

Committee on Appropriations
January 23, 2019

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COUNCIL OF THE CITY OF PHILADELPHIA
COMMITTEE ON APPROPRIATIONS

Room 400, City Hall
Philadelphia, Pennsylvania
Wednesday, January 23, 2019
10:20 a.m.

PRESENT:

COUNCILWOMAN MARIA D. QUINONES-SANCHEZ, CHAIR
COUNCILWOMAN JANNIE L. BLACKWELL
COUNCILMAN ALLAN DOMB
COUNCILMAN KENYATTA JOHNSON
COUNCILMAN BRIAN J. O'NEILL
COUNCILWOMAN CHERELLE L. PARKER
COUNCILMAN AL TAUBENBERGER

RESOLUTION 180960 - Resolution authorizing the
Committee on Appropriations to conduct
hearings to consider the impact of federal
Qualified Opportunity Zones on the fair and
equitable development of Philadelphia...

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2 COUNCILWOMAN SANCHEZ: Good
3 morning. Good morning. The Committee on
4 Appropriations will be in order in about
5 a minute. We're waiting for Councilman
6 O'Neill to establish quorum.

7 I want to thank my Council
8 colleagues Councilwoman Parker,
9 Councilman Kenyatta Johnson, and
10 Councilman Domb. So in about one minute,
11 we will get started. Thank you.

12 (Pause.)

13 COUNCILWOMAN SANCHEZ: So the
14 Committee on Appropriations will now be
15 called to order, having an established
16 quorum - Councilman Allan Domb to my far
17 right, Councilman Kenyatta Johnson, and
18 Councilwoman Cherelle Parker to my left.

19 Before we get started and as
20 our first panel, Anne Fadullon, our
21 Director of Planning and Community
22 Development, as she comes forward, let me
23 just start by saying that I wanted to
24 thank the Administration for the
25 conversations we've been having as this

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2 Opportunity Zone regulations and program
3 gets in order. I particularly want to
4 thank Council President Clarke and our
5 tech staff, who have worked from the very
6 beginning in putting together the
7 information, the briefing that was held
8 yesterday by Ballad Spahr. I happen to
9 sit through the three-hour CLE session
10 they had a couple of months ago, and
11 there are probably more questions than
12 there are answers, and that's why these
13 public discussions become hugely
14 important.

15 As all of you know, our goal
16 here in Council and Council has been very
17 focused on equitable development,
18 mixed-income housing, and really bridging
19 the gap between the tale of two cities
20 that plagues the City of Philadelphia.

21 As someone who lives on the
22 American Street Empowerment Zone, the
23 last major federal designation issued by
24 the Clinton administration, I can attest
25 to the unrealized goals and objectives

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2 that that program promised and
3 under-delivered in the City of
4 Philadelphia. And so on this one, I look
5 at the Opportunity Zone as the
6 Empowerment Zone on steroids and,
7 therefore, I think it's hugely important
8 that the City facilitate, incentivize,
9 and promote equitable development, and
10 that doesn't happen unless we are
11 intentional in our goals and our intent.

12 So this is the beginning of a
13 conversation. Unfortunately, the federal
14 government shutdown has caused delays on
15 regulations, and as I said, it is okay
16 that we end today with more questions
17 than answers, but that we task ourselves,
18 all of us who look at community
19 development and equitable development as
20 an important value for the City, that we
21 task ourselves to be vigilant and
22 purposeful in the work that we do over
23 the next few months.

24 With that, if any of my
25 colleagues have anything to say, we will

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2 begin. Ms. Anne Fadullon.

3 I'm sorry. Read the title of
4 the bill. Will the Clerk read the title
5 of the bill.

6 THE CLERK: Resolution No.
7 180960, a resolution authorizing the
8 Committee on Appropriations to conduct
9 hearings to consider the impact of
10 federal Qualified Opportunity Zones on
11 the fair and equitable development of
12 Philadelphia; and to thereby recommend
13 impactful, responsive changes to the
14 City's policies, procedures, and budget.

15 COUNCILWOMAN SANCHEZ: Thank
16 you.

17 Anne.

18 MS. FADULLON: Hi. Good
19 morning. Good morning, Chair
20 Quinones-Sanchez and members of the
21 Committee on Appropriations. My name is
22 Anne Fadullon and I am the Director of
23 Planning and Development for the City of
24 Philadelphia. I'm pleased to provide
25 testimony on Resolution No. 180960 and on

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2 the impact of federal Qualified
3 Opportunity Zones on the fair and
4 equitable development of Philadelphia.

5 As you know, the Opportunity
6 Zone program is still evolving and we are
7 still awaiting key details. However, we
8 know enough about the program to be able
9 to identify key goals for the City, its
10 neighborhoods, and its residents.

11 We want to protect existing
12 homeowners, renters, and businesses from
13 displacement; promote Philadelphia's
14 Opportunity Zone neighborhoods for
15 investment that is in alignment with
16 community needs identified in the
17 Philadelphia 2035 Comprehensive Plan, its
18 district plans, and in adopted
19 neighborhood plans. We want to attract
20 new permanent jobs with living wages to
21 lift our residents out of poverty, and we
22 want to provide support services to help
23 projects and businesses in Opportunity
24 Zones become investment-ready.

25 While the federal regulations

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2 do not mandate benefits for local
3 communities, we do expect some developers
4 will want or need City assistance to
5 advance projects located in Opportunity
6 Zones. In those instances, we will work
7 with those developers and the District
8 Councilperson to ensure that there is a
9 social impact component to their work.

10 Those social impact components
11 may include creating or retaining
12 permanent jobs for local and lower-income
13 residents; providing access to quality
14 pre-K and after-school care; offering
15 goods, services, and facilities to the
16 community; delivering access to
17 affordable, healthy food; and providing
18 affordable housing.

19 Since Opportunity Zones were
20 announced, I've been on multiple panels
21 in front of business leaders interested
22 in taking advantage of the program, and
23 in each one, I've been clear. If you
24 want our land, our funding or other types
25 of assistance we have to offer, we're

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2 going to ask for something from you that
3 will benefit the community and its
4 residents.

5 This stance is consistent with
6 the programs the Administration and
7 Council have already advanced together.

8 For example, in addition to
9 improving facilities, Rebuild is a tool
10 to build pathways to family-sustaining
11 careers. Small businesses, including
12 those based in our neighborhoods, will
13 share in the work. Residents will be
14 included in the process of determining
15 what types of improvements will be made.

16 Other initiatives are similarly
17 benefiting our neighborhoods and their
18 residents.

19 Community schools are offering
20 expanded medical care, after-school
21 programming, job training, and other
22 services. More than 2,000 more children
23 are in quality pre-K programs, and we're
24 working our way towards 5,000. We're
25 leveraging vacant land to develop

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2 affordable and workforce housing.

3 Developers are talking to us about how

4 they can use the affordable housing

5 density bonus. By including social

6 impact requirements in our RFPs, we are

7 ensuring that development benefits the

8 community as well as the developer.

9 We've also implemented programs

10 that help longtime residents remain in

11 appreciating neighborhoods. The Federal

12 Reserve Bank of Philadelphia found that

13 our property tax relief programs - LOOP,

14 homestead exemption, and others - were

15 helping longtime homeowners remain in

16 their homes.

17 The Basic Systems Repair and

18 other programs are helping low-income

19 homeowners, many of whom are seniors,

20 make the repairs needed to keep their

21 homes habitable. We'll be kicking off a

22 loan program soon -- actually, we already

23 have -- to help homeowners in middle

24 neighborhoods make those same

25 improvements.

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2 Working with Council, we have
3 identified funding to help tenants fight
4 evictions and to make both landlords and
5 tenants aware of their respective rights
6 and responsibilities.

7 This progress in our
8 neighborhood is because we have made
9 meeting community needs a priority. When
10 a developer looks to us for help to take
11 advantage of an Opportunity Zone, we're
12 going to ask what's in it for the
13 community, and when they identify a plan,
14 we're going to hold them to it.

15 Opportunity Zones have the
16 potential to attract investment to
17 neighborhoods that have long suffered
18 from disinvestment. That investment has
19 the potential to bring jobs, goods, and
20 services to communities that are
21 currently lacking in those services.

22 Our challenge is to deliver
23 those benefits to the residents who are
24 struggling in those neighborhoods. We
25 are committed to working with the private

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2 sector and with our partners on City
3 Council to make sure Opportunity Zones
4 truly deliver opportunity for all.

5 I'm open for questions.

6 COUNCILWOMAN SANCHEZ: Yes.

7 Thank you. Real quickly, and I want to
8 have an opportunity for our tech staff to
9 share some of the datasets and mapping
10 that our tech staff has available for
11 District Councilpeople and Councilmen
12 at-large to specifically look at some
13 datasets, but before we get there, can
14 you just for the record summarize for us
15 the decision-making that went from the
16 federal, state, and local to get us the
17 maps that we have before we go to the
18 maps that kind of give us a profile of
19 what we're dealing with.

20 MS. FADULLON: Sure. So the
21 authority to designate tracts lies with
22 the state government and the Governor's
23 Office. So we had a conversation with
24 them, I want to say, probably late
25 January, early February of 2018, and the

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2 state sort of talked to us a little bit
3 about what they were looking for in the
4 tracts that the City would send up. So
5 we looked at some key factors. One was
6 they want to align the tracts with other
7 investment that was already being made on
8 the federal, state, and local level,
9 where there are tracts that had access to
10 transportation, employment centers,
11 universities, and hospitals. And then
12 also I think some of the key things are,
13 the tract had to meet certain
14 qualifications, right? The poverty rate
15 had to be at least 20 percent or the
16 median family income could not exceed 80
17 percent of the metropolitan area median.
18 So very similar qualifications as
19 qualified census tracts for new market
20 tax credits.

21 The state made it pretty clear
22 that they also saw this -- and this is
23 what we heard out of the federal
24 government too -- as a mechanism sort of
25 to have investments happen in, I would

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2 say, sort of transitioning neighborhoods
3 as opposed to really neighborhoods
4 experiencing extreme disinvestment, that
5 they didn't see this as the program for
6 that, but as kind of a sort of middle
7 ground type of program.

8 So with that, we got together
9 with our colleagues at Commerce, PIDC,
10 and other various City agencies and sort
11 of looked at these factors and ran some
12 datasets, and out popped about, I want to
13 say, around 90-ish census tracts.

14 As we were going through this
15 analysis right at the end of February
16 when we were getting ready to ship this
17 off to Council to get more input, the
18 feds changed slightly the requirements
19 for the tracts, so we scrambled, we
20 readjusted, and we were able to get
21 things over to Council in early March for
22 you guys to take a look at before we sent
23 them up to the state.

24 The state had imposed a
25 deadline of getting information to them

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2 by the 12th of March. And then shortly
3 after we got that up to the state, they
4 let us know that, oh, by the way, they
5 had asked the feds for an extension. So
6 we worked with the state to get the 90
7 down to 82.

8 So that was really the process
9 that we went through. Again, the state
10 was very interested in areas where they
11 had DCED investment, RCAP investment,
12 low-income housing tax credit investment,
13 those types of state investments that
14 this program could potentially build off
15 of.

16 COUNCILWOMAN SANCHEZ: Thank
17 you.

18 The Chair recognizes
19 Councilwoman Jannie Blackwell has joined
20 the Committee.

21 Before I ask additional
22 questions, let me recognize Councilman
23 Domb.

24 COUNCILMAN DOMB: Thank you,
25 Madam Chairwoman.

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2 Good morning. I have a few
3 questions.

4 What are the actual number of
5 Opportunity Zones --

6 MS. FADULLON: Can you do me a
7 favor and just speak up a little bit.

8 COUNCILMAN DOMB: What are the
9 actual number of Opportunity Zones in
10 Philadelphia?

11 MS. FADULLON: So we have 82
12 designated tracts. There's about 8,760
13 some nationwide. We have 82 tracts.
14 Pennsylvania has 300. I should mention
15 that the state was only allowed to
16 designate 25 percent of the tracts that
17 actually qualified.

18 COUNCILMAN DOMB: And the other
19 question, I have some statistics here.
20 I'm just curious by Council district, and
21 it shows that we have 12,324 vacant land
22 parcels in the Opportunity Zones among
23 the other different ten Council districts
24 and 412 vacant buildings. Are those
25 parcels and buildings owned by the City

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2 or are they individuals?

3 MS. FADULLON: So --

4 COUNCILWOMAN SANCHEZ: We're
5 going to have a presentation by tech
6 staff a little bit. Let me get to the
7 presentation so they can see the profile
8 of the districts and then we can ask the
9 relevant questions about which ones are
10 City owned.

11 MS. FADULLON: Really quickly,
12 I mean, just very quickly, so there's
13 about 40,000 vacant either -- some
14 properties, either lots or structures in
15 the City. Only about 8,000 of those are
16 actually publicly owned. So I don't know
17 the specifics about the ones you're
18 asking for, but I think it's safe to
19 assume that probably 20 to 25 percent of
20 those are publicly owned. Given that
21 these are distressed tracts, it may be a
22 little bit more than that, but I think
23 it's probably not 80 or 90 percent, but
24 we'd have to look at exactly those
25 specific.

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2 COUNCILMAN DOMB: And my last
3 question, have we talked to other cities
4 to see what they're doing so that we make
5 sure that we're competitive --

6 MS. FADULLON: Yes.

7 COUNCILMAN DOMB: -- for the
8 investment of this?

9 MS. FADULLON: Yes. We've been
10 participating in a lot of roundtables.
11 In fact, Mayor Garcetti from LA had
12 something called Accelerated for America
13 that was in town. We participated with
14 that, which was a lot of different mayors
15 and different cities. We've also been
16 coordinating a lot with Erie in the
17 state, who has been all over this, and
18 we've been looking at what other cities
19 are doing. I'll be honest, it's across
20 the board. Some cities are having a big
21 push, saying the doors are open. Others
22 have a little bit of a more nuanced
23 approach. And also because, again, it
24 was the states that had the ability to do
25 these designations, some states have

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2 really, really, really come out strong as
3 marketing their state.

