments are done in accordance to local economic development policies in general.
- **RECOMMENDATION:** The U.S. Treasury must require that data collection provisions are transparent for an effective investment approach and to measure its impact on residents in QOZs in an equitable manner. The U.S. Treasury is

responsible for preventing investors from benefitting from a tax deference at the expense of residents and businesses in already existing low market areas. In addition, the U.S. Treasury should explain its approach to address the possibility of the misuse of opportunity zone incentives in the opportunity zone regulations. This method is an attempt to ensure that projects do not result in evictions of tenants or small businesses, dramatically increase rents in the acquired properties, and do not lead to the loss of deed restricted or rent stabilized housing.

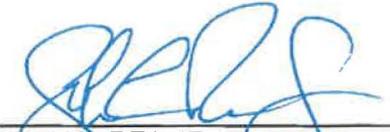
Respectfully,

By:



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