

A New Approach to Place Based Policy

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Lessons from Amazon HQ2

Bloomberg

Technology

Behind Amazon's HQ2 Fiasco: Jeff Bezos Was Jealous of Elon Musk

Determined to meet Bezos's demand for Tesla-size government handouts, the HQ2 team became victims of their own hubris.

By [Spencer Soper](#), [Matt Day](#), and [Henry Goldman](#)

February 3, 2020, 5:00 AM EST

THE WALL STREET JOURNAL.

TECH

How Amazon Picked HQ2 and Jilted 236 Cities

For months, cities vied for Amazon's second headquarters while some executives were realizing that no single place would fulfill its requirements



By [Laura Stevens](#) and [Shayndi Raice](#)

Updated Nov. 14, 2018 1:05 am ET

State and Local Tax Incentives



New data on state and local business tax incentives across the U.S.

Cailin Slattery, Columbia Business School

Owen Zidar, Princeton University

“Poorer areas provide larger incentives and spend more per job, but firms accept subsidies from places that are richer, larger, and more urban than the average county. Counties with an average wage of less than \$40,000 pay over \$400,000 per job in the average subsidy deal. Meanwhile, counties with average wages over \$100,000 pay less than \$100,000 per job in a given subsidy.”

States Responding to Firm-Based Incentives

Bloomberg

States Build Momentum to Stop Amazon HQ2-Like Tax Bidding Wars

Jan. 29, 2020, 2:35 PM



- State lawmakers unite in coalition against “corporate tax giveaways”
- Pact would limit state bidding wars like the one for Amazon’s HQ2



Michael J. Bologna
Staff Correspondent



Cracking Down on Corporate Welfare With Interstate Compact

by Christine Stuart | Jan 29, 2020 5:00am

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OPINION

N.J. should reform tax breaks and include a cap | Editorial

Updated: February 12, 2020 - 6:00 AM

“Some of the bipartisan enthusiasm for a tax credit disarmament pact stems from frustration with two high-profile bidding wars - Amazon’s HQ2 campaign, which drew bids from 20 cities, and Foxconn Technology Group’s plan to build a massive technology campus, which drew bids from numerous other states.”
- Bloomberg (1.29.20)

Applicable Economic Development Frameworks



- **Mobilize new investors and private capital to underserved sectors and geographies**, to create productive jobs, new economic opportunities, and enhance access to and quality of services – from financial and energy to health and education;
- **Giving people access to markets**, where they can sell their goods and services and play a productive role in their economies;
- **Making governments more efficient in how they spend their money**, to limit waste, strengthen investment and provide better services for citizens;
- **Improving infrastructure like roads, bridges, water supply and electrical grids**, critical to lifting the limits on a country's growth;
- **Working with private-sector companies to spur economic development**, so that citizens can participate in a vibrant economy that allocates resources wisely; and
- **Encouraging local channels of financing**, empowering entrepreneurs in developing countries to improve their lives and shape their own futures.

Disaster Resilience Framework

GAO created the Disaster Resilience Framework to serve as a guide for analysis of federal actions to facilitate and promote resilience to natural disasters.

This Framework is organized around three broad overlapping principles and a series of questions that those who provide oversight or management of federal efforts can consider when analyzing opportunities to enhance their contribution to national disaster resilience.