4 I think the key, though, that
5 we've heard is, based on the regs so far,
6 in order to take full advantage of the
7 tax benefits, the investment would need
8 to be made by the end of calendar year
9 2019. So it's really about do you have
10 projects that are really ready to go.

11 And what we've heard, particularly from
12 some smaller/mid-sized cities, is they
13 don't really have a lot of project -- or
14 shovel-ready projects. But, again, it's
15 across the board. We've definitely been
16 looking to see what other folks are
17 doing.

18 COUNCILMAN DOMB: The reason
19 why I asked that question, I want to make
20 sure that we get, if we can, our fair
21 share or more than our fair share of
22 these investment dollars that could come
23 to the City, and I don't want to put up a
24 barrier that we don't get our fair share.
25 That's my only concern.

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2 MS. FADULLON: Yeah.

3 COUNCILWOMAN SANCHEZ: So let
4 me have Herb and -- so the Council
5 President's office put together some
6 datasets.

7 Herb, will you explain. We
8 wanted to make sure that District
9 Councilpeople and Councilpeople at-large
10 can look at the profile of the zones that
11 have been designated in their district.

12 So, Herb, you want to go
13 through the datasets. And, again, they
14 are available to District Councilpeople
15 and to the community folks who are here
16 to provide any additional data drops as
17 part of the profile of the Opportunity
18 Zone. Thank you.

19 MR. WETZEL: I'm sitting here
20 with the permission of the Councilwoman,
21 I want everybody to know. I asked
22 permission.

23 Greg, can you bring up the map?

24 So when the census tracts were
25 finalized and approved by the federal

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2 government, what we wanted to do is
3 provide Councilmembers with not just a
4 map of those, but the underlying sort of
5 data, the socioeconomic and demographic
6 data, both citywide and then in an
7 individual tract. And so the tabs at the
8 top are race and ethnicity, household
9 income, employment, educational
10 attainment, housing tenure, housing
11 value, housing cost burden, and vacancy,
12 both vacant buildings and vacant lots.

13 And so what we're going to do
14 is just walk through one census tract,
15 108, which is in Mantua, and give you a
16 sense of going down and drilling into the
17 data.

18 So citywide race and ethnicity
19 is -- it's about -- the population in all
20 the approved census tracts is about 80
21 percent minority and 20 percent white,
22 but if you go down into Tract 108 and you
23 can click on it and essentially see that
24 it is 91.4 percent minority. There's a
25 distribution there and also a graph. And

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2 so that particular census tract is over
3 90 percent minority.

4 Let's go to household income
5 for that census tract. And the median
6 household income is 20,000 and the
7 poverty rate is 46 percent in that census
8 tract.

9 If we go to look at employment,
10 the unemployment rate for the citywide is
11 6.8 percent. In this census tract it's
12 15.5 percent. You should know that in
13 some census tracts, it's over 30 percent,
14 the unemployment rate.

15 Educational attainment, this
16 breaks it down by no high school diploma
17 all the way through graduate degrees.
18 For example, in this census tract,
19 there's 614 people without a high school
20 diploma. And what's really interesting,
21 there's 134 with graduate or professional
22 degrees, which I think reflects the
23 changing nature of Mantua. Is that fair
24 to say? You wouldn't have seen that
25 number probably ten years ago in Mantua.

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2 Housing tenure is, it divides
3 renters and homeowners, and if we take a
4 look at the housing tenure there, what's
5 really interesting -- and this is true in
6 a lot of these census tracts -- even
7 though they're low-income census tracts,
8 the amount of homeownership is pretty
9 high. Citywide is 51 percent
10 homeownership. Even with that level of
11 median household income, in Mantua it's
12 44 percent homeownership still.

13 Take a look at housing value.
14 The median housing value is \$72,000. It
15 actually decreased from 2011, I believe
16 that is, by about four and a half
17 percent.

18 And let's go to housing cost
19 burden, which I think is really an
20 important indicator, and we'll walk you
21 through this in a minute. A
22 cost-burdened house spends more than 30
23 percent but less than 50 percent of their
24 income for their shelter, whether that's
25 mortgage, taxes, you know, utilities. A

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2 severely burdened household spends more
3 than 50 percent of their income on their
4 housing. So if we look at renters in
5 that -- can you go back up to renters?
6 Not tenure. Housing cost burden.

7 So 53 percent of the renters
8 are cost-burdened, meaning they spend
9 more than 30 but less than 50. But more
10 than a third, or 36 and a half percent,
11 spend more than 50 percent of their
12 household income on rent.

13 Homeowners are not quite as
14 burdened. Twenty-nine percent spend more
15 than 30 but less than 50, but almost 20
16 percent are spending more than 50 percent
17 of their household income.

18 And the last one takes a look
19 at vacancy rate. The ones preceding this
20 have to do with the people and the data
21 around their income, their employment,
22 their education, et cetera. This is sort
23 of like development opportunities, and in
24 this particular census tract, there's 759
25 vacant parcels, of which eight are

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2 buildings. And to Councilman Domb's
3 question is, the vast majority of the
4 vacant lots and vacant structures are
5 privately owned. Anne is correct, about
6 8,000 are publicly owned, but the vast
7 majority are privately owned.

8 So you can take a look at any
9 one census tract and get this detailed
10 demographic and socioeconomic data about
11 that individual census tract. What's
12 clear, though, on a citywide basis, these
13 have high unemployment rates and the vast
14 majority of the population is minority.

15 So we'd be glad to answer any
16 questions.

17 COUNCILWOMAN SANCHEZ: Any of
18 my Council colleagues have any questions
19 for Herb? This information is available.
20 As I said, this is Council President's
21 office and tech staff have put together
22 all of this information, and I think it's
23 important as this discussion evolves that
24 Council, particularly District
25 Councilpeople, get a sense of their

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2 profile and the opportunities.

3 I'm going to go back. If
4 there's no questions, I'm going to go
5 back to Anne. I have a couple of
6 questions too.

7 So, Anne, one of the things
8 that's hugely important is, as I
9 mentioned earlier, the shutdown of the
10 government has prohibited the full
11 regulations. Can you quickly speak to
12 what you've seen in terms of these
13 Opportunity Funds that have been
14 established. We already have a few in
15 the City, right? And what you perceive
16 to be things that are important and are
17 working and then what you feel are some
18 of the unknowns still as we move forward.
19 Because you picked a couple examples, so
20 let's talk about the good ones.

21 MS. FADULLON: So a few things
22 imbedded in that. So one is, yes, the
23 final regulations have not come out. We
24 were all hoping that we'd see those in
25 January but, again, given the government

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2 shutdown, it's unknown when we will see
3 those final regulations.

4 So draft or interim regulations
5 came out, I want to say, around
6 October-ish that literally asked more
7 questions than answered. If you read
8 those regs, the regs are -- there's a lot
9 of questions actually imbedded in the
10 regulations where the Treasury is saying,
11 well, what do you think about this? Do
12 you think we should do it this way or
13 should we do it that way? Which I have
14 to say, I haven't seen that in a lot of
15 other kind of interim regs where there's
16 a lot of questions.

17 That being said, where we are
18 right now, it's much, I think, cleaner,
19 easier to understand how investments work
20 in a real estate development project in
21 one of those zones as opposed to an
22 investment in a business. So I think
23 what we'll probably see until final regs
24 come out is most funds being interested
25 in some kind of real estate development

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2 project as opposed to a business
3 investment unless they can really figure
4 out picking sort of that middle ground
5 that that's going to work for them.

6 I would say from the interest
7 that we've heard from funds, it's a
8 little bit across the board. Some are
9 very large funds and they are coming into
10 Philadelphia because Philadelphia has
11 been able to tell a much better story on
12 the national scene as far as room to grow
13 in the market, price appreciation, that
14 kind of thing. Those folks are generally
15 coming in looking for larger-scale
16 developments. The funds that are forming
17 within the City, some of them literally
18 are just a couple people getting
19 together, because a fund can be
20 self-certified, and investing in a
21 smaller-scale project.

22 PIDC is working with a couple
23 of business clients there, development
24 clients doing some things around Wayne
25 Junction. There's another one in West

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2 Parkside, and those are really focused on
3 local business development and job
4 creation. In particular, the one in
5 Wayne Junction has really allowed that
6 minority developer who, because their
7 capital stacks have been so complicated
8 in the past, has never really been able
9 to maintain an equity ownership in any of
10 their projects. This vehicle is now
11 allowing them to maintain some equity
12 ownership. So as a small minority
13 developer, they can start to build that
14 and maybe be able to build capacity and
15 move on. So we're really seeing some
16 different things across the board.

17 COUNCILWOMAN SANCHEZ: I'm
18 going to recognize Councilwoman Parker
19 and then Councilman Domb.

20 COUNCILWOMAN PARKER: Thank
21 you, Madam Chair.

22 And good morning to you, Anne.
23 First, let me start by thanking my
24 colleague Councilwoman Sanchez for this
25 hearing, Council President's office for

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2 the data.

3 I wanted to say, Councilwoman,
4 I appreciate it when you open giving your
5 example of promises made but promises
6 that in your experience weren't kept in
7 the Empowerment Zone. However, talk
8 about problems that you would love to
9 have, I would have loved to have had the
10 opportunity for any portion of the Ninth
11 Councilmanic District during those years
12 to have been deemed part of any of those
13 tax-incentivizing sort of zones that
14 would encourage development, but for so
15 many years, Bush, Clinton, all of those
16 federal programs, neighborhoods, middle
17 neighborhoods, portions of Councilman
18 Jones's area were left out of the
19 equation. So I am pleased that we have
20 finally found an opportunity for census
21 tracts in middle neighborhoods to be
22 included in this process.

23 With that in mind, I want to
24 ask if other cities -- I've heard about
25 Erie, Pennsylvania, Las Vegas, creating

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2 what they are calling pitch books, and
3 you all may have heard about this, and
4 this is essentially them sort of pitching
5 their Opportunity Zones to developers in
6 a way to like get ahead of them by sort
7 of shaping the conversations about what
8 kind of development they would like to
9 see. Is that a tool or a strategy that
10 we are engaging in?

11 MS. FADULLON: Yes. So you'll
12 hear that a lot of folks are doing
13 something, they call it, investment
14 prospectus. We actually sort of had that
15 work underway before Opportunity Zones
16 were even a thing. So I think we sent
17 notice to all the Council offices, I want
18 to say, towards the end of like --
19 sometime in December that we added a tab
20 to our Philadelphiadelivers.com website
21 that's an Opportunity Zone tab. We have
22 what we call the Phase 1 rollout.

23 So if you open that, what
24 you'll see is some general information
25 about what Opportunity Zones are, but

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2 you'll see the map of Philadelphia with
3 the census tracts. And then if you click
4 on the census tract, it will have some of
5 the similar information that Council tech
6 staff brought up, but it's a little bit
7 different. It will talk about
8 population. It talks about the amount of
9 available land. It talks about the
10 public investment that's happened there,
11 the private investment, and it also talks
12 about change in the market.

13 So it will have some -- there's
14 some information that we thought would be
15 most interesting to people looking to
16 make investment. And then it also --
17 then there's another piece of that that
18 just talks about the incentive programs
19 that the City already has in place.

20 COUNCILWOMAN PARKER: So for
21 us, for me, I just thought it was very
22 important to just note that these are
23 some of the tools or strategies that
24 other cities are using and for us to put
25 on the record exactly what our actions

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2 have been and what we are thinking about
3 doing in the future.

4 With that in mind, on Page 3 of
5 your testimony you mention something very
6 important to me, and I'll ask her more
7 when she comes up, because Beth really
8 talks about it in her testimony and, that
9 is, ensuring that the needs of the
10 community and that their voices and
11 access to opportunities to participate in
12 this economic investment is actually
13 included. And I love your question in
14 your testimony, you say what's in it for
15 the community, and Beth goes to the heart
16 of it when she starts talking about
17 community benefits agreements.

18 It's with that in mind that I
19 want to hear from you. What of our local
20 controls do we already have in place that
21 can sort of serve as trail markers or
22 guardrails to ensure that what type of
23 development is being included? And I
24 mention that because I'm thinking about
25 zoning, I'm thinking about community

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2 meetings, I'm thinking about legislation
3 that this Council has already passed that
4 we hope you will keep in mind, that we've
5 already established using it in the City
6 of Philadelphia, and the developers who
7 are in the room know what we're
8 referencing, but we want to make sure
9 that because it's not mandated, that you
10 think about its use as a part of this
11 process in ensuring transparency relative
12 to whatever kind of development is being
13 proposed. And now I'm referring to our
14 project information form now that is
15 being used as a tool to help RCOs and
16 other community-based organizations to be
17 informed about the amount of jobs. If
18 we're talking about affordable housing,
19 if we're talking about what people are
20 being paid, are they getting retirement
21 security, what investment opportunities
22 are available.

23 So tell me, what are your
24 thoughts about how we do that, that we
25 engage the community?

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2 MS. FADULLON: Sure. So I
3 think one of the key things to point out
4 about this, quote/unquote, program is,
5 it's not like low-income housing tax
6 credits or new market tax credits or
7 historic credits or something like that.
8 It's not subsidy money investment. It's
9 simply a tax deduction or a tax break, if
10 you will.

11 So be that as it may, as we
12 know, a lot of development in
13 Philadelphia often needs some type of
14 assistance, right? And so, for example,
15 they may need some zoning relief or it
16 may need some other kind of subsidy. So
17 if it needs housing dollars, those
18 dollars come with certain income limits
19 and restrictions. So if we're having a
20 conversation with a developer that's
21 doing residential, we may talk to them
22 about doing a component of affordable
23 housing and working with them to see if
24 we can help facilitate that either
25 through investment or through the

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2 mixed-income housing bonus that Council
3 passed in the last session.

