OZ Webinar Series

Establish Policy Tools and Incentives, Develop Partnerships, and Measure Impacts

Tuesday, December 8, 2020

Janine Cuneo: Thank you, Chantel, and welcome to all. My name is Janine Cuneo. I'm with ICF International. And we have the pleasure today to partner with the White House Opportunity Revitalization Council and the U.S. Department of Housing and Urban Development to host the second in a three-day webinar series for local economic development leaders and opportunity zone stakeholders. Our ultimate goal of this series is to assist participants in developing their own action plan to support short, as well as the long-term community objectives for potential investments in opportunity zones.

You're going to hear from national, state, and local experts, who will be providing illustrative examples, tips, resources, to help you gain a better understanding of key strategies, to attract private and public capital, and to ensure equitable outcomes that meet the needs of both the community and its residents. For those that are returning for the second webinar today, welcome back. And for those that are joining for the first time, we're happy to have you.

Before we jump into content, one additional note on logistics. You'll need to register for each webinar in this series separately. So if you haven't registered for the next and final webinar, we'll be holding that next Tuesday the 15th, please go to hudexchange.info/oz.

I'd now like to introduce my colleague, Erich Yost, with HUD. He's a key architect in the development of this webinar series. Erich?

Erich Yost: Thank you, Janine. And on behalf of the U.S. Department of Housing and Urban Development, office of field policy and management, I would like to welcome all of you to the opportunity zone's webinar series, session two, focused on establishing policy tools and incentives, developing partnerships, and measuring impact for your opportunity zone designations.

HUD staff from across the country have been partnering with many of you to help you to build your local opportunity zone ecosystems, to bolster growth in opportunity zones, by leveraging the private capital opportunity zone market, but also to highlight the alignment of federal, state, and local resources that have complemented or enhanced qualified opportunity zone investment in your communities. HUD has and will continue to provide capacity building and technical assistance resources for your local communities to leverage your opportunity zone designations.

In June 2020, HUD released our opportunity zones toolkit volume two, a guide to local best practices and case studies. The toolkit provides tips, resources, and examples of best practices in

developing and implementing strategies to leverage your opportunity zone designations. This toolkit is organized around five critical steps in planning the strategic alignment of resources to promote economic development in distressed communities. Last Tuesday our webinar included keynote speakers and a focus on the first two steps to HUD's opportunity zones roadmap to readiness; first, on understanding the current environment, and second, on aligning place based assets and resources.

Today's session will include the final three steps of the roadmap to readiness. This will include a host of influential and innovative speakers from communities across the country and from leading opportunity zone industry professionals from organizations leading the development of the opportunity zone ecosystem.

First, we will focus on the established step, where policy tools and incentives, to promote local objectives for community economic development will be discussed. Second, we will then move into the partner step with a focus on the importance of the alignment of organizations to support equitable and inclusive opportunities. We will then finish up the webinar session today with a measure step on our roadmap, with a focus on the importance of how to measure the impact of local initiatives, and make adjustments as necessary.

Our third webinar session on December 15th, Tuesday, will be focused on building up of the roadmap to readiness, where our honored speakers will be sharing information first about opportunity zone action planning and ecosystems that have been created. We will then also share information about the opportunity zone marketplace at the local level, hearing about qualified opportunity fund investments that are transforming communities, partnering with local organizations, and providing impactful investments for local economic development in both real estate developments and operating businesses.

I would now like to turn it back to Janine, who will introduce our first group of distinguished speakers. Thank you.

Janine Cuneo: Thank you, Erich. As Erich mentioned, we're going to deep dive into these five critical steps as organized in the HUD's opportunity zone toolkit. As Erich introduced the five steps, I'd like to take a few minutes to discuss the third step. Again, we're going to do the third, fourth, and fifth today. The third is really establishing policy tools and incentives.

Under the opportunity zones, local leaders have the option to establish their own targeted policy tools. In fact, it's more effective for tools to be under a community's direct control than to rely on leveraging external programs that may have been designated for some other more general purpose.

The key is really to identify desired community outcomes. These outcomes are not mutually exclusive, but the priorities of a given community will shape the development of the most effective local policy interventions. Some of the needs identified in the understand-the-action-step that we spoke about last Thursday will serve to pinpoint the highest priority outcomes for QOZ investments.

Additionally, although generic incentives and services already may exist as part of the locality's economic development apparatus, this highly competitive environment, and at times fast moving that we consider as part of this opportunity zone initiative QOZ managers and their investors will appreciate knowing that local leaders have fine-tuned their offerings to meet the needs of the opportunity zone investment community.

Also potential investors will want to know who has quick and accurate answers to their questions about what kind of leverage and support is available, who's responsible for delivering those supports, as well as potentially who has that authoritative point of contact to be able to provide all that information.

Now that I've set the stage a little bit as it relates to establishing policy tools and incentives, I'd like to introduce the first group of speakers that will be speaking on this topic. And we're going to be able to answer some Q&As today. So first we have Calvin Gladney, president and CEO, Smart Growth America. We have Christopher Coes, vice president, land use and development, with Smart Growth America, also director of LOCUS, responsible real estate development investors. Brett Theodos, senior fellow and director, community economic development hub at the Urban Institute. And last we have Danielle Morrissey, director events and special projects, with One Acadiana. Welcome, everyone.

Let's make sure you guys are all unmuted. And I'm going to start asking some questions. We'd love to hear you guys' responses, a little bit of a roundtable. So a key component to establish policy tools and incentives is for localities to identify those desired outcomes. For example, growth in specifically targeted industries or sectors, promotion of entrepreneurship among community residents. Can you guys provide any insight on how these types of priorities can shape the development of effective local policy interventions? Christopher, I think I'm going to pick in you first if that's all right, and see what your thoughts are about that question.

Christopher Coes: Janine, if you'll allow me, I will allow my CEO to go first out of protocol.

Janine Cuneo: I do understand. Calvin, you're up then.

Calvin Gladney: He's a good man. He's a good man. Thank you for the question. One thing I'll say is, I actually think what cities, and elected officials, and policymakers need to think about comes before or has to happen in parallel with thinking about what community outcomes you seek. Which is you think about opportunity zones, it's still a market based incentive. And since it's a market based incentive, you actually have to understand the market realities to understand what community outcomes are either realistic or what the hurdles are to get to those outcomes. And I think sometimes we might create policy incentives which simply focus on the outcomes we seek, but don't take into account the market realities.

And so I think as a starting point we have to say, what are the market realities in that place, and let's custom fit our policy incentives and our thoughts on community outcomes. And if we do that as a starting point, we can then get to policy incentives that actually work. And I'll use this as a handoff back to Christopher.

Christopher Coes: Janine, just again thank you to HUD for the opportunity to be a participant of this conversation. We've learned, just taking off of Calvin's comments, oftentimes when we work with rural and smaller communities, and also what some of the 12 cities we were working with would be Rockefeller Opportunity Zone Academy, we asked them what are those market dynamics. And I think across the board we saw one major one, which is affordable housing [inaudible] housing.

And in that framework what we have seen is when we've done those market assessments, we realized that there are major policy barriers at the local level that actually prevent the housing production. And one of the main ones we've seen is within the zoning land use regulations. In many communities who are seeing the challenges of producing more affordable housing, have to actually think about how their zoning is either helping or hurting.

And so one of the things that I will highlight here is at least within the conversation around producing more affordable housing, one of the major areas in terms of aligning public policy, public incentives, is in the zoning. One of the low hanging fruits that we've seen is that a lot of communities actually have their zoning which is very narrow, particularly for single family housing.

And so what we've seen is a lot of communities say, okay, within our opportunity zones we want to meet the market demand. What is the market demand? And a lot more people want to be closer to their jobs, closer to their downtowns, or along economic corridors. How can the zoning support that? We want more mix of uses. How does our zoning do that?

And of course, the last piece of that is recognizing the zoning in and of itself being a change, doesn't change the market barriers. And so really asking themselves, what -- if someone wanted to build multifamily or affordable housing here, what are the gaps. And I think that's one of the next challenges for localities, not only to make sure that the proper inventory is there, okay, what are some of the policy incentives. Is it a tax abatement? Are there inclusionary housing bonuses we can provide? What are some of the other resource tools like HOME, CDBG, that could be brought to the table, to meet the project gap?

So hopefully for us I think that's one of the first examples that we're seeing of aligning what the market demands or market intentions, to using some of the policy incentives to achieve that community outcome.

Danielle Morrissey: Yeah, and I think -- if I can jump in there. This is Danielle.

Janine Cuneo: Please, Danielle.

Danielle Morrissey: Kind of the approach we took, which kind of glad to hear you kind of talked about that well, is having the data behind the decisions, but also the community stakeholders in that conversation. And I think that was kind of the magic piece that came to the top for us when we were really pushing this program, was localized education, local elected officials education. And it was a lot -- a lot of groundwork. So I want to tell people that it's okay if it takes six months for your local officials to understand this and to understand kind of how massive this

could be. Because it took us a year. Six months would be good for you, if you could do it in six months --

Calvin Gladney: Yeah, I was going to say, six months is aggressive.

Danielle Morrissey: Yeah. It took us a year of boots on the ground. And I think it's so important to have that data when you already go into those meetings, into those communities. Because they have some really great ideas. But if you can kind of get that balance of data and research, along with the community stakeholders, I think that's kind of like the magic recipe to get things moving along to build that public will.

Janine Cuneo: Danielle, before I through it to Brett, can you just tell people where is One Acadiana, for those that might not be familiar with that?