Principle:		
<p>Information</p> <p>i Accessing information that is authoritative and understandable can help decision makers to identify current and future risk and the impact of risk-reduction strategies.</p> <p>Provide reliable and authoritative information about current and future risk.</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> • Enhance the validity and reliability of the disaster risk information products? • Generate and share additional information that would help decision makers understand their disaster risk? • Reduce the complexity of and translate risk information for non-technical audiences? • Help leverage and synthesize disaster risk information from other partners across agencies, governments, and sectors? • Promote consensus around the reliability of the sources and methods that produce disaster risk information? <p>Improve the ability to assess alternatives to address risk.</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> • Help decision makers identify and select among disaster risk-reduction alternatives? • Provide technical assistance to help build capacity of nonfederal partners? • Contribute to an understanding of approaches for estimating returns on investment? • Help decision makers identify and combine available funding sources and innovative methods for meeting disaster risk-reduction needs? <p>Strengthen the ability to assess status and report progress.</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> • Advance methodologies or processes to measure the current state of nationwide resilience? • Promote monitoring of progress toward resilience on a programmatic basis? 	<p>Integration</p> <p>↻ Integrated analysis and planning can help decision makers take coherent and coordinated resilience actions.</p> <p>Build an overarching strategic vision and goals.</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> • Help to establish overarching strategies that guide national resilience efforts? • Ensure that resilience goals are incorporated into relevant national strategies? • Prioritize resilience goals that reflect the most pressing resilience challenges? <p>Promote coordination across missions and sectors.</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> • Ensure consistent and complementary policies, procedures, and timing across relevant federal funding mechanisms? • Convene stakeholders with different perspectives and interests to create whole systems solutions? • Encourage governance mechanisms that foster coordination and integrated decision making within and across levels of government? • Engage non-government partners in disaster risk reduction? <p>Recognize relationships among infrastructure and ecosystems.</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> • Promote better understanding and awareness of the interactions among infrastructure components and ecosystems in disaster resilience actions? • Assist decision makers in determining what combination of ecosystem and built infrastructure solutions will best suit their needs within their constraints? • Assist in ensuring that projects undertaken under different programs and by different actors do not conflict? • Facilitate planning across jurisdictions and sectors to avoid or respond to cascading failures? 	<p>Incentives</p> <p>\$ Incentives can help to make long-term, forward-looking risk-reduction investments more viable and attractive among competing priorities.</p> <p>Provide financial and nonfinancial incentives.</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> • Make risk-reduction measures more viable and attractive? • Incorporate disaster risk-reduction measures in infrastructure and ecosystem management financial assistance? • Require disaster risk-reduction measures for government-owned or -operated infrastructure and for federally funded projects? <p>Reduce disincentives.</p> <p>To what extent could federal efforts:</p> <ul style="list-style-type: none"> • Allowable unnecessary administrative burden? • Streamline review processes? • Improve program design to motivate risk-reduction actions?

Source: GAO | GAO-20-1005P



- 1 OEA works closely with state and community leaders to identify and provide connections to federal resources.
- 2 OEA works with state and local governments to provide resources to distressed communities.
- 3 OEA connects communities to a number of associations, think tanks, and advocacy organizations that can provide assistance.

This is now the longest expansion in U.S. history

Duration of each economic expansion



Disturbing trends below the surface



Declining dynamism: The U.S. economy is growing more static and less entrepreneurial in a variety of key ways.



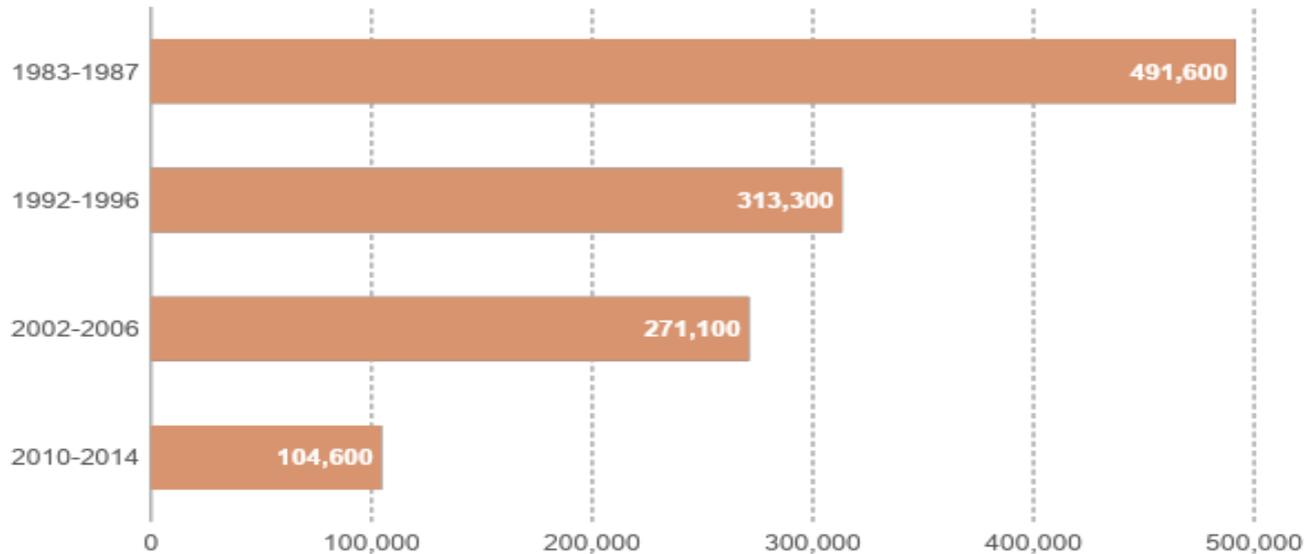
Geographic concentration of growth: A shrinking number of places are powering national economic progress.