4 If you need some kind of the
5 below-market financing that's offered by
6 PIDC or their new market tax credits,
7 that comes with again low/mod job
8 creation and those kind of things.

9 COUNCILWOMAN PARKER: Let me
10 just interject here. Of the 82
11 designations, how many of them do you
12 think or do we even know or have we even
13 determined if the answer is possible, do
14 we know how many of them will potentially
15 need rezoning or some kind of variance,
16 or not just sure right now because the
17 projects haven't moved forward?

18 MS. FADULLON: Right. So I
19 think there's a couple ways to answer
20 that. One, we don't know exactly what
21 the specific projects will be, but, two,
22 one of the second phases we're working on
23 in the website that we want to come and
24 have a little more interaction with
25 Council before we put that live is

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2 looking at how things are currently
3 zoned, what was the recommendation in the
4 district plan or the comprehensive plan,
5 and talk to you about what you're
6 interested in in moving that forward or
7 what are some of your concerns around
8 that. I think that's a conversation to
9 be had. But those are things that we are
10 definitely looking at.

11 Again, as part of identifying
12 these tracts, it was important for things
13 like access to transportation. So we've
14 had ongoing conversations about promoting
15 more dense development around
16 transportation and we've had
17 conversations about what do we want. We
18 want to continue to promote homeownership
19 and those kinds of things.

20 And so I think those are
21 dialogues that need to happen and that we
22 look forward to having with you guys
23 probably in the relatively near future.
24 We're kind of fine-tuning our
25 information, because when we come to you,

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2 we want to make sure that it's accurate,
3 but that's something we need to do.

4 COUNCILWOMAN PARKER: My final
5 comment, Anne, to you is, when I talked
6 to residents and these were two questions
7 that I just received from residents as
8 this issue has been in the news lately.

9 I'm thinking about Lawncrest and
10 Lawndale. We have the old Boscov's
11 building, the old Boscov's building
12 there. And unlike some of my other
13 colleagues who have large swaths of
14 industrial land and other vacant spaces
15 to be developed, the Ninth Councilmanic
16 District is landlocked, so these spaces
17 in our area are very much rare. But we
18 have the old Fels School building in
19 Summerdale, in Oxford Circle. And so
20 their question to me is, Cherelle, what
21 kind of opportunities for residents,
22 laypeople and/or -- so now they're
23 thinking about this co-opting, how can
24 community-based organizations, will it be
25 possible to pull revenue to participate

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2 or invest in any way, and I said to them,
3 nothing beats a failure but a try. It is
4 something we need to put on the minds of
5 the Administration, I would share with my
6 colleagues, but we should be as
7 innovative and creative as we possibly
8 can to ensure access to equity and
9 opportunity for residents who come from
10 all walks of life who are in these 82
11 regions.

12 So I'm not expecting you to
13 give me an answer right now, but I do ask
14 that you find a way to put that up on the
15 vision board to say while this program is
16 still being defined, how can we find a
17 way to make this happen.

18 MS. FADULLON: Yeah. I mean,
19 just really quickly, again, I just want
20 to say a couple things about that. One
21 is, the only dollars that can be invested
22 that get the tax benefits have to be --
23 they have to come from capital gains.
24 You can't get these tax benefits unless
25 the actual dollars you invested come from

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2 capital gains.

3 That being said, the example of
4 the project in Wayne Junction, they have
5 some Opportunity Zone funds in them that
6 came from capital gains, but they also
7 did some crowd funding that was from the
8 community to give an opportunity for the
9 community to have as their -- a small
10 piece of equity in it. We're not talking
11 big equity or big dollars, but it's an
12 opportunity, and I think those are the
13 kinds of things that we're very much
14 interested in trying to figure out how do
15 we pursue them as a way for us to scale
16 those kinds of efforts up.

17 COUNCILWOMAN PARKER: Thank
18 you, Councilwoman Sanchez. That's a
19 start.

20 COUNCILWOMAN SANCHEZ: No;
21 absolutely, and that's why it's important
22 that we begin to have these
23 conversations, because we're getting
24 calls about -- because we have to keep in
25 mind, this is a tax incentive program

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2 designed after a billion dollar tax cut
3 that the federal government gave folks,
4 right? So now people have the capital
5 gains as a result of tax policy and they
6 have to figure out where they park it,
7 right, and we want to see the investments
8 happen. How they park it will in part be
9 shaped by the opportunities we create and
10 ensuring that kind of equitable
11 development. So I don't think those
12 things happen by accident. I think we
13 have to be intentional.

14 Councilman Domb, you had a
15 question.

16 COUNCILMAN DOMB: Thank you,
17 Madam Chairwoman.

18 Anne, I have a question for
19 you. You mentioned the process of how
20 you selected these Opportunity Zones, and
21 were they middle neighborhoods that you
22 selected mostly? What was the process?

23 MS. FADULLON: So it was kind
24 of middle neighborhoods, but I think we
25 got clear guidance from -- one of the few

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2 areas where we got some clear guidance
3 was from the federal government and the
4 state saying -- because, again, this
5 isn't subsidy money. So it's a tax break
6 to the investor. So really, frankly, the
7 projects that this money -- or the
8 investors are likely to look at are
9 projects that would have already been
10 feasible, that it will take a good
11 project and make it better. It may take
12 a project that was on the cusp and get it
13 to go. It's not going to take a project
14 that wasn't a great project that needed
15 substantial subsidy and make it work.

16 COUNCILMAN DOMB: Okay. And
17 then in your crystal ball looking out
18 five to seven years, what do you see the
19 majority of the uses of these Opportunity
20 Zones?

21 MS. FADULLON: So I think,
22 honestly, we'll probably see a lot of
23 mixed use, but we'll see a lot of
24 residential. We may see some office,
25 some hotel. It works pretty well

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2 residential because it's got to be a
3 ten-year hold. So it works pretty well
4 with residential. It works pretty well
5 with a hotel. Our office market
6 continues to be soft, so we may see some
7 creative things like that.

8 I mean, it's interesting,
9 because if the regs were out, the ideal
10 investment for the investor for the
11 return would be to take an empty
12 building, occupy it with a bunch of small
13 startups, with the hope or idea that
14 those small startups in ten years will
15 become like pretty big companies or have
16 rapid growth, and that would be how you
17 would kind of maximize this opportunity,
18 which is not a surprise given that one of
19 the architects came out of the technology
20 industry. But the way -- based on the
21 existing interim regs, the way you would
22 get there is very, very convoluted and
23 that's a risky kind of investment to do
24 something like that. So I don't know
25 that in Philadelphia that we're

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2 necessarily going to see that type of
3 investment. I think we're going to see
4 more of the residential with some kind of
5 other component, be it hotel or retail or
6 commercial, something like that.

7 COUNCILMAN DOMB: And so just
8 so I'm clear, the population of the
9 United States is 325 million right now
10 and we received one percent basically of
11 the Opportunity Zones that the U.S.
12 government granted, right? You said
13 there was 8,760. We got 82 of them. Yet
14 our population is a half a percent. So
15 we did pretty well in this allocation.

16 MS. FADULLON: Let's just say
17 we pushed the envelope with the state a
18 little bit.

19 COUNCILMAN DOMB: That was
20 good, because we got one percent of the
21 allocation based on a population of a
22 half a percent.

23 Having said that, is there an
24 opportunity to work with the Commerce
25 Department and target 50 of our suburban

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2 companies and figure out some of these
3 Opportunity Zones, could we suggest that
4 the owners of these companies come into
5 the City, build an office building for
6 their people, with the tax benefits
7 offset some of their objections to coming
8 into the City, and attract them as a
9 business tool to come into the City? Use
10 this as a business tool to attract jobs
11 into the City.

12 MS. FADULLON: I think -- I
13 don't want to speak for the Commerce
14 Department, but I would assume that they
15 are probably open to having a discussion.

16 COUNCILMAN DOMB: All right.
17 Thank you.

18 Thank you, Madam Chairwoman.

19 COUNCILWOMAN SANCHEZ: Thank
20 you.

21 Before I let Anne go, I think
22 some of the questions with that is the
23 way this works, as Anne says, there's a
24 time limitation for when they can
25 maximize, which means by the end of this

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2 calendar fiscal year, and then the
3 appreciation value has to be how much?
4 Within 30 months?

5 MS. FADULLON: Yeah.

6 COUNCILWOMAN SANCHEZ: So
7 there's a timeline there.

8 MS. FADULLON: So essentially
9 once you realize the capital gain, you
10 have 180 days to invest in an Opportunity
11 Zone fund. Then that fund has 180 days
12 to invest in a project. That project has
13 30 months to then -- well, you then have
14 30 months to double the basis that you've
15 invested in that project. That's a
16 little bit slightly nebulous because part
17 of it is, you could have a plan to make
18 sure. But, yeah, pretty much given that
19 timeframe, how long it takes to get
20 through entitlements, get drawings
21 together, all of that, you're pretty much
22 looking at a project that's -- if it's
23 not already ready to go in calendar year
24 '19, it will have been fully entitled and
25 permitted and ready to start construction

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2 in 2020. So, yeah. Based on the
3 legislation right now, it is a pretty
4 tight window if you want to take full
5 advantage of all of the tax benefits.

6 If you're just interested in
7 sort of the big kicker, which is if you
8 invest -- and I'm just going to make it
9 sort of simple. If you invest a million
10 dollars today and ten years from now it's
11 worth 2 million, you don't have to pay
12 any capital gains on that additional
13 million. That benefit can extend further
14 out.

15 COUNCILWOMAN SANCHEZ: It can
16 extend out, I think, almost to 2046, if
17 my Ballard Spahr three-hour CLE class
18 taught me anything.

19 MS. FADULLON: I could have sat
20 with you for 20 minutes.

21 COUNCILWOMAN SANCHEZ: We're
22 going to take some testimony. One of the
23 things we talked about with the
24 Administration -- again, we appreciate
25 the Administration's willingness to have

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2 these conversations with us, as this is
3 an evolving process -- is, will the
4 Administration be putting forth
5 recommendations for regulations when the
6 government opens up again officially on
7 the record. I think one of the
8 conversations I had with the
9 Administration is, if we leave it open
10 and we don't articulate what is important
11 for the City, then whether it makes it to
12 the regulation or not, it does send a
13 signal about the types of projects and
14 investments we'd like to see in the 82
15 census tracts and what we're looking for,
16 right? Because if people want
17 shovel-ready or almost shovel-ready
18 projects, then we have an opportunity to
19 shape that, right, so people can get
20 maximized investment. Will we be putting
21 something officially on the record?

22 MS. FADULLON: Yeah. We've
23 been working with national organizations
24 that are commenting, and you raised this
25 when we had our pre-meeting, and I think

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2 that there's interest on the part of the
3 Administration of putting forth some
4 direct letter.

5 COUNCILWOMAN SANCHEZ: Okay.
6 Thank you. So thank you so much. I
7 don't know if you're going to stick
8 around, but we do have some other
9 testimonies. This is the beginning of a
10 conversation, a public discussion, so we
11 expect that stuff will evolve.

12 I'm going to call the second
13 panel - Beth McConnell, Brittany Forman,
14 Andy Rachlin, Jeff Hornstein, and Andrew
15 Frishkoff. For the testimonies that are
16 available in writing, they've been
17 circulated to the Committee.

18 (Witnesses approached witness
19 table.)

20 COUNCILWOMAN SANCHEZ: Beth
21 McConnell, Brittany Forman, Andy Rachlin,
22 Jeff Hornstein, and Andrew Frishkoff.
23 After that, our third and last panel is
24 Maria Gonzalez, John Chin, Will Gonzalez,
25 and Jaime Farrant.

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2 I want to thank folks for
3 putting together their thoughts with
4 something that is not completely defined
5 yet. Thank you. Thank you. Good
6 morning, all of you.

7 MS. McCONNELL: Good morning.
8 Good morning, Chairwoman Quinones-Sanchez
9 and other members of the Committee. My
10 name is Beth McConnell. I'm the Policy
11 Director at the Philadelphia Association
12 of Community Development Corporations,
13 PACDC.

14 As we just heard, the
15 provisions in the Tax Cut and Jobs Act
16 that created the Opportunity Zone program
17 do not contain any requirements that
18 qualified investments in the funds serve
19 any social or public benefit, and as
20 federal tax policy, local jurisdictions
21 can't impose qualifications on what kinds
22 of entities or types of projects receive
23 the tax benefits, of course. And we may
24 not even know what projects are being
25 developed through Opportunity fund

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2 investments. But Philadelphia does have
3 other tools at our disposal that are
4 worth considering to ensure that new
5 investment that flows from Opportunity
6 funds creates more equitable communities.

7 For instance, given the
8 significant tax benefits that the
9 projects will get, we could modify the
10 ten-year tax abatement by requiring that
11 developments offer some percentage of
12 affordable homes or commercial space in
13 order to qualify for that abatement.
14 Some have suggested that the State
15 Constitution's Uniformity Clause would
16 prohibit having different abatements in
17 one geographic part of the City from
18 another, but the City of Pittsburgh has
19 seven different abatement programs with a
20 variety of eligibility requirements and
21 abatement values. So there's certainly
22 some precedent in the state for nuance in
23 abatement policy that we could either
24 apply here or seek permission from
25 Harrisburg to apply here.

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2 Additionally, under our zoning
3 powers, the new mixed-income housing
4 policy that Council approved in 2018 --
5 and I thank Council for the support and
6 Councilwoman Sanchez particularly for the
7 leadership on that -- could be
8 strengthened in Opportunity Zones by
9 making it a mandatory program and by
10 requiring that all affordable units be
11 constructed on site rather than having a
12 pay in lieu to get out of the
13 requirement. Skeptics of this policy
14 have suggested that a mandatory
15 requirement could deter potential
16 investors, but keep in mind there are
17 more than 800 similar policies in
18 jurisdictions all across the country,
19 including Boston and New York and DC and
20 Chicago, most of New Jersey, most of
21 California. So developers and investors
22 have been quite acclimated to these
23 policies elsewhere as a part of doing
24 business.