Danielle Morrissey: Absolutely. So One Acadiana is a regional economic development group in south Louisiana. We're kind of midway between Houston and New Orleans. And seeing this small -- we have a lot of smaller communities in rural areas. And when this program came about, we kind of hosted an initiative with a local governmental partner, and have really done some great things here. But thank you for giving me the chance. I kind of hopped into it. And people no less can pronounce Acadiana than really know where it is. So thanks for backing me up a little bit.

Janine Cuneo: Let me switch it to Brett then with Urban Institute. What are your thoughts and insights around this?

Brett Theodos: It's such an important question with this program. I think the element about OZs that has been impressive to date is it really has catalyzed a new discussion around economic development locally. Within [inaudible] there's new excitement, there's new attention, there's new actors and institutions that are focused on this.

So in that sense there's a lot more energy there. And these are things to be cautious about is not to let the tail wag the dog, in the sense that cities really need to have counties, local development authorities, they really need to have plans that make sense for them, period, and their neighborhoods, period, not I think starting solely with an OZ frame, but really thinking much more globally about the suite of tools that are available to them.

There are three times as many places that were eligible to be zones that weren't picked as there were places that are. And there are other subsidy sources that are deeper or more focused for specific programmatic delivery, different asset classes, different opportunities. And some of those other neighborhoods may be more ripe for development or may be more needy. So again, absolutely makes sense to consider OZs as part of the toolkit of what you want to achieve locally.

But we really -- and not so much start with an OZ frame, as much as consider that OZs are one piece of the puzzle that you could use in achieving local growth and opportunity.

Janine Cuneo: That's a great point, Brett. Thank you. I think we got some more questions, actually. Let's see what we can keep pushing you guys to think about. Been great so far. Key question I think still remains for small cities in rural areas. I know we have a lot of people on this line that are part of the small city rural area communities. And so one question that still remains for those communities is, how can opportunity zones drive capital investment in these under-resourced neighborhoods? Brett, maybe I'll pick on you first this time.

Brett Theodos: Sure. Happy to start. And picking up where I just left off, we really need to think of OZs as a lower cost, or if you will, higher return for the equity part of a project investment. Most of it's real estate. And so if there's a use case that fits in smaller cities for slightly cheaper equity, then absolutely. OZs can and should be part of the mix. And then the challenge there is to find the investors and connect them to the project.

I think the thing that we need to keep in mind is that many investors are not going to be drawn to smaller deals just because of some fixed costs that attach themselves to them. And also the OZ [inaudible] comes with a permanent exclusion of [inaudible]. And that [inaudible] as the asset appreciates.

So to the extent that there are rural markets that have assets that are going to appreciate, that have land values going up, or have other business projects that are going to be going up, then OZs will be attractive. But if we're in an environment where population is shrinking, businesses are declining, then that's an environment where the OZ incentive is going to be challenged to deliver a lot of oomph to get projects across the finish line.

Janine Cuneo: Calvin, any thoughts about that as it relates to the small cities in rural areas?

Calvin Gladney: Yes. I think part of it is we have to stop thinking of using our tools the same way in every place. And so in rural -- I mean if you think about some of the -- if you think about what Brett just talked about, he really talked about investment criteria, and the realities of how this capital wants to get to communities, and the realities of the returns that they're still looking for, and frankly amount of capital that they want to invest in any given transaction.

So one way to think about rural America and small towns is to say, can we start to package together deals? Can we start to scale deals up so that some of the investment criteria can still be met because a particular OZ fund wants to put out traches of $10 million? Well there might not be a $10 million deal in southwest Louisiana, in Monroe. But if you put four deals together and create a portfolio, maybe you've now thought of a way to still meet their scale investment criteria, as well as the returns they seek.

So you can go to slow growth areas if you start to think of how do we use this tool differently to get to the same result. And that might mean aggregating deals, mixing use types, and just other innovative and creative solutions. But not just think of the tool like you're going to use it the same way you use it everywhere else.

Janine Cuneo: Danielle, do you see that to be true in your community?

Danielle Morrissey: Yeah. I wanted to piggyback off of that. I think that's exactly right. I think that opportunity zone forced us to start thinking a little bit more creatively and differently than we ever have before. I don't know that we were very sophisticated in doing capital stacks and putting deals together. And I think this forced us to think like that, which is going to be beneficial kind of beyond this program, and I think get the right people in the room to be aligned more for progress, whether using or going after opportunity zone funding.

I think this has been kind of a pivotal mind shift in our community, which I think is so important. And our initiative, Invest Acadiana, really went into those communities, like I said, that year long of boots on the ground, kind of localized education. We started to package these communities in nice prospectuses, and giving them templates, and really going after now the project cultivation that we can use, as Calvin talked about, in packaging and being a little bit more attractive for that money that's being deployed nationally.

On the flip side of that, most of what we've seen in OZ investment have been local dollars, which we kind of expected. But we're kind of showing that we're able to think of that capital stack a little bit differently and be able to do that, which is in turn helping us kind of have those case studies for other people that are interested in the area.

Janine Cuneo: Great. And Christopher, any insights as well as it relates to Danielle's experience on the ground, as well as this kind of more national view that Calvin and Brett were able to bring to the fore?

Christopher Coes: Well there are two things. And to piggyback off of Danielle, I love the flow of conversation here. One example that I will point to is our work in the Cape Code area, where we worked with two primarily rural communities who were also having similar challenges that were [inaudible]. And what we found out was that while they were a vacation hub, when the second home community just were not in town, they had some real economic challenges. And one of the big issues was the infrastructure issue. And it was around the fact that for them, they recognized that their Main Street was going to be their savior.

But unfortunately, they did not have a sewer, or storm water, or wastewater system that will allow them to attract the long term economic base that allowed them to get through the seasonal elements. But as Danielle pointed out, one of the things we were able to do is actually recognize that opportunity zones in itself take us out of the traditional capital investment conversation. They actually ask yourself who is local, who are some of our major employers, what are the major corporations, who are [inaudible] who may not have large sum of dollars, but actually may have small dollars [inaudible].

And what happened was that you had the public leadership, elected officials, literally bringing the private sector, the community, and basically saying here's our place based strategy, but here's our problem. And what we then learned was that there was a local property owner who literally said, I have land, I'm going to put the wastewater on, and then from there we had a Boston based opportunity [inaudible] look, I'm interested in investing in public infrastructure.

And with the local government, with the local property owner, who didn't realize that this was the issue in his own community, with this Boston investor [inaudible] the state of Massachusetts to establish an infrastructure investment [inaudible] district, so that they can create this public private partnership. I think we have to fundamentally recognize that even in slow markets, that this is a moment for us to have a conversation. What can we do now to get to a place where we can create these great places. And it turns out it means to break down silos. It means to bring new players to the conversation. And it means for us to be flexible to meet that.

And again, it's not [inaudible] but it was a step in the right direction to lay the foundation for this particular community, to really go into a much more equitable and more vibrant future.

Calvin Gladney: And Janine, I wanted to add one thing, which is I think we sometimes think of opportunity zones as a home run opportunity. You actually could hit some singles and doubles, and just move the ball -- move players around the bases. And so if you start to say, how can I use this capital to move my community forward, and get us on the right trajectory, rather than saying hey, well how do I get opportunity zone capital so I can get a $100 million deal that'll radically transform my entire community all at once. If we say, as Brett said earlier, this is one tool in the toolkit, it is one piece of the puzzle, and it is a method of putting a thumb on the scales to start us on our economic inclusion journey, but it's not going to solve all of our problems. So if you rethink that this might just be a catalyst, rather than the final solution, it also gives you a way to start.

Danielle Morrissey: I think that's a great, great point. And I think that's what smaller communities have to think about is getting that money into these under invested areas. And who's going to jump in first, right. Making the deal more attractive through opportunity zones, but knowing that that's not going to be the silver bullet, as you said. I think that's a great point, Calvin.

Janine Cuneo: And I always love a good baseball reference. So thank you, Colin, for that as well. But I think you've actually teed up an additional question we're hearing out in the communities, is really how do localities ensure they are establishing these tools and incentives that will attract the type of private capital? Let's include philanthropic and nonprofit support in there as well, that their community needs. And so I think that's really key here. I think a lot of people are trying to figure that out. And so wondering, Brett, do you have any thoughts about that? How can those folks attract this type of private capital for their community needs?

Brett Theodos: Yeah. The first thing I would tell folks is to give up on the word "ensure." They're not going to ensure anything with opportunity zones. It really is not a tool that they're going to control. But they do have some influence. And that influence absolutely starts with knowing what they have to offer investors, what's attractive. I don't think it has to take a formal form like a prospectus.

But having a good inventory, a sense of what would attract market interest, is definitely valuable. Having a good sense of what's on offer from city or county or other local sources of subsidy, whether that's [inaudible] maintenance, or any number of other sources. And then really understanding the local policy context. Some localities don't have zoning control. Some localities

are preempted by states from doing things that they might want to do; whereas others have quite a bit.

And then the last thing that I'd mention is, do a bit of cutting cost. Localities -- the measures that they have principally around zoning really relate to how land is used, not around how things are financed to purchase or rehabilitate that land. So if you want to prevent something or encourage something, it's more often through the zoning process about is this zoned for this or is it zoned for that. Also you could be a bit more direct with the public subsidies. So we just encourage groups to think long and hard about what they want, what they can offer, and what will get a response from investors.