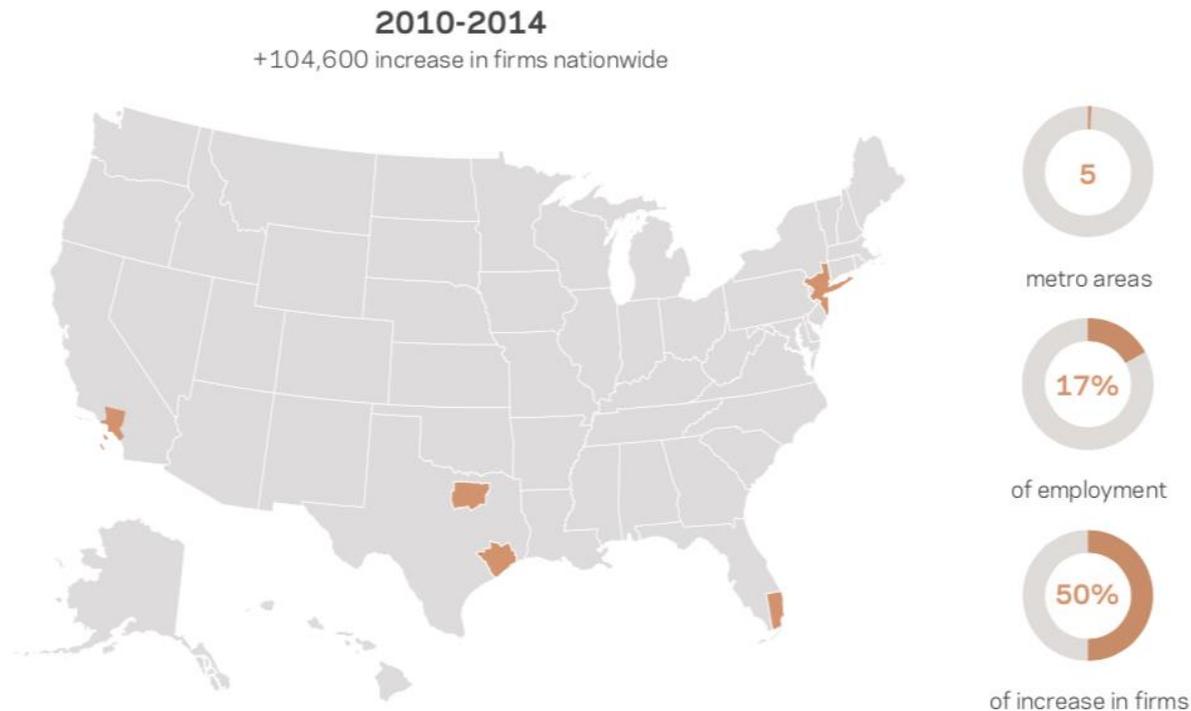
Diverging paths: Elite communities are pulling farther ahead while those at the bottom have been entirely excluded from 21st century growth.

Post-Great Recession firm growth was abysmal compared to recent economic recovery periods