25 Once Council and the

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2 Administration are able to work through
3 some of the challenges that we're facing
4 now with our property disposition system,
5 we could also ensure that any public
6 property that's sold or transferred to
7 private entities in the zones come with a
8 requirement for serving some community
9 beneficial need. Similarly, identifying
10 strategically valuable parcels for
11 acquisition in the zones that are vacant
12 and tax delinquent, with the end goal of
13 putting them into productive reuse for
14 community benefit.

15 Now, as we heard, the maximum
16 value to investors is for projects that
17 are ready to go in 2019, but they will
18 still receive value if the projects go in
19 2020, 2021, 2022, just perhaps fewer
20 years but still a great tax incentive.

21 I think we also can do a better
22 job here locally of providing training
23 and technical assistance to local
24 community groups to negotiate community
25 benefits agreements with developers. The

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2 City would not be a party to those
3 privately negotiated agreements. They
4 are between the community group and the
5 developer. But the City can help support
6 the training and technical assistance for
7 how both parties can enter into
8 good-faith, productive negotiations
9 around the availability of community
10 space, affordable space or other
11 provisions.

12 Finally, we can just build on
13 existing programs that we already have
14 both in Opportunity Zones and throughout
15 the entire City to invest in our small
16 businesses. We have some great programs
17 to help homeowners that are facing rising
18 property taxes and fear of displacement.
19 We don't have any programs for small
20 businesses. So a targeted program that
21 could help a business through a
22 combination of some rent or property tax
23 relief but also combined with technical
24 assistance to help them boost their
25 revenue, that could increase business

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2 stability in the Opportunity Zones and
3 build wealth for small entrepreneurs.
4 You're all familiar with the Basic
5 Systems Repair Program, which is a great
6 program for homeowners. We don't have
7 anything like that for small businesses
8 that need investment inside their stores
9 for the health and safety and well-being
10 of the employees and the customers.

11 So these are policies and
12 programs that would make sense even if
13 there were no Opportunity Zones as a way
14 to create a more equitable city by
15 ensuring that those who are typically
16 hurt and left out of growth see some
17 benefit from a changing city. We look
18 forward to working with Council and the
19 Administration to achieve that goal, and
20 thank you again for the opportunity to
21 testify.

22 COUNCILWOMAN SANCHEZ: Thank
23 you.

24 The Chair wants to recognize, I
25 forgot to mention, Councilman

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2 Taubenberger has joined us since earlier.

3 My apologies. And Councilman Brian

4 O'Neill to my far left.

5 MS. FORMAN: Good morning,
6 Chair Quinones-Sanchez and members of the
7 Committee on Appropriations. Thank you
8 so much for inviting Econsult to join
9 this important discussion. My name is
10 Brittany Forman. I'm a Director at
11 Econsult Solutions and I help to
12 coordinate the Internal Opportunity Zone
13 team and am excited to be here today to
14 share some of our insights onto the
15 program.

16 COUNCILWOMAN SANCHEZ: Can you
17 pull the mic up.

18 MS. FORMAN: Sure.

19 Currently Econsult has several
20 clients that either have Opportunity
21 Zones, are in Opportunity Zones or are
22 trying to develop within Opportunity
23 Zones. We're working with developers who
24 need market analyses to verify that their
25 projects could work in that specific

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2 market. We're helping developers
3 calculate the benefit of the tax
4 deferral, reduction or elimination in
5 various scenarios. In addition, we're
6 working with a national property owner
7 who has sites in Opportunity Zones across
8 the country. And I think most relevant
9 to today, we are working with several
10 municipalities and community development
11 organizations in the region, including
12 Wilmington, Delaware, the City of
13 Chester, Borough of Pottstown in
14 Pennsylvania, as well as with North Broad
15 Renaissance right here in Philadelphia.

16 So I believe it's helpful to
17 start with a bit of context to help
18 clarify what this program is and what it
19 is not. The concept of using the capital
20 gains to invest in distressed areas, it
21 was introduced in 2015 by the Economic
22 Innovation Group, a bipartisan public
23 policy organization. And while it did
24 pass in the Tax Cut and Jobs Act in 2017,
25 it was based on prior legislation

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2 championed by Senator Cory Booker and Tim
3 Scott, as well as Representative Tiberi
4 and Kind. And so at its core, it is a
5 bipartisan effort to provide tax
6 incentives to invest in previously
7 forgotten communities.

8 And on the flip side of what
9 it's not, it's important to remember that
10 this is not a typical government program.
11 It's not a program where money comes
12 through -- a specific amount of money
13 comes through the federal government,
14 pass through states to the local
15 government, that has a specific purpose
16 to go into a specific location and has
17 requirements and reporting requirements
18 around it. That's not what this is,
19 which means that government personnel and
20 elected officials have very little say on
21 where these investments end up beyond the
22 local zoning ordinances and restrictions.
23 Therefore, it's that much more important
24 for government to be seen as a partner to
25 work with and not a hindrance to avoid.

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2 And so despite the difference
3 of this particular program, we still
4 believe that the ultimate community
5 impact is a function of both local
6 government action as well as the
7 incentive itself.

8 In fact, there are a number
9 of -- excuse me. The number one role of
10 government should be to attract
11 investment in ways that maximizes local
12 goals. In other words, government has
13 got to figure out ways to get investments
14 that do generate the spillover benefits
15 for the residents and businesses who are
16 already there, but it's essential to do
17 so in a way that doesn't increase red
18 tape. And this can be done by focusing
19 on three strategies.

20 First, municipalities must
21 aggressively market themselves. And we
22 have been researching and we're working
23 on a variety of marketing tools,
24 including -- I think you've seen the
25 websites and the story boards, the

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2 investment prospectuses.

3 Secondly, municipalities should
4 develop a coordinated strategy amongst
5 all of the community development
6 stakeholders to identify what the local
7 goals you are going to prioritize or
8 which local goals you will prioritize.

9 And, finally, municipalities
10 should align their resources to
11 demonstrate that the government supports
12 the Opportunity Zone investments in the
13 first place, and this can be through
14 infrastructure improvements near
15 development sites, grants, financing
16 tools or even streamlining the
17 development review and permitting
18 process.

19 So from our client work and
20 knowledge of real estate markets, we are
21 seeing a number of trends that I wanted
22 to share with you today. First, there's
23 a significant knowledge gap between the
24 investment world and the community
25 development world. The investment world

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2 is moving fast. They understand this
3 incentive. They have set up their funds
4 and they're ready to move.

5 The community development world
6 is moving much slower. We've been out
7 and round talking with organizations,
8 elected officials and, honestly, they are
9 still trying to come to grips with what
10 this program means and what it means for
11 their communities. Part of that is
12 because all the regulations are not out
13 yet, as we've heard earlier.

14 The early movers are projects
15 that would have been developed in the
16 absence of these tax incentives and
17 projects that are in hot real estate
18 markets. That's not to say it may be
19 that in the future, but that's who is
20 moving right now. And it's likely that
21 most of the Opportunity funds will never
22 be publicized, and it will, therefore, be
23 hard to track at a local level.

24 So of the funds that are
25 publicly advertising right now, the

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2 majority of them are agnostic capital,
3 and we like to say that as opposed to
4 just saying they don't really care, but
5 in reality, they don't really mind where
6 they wind up as long as it's a
7 development and a project that's going to
8 bring a positive return to their
9 investors.

10 However, there are some funds
11 that we are seeing that have social
12 impact goals and they're being backed by
13 foundations. The Kresge and Rockefeller
14 Foundations just committed 25 million to
15 support social impact organizations that
16 are ready to set up funds.

17 And, finally, there are some
18 banks, including PNC, that are setting up
19 funds to help fulfill their CRA
20 requirements.

21 And so from a purely economic
22 perspective, additional investment in
23 distressed communities is a good thing.
24 It's a positive thing. However, like all
25 complex public policy issues, the devil

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2 is in the details. It's all about the
3 implementation process. And so a number
4 of key questions remain. How will these
5 projects be reported? How will the
6 outcomes be tracked? And a lot of that
7 is not known right now and hopefully will
8 be clear with the next round of
9 regulations.

10 So in closing, we anticipate
11 that the Opportunity Zones can be
12 successful and it is a promising
13 development tool and one that
14 municipalities should actively promote
15 and align their resources to attract
16 investments that maximizes local goals.

17 Thank you for your time.

18 MR. FRISHKOFF: Good morning,
19 Chairwoman Quinones-Sanchez, members of
20 the Committee, and other members of City
21 Council. Thank you for the opportunity
22 to testify regarding Resolution 180960.
23 I am Andrew Frishkoff, Executive Director
24 of Philadelphia Local Initiatives Support
25 Corporation, also known as LISC. I would

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2 like to present testimony regarding the
3 impact of federal Qualified Opportunity
4 Zones on the fair and equitable
5 development of Philadelphia.

6 First, LISC is a non-profit
7 housing and community development
8 organization and certified Community
9 Development Financial Institution with
10 offices in 33 cities throughout the
11 country and a rural network encompassing
12 86 partner organizations in 44 states.
13 LISC's work supports a wide range of
14 activities, including affordable housing,
15 economic development, building family
16 wealth and incomes, education, community
17 safety, and community health.

18 Based largely on LISC's
19 experience working in communities and our
20 deployment of private-sector capital
21 through tax credit investments like the
22 low-income housing tax credit and new
23 markets tax credit, we believe the
24 Opportunity Zones initiative has
25 potential to attract new investment

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2 capital into lower-income urban and rural
3 communities. However, this potential for
4 new investment comes with significant
5 risks. These are:

6 Lack of federal oversight may
7 lead to program abuses. Opportunity Zone
8 incentives focus on back end financial
9 returns rather than on investments that
10 may be designed to result in community
11 impacts. Opportunity Zone investments
12 might aid in the gentrification and
13 displacement of residents and businesses
14 in Opportunity Zone communities.

15 Opportunity Zone incentives might lead to
16 demolition of occupied and viable
17 properties as well as historic ones in
18 order to build new and larger properties.
19 Opportunity Zone incentives might lead to
20 over-investment and might produce highly
21 localized real estate bubbles in certain
22 asset classes.

23 As a CDFI that anticipates
24 creating Qualified Opportunity Zone
25 funds, LISC has specific values and

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2 guidelines for its own investments that
3 should ensure that we do not add to these
4 risks. We want to participate in the
5 financing of smart, inclusive, impactful
6 housing and economic development projects
7 that provide an advantage for underserved
8 communities to access economic
9 opportunity. Smart development brings
10 the right mix of development to support
11 the long-term stable economic growth of a
12 community, avoiding overbuild or
13 development bubbles. Inclusive
14 development ensures that all income
15 levels within these communities will
16 benefit from the economic progress of the
17 community. Finally, we define impact
18 development as projects that offer
19 specific advantages to underserved
20 communities and populations.

21 These are LISC's aspirations.
22 I can't state at this time whether we
23 have raised any funds from investors nor
24 when we may have funds available for
25 Philadelphia. As with other prospective

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2 Opportunity fund managers, we are
3 awaiting additional regulatory guidance.

4 I will state that we hope to form a
5 family of regionally focused funds. We
6 think these funds would be attractive to
7 investors because they would provide
8 localized impact. We believe it is
9 likely that some local investors will
10 share our mission-based focus on smart,
11 inclusive, and impactful investments.

12 As for what City Council and
13 the Administration can do to alleviate
14 these risks, I will echo recommendations
15 you've heard previously. First, you can
16 try to mitigate the risks through the
17 powers of zoning and land use regulation.
18 These are not foolproof, but you have the
19 ability to ensure that local zoning does
20 not further incentivize displacement or
21 over-investment. More restrictive zoning
22 in Opportunity Zones will allow the City
23 and community groups to negotiate with
24 developers to minimize displacement and
25 discourage development that does not

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2 benefit neighborhoods. A careful and
3 transparent property disposition policy
4 can ensure that the City does not make
5 its own property available to
6 developments that displace residents or
7 lead to a local real estate bubble.

8 Secondly, the City can try to
9 proactively encourage positive impacts
10 that align with City policy priorities.
11 This could include inclusionary zoning or
12 revised transit-oriented development
13 overlays that offer significant density
14 bonuses but which also require
15 anti-displacement and inclusionary
16 practices.

17 The City could form land
18 development partnerships in Opportunity
19 Zones, as it has done previously in the
20 Navy Yard and elsewhere. This may
21 include joint ventures where public
22 agencies control some parcels and private
23 entities own adjacent parcels and where
24 the combined parcels could support high
25 impact development.

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2 I will add that some community
3 partners have approached LISC about
4 financing private property acquisitions
5 that would be for the immediate purpose
6 of removing properties in Opportunity
7 Zones from the speculative market. The
8 eventual goal would be to preserve or
9 redevelop such properties to meet
10 identified community needs such as
11 affordable housing. LISC's standard
12 financing does not allow for such
13 community land banking. However, we
14 recognize the tremendous need for this,
15 and we are exploring raising patient and
16 low-cost funds that would allow us to
17 assist with such community preservation
18 efforts. If such efforts could align
19 with City land development, this could
20 increase the positive impact of
21 Opportunity Zone investments.

22 As a third strategy, as already
23 stated, the City can work with PIDC and
24 other partners to market local
25 Opportunity Zones to investors whose

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2 strategies align with City priorities.

3 If the City wants to encourage more

4 investments in workforce housing, it will

5 need to market available opportunities to

6 investors who understand residential

7 housing markets. If the City wants to

8 attract investment to overlooked

9 neighborhoods, it may need to develop a

10 market prospectus that highlights the

11 financial returns and social impacts that

12 investments could yield in those

13 neighborhoods.