Christopher Coes: And Janine, to that, one of the things that we've learned in terms of our work in opportunity zones investments, working with the investment community, and the localities when it comes to this question, the thing is that you're not assessing the equitable impact. You do not know where you're starting -- where your home plate is, where your starting point is. You're not going to be able to, as Brett pointed out, really control.

And so one of the first things I would tell people is you got to actually assess what is your benchmarks, where are you in terms of -- one of the common things we would talk about when we look at at Smart Growth America, is housing and transportation costs. We believe that a vibrant community is that individuals regardless of their income shouldn't spend more than 45 percent of their household income on housing and transportation. So how does your policy align to that. How does your economic development plan, how does your transportation development plan, how does your housing plans create and drive that social equity.

Other places may identify health as a key indicator. Other places may identify environmental justice issues. But the first thing here is assess what your current equity in your community is, and where you're trying to go, and then align your policy to that. One of the things that you had asked, Janine, though is how do you attract nonprofit or philanthropic and also social capital. Well let's just talk about from a private sector. One of the things I've learned, and I will love for other folks to hear this experience as well, is like when a community knows when the community itself has been engaged, and a lot of their ask is tied to this message as I pointed out, the private capital will try to figure out how to do it because it's written into the law or written to the regs or lease as part of the larger conversation.

Now again, oftentimes what happens is the developer comes in, looks at your zoning, looks at your economic development system and says, okay, I think this is what I can do. And then the community says, this has nothing to do with what I want. And they're like, well, no one one told me -- and there's that disconnect. And I think one of the things that opportunity zones create is for us to have a conversation on the front end: who are we, what do we have now, where are we going to go, what are the tools that we have, and then let's put it in play so that we don't create these adversarial elements.

But then from there, one of the lessons I've learned through this work is that you don't learn that you're going to have gaps. You're going to find out that everything can't be solved by opportunity zone capital or private capital. But you may find out now we have an issue that we do not have a

functioning healthcare facility. What are some [inaudible] nonprofit or philanthropy who can potentially serve that gap. If you go to that process, you begin to identify which are the right stakeholders to address the need. But again, you have to assess to start the conversation.

Calvin Gladney: And let me add one little piece to that, which is think about attracting private capital, particularly OZ capital, which is not really located anywhere and can come from anywhere in the country. You almost have to think about it as networking. So for example, Janine's a bigwig, a big dog, I'm trying to get her on the phone, and I say, well, um, I can't get Janine's cell phone number -- actually I do have Janine's cell phone number -- but I know Christopher has it.

And so if I'm a small town or I'm a place in one place, and I know that a certain capital has investment targets that look like the type of project I have, I might not be able to attract that capital directly because they don't know me. And most capital is trying to find the place of least resistance and the places they understand the best. So you want to get a warm introduction. So you want to say, hey, I've packaged myself, and I know that Christopher knows Janine who has this OZ fund. Let me work with this intermediary, let me work with this trusted developer that's locally known that actually knows the source of capital.

I think that's part of it. It's not going to be that you're going to just put a prospectus together, which is important. And that's one thing we've learned in our work. It's not only that you know yourself, but you've actually written it down, and you've done that in an inter -- sort of interdiscipline way, so thinking about the city as a whole, and not just having it only written by your economic development department, but you didn't talk to your housing people. So you put together an interconnected prospectus. But then the question is, how do I get it to private, philanthropic, or nonprofit capital, and do that on a warm introduction basis. And that's one of the things that we've tried to do, leveraging our network, and I know others do as well, which is how do we collaborate to get folks with viable deals that could support OZ capital in front of the folks that have that capital.

And usually there's middlewomen or middlemen involved. And I think that's part of the process. And that's something that's a long lead item. You can't just do it and say, my project's ready, I'm open for business, and nobody shows up. You need to do those long lead, marketing, business relationship building efforts on the front end, so that when your project is ready for this capital, you've already built that relationship.

Janine Cuneo: Danielle, you mentioned you guys did a six month, year long process throughout your community. Did some of what Calvin, Christopher, and Brett were saying ring true to you during that process?

Danielle Morrissey: 100 percent. And I actually wanted to come in with an example that kind of ties in what everybody was talking about, networking, having the data and the prospectuses there, along with community need. Kind of in one of our main gateways into Lafayette, Louisiana, it goes into our downtown, and our university. It's really blighted and underinvested in. And there's an abandoned Coca Cola bottling plant. And it's kind of been an eyesore for years and years and years.

And this was kind of the perfect storm with us getting into opportunity zones, hosting forums, meeting the person that's working with a fund in New Orleans who heard about this project with the community need behind it. And actually we're in the construction phases right now, which is very exciting, for 40 units of affordable housing, with preferences going to local artists. And so it's just a really good example and a place that really needs it. And as Christopher kind of talked about, now what's the next need. So this is kind of coming to fruition, but now the focus is the food desert that's there. So now we're working on getting that income up there so we can have a place for people to get fresh fruits and vegetables.

So it is that first piece that really needs to happen. And I think that really ties in what everyone was talking about, is having those long lasting networking relationships to get you in front of the people that are looking for those specific types of partnerships and deals. But then you've got the community buy in, and you've got the plans already done, so you've done your homework, and you're able to kind of sell that to them. And also another piece of it was our city council was on board as well. And you know, they did a non-interest loan of 1.5 million to get it over the finish line.

And so it took a long time to get everybody on board with that. But now we've broken ground on something that's been blighted for 20 plus years, that is really going to be kind of catalytic to that effort. So just wanted kind of to share that little example that I think kind of ties in what everybody was kind of talking about.

Janine Cuneo: What an engaging example. Can't wait to go visit one of these days. You really kind of pushed me to this next question. I'd love to squeeze in one last one because you guys all have just been so dynamic, is we were seeing quite a bit during early opportunity zone transactions, that they were centered on the development of housing. How does a locality encourage maybe a more diverse set of programs, some small business incubation, to infrastructure developments, etc.? Any thoughts on how to support communities or encourage communities to think about a more diverse set of programs? Calvin, you got your hand raised.

Calvin Gladney: Yeah. We actually spent a lot of time on this, just coincidentally released a report just a couple weeks ago called unrealized gains, which focused on how to incentivize equity investments in small businesses using opportunity zone capital, rather than what we're mostly seeing, although there are examples of almost every type of deal. But a vast majority is going to multifamily housing. And so how do we incentivize other types of investments. But particularly this report, I'll put it in the chat if I can find the link, focused on small business.

And we had a number of recommendations. And so I won't go into all of them. But one particular one is really important, which is right now everything is styled as equity. And if you think about the types of businesses we'd want them to focus on and invest in in Lafayette, in Monroe, in wherever you are, in many smaller places, particularly if you're talking about black and brown businesses. Most of those businesses either don't want to give up equity or are not in a place where they can give equity that will get the return that's needed. So can we change the regs and rules to allow this money to come in as debt. So that would be a game changer. And we spent some time talking to actual small business owners in five cities around the country. And

the question of can we get opportunity zone investment as debt rather than equity came up really, really often.

The second big thing I'll say, and then I'll sort of leave it to others, is you actually have to have businesses that are prepared for these type of investments. And so one of the things that's true is if you think about a simple question, how many black and brown businesses do you have in your state, in your community, in your neighborhood. There's no current answer. It's very hard in many places because of a number of reasons to actually start with an assessment of what is the market? How many small businesses are there that you would like to target that actually can receive opportunity zone capital? How many businesses are in these opportunity zones? How many of them are run or owned by black and brown owners?

We actually don't have that baseline information to actually have a city then have a strategic approach to how to drive investments to these businesses. So one starting point is also figuring out in your community who's actually there, who's available, and then what are the tools and what I would call the supportive infrastructure those small businesses need to be ready to support these types of discussions.

Danielle Morrissey: Janine, I just wanted to hop in real quick and kind of piggyback off of that. I think that's a big question is who is ready for that. And part of our year long of education at the end of it, we really wanted the next step be project cultivation. And so what we did to kind of shake the trees was kind of pitch a pitch competition. And so we did that. And we actually pivoted and had it virtually in October. But what we did is we did another round of that education and talking to people about whether their businesses were ready for that. And hosting bootcamps even if they weren't going to maybe participate in the official competition, but providing those resources.

And I think a lot of this all comes back to partnerships, and partnering with our local business incubator, and letting them understand the program, and they having access to legal, financial expertise. So I think, you know, it is a lot of -- it's a lot groundwork to figure out that piece of it. And I think that's kind of where we are now is in that project cultivation, going back to being able to package those into deals, and bigger high dollar deals for people with national funds and things like that.

Janine Cuneo: Oh, please.

Brett Theodos: Yeah. So I was just going to say, agree with what the others have said. I think there's several structural things that make OZs more challenging to use for non-real estate deals. And there are things that would require statutory changes or also there's plenty of things that a Biden administration could do to make those program target equity -- target the equity more for community impact. But I would encourage localities to think through real estate uses that aren't just housing. I think there are lots of models out there that can be done. And for operating businesses, there's also models where they need real estate. So those can be thought of as well.

But otherwise we're going to need to think about models where cities or localities are working to de-risk or otherwise bolster investments because the OZ incentive may not be attractive enough

to investors to do as much activity as they would want done. I mean, it certainly is doing something. And we'll hear about those examples I think later in the webinar. So not to discount those, but to say that for this program to live up to its real desired articulation of growing businesses and jobs and invested communities, it's going to need help to fit there.

Christopher Coes: Janine, I just want to apply something on this conversation. Because I think everything that's been said is definitely true and I think there are definitely changes. But there are some examples now where we're seeing this happen. I think to Brett's point, when you can align the business aspiration, if it's not a high-growth, high-value business, is really about the real estate itself and the spaces. And we're seeing a lot of public-private partnerships allowing incubator spaces.

But even in those innovations, what is very clear -- and since this panel is about aligning policy and incentives -- is that the city actually had to curate it. It had to bring the real estate; it had to bring the economic development infrastructure to support some of these transactions. So I think in many ways this conversation should energize a locality to roll up their sleeves.

And one of the things that we've learned through our market research is that there are businesses who want to be in certain locations. They want to be closer to talent. They want to be closer to the market. And one of the most fundamental elements based on our research that we've done about analyzing a lot of the opportunity zone, is that businesses want to be closer to where people are.

And so the first thing you think about is, okay, if you want to attract a business, are you in a place where businesses want to be? Are you in a place where people can have ice cream, and go to the park easily? And so you begin to realize that your economic development strategy is not just talking about the business, but that is this a space that someone can live and actually grow a business? Is this a space that their education system would support people to bring their kids to? Is this a place that will actually attract talent?

And you begin to realize that before you even talk about the business and the tax incentives, that business owner, that entrepreneur, has already made a decision if your place is worthy of investment of their time and effort. And increasingly, we did a survey a couple years ago of large and small businesses, where they were going and why, we found that a lot of businesses were leaving their old business parks and going to these rural downtowns, because that's where the young people and aging Baby Boomers wanted to be. They wanted to go closer to places that were just cool.

So again, if you want to have this conversation of attracting businesses, you have to ask yourself, are you a place where businesses want to locate, where talent wants to come, where you have support and infrastructure that you can actually say, I'll take a risk; especially now in COVID-19. Not only are we losing business, the question here is, are you a springboard. Yes, you may have lost business, but do you have an ecosystem where people can start new businesses and don't feel like they're going to fail.

And then from there, I'm seeing things like in Louisiana, where the state has aligned every state new market tax credit to opportunity zones. Again, align it. Align your policies. Again, are you cool, do you have a resource, and then from there you can start building that ecosystem. So hopefully one day we can make even more changes to accelerate it.

Calvin Gladney: Can I make a quick movie analogy on this point? It'll take 60 seconds.

Janine Cuneo: You get the last one.

Calvin Gladney: Remember that Tom Hanks movie where basically the boat gets hijacked. And the guy comes up to him and says, I am the captain now. And I would say policy makers in cities, and towns, and rural places, have to say to small businesses, we are bringing a set of incentives to the table that will help you. But they have to think about not just being able to bring the money to the business, but also put a thumb on the scale as to where the business will locate.

So a real example. We were working with a city on an opportunity zone investment, and we were working one their main street, and there was a coffee shop that was agnostic as to where they could locate on this particular corridor. And the city just let them pick one of the locations that was 15 storefronts away from where the city was investing literally millions of dollars, where they had another space that they could have steered that business to. And so they really have to say that these businesses are puzzle pieces in their built environment.

Going back to what Christopher was talking about, you are creating places where people want to live, work, and play. But you have to be pretty focused and say, no, not that storefront; can I put you in this storefront because we're about to invest another couple of million dollars. And that'll be a customer base. And so they just have to really say that they are the captain of their economic development [inaudible], and really to think very specifically about the built environment that they're building. And these small businesses are a very important part of that built environment.

Janine Cuneo: That's a great note to end on. And although I'm not the captain, I am the moderator. So I will have to wrap up if that's all right with folks. But I do want to say thank you to Calvin and Christopher with Smart Growth America, Brett with Urban Institute, and Danielle with One Acadiana. If nothing else, I hope we all know where that is now. So one other takeaway for today.

We have two more sessions. We have really vibrant and amazing speakers just like this last session. So thank you each. And I'm going to go ahead and pass it off to my colleague, Alex Stowe.

Danielle Morrissey: Thank you.

Calvin Gladney: Thank you.

Alex Stowe: Thanks so much, Janine. Very interesting conversation. So after establishing policy tools and incentives, the next step in the opportunity zone road to readiness is to partner with

aligned organizations. In the opportunity zone community toolkit we [inaudible] the importance of establishing partnerships in order to develop what we refer to as the community capital stack.

And when you say community capital stack, we don't just mean local sources of financing for potential opportunity zone transaction, but also other local non-financial capital such as knowledge, advice, and support, could be layered to facilitate positive, holistic, community development. Bridging the gap between residents, small business owners, investors, anchor institutions, and other local stakeholders, is critical to ensuring that opportunity zone investments are successful, and deliver mutually beneficial outcomes for all parties.

And so I'm excited to be joined today by five individuals whose organizations have successfully forged robust partnerships in opportunity zones, and speak with them about some of their best practices and lessons learned. So first is Jonathan Tower. He's the managing partner at Arctaris Impact Investors. Rachel Reilly is a consultant, formerly with the Economic Innovation Group. Julie Rigrish is regional director and engagement specialist at the Purdue Center for Regional Development and Purdue Engagement. Tamny Buckner is the program director at We Grow Kansas City Opportunity Zone Coalition. And lastly Evan Abscher, who's the senior program officer for entrepreneurship at the Kauffman Foundation.

So I want to thank you all for being here with us today and lending us some of your expertise. And with that being said, I will turn it over to Jonathan.

Jonathan Tower: Great. Well thanks so much, Alex. It's great to be here with you today. And what an incredible time to be having these kinds of conversations with all that our country and our communities have gone through in 2020. We have I think an important story to tell about our own experience with opportunity zones. But really I hope that these lessons and takeaways are things that are applicable to other funds and other groups, and particularly economic development professionals who are primed to answer the question, how can we attract the right kind of community development capital to the right kinds of projects in our communities.

I'll give you a quick background on Arcteris, but then I really want to get into the bulk of this conversation which is focused on you and your community. But just by way of background, Arcteris is a social impact investment firm. We're based here in Boston. We've been investing in low income census tracts for 11 years. So we actually came around ahead of the 2010 jobs act which created a whole set of economic development programs, ranging from small business lending fund, to state small business credit initiative. And we were able to work with those tools in partnership with federal, state, and local government, to create transactions for companies and for infrastructure projects that would not otherwise have been served in the prevailing markets.

So when opportunity zones came around, it was pretty clear that, oh wow, you know, this isn't just a shiny new apple here, this is better than all the tools we have in the shed combined. We're going to be able to do a lot with this. Because of our I think comfort in investing in low income communities, and experience with the various stakeholders, and our ability to work with the communities, to make sure that these aren't just positive investments, but they're also positive for the communities.

So our impact is really measured through job creation, and not just minimum wage job creation, but true living wage quality jobs. So a lot of our companies are investment -- a lot of our investments are in companies that can create living wage jobs, manufacturing businesses, large services businesses, large employers, that will follow a social impact guideline to improve the livelihoods of their employees and create new jobs.

We also invest in the infrastructure in communities that is necessary to create pathways to prosperity. So the perfect example these days is broadband fiber. If you don't have it, your community is going to stay in the low end of the income spectrum. But we also do that with municipal solar and municipal public works types of projects. And then the third category is investments in real estate, which really has emphasis on affordable housing and workforce housing. So those are the types of assets that we invest in.

Our OZ platform has just close to $200 million of capital at this point. And we just announced the launch of a new fund where we're targeting $250 million of capital, and have 60 committed to that so far. So we're growing and we're putting this capital to work in high impact, highly community positive projects in these areas.

In order to figure out how best to deploy this -- if you could actually rewind on the slide there -- in order to figure out how to deploy this capital best in the most impactful and most effective way, we went out to the cities and states that we currently have partnerships, but we wanted to access a bunch of other ones. So our basic model historically, and this goes back to our U.S. treasury and state of Michigan partnership in 2013, our model is usually to do an 80/20 match, where the local state government or the local city puts up 20 percent of the capital, and Arcteris puts up the 80 percent. And together that 100 percent of capital is invested into the types of projects that we together have decided are important for the community.

So in order to start this process and do it in the most efficient way possible, we meaning Arcteris, did an RFP launch. Rachel Reilly, my fellow panelist, was on the launch event for that, and did a wonderful job in explaining the community impact narrative. And then also Mayor Michael Nutter, former mayor of Philadelphia, and Steve Glickman who's a board member and was the co-author of the opportunity zone framework. So we announced the initiative. We put out a survey. We said, what are the most important things in your community that are not getting funded. And if they do get funded, who's going to be the beneficiary of those projects.

We did a pre-RFP webinar, which I just mentioned. And then we released the RFP. And over the several months after that release, we received over 40 proposals. And some of them were from big cities, some of them were from relatively small towns, some of them were from state governments. But in each case the best proposals came from the organizations, government and foundations, that articulated here are our most important community development needs, and here's where the 20 percent match is going to come from if you put in your 80 percent.

And we've shortlisted this down. I think it was announced over the summer, we made a $40 million commitment to Erie, Pennsylvania alone. And for those of you who follow the opportunity zone landscape, there are 8,700 census tracts that are designated as opportunity zones. They're all low income, or low to moderate income. Out of income levels, Erie,

Pennsylvania has the lowest one on the list out of all 8,700. And we committed $40 million from our fund to really revitalize the urban core of Erie in a way that is congruent with their community objectives.

I'm probably breaking news on this, but next week we'll be announcing a private partnership with the R.K. Mellon Foundation. We're launching a similar program for Pittsburgh, and also Allegheny and Westmorland Counties. So it's the greater Pittsburgh region. And again in that program there's a lot of customization and reflection from what the community actually wants. It's not this, it's not this, but it's this and this and this. We talk about what the community goals are and how we're going to track that performance over time.