14 Finally, I would like to

15 address one last risk that is probably

16 obvious to some members of City Council.

17 There is a risk that local and state

18 governments may overreact to Opportunity

19 Zone designations and over-allocate

20 scarce public resources to Opportunity

21 Zones to the detriment of other areas of

22 the municipality or state. If I may

23 speak briefly to this last risk, I would

24 simply remind us all that Philadelphia is

25 a large city and most of its

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2 neighborhoods and commercial areas are

3 not in designated Opportunity Zones.

4 Some neighborhoods are only partially

5 included in zones. We should ensure that

6 whatever local policies we enact in

7 response to Opportunity Zones do not

8 inadvertently harm communities that fall

9 outside of the zones.

10 Thank you for the opportunity
11 to testify.

12 COUNCILWOMAN SANCHEZ: Thank
13 you.

14 MR. RACHLIN: Thank you,
15 Chairwoman Sanchez and members of the
16 Committee. My name is Andy Rachlin. I'm
17 a Managing Director at Reinvestment Fund,
18 a large Community Development Financial
19 Institution based here in Philadelphia
20 and working nationally. Thank you for
21 the opportunity to testify today.

22 As you've heard, Opportunity
23 Zones are a relatively simple tool, free
24 of the kind of restrictions that
25 characterize many federal development

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2 funding sources, and this is a strength
3 in many respects. The flip side of this
4 simplicity, though, is that Opportunity
5 Zones are only lightly targeted. They do
6 not need to evidence any particular
7 positive impact or the avoidance of any
8 particular negative impact.

9 You've already heard a great
10 deal about the diverse nature of the
11 Opportunity Zone census tracts, so I
12 won't belabor the point. I will,
13 however, point to some analytics that
14 Reinvestment Fund's research team has
15 done that can help point to the
16 opportunity and risks specific to various
17 census tracts.

18 In the map that I've attached
19 to the written version of my testimony,
20 which looks like that, you can find it in
21 your packets, you'll see that the
22 qualifying tracts overlaid on top of two
23 crucial layers of data. The first is our
24 Market Value Analysis, which I know is a
25 tool familiar to many on City Council.

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2 The MVA measures the relative strength of
3 the real estate markets across the City.

4 The other is our Displacement Risk Ratio,
5 a metric designed to indicate the risk
6 that existing residents will be displaced
7 due to rising property values in a given
8 census tract, a critical measure of the
9 broad phenomenon we call gentrification.

10 By layering these together, we can see on
11 the one hand where exactly Opportunity
12 Zones are most likely to amplify
13 affordability concerns and also, on the
14 other hand, where Opportunity Zones alone
15 might not be enough to incent development
16 and, in fact, disinvestment is perhaps a
17 greater concern than gentrification.

18 The reason that Opportunity
19 Zones may struggle in some places on
20 their own to incent development is that
21 an Opportunity Zone offers only
22 relatively modest subsidy. You heard
23 Anne Fadullon mention this earlier, and
24 I'll try to quantify it a little bit.

25 Compare it, for example, to the

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2 level of subsidy offered by new market
3 tax credits. On a given \$50 million
4 project, an allocation of new market tax
5 credits could produce something on the
6 order of \$10 million in new, effectively
7 free equity capital to the project. An
8 Opportunity Zone designation for that
9 same project, by contrast, might only
10 produce something on the order of 2
11 million of new equity based on the same
12 cash flows in the project.

13 If we take these aspects of
14 Opportunity Zones together, their lack of
15 requirements that tailor them to projects
16 with positive social impacts, the wide
17 spectrum of conditions on the ground in
18 eligible census tracts and the relatively
19 modest subsidy that an Opportunity Zone
20 offers, we can begin to get a sense of
21 their limitations.

22 Simply put, Opportunity Zones
23 are unlikely to radically change the
24 nature of development in any given place,
25 but rather to nudge development further

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2 and faster in the direction it was
3 already headed.

4 In this context, Opportunity
5 Zone benefits are unlikely to naturally
6 flow to highest impact projects per se.
7 Rather, they are likely to flow to
8 projects that offer the best
9 risk-adjusted returns, like the private
10 capital markets they are intended to
11 reflect and weighted heavily toward
12 projects in strong census tracts and
13 backed by bigger developers that are
14 known commodities.

15 While relatively few concrete
16 projects utilizing Opportunity Zone
17 financing have yet been made public, we
18 can already begin to see this trend in
19 action. In Baltimore, for example, where
20 we also work, the first announced
21 Opportunity Zone project was not a health
22 center or affordable housing but rather a
23 large commercial development backed by an
24 institutional developer and anchored by
25 an office complex, chain restaurants, and

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2 an LA Fitness gym. This isn't a bad
3 project by any means, but nor is it
4 likely to positively contribute to equity
5 in the community in the way we imagined
6 OZ projects might and should.

7 As we think about how to
8 respond to these kinds of concerns at the
9 local level, I believe that carrots are
10 more likely to be impactful than sticks,
11 both because there is limited ability to
12 regulate Opportunity Zone activity at the
13 local level, as you've heard, and also
14 because attempts to regulate the program
15 could impede one of its chief values,
16 which is that Opportunity Zones are
17 constructed broadly enough to
18 meaningfully scale.

19 This could mean, for example,
20 offering additional incentives in the
21 form of low interest or subordinate loans
22 to developments in Opportunity Zones that
23 demonstrate measurable positive benefits,
24 say, including a health center geared to
25 serve low-income people. Similarly,

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2 local incentives could support projects
3 that actively mitigate potential
4 downsides of Opportunity Zone development
5 in tracts where there's a primary
6 concern, including, for example, as you
7 heard Beth mention, lower cost housing
8 and development market experiencing a lot
9 of price pressure.

10 I should note that PIDC,
11 working with Anne and with the Commerce
12 Department, has commendably already found
13 ways to construct exactly these sorts of
14 incentives using some of their own
15 resources, but to be frank, the scale at
16 which they're able to operate without
17 broader public support is limited.

18 As such incentives are
19 developed, it will be important to help
20 us use data to guide deployment. For
21 example, as the map I referenced earlier
22 makes clear, the worry that an
23 Opportunity Zone might contribute to
24 rapid gentrification is a much greater
25 concern in some census tracts than

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2 others. In a neighborhood where
3 affordability is at risk, incentives
4 should prod developers to preserve it.

5 But in neighborhoods without market
6 pressure where disinvestment is, if
7 anything, at greater risk, the incentive
8 should be to stabilize properties and
9 eliminate blight.

10 I would, as an aside, note that
11 one excellent vehicle for doing the
12 latter is workforce housing, an
13 investment type you've heard others
14 mention and that I believe may be
15 particularly well-suited for Opportunity
16 Zone support for various reasons.

17 Finally, if the City is going
18 to incentivize certain Opportunity Zone
19 projects, it would also be useful to
20 couple that incentive with some data
21 collection protocols. Another weakness
22 of the Opportunity Zone legislation is
23 that it doesn't require Opportunity Zone
24 projects to report much about their
25 nature or operations, so it will be

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2 difficult, absent local action, to
3 reasonably asses their impact. A local
4 intervention presents an opportunity to
5 remedy this shortcoming as well.

6 Thank you very much again for
7 the opportunity to testify.

8 COUNCILWOMAN SANCHEZ: Thank
9 you to all of you. Real quickly, and
10 I'll pass over to Councilman Domb, I have
11 a few questions for different parts of
12 you.

13 What, if anything, have any of
14 you seen, particularly Econsult and the
15 Reinvestment Fund, has been a good
16 practice that other people are utilizing
17 that locally we should act quickly on?

18 MS. FORMAN: Are you talking
19 about a good practice from the
20 municipality side?

21 COUNCILWOMAN SANCHEZ: Yes,
22 municipality.

23 MS. FORMAN: So marketing
24 themselves aggressively is going to be
25 incredibly important. So that's what

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2 we've seen some of the early

3 municipalities and states do. I think

4 Anne had mentioned this a little bit.

5 There are some really fantastic websites.

6 Delaware has a really good one. It has a

7 story board, a technical board. So

8 literally has every single Opportunity

9 Zone out there and throughout the entire

10 state, and not just the demographics of

11 it but also kind of the incentives that

12 are overlaid in those areas and just the

13 story of what could -- the vision of what

14 could be in those different areas. So I

15 think that is really important.

16 The other thing that people are

17 doing and some municipalities are not

18 doing, which they're trying to get too,

19 is bringing their stakeholders together,

20 whether it's the government, whether it's

21 the community development organizations,

22 CDCs, to really say what is it that we

23 want in this specific area. And I think

24 Philadelphia is ahead of the curve by

25 having a very sophisticated Planning

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2 Department and sophisticated master plans
3 and neighborhood plans. So that is one
4 step in the right direction. But
5 aggressively marketing and really trying
6 to overlay -- I mean, what's really
7 important to remember is that this is
8 very fluid capital. It can go anywhere,
9 right? So it's really important to say
10 we have our act together, we know what we
11 want here, we have our goals here, and
12 look here in Philadelphia.

13 MR. RACHLIN: Yeah. I would
14 essentially echo that. It's hard in a
15 certain sense to say what a good practice
16 is, because there are effectively no
17 projects with shovels in the ground yet,
18 so we're sort of speculating. But I
19 think we can infer from the way that
20 cities have successfully corralled other
21 subsidies to sort of punch above our
22 weight, as Councilman Domb suggested
23 we've already done in terms of how well
24 organized we were in sort of corralling
25 census tracts in the City to have sort of

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2 more than our population might suggest,
3 essentially being organized is the first
4 and probably the cheapest and most bang
5 for the buck step.

6 So if you look, for example, at
7 cities that have been very successful at
8 recruiting more than their population
9 base share of new market tax credits, one
10 of the consistent things they've done
11 very well is organize pipelines of
12 projects so that a given investor can
13 look at what their investment objectives
14 are and very quickly see where they could
15 deploy that capital, because new markets
16 likewise are capital that tends to be
17 able to sort of move around. That's
18 something that PIDC has done, for
19 example, very effectively in the new
20 market tax credit space and has already
21 started to do, along with the Commerce
22 Department and Anne's office, in the
23 Opportunity Zone space, and I do think
24 that that is exactly the right first
25 investment based on what we've seen from

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2 other programs and their effect.

3 COUNCILWOMAN SANCHEZ: So, Andy
4 Frishkoff, since you were here during the
5 American Street Empowerment Zone days, I
6 want to kind of reiterate a part of your
7 testimony that's hugely important, not
8 that these Opportunity Zones are not
9 important, but the caution about
10 diverting a current plan and current
11 investments. So given that experience,
12 your old hat when you were here, and the
13 cautionary tone that you've put in your
14 testimony, what would be your
15 recommendation or what do you see in your
16 national lens through LISC?

17 MR. FRISHKOFF: Well, I think
18 the one piece is, what the City has in
19 abundance I think are plans and
20 priorities, and Opportunity Zones
21 shouldn't distract from your plans and
22 priorities. I think it's fairly clear
23 that just by what was eligible, et
24 cetera, Opportunity Zones are basically
25 non-sequiturs for most middle

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2 neighborhoods. Most middle neighborhoods
3 weren't necessarily eligible. They
4 weren't designated. If you have a set of
5 middle neighborhood strategies, you can't
6 let Opportunity Zones distract you from
7 those strategies, and you need to figure
8 out how you do both.

9 Similarly, and the Seventh
10 District is an example of this, you have
11 neighborhoods just as with the
12 Empowerment Zone and with renewal
13 communities where neighborhoods are
14 bisected. Half are in and half are out.
15 Fifth Street is the dividing line in
16 Fairhill. Kensington Avenue is the
17 dividing line in Kensington. And so one
18 of the key questions for those commercial
19 corridors in those neighborhoods is, how
20 do you try to make sure that you really
21 have sensors on the ground in case you
22 start to see really distorted investments
23 or consequences going from one half to
24 the other, and that's probably kind of
25 the micro level.

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2 I think the other piece is, I
3 think on the one hand everybody is
4 focused on the clock is ticking and the
5 highest impact investments are now. I
6 think what's quite likely to happen in
7 the federal policy level is either this
8 has legs and gets extended, in which case
9 invariably there are opportunities to go
10 back and redesignate as there were with
11 some Empowerment Zones and with the
12 renewal communities, or it was not much
13 of anything and we all forget about it in
14 a couple years and go on to other things.
15 But I do think paying attention to where
16 you had missed opportunities, where you
17 might wish that you could have unified
18 areas all in or all out is something I
19 would recommend.

20 COUNCILWOMAN SANCHEZ: And
21 then, finally, Beth, in terms again
22 looking at there are some very aggressive
23 cities who are like we're open for
24 business, do whatever, right, and then
25 there are other cities, as was mentioned,

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2 that are articulating exactly the types
3 of investments they want to facilitate
4 and incentivize, what should we be doing
5 over the next few months or what would
6 you like to see in terms of
7 public-private partnerships for us to
8 monitor this and, again, not to create
9 barriers but to be more intentional?
10 What would you like to see?

11 MS. McCONNELL: I think maybe
12 not in all, but in many of the designated
13 Opportunity Zones, we have organizations,
14 non-profit organizations, community
15 groups that have already done a community
16 engagement process and a planning process
17 for what they want to see in their
18 neighborhoods, the kind of housing, the
19 kind of economic development, the kind of
20 capital improvements, the work on the
21 commercial corridors. So I think going
22 back to those plans and seeing how can we
23 use either the Opportunity funds to
24 invest in those things or how can we
25 steer other City investment that may be

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2 completely disconnected from Opportunity
3 Zones into those places because we know
4 it will be necessary to invest in the
5 people and the businesses and the places
6 that non-mission-driven investors will
7 overlook and could potentially displace.

8 COUNCILWOMAN SANCHEZ:

9 Councilman Domb.

10 COUNCILMAN DOMB: Thank you,
11 Madam Chairwoman.

12 I guess most of my questions I
13 think are going to be for Mr. Rachlin.
14 First of all, your chart is excellent on
15 the -- it's very helpful to me.

16 I had several questions. One
17 question is, a property that's in an
18 Opportunity Zone versus one that is not
19 in an Opportunity Zone, do we have any
20 idea what the delta is on the value? If
21 you had a property in a Opportunity Zone,
22 I had one that was not and a similar
23 property, is there a 10 percent
24 difference, 20 percent difference?
25 What's the difference in the value?

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2 MR. RACHLIN: To be honest with
3 you, I haven't thought about it in those
4 terms. Using the numbers we have, we
5 could run an estimate. We've thought
6 about how much equity could a property
7 absorb relative to how much debt would
8 need to be financed to make a given
9 project work based on the same cash flow.
10 So if you take a building and you assume
11 its cash flows are constant, because it
12 is what it is and you can rent the
13 apartments or stores or whatever for what
14 it is, what debt/equity mix is possible
15 based on the returns that equity would
16 require, and essentially what we're
17 seeing -- again, we haven't seen a whole
18 lot of like fully baked projects saying
19 this is our pro forma, but talking to a
20 number of the national accounting firms
21 like CohnReznick that are helping
22 developers put these kinds of projects
23 together and think about how to factor in
24 the effect of the Opportunity Zone, what
25 we're seeing is that investors are

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2 willing to take their sort of target
3 IRRs, internal rates of return, down from
4 the sort of mid to high teens to the low
5 to mid double digits and they're willing
6 to take their sort of annual cost of
7 capital from the high single digits down
8 into the mid single digits. So that
9 allows something like a 20 percent
10 increase in how much equity a property is
11 able to carry based on the same cash
12 flows, because the difference in return
13 is made up for by the tax benefit.

14 COUNCILMAN DOMB: So any idea?
15 Is it 10 percent more, 20 percent more?
16 Any ballpark range?

17 MR. RACHLIN: Well, if the same
18 property can carry 20 percent more
19 equity, yeah, that would probably be in
20 the ballpark.

21 COUNCILMAN DOMB: 20 percent?

22 MR. RACHLIN: Ten to 20 percent
23 more equity, roughly. And I should say
24 that those are very rough numbers,
25 because the factor that can change a

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2 great deal property to property and it's
3 very locational is what a developer's bet
4 effectively about how much that property
5 is going to appreciate is, because the
6 value of that appreciation tax benefit is
7 so great, that if you're in a
8 neighborhood where you think the property
9 is going to appreciate a great deal, you
10 might be willing to invest a great deal
11 more, not on the basis of anticipated
12 cash returns but on the basis of
13 anticipated exit returns.

14 COUNCILMAN DOMB: Right. So
15 let me just go to the map that you
16 provided us for a minute. I want to make
17 sure I understand the map.

18 You have in the map, is it
19 Parkside is in the Opportunity Zone?

20 MR. RACHLIN: Parts of
21 Parkside, yeah.

22 COUNCILMAN DOMB: So those
23 slashes are basically where the
24 Opportunity Zone is?

25 MR. RACHLIN: That's right,

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2 yeah.

3 COUNCILMAN DOMB: And some of
4 those slashes are in the steady weak
5 market neighborhoods, I see.

6 MR. RACHLIN: Yes.

7 COUNCILMAN DOMB: And a big
8 piece is along the river from, looks
9 like, Northern Liberties all the way up
10 to Holmesburg.

11 MR. RACHLIN: That's right.

12 COUNCILMAN DOMB: That whole
13 section is in the Opportunity Zone?

14 MR. RACHLIN: That's my
15 understanding, yeah.

16 COUNCILMAN DOMB: That's a
17 big -- I mean, would that be like master
18 plan? Because that's a huge section of
19 our real estate.

20 MR. RACHLIN: Yeah. I'm not
21 intimately familiar with how census
22 tracts are constructed, but that's my
23 understanding.

24 COUNCILMAN DOMB: Okay. And
25 then --

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2 MR. RACHLIN: It may have to do
3 with the fact that parts of those River
4 Wards are not terribly dense, so the
5 population is not very heavy because it's
6 the industrial portions of --

7 COUNCILMAN DOMB: I'm just
8 looking at the chart and saying what are
9 the opportunities in Philadelphia, and
10 that looks like a great opportunity along
11 the waterfront there.

12 The other question I had, 46th
13 and Market, which we've had discussions
14 on, the building, is that in the
15 Opportunity Zone?

16 MR. RACHLIN: I'm sorry? Say
17 that again.

18 COUNCILMAN DOMB: 46th and
19 Market.

20 MR. RACHLIN: 4601 Market? I
21 don't know. I think it is, but I don't
22 know if it stretches that far. We can
23 certainly get you an electronic version
24 of the map that you can zoom in and see
25 the streets.

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2 COUNCILMAN DOMB: Because I
3 know we're discussing the potential sale
4 of that building, and I would say if it's
5 in the Opportunity Zone, that should
6 hopefully get us a better price.

7 MR. FRISHKOFF: I'm almost
8 positive that it is in the Opportunity
9 Zone.

10 MS. McCONNELL: They're going
11 to pull up the maps now.

12 COUNCILMAN DOMB: This is a
13 very good map, by the way, that you did.
14 I appreciate it.

15 MR. RACHLIN: Thank you. I
16 should say for the record that I had no
17 hand in it whatsoever. Ira Goldstein and
18 his team get the credit for that, not me.

19 COUNCILWOMAN SANCHEZ: We thank
20 the Reinvestment Fund for all of its
21 work.

22 COUNCILMAN DOMB: So on this
23 map, does Councilman O'Neill's district
24 have any Opportunity Zones?

25 COUNCILWOMAN SANCHEZ: Yes; the

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2 top.

3 COUNCILMAN DOMB: Just one?

4 COUNCILWOMAN SANCHEZ: Up at
5 the top.

6 COUNCILMAN DOMB: I see. Okay.

7 So 46th and Market is in the
8 Opportunity Zone?

9 MR. WETZEL: It is.

10 COUNCILMAN DOMB: Okay. I have
11 no further questions. Thank you very
12 much. Thank you.

13 MR. RACHLIN: Thank you.

14 COUNCILMAN DOMB: Thank you,
15 Madam Chair.

16 COUNCILWOMAN SANCHEZ:
17 Councilwoman Parker.

18 COUNCILWOMAN PARKER: I'm
19 sorry. We're just having an inside
20 moment here.

21 Let me just say first thank you
22 to each of you for your testimony.

23 Councilwoman, I'm thinking
24 about that three-hour CLE that you talked
25 about at Ballard Spahr that produced

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2 this, and then I'm listening to your
3 testimony, Brittany, and I want you to
4 think about a semester with Dr. Peter
5 Angelides saying, Cherelle, you are not
6 allowed to talk about economic
7 normatively, only positively. So those
8 are the questions I want to ask you,
9 Brittany. And, listen, that was
10 grueling.

11 Brittany, tell me this: I
12 appreciate you giving us context and the
13 history of how the whole Act came into
14 being, but you very specifically -- and I
15 want to, because I'm going to come back
16 to you, Andy Frishkoff, because you give
17 hope about the regional alliances, right,
18 very normative, this is what we hope,
19 this is what we think, we can't prove it
20 now.

21 But you very specifically,
22 Brittany, talk about the agnostic
23 investors, and just for the record, I
24 want you to explain what is an agnostic
25 investor. And we heard you talk about

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2 the return, but Philadelphians should
3 know that right now factually these are
4 many of the folks who are investing.

5 MS. FORMAN: So when we say
6 agnostic investor and agnostic capital,
7 we're talking about a fund that is set up
8 that really doesn't have a specific
9 desire to be in any maybe specific place
10 or desire to be in a community and say I
11 want this project to happen so it can
12 benefit the community in this way. And
13 so really they're just looking to -- they
14 have the requirements of the fund.
15 Ninety percent of it has to go into a
16 Qualified Opportunity Zone. They have
17 all these requirements. They just need
18 to make sure that their project
19 appreciates over time so that they can
20 get the maximum amount of benefits for
21 the investors, the original people who
22 put in their capital gains.

23 And so there are a number of --
24 so the funds that are being developed
25 right now, and there are two different --

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2 again, some of the funds are not publicly
3 letting people know that they're
4 developing funds and developing projects,
5 but there are two kind of websites or
6 organizations that are tracking funds
7 right now and Overgraddick (ph) is one
8 and the other is NCSHA, National Council
9 of Housing and -- State Housing
10 Associations. And so there's a whole
11 list of funds that are out there, and a
12 lot of them are just saying national or a
13 lot of them are saying multi-family but
14 national. Some of them are saying we
15 want to be specifically Northeast. We
16 want to do, I don't know, healthy food
17 access in the Northeast. And so -- but,
18 yeah, there are just a lot of funds out
19 there that are pulling together lots and
20 lots of money and they are just trying to
21 find the projects that are going to get
22 them the returns that they need.

23 COUNCILWOMAN PARKER: In
24 addition to that, from time to time I
25 know all of the District Councilmembers

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2 have experienced this. You have aligned
3 what you very specifically noted, it's
4 very important for government to be seen
5 as a partner to work with and not a
6 hindrance to avoid. From working with
7 the clients you're interacting with,
8 helping them with market analysis, tax
9 reduction, elimination and different
10 scenarios, tell me, can you very
11 specifically give some examples of what
12 would be considered, just to sort of get
13 on the record? So Councilwoman Sanchez
14 asked about what are the best practices
15 you guys are seeing across the country,
16 but I want you to very specifically, if
17 you can put on the record, members of the
18 City Council of Philadelphia whose
19 districts contain these locations, we
20 would hope that you would avoid X, Y, and
21 Z locally. Is there anything you can put
22 on the record for us?

23 MS. FORMAN: Let me say --
24 maybe. Let me say on the positive side,
25 so things that Anne was talking about,

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2 saying if you're interested in being
3 here, what's in it for us, but the first
4 part of that is, if you're interested in
5 being here, we, the City government, can
6 bring things to the table, and that is a
7 way to be a partner to say, hey, we can
8 bring infrastructure development around
9 here, we can bring -- we can let you know
10 the projects that are in the pipeline
11 that already have community support. And
12 so that's a really positive way -- I
13 think the approach that she's taking
14 already is a positive way to be a
15 partner.

16 On the flip side, of being an
17 obstacle, I would think that if it was --
18 I would think that if you were to say,
19 oh, if you want to build the project
20 here, you have to go through five
21 different community meetings, something
22 like that. I don't know how many you
23 typically do, but maybe -- the thing is
24 that we cannot delay. You don't want to
25 add in --

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2 COUNCILWOMAN SANCHEZ: Are you
3 from Philadelphia?

4 COUNCILWOMAN PARKER: Thank
5 you, Madam Chair.

6 MS. FORMAN: I'm from the
7 region. I'm not from the City.

8 I'm trying to say things that
9 are going to delay the process
10 essentially is what you want to avoid.

11 COUNCILWOMAN PARKER: Well, no.
12 I appreciate that and really did -- Anne
13 really talked about different tools that
14 the City of Philadelphia was already, we
15 are already working on promoting to
16 further incentivize and let the
17 investment community know, hey,
18 Philadelphia is open for business, but I
19 really did want you to get some of that
20 on the record beforehand, because
21 sometimes, Councilwoman, Madam Chair, we
22 get accused of not asking, right, in
23 advance. So at least I can say we asked
24 that positive economic analysis thinking,
25 Econconsult, on the record and they gave us

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2 what they could.

3 Andy, I want you, Frishkoff,
4 LISC, tell us about this regional concept
5 that you are thinking about now. I know
6 you said you don't have it etched in
7 stone, but you talked about these
8 investments potentially, potentially
9 being used to attract investors who are
10 concerned about a localized impact. Are
11 they far, few and in between? Without
12 any firm commitment, what is the sense?

13 MR. FRISHKOFF: Well, so I
14 think here's the one difficulty for us
15 sort of going into it. On the one hand,
16 we and Reinvestment Fund both have had a
17 lot of success in attracting investors
18 and along the lines of sort of Community
19 Reinvestment Act or philanthropic
20 investments and whether they're looking
21 for a rate of return or not, but we with
22 the low-income housing tax credits, the
23 new market tax credits, and our loan
24 funds have had alignment with those
25 corporate and institutional investors.

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2 Those aren't necessarily the same
3 investors who are likely going to be the
4 large players in the Opportunity Zone
5 investment. So for us, we have had to
6 invest in our own infrastructure to build
7 new relationships.

8 Now, we've been doing some of
9 that already. We have some partnerships
10 with people like John Legend and others
11 in New York City which pre-date
12 Opportunity Zones, but they may better
13 fit the profile, somebody who is looking
14 for a return but also social impact.

15 You look at some of the
16 athletes and others who are now active,
17 not necessarily as sole investors but in
18 partnerships in Philadelphia. Are they
19 more likely the target investors
20 particularly for localized or regional
21 funds.

22 I think what we offer and the
23 Investment Fund potentially offer is that
24 we exist in multiple cities. So we also
25 offer the opportunity to be an investor

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2 not just in Philadelphia but in Newark or
3 in Baltimore, in Reinvestment Fund's case
4 DC, New York. So that may appeal to some
5 investors who are not overly localized.

6 And then I think this is a
7 different part of, I think, what
8 Councilman Domb was asking earlier. We
9 also have a lot of wealth that's in
10 suburban communities, corporate or
11 individual, and for the most part, we
12 don't have a lot of suburban Opportunity
13 Zone tracts. There are some. And the
14 question is, do those investors
15 potentially have a regional interest in
16 Greater Philadelphia that they wouldn't
17 necessarily have in metropolitan New
18 York. In metropolitan New York there are
19 probably bigger upsides and some bigger
20 players, so for the agnostic investor,
21 they may seek out those returns. But if
22 they have any regional sort of ties, then
23 it may be that they would look to
24 something in Philadelphia.