So we're going to have rolling announcements from this RFP process. If you flip forward to the next slide here, you can see these are all the communities that applied. We've got great diversity from coast to coast. Big states, little states, big cities, little cities, counties, you name it. And yes, Hawaii is on there. So unfortunately I'm not going to be able to fly out to Hawaii this month to do due diligence. But we're excited about all of these really fabulous applications. So we'll be announcing these.

And whether you are interested in participating in a future RFP process that Arcteris does, or whether you are looking to make partnerships with other organizations, I can't say it enough, you have to know exactly what you want. Don't just say, hey, we want opportunity zone capital here and it's great if you put up another Sheraton. What we really want to see is affordable housing with a capital A, sub 80 percent AMI. What we really want is urban core revitalization. What we really want is broadband fiber so that our kids can keep going to school during this craziness that the world is going through. Articulate the community benefits, who it's going to benefit, and then we will help you identify where you can circle up that 20 percent. HUD Section 108, CDBGs, new market tax credits, foundations, community foundations, and of course city and state appropriations. So that's it for my presentation. And back to you, Alex. Thank you so much.

Alex Stowe: All right. Thank you so much, Jonathan. I'll turn it over to Rachel.

Rachel Reilly: Yeah. Thanks so much, Alex. And thanks for having me. I really have had the privilege to watch the opportunity zones marketplace stand itself up over the past couple years, both at the federal level as well as the state and local level. I've gotten to work with communities throughout that time as they worked together to figure out what their opportunities and strategy is, to articulate their competitive advantage, to try to attract private capital through opportunity zones. And I really have to say that partnership is the foundation for a successful opportunity zone strategy.

And one of the first things that I wanted to do here, and it speaks a lot to what Jonathan was just talking about, is to show two examples of capital stacks. One of these examples, so the first one is actually an affordable housing deal called Ox Fibre. And the second is for a small business called Proximity. And I think that these capital stacks are really illustrative of a broader theme. It's just that opportunity zone capital is rarely the only source of financing for any recipient of this financing.

So like Jonathan mentioned, they have an 80/20 strategy for their most recent RFP and the fund that he was just speaking about. This is whether it's real estate or it's businesses, OZ capital is not going to be your only source of financing. And I think that that underscores the importance of identifying different sources of capital independent of where you sit. I know a lot of opportunity funds that want to make OZ investments are actually also then tasked with finding other sources of financing to close out their capital stacks.

But if you are sitting at an economic development organization or trying to raise this capital for your community, being able to identify other sources of capital I think goes a long way in then attracting the private investment that you want to see from opportunity zone partners. And so fortifying those partnerships with allying stakeholders at the local level that have assets, but can also access additional sources of capital, is something that everyone should be thinking about if they aren't already doing that.

As I mentioned, some of the most dynamic OZ communities, you're going to see the same theme occurring, where there's a cross-section of public and private leaders that are actively aligned with local OZ strategies and are actually at the table in a number of ways. If I were to divide up the different types of stakeholders that I've seen be engaged at the local level with opportunity zone strategies, first and foremost you have your anchor institutions. So those are your universities, your faith based institutions, as well as community organizations and service providers. Then of course you have major employers. Jonathan mentioned Erie, Pennsylvania. Erie Insurance is a huge part of the OZ ecosystem there locally in Erie.

You also have community lenders. So think of your credit unions or your community development financial institutions, your CDFIs. And then of course funders. So willful philanthropy I think has really done a lot to help advance the field in a number of different ways and continues to come to the table for local place based investment strategies.

When I think of the different ways that these stakeholder groups have engaged, there are really sort of like three themes that stick out. The first is that these stakeholders, these partners, are providing OZ equity or other sources of financing that then helps close that capital stack. Going back to the example of Erie, you have Erie Insurance, which has committed tens of millions in OZ equity to that community. And then you have Erie Community Foundation, which is providing capital that's not OZ equity necessarily, but can help credit enhance other sources of capital or credit enhance the deal.

One of the strategies that I've been talking about recently is working with CDFIs that recently received grants from Treasury for the healthy [inaudible]. Again, they're community lenders that are going to need to deploy this source of capital on a time constrained basis. And working with those CDFIs as a way to secure additional source of debt for projects that are specifically in food deserts and include food oriented retail. I think if you can get those commitments from CDFIs, it's a lot easier than to attract private investment from opportunity zone investors in order to help close your capital stack. And typically that CDFI financing is going to be preferential financing. So it could either come in as risk capital or it could also help to lower the overall cost of capital for any given project or business.

I'm also seeing these partners or these organizations [inaudible] stakeholders come in as a joint partner on a deal or an asset provider. So as the previous panel mentioned, an organization that can leverage existing land or property that they own. To talk a little bit about the joint partner and how I've seen that work, there's a really great project called Cargominium in Columbus, Ohio, where it is a mixed use building that includes two main uses. One is it provides affordable housing for folks that were formerly incarcerated. And then the second use is it provides office space for a nonprofit that provides wraparound services for the formerly incarcerated. So you sort of have this play space ecosystem that is supportive to help ensure great outcomes for folks that are reentering society from prison.

What I really like about this deal is that the nonprofit, which is called NISRE, they have an equity stake in the project. Again, they're going to use the building so they're the main tenant for that first floor office space. But then they also have a first right of refusal to purchase the building after year 10, once the opportunity fund wants to exit. And we talk a lot about equitable exit strategies. And I think this is a really great model that can be followed in order to create those equitable outcomes and inclusive benefits for communities.

A way that folks have been leveraging land, I want to talk about another project, it's called Hampton Park in Prince George's County, Maryland. And the overall project is a 250 million mixed use project. The original landowner is a Baptist church that has 3,000 members. They purchased the property in 2004, hoping to redevelop their church and relocate it on this property. They were able to sell it to the current developer, but in doing so they leveraged the ownership of that property to then negotiate the development of a new church on an adjacent site.

And so I thought that that's a really smart strategic move by the church and it's a way that faith based institutions can leverage the land that they own in opportunity zones in order to create a benefit for themselves and their parishioners as well. Just a side note, the project is going to bring a new grocer to a food desert. It's going to provide childcare space and also retail space for local businesses that are expanding, amongst a number of other uses.

And then the third way that I've seen local stakeholders and partners come to the table to create inclusive and equitable outcomes in opportunity zones is around the provision of technical assistance and capacity building efforts. One group that I want to highlight right now is Purdue. They have a rural opportunity zones initiative which was funded in part by U.S.DA. And the work that they've been doing over the course of a couple past months or a year, the next speaker, Julie, will share more information about this. But they're working with rural communities in Indiana as those local leaders are developing their OZ strategies.

And I think we can all agree, if we've been on the front lines of this, rural communities, there's been sort of a patchwork effect with opportunity zone investments. And we still haven't cracked the code for getting capital at scale into rural communities. So it's really important capacity building work that Purdue is doing.

If folks want just some additional resources or more information about how partnerships can be formalized or what sort of strategies can be used, I do want to know that my former company,

Economic Innovation Group, just delivered two OZ related reports this fall. So one is very much focused on leverage OZs to create better outcomes for the 7.5 million children that are living in those communities. And the other is a diagnostic playbook that looks specifically at Indiana, and provides recommendations on what local stakeholders can do to drive capital where it's needed most.

As I just take a step back and look across the ecosystem, what's really clear to me is that more funding and potentially federal funding is needed for predevelopment activities. Again, this is not OZ specific. I think this is a problem writ large across the nation in communities of every size. But really I think there's more money that's needed specifically for grants that can be used as first in capital, so risk capital, or to help close the capital stack, in order to then attract additional investment to come in, as well as grants that can be used to fund capacity building and technical assistance efforts. Those I think -- I think if we can get additional predevelopment funding into distressed communities, or for the activities around community and economic development in distressed communities, it could go a long way.

Milken Institute recently organized a letter with multiple signatories this fall that basically calls on Congress to pluck up or increase the amount of appropriations across a number of agencies dedicated to predevelopment funding, which is going to be critical in the wake of the pandemic as well. So encourage folks to reach out to Milken if you're interested in those activities or their work to advocate for more predevelopment financing.

And the one thing that I do want to underscore is -- and I think it's something that's been elevated throughout the life of the OZ policy, is that in addition to predevelopment financing, a number of the really dynamic and seemingly intractable issues that we're finding in distressed communities around the delivery of capital en masse to distressed communities. They're not OZ specific problems, but something that I think can be addressed using the OZ framework or under the context of opportunity zones.

And so with that, I will turn it over to Julie to talk more about the great work she's doing in Indiana.

Julie Rigrish: Thank you, Rachel. So as Rachel mentioned, we have an initiative called the Rural Opportunity Zones Initiative. We refer to it as ROZI. And we started this because often cities and towns [inaudible] especially in rural communities really don't have the bandwidth to be able to establish a new program or manage through a new program.

So we developed this program to provide the technical assistance to the rural communities with designated opportunity zones, to guide them through developing a leadership team that's going to be kind of their acting taskforce team, that's going to take ownership of the program and the process. And then we collaboratively support the community and participation to get community buy in. And then facilitate discovery or recognition of assets, as well as opportunities for investment within their community. And then ultimately we are developing a marketable opportunity zone investment prospectus that may position these rural opportunity zones with an advantage in attracting investment.

As Rachel mentioned, it is partially funded by the U.S.DA rural development and also by the Office of Community and Rural Affairs for Indiana. And this is actually a partnership with higher education and state agency, which we feel like provides further support of the opportunity zones through additional resources, larger network, or larger audience. And so the Office of Community and Rural Affairs is our partner in the program with Purdue Center for Regional Development.

And we do a lot of work in rural communities. So we were really focused early on, hearing about the opportunity zones, with trying to take this and make this a unique opportunity for them, and kind of coach them through this process, connect them to resources that they might need. And ultimately at the end they can use their prospectus to put that out so that whether they're connecting with investors through an investment center, or sharing with their community, trying to reach out to local philanthropists. So that's really kind of a 10,000 foot overview of our program and our thoughts in establishing this program.

Alex Stowe: All right. Thank you so much, Julie. Moving on to Tammy from Opportunity OKC.

Tammy Buckner: Hi. Good afternoon. Thank you so much for having me. I really appreciate the opportunity to talk about what we're doing in Kansas City and the We Grow KC opportunity zone coalition. And glad to have my colleagues on the line as well [inaudible] kind of talk a little bit things what we're doing in partnership, how important it is to build those partnerships, not only with community leaders, but also businesses and nonprofit organizations.

So we initially started off with opportunity zone in the coalition very early on to build out a vision and a mission on what we wanted to accomplish in the Kansas City area, to most importantly create an economic activity that will provide jobs, build wealth, create an economic mobility for the residents that's currently living in the opportunity zone in distressed areas, not more so to bring others into that area, although we were looking at that as well, but most importantly for the residents that are currently in those areas.

What we initially had to do was to build the trust so that we can go into the areas, making sure that they understood what opportunity zones are. So we created the mission with our coalition to find out what [inaudible] and how we can enable the Kansas City, especially the east side neighborhoods, involving them in the entire process. The next slide shares all of the organizations that we also wanted to look at and what our goals were. Our goals were mainly to build out a workforce development program so that the residents in the areas did not only have quality jobs, but equity ownership in specific areas.

And when we say quality jobs, we mean jobs that are truly able to allow them to have affordable housing and pay for everything from schools and other situations there. So not just a minimum wage position. Our system definitely looked at community driven, making sure that we put together a full capital stack so that we can understand what's going on not only with the public and private sectors, but also civic sectors as well. Next slide.

So our process started with creating a community. And that was with community leaders, with opportunity zones, organizations that were in those areas, with the residents, with also our cities,

as well as our foundations that we have that we speak so very highly of, as well as a wealth of nonprofit organizations. Next slide.

Okay. So and this is -- again this actually shows how many partnerships we truly built. This is a -- we were able to bring a full economic ecosystem of stakeholders in one area. And how often do you get a chance to have nonprofit organization, entrepreneurs, business owners, your chamber of commerce, foundations such as the Kauffman Foundation, and the city, and other areas, and even especially our economic development corporation. How often do you get a chance to bring all of these organizations in one room to talk about one specific issue, is building an area that has been distressed for many, many years. This was our goal. And we were able to bridge that gap and to bring those goals, bring all of these entities together, for one sole purpose of increasing the livelihood and the wealth in Kansas City. Next slide.

So our process started with what our zones were. And we have five different zones in the area that we were specifically looking at, to make sure we find out the synergy and the effects of what's going on in these areas. We focused on more so of a street corner, and building investments that are high growth, and building investments that were not just one off deals, but making sure that we talk to the residents and build out specific highly effective area that showed what it truly looked like and what those residents wanted.

So we created and came up with a system change. And what that really means is bringing out a one stop shop that allowed us to look at social impact in investors so that they can see what our projects are. We specifically looked for projects that not only are in the community [inaudible] and ownership, but also that was [inaudible] and community enhancing. Next slide.

And that's where our organization came in at We Grow KC. And I know we have a little bit of time, but I really want to get to a specific project that is also creating not only affordable housing, but it's also creating wealth. I'm going to turn it over to Evan really quick so that we can quickly get through that information, so that you can see how we actually created this one stop shop and this project that will bring not only wealth, but also affordable housing to the residents in those areas. Next slide.

Evan Abscher: Thank you, Tammy. Thank you, everyone. Yeah, I mean, I agree with what everybody is saying so far. And I would say that we recognized a lot of those dynamics. And I think all of us have. We know about a lot of the things going into this that were going to be problematic and that we needed to do to get up to snuff. I think Erie is a great example of a community that did all of those things, and was doing those things before opportunity zones came down, and then were perfectly positioned to take advantage of those. And so I'm glad this discussion has hit on the strategic area.

But what this project we're working on that is part of this We Grow coalition, We Grow KC coalition, is really working on the other direction, is the granular terms of the deals themselves. So I am an attorney by training. For that I apologize. But I also before that had a theater in Chicago and was an artist. And I'm also an artist by training. So I understand that the devil's in the details from two different directions. And the reason why the terms of the deal and the

structure we're working on is easier to achieve those larger strategic ends, if the deals themselves align with that.

And the problem is [inaudible] I work for Sly James and then I've worked with mayors across the country, is we have strategic outcomes, but the deals themselves don't align, the terms, the structures, the very granular details of those transactions don't align with the strategic outcomes. And so what happens is you use proxies or you get close, but you don't have an actual term sheet or contract that actually will result in those strategic outcomes specifically. And so what we're working on is a financial structure that aligns all the different stakeholders in a very different way, leveraging some of the advantages of opportunity zones, although again it's not dependent on opportunity zones., to restructure the investment thesis in communities.

And basically what we're doing is we're figuring out a way by which people who are contributing rent of any kind or repeating contributions, let's say it's a fee or a service fee, would be able to earn some sort of interest, pro rata interest, in the investment. So that over a period of time they would build up a significant enough interest that they could either, A, have enough to refinance and buy the investment out from the original investor, or at the very least in the case of gentrification and displacement, they would in the worst case scenario they might be displaced, but they would receive a large or substantial financial windfall and have cash to then go and use to make a down payment on a home or use however they see fit.

Further, this capital -- yes, thank you. Sorry for that. Further, this idea would also realign what we think are arbitrarily adversarial positions between community members and investors. Having been on the city side, having been on philanthropy, and having done some work on the investor side, I know that the actual outcomes are all aligned. And the opportunity zone structure helps align those a little more. But it is our transactions and the underlying pieces of how people make money off of these -- or the value [inaudible] to the different stakeholders, I should say, that puts them at odds. When in reality everybody wants an appreciating property, everybody wants stable tenants or stable place to live. And everybody can contribute something. And too often we've gotten myopic and arbitrary in some distinctions in our transactions.

Again, I think the idea that opportunity zone's most powerful contribution to the economic development and economic enfranchisement will be catalyzing, like everyone else said, different thoughts. And so what we do is with our deal is we also provide an equity interest to the what we are calling civic capital or [inaudible] --

[inaudible] to contribute a one shot incentive to either building homes, or let's say broadband, or potentially small businesses. We create a position for them that is right now equity, but it could easily be debt, where that will get paid back and throw off a small return. But it will be evergreen. And so the idea is we won't have to go back for another ask, that the city, or the government, or the philanthropy can pony up once, and that will continue to produce impact.

And then finally we understand that investors have to have a return. And in fact if we are successful in creating a shared alignment at the end of the holding period, in OZs it's 10 years, where the community has a stake and interest in the investment itself. And in fact it would not be in the worst interest of anybody involved to try to generate as much return as possible. And so

we are working -- our current pilot project has an internal rate of return of 5 percent, which we know is not super competitive. But it does given all the sort of constraints on it generate a return. And that's pre-tax. So post-tax after opportunity zones and depreciation it's 8.99 percent rate of return for our very small pilot project, which by the way has no mixed income or any other incentives in it.

And we have modeled out anywhere from 10 to 12 percent internal rate of return, depending on what the rent matrix is for a larger scale project. And that's again pre-tax. And we're okay with generating returns for investors because we democratize and open up who becomes investors. And the more valuable the overall investment is, the more valuable the interest is for the community.

And there's a lot to figure out. And we are figuring out a ton. It is where we want to be. It's not where we're at with this pilot project, which is part of this coalition right now. But we have done more than we thought we could. And we're really looking forward to the [inaudible] of this pilot project and then further iterating it. And we could provide more details and I can answer questions too if you all want to reach out, either Tammy or myself. Thank you.

Alex Stowe: All right. Thank you so much, Evan. I was hoping that we would have a few minutes now to ask and answer a couple of questions. But unfortunately we're very tight on time. So I want to be respectful of the speakers in the next panel. So I'm going to go ahead and turn it over to Erich, who's going to discuss measure. But before I do, I just want to say thanks again to all of you for joining our panel today. I really appreciate your time. It was a very interesting conversation. So thanks again.

Erich Yost: Thank you so much, Alex. And it was so great to hear about partnerships and the importance of partnerships. Depending on the nature of those partnerships between the players and actors in the opportunity zone ecosystem, access to data to measure the impact or report on the impact of investment is so critical for communities, the investors, and public officials. And while legislation is pending to reinstate reporting requirements that were originally in the investing and opportunity act, the federal government, regional, and local governments, and the qualified opportunity fund community, have created measurements and systems that are uniquely aligned to their stakeholders.

Measuring the potential and actual impact of investments in communities can be challenging. Collaborations, partnerships, elective impact models, and community based organizations, along with local and regional governments, are creating unique models to measure impact. The government accountability office report recently released shared the lack of clear guidance and authority to collect opportunities on data at the federal level beyond our opportunity zone's related IRS tax forms.