25 And the other piece too is that

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2 you don't have to be a big fund. You, as
3 a real estate developer, can create your
4 own fund. And so you in theory as a
5 business, if you wanted to relocate in
6 Philadelphia, might be able to invest in
7 your own relocation. Now, whether you
8 choose to do that or not, to Andy's
9 point, there are marginal benefits on the
10 returns, but they might be the final
11 tipping.

12 COUNCILWOMAN PARKER: Madam
13 Chair, my last comment or question for
14 Andy is, let me echo Councilman Domb's
15 comments about the mapping. Obviously
16 you know I depend on the Reinvestment
17 Fund for everything, right? And we've
18 been working together for --

19 MR. RACHLIN: Ira says hi.

20 COUNCILWOMAN PARKER: -- a very
21 long time. In your testimony, you talk
22 about -- and if Councilman Johnson were
23 here, I know he would want this on the
24 record or just further delve into it.
25 You talk about in a neighborhood where

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2 affordability is at risk, incentives

3 should prod developers to preserve it.

4 So, again, I'm thinking about Brittany's

5 comments, but then I'm thinking about

6 your statement that our incentives should

7 prod developers to preserve it if

8 affordability is at risk. Does anything

9 come to mind, any specific tools or

10 structure that says, wait, you can walk

11 and chew gum at the same time, City of

12 Philadelphia, and this is a way you can

13 do it?

14 MR. RACHLIN: Well, so I think

15 what I'd say is specific policy -- I'm a

16 lender by trade. Specific policy

17 proposals are sort of outside my ambit,

18 but I think you heard from Beth there's a

19 variety of tools out there that may be

20 able to be sort of dissected and used

21 differently on a

22 neighborhood-by-neighborhood basis, and

23 that's essentially what I was

24 encouraging, that in a neighborhood like

25 big parts of Councilman Johnson's

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2 district where affordability is the
3 primary concern, you'd want to be
4 conscious to have one tool in Opportunity
5 Zones, because they're likely to have a
6 sort of accelerative effect of that
7 phenomenon there, but you wouldn't
8 necessarily want to put the same kinds of
9 restrictions or boundaries on that same
10 tool in other districts where the primary
11 concern is disinvestment, not
12 overinvestment, right? So that was the
13 point I was trying to make.

14 I did also actually want to
15 amend an answer, if I might, that I gave
16 to Councilman Domb. As I was thinking
17 after the fact about the math in my head
18 about the effect on purchase price, I
19 think 10 to 20 percent is probably
20 overstated. If we think about my example
21 of a \$50 million project being able to
22 increase the total amount of capital that
23 can be invested in that project on the
24 same cash flows by about \$2 million based
25 on an Opportunity Zone designation, that

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2 suggests something more like on the order
3 of 5-ish percent increase in purchase
4 price if you're thinking about it from a
5 buyer's perspective. Again, that will
6 vary significantly based on what that
7 buyer's sense of long-term appreciation
8 possibility is.

9 COUNCILWOMAN PARKER: Madam
10 Chair, thank you.

11 Thank you, Andy, for your
12 response, and you said what I hoped you
13 would. And sometimes I don't know that
14 we really get this, but, in essence,
15 there is no one-size-fits-all package
16 that we should be developing in all of
17 the City's locations. It would have to
18 be tailored for each different district,
19 and not only just each district, if
20 you're on one side of the Ninth,
21 Councilwoman, and then you go over to the
22 other area, you wouldn't offer the same
23 incentives there. So I appreciate your
24 getting that on the record.

25 In addition to that, I want to

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2 leave with -- you all read the article
3 about Minneapolis and this
4 one-size-fits-all adjustment for zoning
5 with single-family dwellings. I also
6 wanted you to get that on the record too,
7 because, Councilwoman, I think we'd be
8 going to Wolf if somebody talked about
9 doing that here in the City of
10 Philadelphia.

11 So thank you all so very much
12 for your testimony.

13 And, Councilwoman Sanchez,
14 thank you for your leadership in putting
15 together this hearing.

16 COUNCILWOMAN SANCHEZ: Thank
17 you. I think what we're trying to
18 develop and I guess the discussion is
19 what is the narrative, right? How can we
20 have a narrative that says we want
21 investments, but we also want investments
22 that are shared values about the type of
23 city we're trying to create, right? And
24 I don't think that's a conflict. I think
25 that we should be intentional in

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2 providing incentives and facilitating for
3 those social impact developers, right?

4 So for me, my intent is particularly
5 because so much of my district is part of
6 this, right, and how much we struggle
7 with equitable development in those areas
8 is, we want to attract folks who are okay
9 with making money and having impact as
10 opposed to just saying just come in here,
11 you're going to drop money and make money
12 and we're not going to give you a hard
13 time. I don't have a problem letting
14 folks know I'm going to give you a hard
15 time if that's your only goal. I'm okay
16 with you making money and having an
17 impact, and I don't think that should be
18 in conflict.

19 So I think that's what we're
20 trying to do, is develop that narrative
21 and people are prepared.

22 Councilman, do you have another
23 question for this panel? We have one
24 more panel.

25 COUNCILMAN DOMB: Thank you,

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2 Madam Chairwoman.

3 COUNCILWOMAN SANCHEZ: I'm
4 sorry. Councilman Taubenberger. My
5 apologies.

6 COUNCILMAN TAUBENBERGER: I
7 yield, but let me ask a question before
8 the panel is dismissed.

9 COUNCILMAN DOMB: Two
10 questions. First, the area of the opioid
11 problem in Councilwoman Sanchez's
12 district, Kensington Avenue from like
13 Lehigh up to Allegheny, let's say, is
14 that in the Opportunity Zone? Because it
15 looks --

16 COUNCILWOMAN SANCHEZ: All of
17 it.

18 MR. FRISHKOFF: Well, it's
19 half. So the western half is in.
20 Anything on the eastern half is out.
21 That's the census tract divide.

22 COUNCILMAN DOMB: So one side
23 of the street is in, one side is not.
24 Okay.

25 And then the other question I

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2 had, and you made this comment I think,
3 Mr. Frishkoff, in your testimony, which I
4 thought was a good idea, you talked about
5 how the City could form land development
6 partnerships in Opportunity Zones as sort
7 of the Navy Yard. And when you look at
8 this map that you put together, it seems
9 to me that this Kensington, Port
10 Richmond, Frankford swath of land along
11 the river should be something we should
12 look at as a city as maybe a second Navy
13 Yard or something like what other cities
14 like Camden has built on the waterfront
15 there, where we could have a tremendous
16 job generation going on there that would
17 support those areas of Juniata, Olney,
18 Tioga that need jobs. This seems to me
19 where we should focus on doing a second
20 Navy Yard, big project. And even if we
21 had to give whatever incentives for the
22 jobs, we should give them, because we
23 need those jobs in the City. What is
24 your thought on that?

25 MR. FRISHKOFF: I'm not a port

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2 export, but I think that's the type of
3 opportunity I think there and around some
4 of our large transit stations and
5 transportation hubs. Those are where I
6 think you could do some very interesting
7 land development. And I think that the
8 City of Wilmington has put their port
9 fully in the Opportunity Zone, at least
10 those parts that are eligible. And so I
11 think -- and just to be clear, the Navy
12 Yard was ineligible under the guidelines,
13 so there was not an option for the
14 Governor to put the Navy Yard in, but to
15 your point, here's another part with
16 river amenities that we could take
17 advantage of.

18 COUNCILMAN DOMB: Thank you.

19 Thank you for your testimony.

20 Thank you, Madam Chairwoman.

21 COUNCILWOMAN SANCHEZ: Thank
22 you.

23 We are going to count on the
24 expertise of this panel and the
25 partnership that you've always given the

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2 City and our ability to create and ensure
3 appropriate implementation of all these
4 policies. As Councilwoman Parker said,
5 we really, really value our partnership
6 together. Thank you.

7 We're going to go to our final
8 panel.

9 COUNCILMAN TAUBENBERGER: Hold
10 on here.

11 COUNCILWOMAN SANCHEZ: Oh, I'm
12 sorry, Councilman Taubenberger. I am so
13 sorry.

14 COUNCILMAN TAUBENBERGER: You
15 don't have to apologize. You don't have
16 to apologize. Madam Chair, thank you.

17 I want to thank Panel 2. I
18 thought everything was very, very
19 informative and are quite a bit, but I do
20 have a specific question for
21 Mr. Frishkoff, and that being in your
22 testimony, you had more or less alluded
23 to if this program gets legs, it may be
24 extended. The federal act that gave life
25 to this program, is there a sunset

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2 provision in that?

3 MR. FRISHKOFF: There is, and
4 there's also some questions about exactly
5 when certain things start and stop. So,
6 for instance, at least one reading is
7 that if you were to put an investment in
8 place in 2020, that you would still have
9 your full ten-year benefit if you hold
10 that investment, although there are
11 certain aspects that sunset after 2027.

12 COUNCILMAN TAUBENBERGER: So
13 there is a potential that it could sunset
14 at 2027?

15 MR. FRISHKOFF: There are
16 certain things that start to come to an
17 end at 2027.

18 COUNCILMAN TAUBENBERGER: Of
19 course that could be extended by
20 Congress --

21 MR. FRISHKOFF: Exactly.

22 COUNCILMAN TAUBENBERGER: -- if
23 it's successful.

24 MR. FRISHKOFF: Yeah.

25 COUNCILMAN TAUBENBERGER: And

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2 also I guess my other question that leads
3 into that is, if the parcel is sold
4 during that time, do the benefits go with
5 that?

6 MR. FRISHKOFF: So your
7 investment to have your maximum benefit,
8 your maximum after-tax benefits, your
9 investment would need to be in place for
10 ten years to maximize your investment,
11 but if that investment is sold, you will
12 have some after-tax benefit, but you will
13 not maximize it.

14 COUNCILMAN TAUBENBERGER: But
15 it will not maximize.

16 MR. FRISHKOFF: Right. So the
17 property itself, unlike sort of like,
18 let's say, a Keystone Opportunity Zone,
19 the property itself doesn't have a
20 designation. It's your investment in the
21 place that actually has the designation.
22 And so when your investment starts and
23 stops, that, in a sense, determines --

24 COUNCILMAN TAUBENBERGER: So
25 these investments must be made prior to

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2 2027 as the law reads now?

3 MR. FRISHKOFF: That's
4 basically -- I mean --

5 MS. FORMAN: So there are two
6 portions of it. The initial capital gain
7 that you put into the fund, that's what
8 he's talking about, if you get it in
9 before 2026. So that can be deferred up
10 until 2026. By 2026, you have to pay
11 taxes on your initial capital gain. And
12 so in that timeline, depending on when
13 you put it in, there's a 10 percent
14 reduction or 15 percent reduction on your
15 taxes on that initial capital gain. But
16 you can put your money in in 2027 and you
17 wouldn't get that initial reduction or
18 deferral of capital gains. You can put
19 your money in in 2027. Ten years down
20 the road, it's 2037 and you've held it
21 for ten years, you can sell your
22 investment in that fund, and then you
23 would have the elimination. You would
24 not have to pay the -- if the project
25 appreciates, you would not have to pay

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2 capital gains on that appreciation.

3 So there's two pieces of it,
4 but what Andy was saying is correct in
5 terms of the initial capital gains
6 amount, after 2026 you don't get that tax
7 benefit.

8 COUNCILMAN TAUBENBERGER: Okay.
9 Thank you all very much for that
10 explanation.

11 Madam Chair, thank you.

12 COUNCILWOMAN SANCHEZ: And
13 that's an important piece, because it
14 could be a double whammy in that you're
15 not paying on your first investment and
16 then you have the potential not to pay on
17 any of its appreciated value, which is
18 why the time period could be extended.
19 And so some people can maximize doubly if
20 they invest appropriately.

21 COUNCILMAN TAUBENBERGER: Thank
22 you.

23 COUNCILWOMAN SANCHEZ: Thank
24 you.

25 Thank you again. Thank you

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2 all, and we will be looking to you for
3 more advice, more mapping, and more
4 datasets.

5 (Thank you.)

6 COUNCILWOMAN SANCHEZ: All
7 right. Maria Gonzalez, John Chin, Will
8 Gonzalez, and Jaime Farrant. Oh, John is
9 not here. Okay.

10 (Witnesses approached witness
11 table.)

12 COUNCILWOMAN SANCHEZ: Hello.

13 MS. GONZALEZ: Hello.

14 COUNCILWOMAN SANCHEZ: Good
15 afternoon. I was checking the time.

16 MS. GONZALEZ: Is it afternoon
17 already?

18 COUNCILWOMAN SANCHEZ: I see.

19 MS. GONZALEZ: Well, good
20 afternoon, Madam Chairwoman
21 Quinones-Sanchez and members of City
22 Council. My name is Maria Gonzalez. I
23 am the President of HACE and also the
24 President of the Board of Directors of
25 PACDC, the Philadelphia Association of

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2 CDCs, and thank you so much for inviting
3 my testimony.

4 HACE is a community development
5 corporation. We're a non-profit, and we
6 have been serving the Fairhill and St.
7 Hugh neighborhood since 1982. Our work
8 is guided by neighborhood plans that
9 prioritize the needs of community
10 residents and other stakeholders in the
11 community. We focus in the
12 implementation of our ten-year
13 neighborhood plans to serve core
14 activities that involve bricks and mortar
15 development of commercial spaces and also
16 multi-family developments. We also focus
17 in civic engagement and working with our
18 community residents, supportive services
19 for seniors, housing and energy
20 counseling, and also targeted corridor
21 management.