But federal agencies have released websites to track and report on a variety of data within opportunity zones by creating map layers. The Beeck Center for Social Impact and Innovation released a framework for prioritizing and achieving impact in opportunity zones. Philanthropy and private sector research partners and policy advisors have made recommendations for the tracking and reporting on key indicators to measure the impact of qualified opportunity funds in

the market, some of which are self-regulated by the funds, and others that are there for -- that could be used by the federal, state, regional, and local governments. We'll all need to work together to establish measurements to track the direct and indirect benefits of opportunity zone investments, and ensure community priorities are aligned. Evaluating success is important to ensure that our opportunity zone investments fulfill their mission.

Today we will be hearing from three individuals that are leading efforts to track and measure the impact of qualified opportunity fund investments. We will first begin with Kevin Corinth, a chief economist with the White House Council of Economic Advisors. In 2020, the Council of Economic Advisors released the impact of opportunity zones, an initial assessment. And then will be followed by Stephanie Copeland, who's a partner with Four Points Funding. Followed by that we will hear from Ben Seigel, who is a Baltimore opportunity zones coordinator, with the Baltimore Development Corporation. So first I'll turn it over to Kevin.

Kevin Corinth: All right. Well thank you very much for inviting me to participate in this panel. I just want to start by underscoring how important this part of the area is in terms of measuring impacts. Without knowing what outcomes we're seeing as a result of opportunity zones, we won't be able to make sure that it's working or improve it for the people who need it most.

So the Trump Administration has focused a lot of resources and attention on measuring the impact of opportunity zones. One aspect of that is where I work, the Council of Economic Advisors, has been charged with supporting the role of the Council on White House Opportunity and Revitalization council to measure impact.

So as Erich noted, we have a recent report released in August on the preliminary assessment of the evidence on the impact of opportunity zones. I just want to emphasize that these results are preliminary because we have not yet received all the data that we'll need to collect. And outcomes take time to generate. You can't expect an investment will lead to reductions in poverty right away. But these are the types of things that we're looking at down the road. And we're absolutely committed to looking at those things in the years to come.

So I want to just spend a few minutes just outlining the main findings from our report to sort of set the stage for the next speakers. But basically our report focuses on three questions. Question one, which tracts, which areas were selected as opportunity zones? Was it lower income places as we hoped? The question two is, have we seen investment actually flow to these areas? Without investment, without funds coming in, you can't expect to see the outcomes that you care about. And then question three, what outcomes can we see so far? Are these new investments having impacts on things that we care about? And what outcomes can we expect in the future?

So just to get into each of those, the high level findings, in terms of selection, while there are some outliers, and of course nothing's perfect, we do find that governors tended to select the census tracts that were much lower income, higher poverty, higher shares of disadvantaged groups, even among those eligible tracts that already were lower income and higher poverty places. So it looks like governors did overall a good job of selecting places that most need investment to improve resident outcomes.

On the second question in terms of investment, have we actually seen funds flow into these areas? We used two different approaches to look at that question. We used data from a private firm, Novogradac. We also used data from SEC filings of qualified opportunity funds. And we find a large sum of investment so far.

So through the end of 2019, we find there's been $75 billion of investment. Of course some of that investment may have occurred even without opportunity zones initiative. So we estimate that about $52 billion. So a majority of those funds were a direct result or caused by opportunity funds. So a large amount of money through the end of 2019 actually is flowing into these areas, which is promising that something's happening.

And of course that brings us to our third question, what outcomes are we seeing? If investment comes into these areas, but we don't see improvement for the residents of opportunity zones, we would not measure this initiative a success. So of course a lot of outcomes we can't see yet, either because of data issues, lagging data, or because outcomes take time to happen. But there is one important measure we can look at right away which is the effect on home prices. So when you purchase a home, a lot of that value depends on forward looking expectations about economic circumstances in the area.

So if people think that economic conditions will be improving in the future, we would expect home prices to go up right away. And so we tested this using data on home prices throughout the country. And we find that by the end of 2019 home prices were 1.1 percent higher in opportunity zones as a result of opportunity zone designation. That may sound somewhat modest, but that turns out to be $11 billion of new wealth for opportunity zone residents. So that is an important increase in wealth. You may worry about gentrification, which I think we all are. But there is research suggesting that when we do see increased capital and even increased home prices, that does have beneficial effects both for homeowners who own their homes and for renters who may see more investment in their communities. So very promising on that front.

Another thing we do, the final outcome I'll mention, is the impact on poverty. Now we can't measure impacts on poverty yet. The surveys that we used to measure poverty are lagged and we won't see those outcomes yet in the data that we have. But we do project based on the amount of investment that we've seen resulting from opportunity zones what effect on poverty we're likely to see.

So as I said, opportunity zones caused a $52 billion increase in investment. If we apply estimates from prior literature, academic literature, on the impact that these types of investment incentives have on poverty, we find that -- project that about a million people could be lifted out of poverty based on that $52 billion investment. And remember that these are only about 9,000 census tracts out of 75,000 in the U.S. So that is a serious dent in poverty that could happen given the amount of investment we've had so far. And so it's going to be important to track whether that actually occurs, again as we get the data.

So that's the report. Just to conclude, this is not the last word. This is really among the first words on the impact of opportunity zones so far. Of course a lot of this work will come from

academics, and think tanks, and hopefully localities who understand the nuances of their communities, and can really assess localized impacts.

And of course there will be further work at the federal level as well. And so we hope that as this work goes on, as the opportunity zone initiative continues, that this same commitment to evidence and evaluating their impact, so that we know who zones are working for, who it's not working for, so we can improve our efforts to lift up the residents who we most care about the most. Thank you.

Erich Yost: Thank you, Kevin, so much. And just a shout out to the work of CEA for giving us that initial assessment of opportunity zones. HUD and our policy development research team, and next year and [inaudible] producing a symposium of academic literature around the effects of opportunity zones. We look forwards to hearing additional data as it comes in.

One of the importance of this effort is hearing from a fund itself, so hearing from one of those investors that have invested in community and importance of what they're doing to measure. So I'd like to now turn it over to Stephanie Copeland with Four Points Funding.

Stephanie Copeland: Thanks, Erich. And thanks everyone for being here today. Janine, if you don't mind going to the next slide. So a couple of things that we think about, initially when the opportunity zone legislation was enacted, I worked for Governor Hickenlooper here in Colorado and designated the zones in Colorado. We picked 126 out of 500 eligible tracts. And I think most of the governors that we saw did a really good job of trying to in a 90 day period bring focus onto markets that could be most benefitted from this catalyst.

But what we found is that the designation of the tracts and making the problem -- illuminating the problem was one part of the issue. The other issue was that we were intersecting with a lot of very, very entrenched habits around capital flows that provided for efficiency and return expectations to come to light. And reporting these habits are not only entrenched, but they are deep and long, and also come with risk of moving around them. And therefore the only way we're going to get new norms scaled into these areas, of really looking at place based investing versus system point investing, is if we can create data that facilitates and supports the benefits of doing this.

So we've got these habits. We need to produce new norms. Data can provide meaningful examples of how impact and profit can coexist. And that's something that I think is really one of the most powerful outcomes of this legislation could be if we're able to see where those two things come together more, and create brand new habits that not only seek impact because people are well-intended, but seek impact because that's where profit can be found. And that may seem somewhat villainous, but the fact is if we can leverage profit for the benefit of community, I think that's a great outcome for both parties.

Data can also help with the iteration of policy. And no policy, as many have said, are perfect. But the iteration of policy is key in perfecting it over time. And so understanding where things are happening, where impacts -- where a systems approach maybe in Erie is working differently than a point approach in Brooklyn. Again, I don't mean to use those two -- that's not -- those are just

theoretic. Understanding that so that the policy can continue to iterate around the practical implications of policy and as practitioners around the practical hurdles that exist in implementing policy.

And then finally collaboration between private and public stakeholders is clear as everyone on previous panels have said, is so important. And reporting can help public officials defend their -- some of their support of different investments, which will say kind of taking from a private equity book, if you do this, this is what will be predicted to occur, especially when you're investing in nascent areas that need more at risk or high risk capital to come alongside investor capital. And making sure that those public stakeholders and public officials have the data to support why they're putting capital at risk, not just because they are trying to play favorites or bow to large investors or large corporates. It really can show that type.

Can you go back, Janine, to the -- thank you. Four Points, we are really excited to hear what the group in Indiana is doing. We are a rural opportunity zone fund, and have really oriented our issue around the habit, the capital is so -- institutional capital is so large now that attracting institutional capital into small communities is often difficult because it's inefficient.

Placing a small bet takes as much work almost as placing a large bet, which goes back to some of the predevelopment work we're talking about. So what we've done with our partnerships is created some scale by looking at the region and the whole state as an investment ecosystem, and syndicating those such that institutional can come in an buy a piece of rural Colorado. Versus just going in one housing project at a time, one business at a time, etc.

And we focus thematically on outdoor hospitality, it's the backdrop where we exist, as well as workforce and affordable housing. But thematically we plan to do much follow on investments around these communities because investing in place and system de-risks every one of the individual investments that we make. And we do this through very deep and wide partnerships across the community stakeholders in the small towns in Colorado.

We know every single town manager, all of the economic developers. We know all the city planners, the county commissioners, etc. So that when we come and sit down with them at the table, we know the markets well, we can [inaudible] quickly. But they can also trust that what we are trying to do has to come with a community benefit. And therefore their decisions are supported by the community given the mutual benefit.