22 The organization's focused area
23 is bounded by Huntingdon Street on the
24 south, Glenwood Avenue to the north, and
25 from 6th Street to B Street on the east.

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2 The area includes five census tracts that
3 have high poverty rates ranging from 53
4 percent to 68 percent, which are among
5 the highest in the City. As with many
6 other areas in the City, this community
7 needs investment, but we need the right
8 kind of investment that will benefit
9 existing residents and give them a better
10 housing and economic opportunity.

11 Based on HACE's ten-year
12 neighborhood plan, the Good Land's 2025
13 neighborhood plan, we have many needs
14 that were identified, and some of these
15 include investment in our commercial
16 corridors. Right now we estimated that
17 about 24 million in retail sales is
18 leaving the neighborhood, and if there
19 were more retail opportunities to meet
20 the needs for full-service restaurants,
21 clothing stores, and other types of
22 businesses, we could keep that spending
23 in the neighborhood and add about 230
24 full-time jobs for community residents.

25 We've also identified specific

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2 parcels of land in our neighborhood that
3 can be sites for affordable housing to
4 serve low-income renters and also low-
5 and moderate-income families and provide
6 them the opportunity of homeownership.

7 In addition, we've also
8 identified homes that are in significant
9 need of repair that can either continue
10 to be used for affordable housing, to
11 repair them for the families that are
12 there or also to put properties back in
13 the tax rolls, rehab them and then have
14 them occupied.

15 Theoretically, the Opportunity
16 Zone program could be used as a mechanism
17 for leveraging resources to address the
18 needs for these and other additional
19 investments in our neighborhoods, but we
20 have significant concerns about whether
21 the Opportunity Zone designation will
22 help Fairhill. It is hard to see why
23 Opportunity Zone investors will want to
24 invest in these projects since serving
25 our existing population requires

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2 subsidized housing options and other
3 retail options that are affordable.

4 Investors will need to be mission-driven
5 and comfortable with returns that are far
6 lower than they have achieved in -- if
7 they invested in gentrifying
8 neighborhoods.

9 If investors do choose this
10 neighborhood for market-rate development
11 to attract higher-income residents into
12 the neighborhood, then we need to be
13 mindful that those projects will not
14 serve -- will not serve existing
15 residents and over the long term they can
16 also help displace residents from our
17 communities. So we need to focus on
18 investments that benefit long-term
19 residents and businesses so they can stay
20 in the neighborhood they've chosen to
21 live and work for a very long time.

22 To truly meet the needs, we are
23 committed to working with City Council
24 and the Administration to work together
25 and figure out how we can best use

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2 Opportunity Zone funds for land
3 acquisition and disposition that can
4 support community beneficial uses such as
5 those identified in HACE's neighborhood
6 plan, how to use Opportunity Zone funds
7 for affordable housing development for
8 both rental and homeownership to meet the
9 needs in our communities to increase
10 housing production, and learn how to
11 leverage these funds to support capital
12 improvements on corridors and retail
13 attraction strategies to help capture the
14 millions of dollars that are leaving our
15 neighborhoods due to the poor business
16 mix and insufficient supports for small
17 businesses.

18 There is more to learn about
19 Opportunity Zone and how we can best use
20 this vehicle in our neighborhoods. We
21 hope that Council and the Administration
22 can work with us and other CDCs that have
23 Opportunity Zones in their service
24 territories to ensure that we're using
25 every tool for equitable development.

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2 Thank you for the opportunity
3 to testify, and thank you, Councilwoman
4 Quinones, for convening this very
5 critical conversation.

6 COUNCILWOMAN SANCHEZ: Thank
7 you.

8 I'm going to let everyone talk
9 and then I want to talk a little bit
10 around commercial corridors, because I
11 think that's a huge piece for this.

12 Will or Jaime.

13 MR. GONZALEZ: Muchas gracias.
14 Thank you, Councilwoman, for inviting us
15 and giving the opportunity to speak
16 today. My name is Will Gonzalez. I'm
17 the Executive Director of Ceiba, and
18 Ceiba is a non-profit organization in
19 Philadelphia that promotes the economic
20 development and financial inclusion of
21 the Latino community through
22 collaborations and advocacy aimed at
23 ensuring Latino access to quality
24 housing.

25 We are very concerned about

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2 Opportunity Zones. We see them as a
3 two-edged sword, very sharp on the edge
4 of promoting displacement and
5 gentrification. We are very happy that
6 you organized this hearing, as it's
7 important that we try to leverage
8 whatever resources both the public can
9 provide and the private industry can
10 provide, and by private, I mean
11 philanthropy, non-profit organizations,
12 think tanks, to make sure that we don't
13 hurt the community through this infusion
14 of capital.

15 I like what you said about
16 making sure that things are transparent,
17 and I know somebody talked about the
18 speed of things. Accountability is not
19 delay, and I appreciate that you
20 mentioned that, because what we want to
21 do is make sure that there's
22 accountability and that there's leverage
23 to support these communities that
24 especially are in transition.

25 As you well know, in the Norris

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2 Square area, it's been through some
3 transition where some of the neighbors
4 that helped in the progress of that
5 community are now being displaced. And
6 we think it's important that Council also
7 look at the letter that Cory Booker
8 wrote. He's one of the originators of
9 this idea, and he talked about
10 measurements of success, the regulatory
11 authorities identifying what the outcomes
12 can be, tracking those outcomes, et
13 cetera.

14 I know these are trying times
15 because of the leadership at the
16 executive branch of the federal
17 government, but we hope that that changes
18 before 2026. So I think that it's
19 important that we be engaged. I also
20 like the idea of getting the City engaged
21 in the advocacy process of those
22 regulations at the federal level. And
23 the City should not be doing this on its
24 own. We are allies in that fight and
25 should leverage that work with us on this

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2 fight to make sure that the regulations
3 represent equitable development.

4 I support the ideas that were
5 presented by PACDC about dealing with
6 issues of tax abatement. I think that
7 it's time that those taxes be collected
8 to serve the communities. You can go
9 from the School District to helping
10 address issues related to those
11 neighborhoods in terms of safety and
12 development, job opportunities. We need
13 to make sure that in those particular
14 areas, if possible, since they're already
15 getting a break in one area, maybe we can
16 totally get rid of the tax abatement in
17 those communities.

18 I think issues related, like
19 Ms. Gonzalez from HACE mentioned about
20 land control, are really important. If
21 there are 8,000 publicly owned parcels,
22 then let's work with the community-based
23 organizations that have been thoughtful
24 and deliberate. Each -- I can speak for
25 the Latino community. Each of the Latino

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2 CDCs has an excellent plan and they have
3 ideas as how to leverage for the public
4 good those parcels. And so providing
5 community control of those parcels to
6 those organizations that will make best
7 use of it must be maximized.

8 I think also the capacity to
9 engage is important. The organizations
10 are facing many challenges, and we need
11 to promote the capacity to engage. That
12 includes providing the capacity of the
13 RCOs to really be able to come out with
14 community benefits agreements that are
15 key to this as these projects may be
16 seeking the blessing of the RCOs, et
17 cetera.

18 Last, but not least, many of
19 these communities are in need of good
20 housing counseling, and what's happening
21 lately is that a lot of things are being
22 thrown down the housing counselors. I
23 believe in the efficacy of the housing
24 counselors, but we also need to make sure
25 that in these communities they're

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2 supported. There's issues related to
3 eviction, home repair, foreclosure, lots,
4 and chief among them, tangled title. And
5 so those issues need to be addressed on a
6 case-by-case basis, and housing
7 counselors are best positioned to do
8 that, but there's only so much two hands
9 per person can do. And so obviously
10 supporting the community-based
11 organizations to make sure that they have
12 the capacity to deal with these things on
13 a case-by-case basis.

14 I think the other most
15 important thing is that there's an
16 interest about social responsibility
17 investing, and Philadelphia is one of the
18 leaders in that in the philanthropic
19 community. I know that philanthropic
20 foundations, they're not looking for the
21 tax break, but they could play a
22 leadership role in doing the marketing,
23 and I like what you said, the proper
24 marketing, because it's not we're open
25 for everybody to come in. We don't want

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2 sharks, right? Nothing against sharks,
3 but at the same time, we can promote the
4 City of Brotherly Love as a best place to
5 do social responsibility investing with
6 the support of a city that favors it,
7 with the support of a philanthropic
8 community that's invested in it, and with
9 the support of strong community-based
10 organizations that have good plans and
11 have thought how to maximize equitable
12 development.

13 We appreciate that this is a
14 continuing discussion. We hope to
15 continue to be engaged. And anything
16 that we can do to help further on this,
17 please call us.

18 COUNCILWOMAN SANCHEZ: Thank
19 you.

20 The irony that this morning's
21 story around the fraudulent deed
22 situation and we spent all this money on
23 tangled titles, people who legitimately
24 have a claim to a property and then in
25 the midst of that we continue to record

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2 fraudulent deeds. It's like the irony.

3 Anyway, I digress.

4 Jaime.

5 MR. FARRANT: It's all
6 relevant.

7 Good afternoon, honorable
8 members of the Council. My name is Jaime
9 Farrant and I am the Director of
10 Community and Economic Development of
11 Asociacion Puertorriquenos en Marcha, or
12 APM, speaking today on behalf of our CEO,
13 Nilda Ruiz. Thank you for the
14 opportunity to come testify on the
15 subject of Economic Opportunity Zones and
16 the impact that this might have in our
17 great city. We support Councilwoman
18 Quinones' interest in holding this
19 session, which we see as an important
20 step towards ensuring that Economic
21 Opportunity Zone funds are invested in
22 equitable ways that generate more
23 opportunities for all.

24 APM's service area was
25 classified last year as an Economic

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2 Opportunity Zone. Consequently, we have
3 been monitoring the proposed regulations
4 that the IRS has been crafting for this
5 policy and studying how zones are being
6 established around the country thus far
7 to see if they can represent an
8 opportunity for us to help families
9 achieve their greatest potential by
10 improving the quality of life in the
11 communities that we serve.

12 Last year after our service
13 area was designated as an Opportunity
14 Zone, we were approached by a financial
15 institution that expressed interest in
16 investing part of the process of one of
17 their Economic Opportunity Zone funds in
18 one of our projects. We explored the
19 possibility of making a \$6 million deal
20 with them to preserve 45 affordable
21 housing units. However, after much
22 analysis, due to the complexity of the
23 tax credits, our legal obligations, and
24 organizational mission to maintain
25 affordable rents for our residents, we

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2 could not reach an agreement with them.

3 Notwithstanding this setback,
4 APM is open to partnering with Economic
5 Opportunity Zone funds and investors to
6 develop this and other projects. We are
7 particularly interested in developing
8 more mixed-use developments like Paseo
9 Verde, workforce development initiatives,
10 and more affordable housing units.

11 That being said, we want to
12 work with investors and partners that
13 share our desire to develop projects like
14 these that are equitable and do not lead
15 to the displacement of our community. We
16 see Economic Opportunity Zone funds as a
17 tool that can be used to help achieve
18 these goals, and we want to see that they
19 are used toward projects that improve
20 communities and do not displace or
21 destroy them.

22 Thank you for the opportunity
23 to speak here today.

24 COUNCILWOMAN SANCHEZ: Thank
25 you, Jaime.

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2 Real quick, on the project that
3 kind of fell through, without disclosing
4 who, in the pro forma what was the gap
5 that the investors saw in the pro forma
6 for the project to move forward?

7 MR. FARRANT: The gap was --

8 COUNCILWOMAN SANCHEZ: Was it
9 land? Like could it have been filled?

10 MR. FARRANT: It's more the
11 return that they were seeking on the
12 investment. The building that we're
13 seeking to preserve is under restrictive
14 covenant that we have to keep at an
15 affordable rent, and essentially APM's
16 mission is to maintain that rent as
17 affordable once the covenant expires, but
18 we weren't able, unless we pretty much
19 raise it to market rents, we would not
20 have been able to meet their demand.

21 COUNCILWOMAN SANCHEZ: So it
22 was their rate of return during the
23 period -- going back to the explanation
24 of the tax benefit being on the initial
25 investment and not capital gains on the

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2 initial investment, even on that initial
3 investment that they could have realized
4 the tax benefit, that wasn't enough.

5 They wanted to realize the second part of
6 it?

7 MR. FARRANT: Yes. And then we
8 would have had to repay on the back end
9 after the ten years, and we simply could
10 not make the math work on the back end.

11 COUNCILWOMAN SANCHEZ: Okay.
12 That's interesting.

13 Well, I thank all of you.
14 Again, as I said, we have an interest in
15 helping to shape this. If both -- and I
16 should have said this to Beth. If
17 organizations have and want to present to
18 the feds some recommendations around some
19 regulatory recommendations, please submit
20 them and submit them to us for the
21 record. I strongly believe that as a
22 city, we should put something on the
23 record, but also look to all of you for
24 advice about what we should be
25 requesting. Again, I think Philadelphia

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2 being such a large city with such a high
3 rate of poverty, I think us articulating
4 some concerns and some recommendations is
5 hugely important as we look at what other
6 cities are doing and trying to make sure
7 that, again, we are having a social
8 impact. I like Andy Frishkoff's
9 definition, smart development, inclusive
10 development, and impact development. And
11 so I think that captures what we want to
12 do.

13 We will continue to ask the
14 Administration to engage, and we'll
15 figure out how to formalize that.
16 Council President Clarke and the team at
17 tech staff have been trying to be as
18 proactive as possible, and so we will
19 follow up.

20 So thank you for your patience
21 today.

22 (Thank you.)

23 COUNCILWOMAN SANCHEZ: Thank
24 you. Any other testimony on this bill?

25 (No response.)

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2 COUNCILWOMAN SANCHEZ: Seeing
3 none, the Committee on Appropriations
4 will adjourn to the call of the Chair.
5 Thank you very much.
6 (Committee on Appropriations
7 adjourned at 12:20 p.m.)

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