And then finally, we take a very, like I said, systems approach. We also make sure that where the community is investing, for example in a redevelopment plan, or a new water plan, or a new main street, we tend to try to want to come in right alongside them and follow their investment so that we substantiate what they're doing, and also again show people that one plus one can equal three, especially in small communities where the value is typically nascent, and you have to kind of lead people to what the outcome could be. Versus just an urban investment where the path of progress is pretty clear.

So we do that again by kind of defragmenting and regionalizing our investment through really close partnerships across the region. And we think that this is a playbook that can be used across

a large urban area, across neighborhoods, and other rural areas across the state, across the country, as well as collecting that data so that we can measure what's working and what isn't, and other people can use those predictors to underwrite their investments. Thanks for having me here. And I will turn it over now to the famous Ben Seigel.

Ben Seigel: I don't know about that. Good afternoon, everyone. Thanks, Stephanie. I'm Ben Seigel with the Baltimore Development Corporation. And I serve as the opportunity zones coordinator for the city of Baltimore. I have been in this role for just over two years, and have really been able to have a birds eye view from a city level on how the opportunity zones marketplace has evolved, and how from a local jurisdiction we've been able to learn over time, and to position our city, our local resources, our agencies, and our partners, to best position ourselves and take advantage of opportunity zones, and ultimately achieve and measure impact related to investments in our opportunity zones.

So I want to walk through a couple slides here to discuss kind of how we've approached setting up our kind of impact measurement framework for opportunity zones. And I think Kevin, it was really good to hear kind of how you outlined the three kind of areas, if you will. Because we've kind of been approaching things that way as well. So kind of those three areas being how and what are the zones themselves, how are they selected, what's going on in those zones. Secondly actually measuring and tracking investments and activity. And then finally trying to develop a framework for measuring impact and outcomes as it relates to those investments. So let me kind of quickly walk through this.

This slide just gives you a sense of our opportunity zones in Baltimore city. We have 42 zones. And for us the selection of those zones and what those zones are is important. One of the things that we've really tried to emphasize with our opportunity zones is kind of the role of our anchor institutions, our universities, and our hospitals, kind of represented as some of the pins on the map here, as kind of centerpieces within some of our zones, within communities that maybe have kind of foundation for economic activity, but have a lot of potential to grow and to see more investment coming in.

You know, we've also, you know, identified, you know, and selected zones that, you know, are key, you know, business corridors and business centers within Baltimore. You know, not just the downtown area, but kind of neighborhood business corridors. And areas where we have our business accelerators and, you know, kind of emerging activity. And then kind of the final point as we move into the idea of impact, is that within our 42 opportunity zones, we have identified in kind of partnership with the broader city strategy, some of our key impact areas.

And on the map here, these are kind of these four areas that have the diagonal lines on them in the map, these are areas that have been identified by the city of Baltimore for, you know, being a focus of seeing, you know, kind of city and state level investment over the next decade or so. And for us, these are kind of key priority areas as we look to attract opportunity zone investment into Baltimore. So kind of that idea of selecting really is the first step of developing our impact measurement framework.

So if we jump to the next slide, I'll just kind of walk through how we've tried to -- you know, if you [inaudible] the impact measurement framework, you know, obviously, you know, the first thing we want to talk about when we, you know, talked about an impact framework, are you know, the key indicators, the key metrics, job creation, affordable housing development, development of community services like grocery stores and the like.

And certainly, you know, those are, you know, some of the ultimate impacts that we're aiming for. But the way that we tried to, you know, approach this in this kind of tiered framework, is to say in order to get to those places, kind of those ultimate outcomes, you know, we've got to, you know, develop a set of, you know, process indicators, and, you know, a set of, you know, interim outcomes, if you will, to get to that stage. And that's really been a focus of ours over the past couple of years is to kind of walk through the levels.

Level one really gets to I think what Kevin was talking about around just tracking the investments themselves. I mean it's very important for us to be able to know where are the investments going, where's the interest even, and recognizing that opportunity zones is not necessarily a government program. And this is very much one about the private market, in many cases outside investors.

So we want to be proactive on our end within the city government of understanding what is the pipeline of projects that are out there in general within our opportunity zones, and then specially what are those projects that from a city standpoint we're really trying to push and promote. And it goes back to that prior slide on projects in our impact areas, as well as projects that the city is itself putting investment into as well.

And so we've spent a lot of time building out our pipeline of projects. We've got about 80 projects in our pipeline right now. And we kind of tier those projects based on prioritization. And then we also are very focused on tracking and building out a pipeline of our investors. Well who are the investors that are looking at projects in Baltimore, and what types of investors do we want to invite into the city.

We are very interested in working obviously with impact investors, those who care about a double or a triple bottom line, investing in our communities that's going to achieve benefits for our residents and local businesses. And in order to track all this, it's important for us so that when we do start to see investments coming through, we get a sense of what the comparison between what we're promoting, and what we're really trying to push, and who we've been in touch with, and where the actual action is.

Level two around kind of prioritization is when we start to get into how are we kind of measuring and determining impact. So for us, we have several ways that we want to try to prioritize projects. Location is certainly one of them. I already talked about those four impact investment areas. Those are key areas for us. Other zones within the city are also high priority. And we've got some zones in the city where maybe there's more economic activity and we have more sophisticated project sponsors who may not necessarily need as much support from the city in moving their projects forward.

And then to that end, kind of a second point is prioritization based on those project sponsors, who are we going to partner with and kind of work with to attract investment. And especially we want to make sure we're putting our limited resources into working with local project sponsors, project sponsors who need the assistance and need the support of the city, and those who have a track record of getting projects done.

Community and city support are also kind of key in helping us prioritize. Is there community buy in for the project, have they been involved, is the city invested in some way or another. And then investment readiness is also key for us in terms of being able to prioritize and kind of push the projects that we're looking to push forward.

And then just level three, in terms of impact, these are kind of before we even get to how many jobs are created, how many units of affordable housing are developed. We want to really measure impact around community involvement. So at the very least, did the community, quote unquote, sign off on the project. Did the community's voice help to inform the project, and ultimate is the community directly involved in the project, is it a developer from the local community who's working on the project, is it a local small business, what is the role of residents in benefitting from those projects.

Secondly, and I do want to emphasize this one, because there's been a lot of kind of controversy and discussion around opportunity zones in terms of, well, would these projects happen anyway if not for the opportunity zone investment. And then at least in a place like Baltimore city, we've seen investment in projects that have been in the works for some time, projects that have been in the works prior to opportunity zones coming online. But for us, we have so many [inaudible] we discussed on this webinar, how complicated capital stacks are to put together. We've had projects that have just been sitting there for sometimes a decade, if not more.

And one of the key metrics for us in measuring the impact of opportunity zones is that are the investments, is opportunity zone investment helping a project get to completion. And kind of some of the early examples we're seeing, the answer is yet. It's moving projects that have been sitting for some time, and it's helping to complete that capital stack.

And then finally, for us in Baltimore and many cities are very intent and focused on how are we contributing and supporting an inclusive economy. So are we seeing investments in, for example, in a city like Baltimore, black and brown developers, investments that are going to benefit black and brown businesses, and those neighborhoods that have been historically under invested in. so that's where we also begin to build out a framework and metrics around the jobs being created, workforce or affordable housing, and community services.

And I'll just make a final point, I know our time is short here, and that is that, you know, for us it's not necessarily the size of a project that matters, although that's important and certainly we've seen some projects in Baltimore that are above 75, 100, $150 million. But you know, we're also especially interested in those projects that are going to have deep impact in a community and are going to directly benefit members of a community, even if it's a smaller scale project. And one example of a project that we've been really excited about is a project in West Baltimore where a row of eight abandoned row homes is being redeveloped into 16 workforce housing rental

apartments, with five ground floor storefront and office spaces that are going to bring in black owned businesses.

And in total it's only about a $5 million project, so it's not huge scale. But it's got about $1 million in opportunity zone equity coming in, it has some city and state funding coming in, and some debt capital. And for us, that's the exact type of kind of neighborhood scale level project that's going to really make a difference in the community, in the intersection where that project is, and in the kind of acceptance and the interest of opportunity zones and equity investment by local community.

So I had one more slide, but I'm just going to stop there because I know we're at 3:00. And you know, happy to take it from here. So Erich, back to you. Thank you.

Erich Yost: Thank you so much. And I really appreciate the thoughts from our federal partners from a qualified opportunity fund that's self-reporting and making the importance of that, and then also the work that you do, Ben. We don't have time for questions, but I look forward to additional conversations around the topic of measurement moving forward. And I'd like to now turn it back to Janine.

Janine Cuneo: Thanks so much. And again, thank you to all the speakers who joined us today. Hope this has sparked some ideas, connected you to new organizations working in the OZ space, and hopefully spurred you to join our next session which is next Tuesday, December 15th. You need to go to hudexchange.info/oz in order to register. We'll be hearing from local players in St. Louis. Atlanta, and Southern California, as well a dynamic organizations and funds such as Economic Innovation Group, Verte Opportunity Fund, and Second Chance Farms.

Lastly, the materials that you're seeing today including audio of this session, as well as a list of resources, we'll be posting all that at a later date. We'll ensure that you'll be receiving an email when that posting goes live. For those questions we weren't able to get to today, we'll do our best to incorporate those in future webinars, as well as review those [inaudible] with questions as we can one on one.

Thanks for joining, again. Thank you to all the speakers today. Hope this spurred all of you in the opportunity zone industry to continue on. You guys are going great work. And we'll sign off until next Tuesday. Have a good afternoon.

(END)