Total increase in the number of firms nationwide



Fewer and fewer metro areas power the national increase in firms



State of American Entrepreneurship Today

Figure 2. Total number of startups

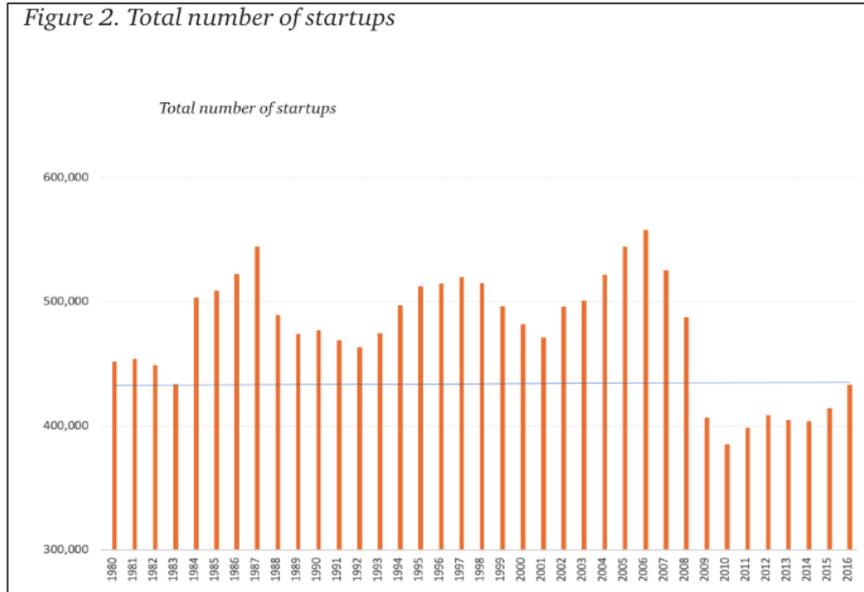
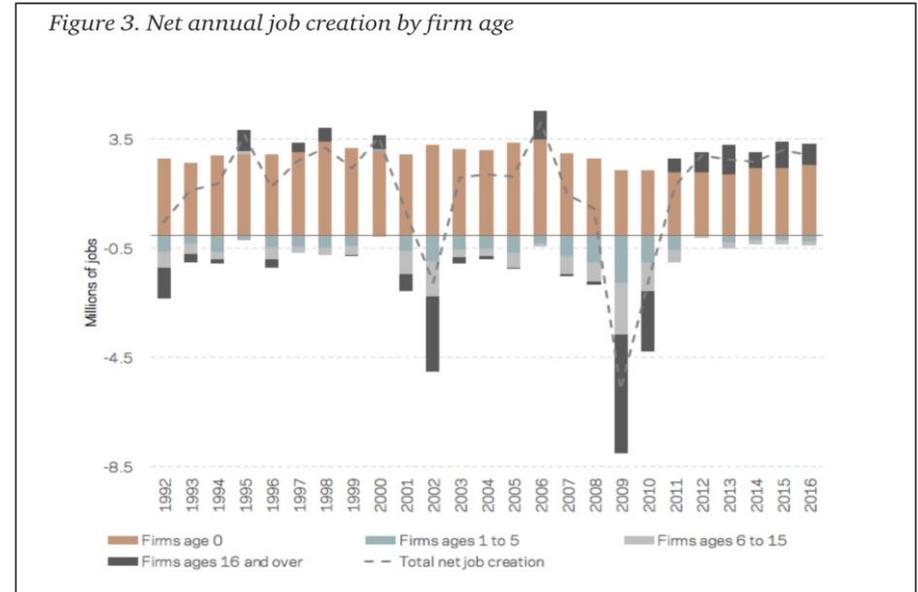
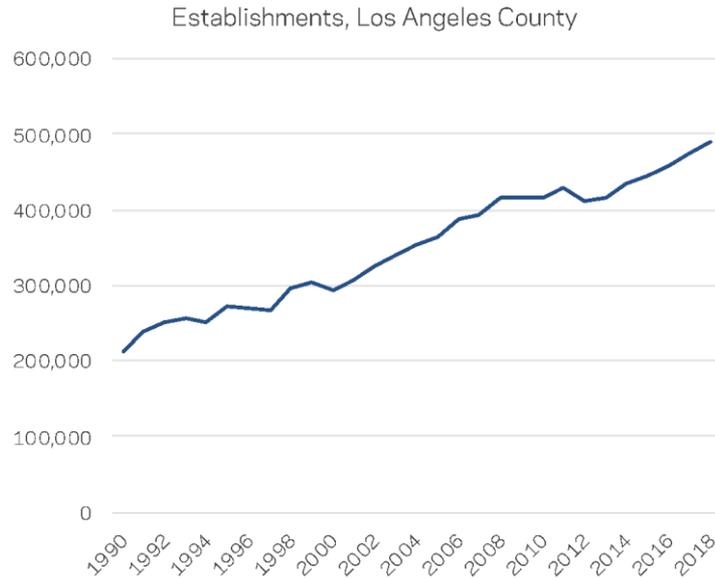


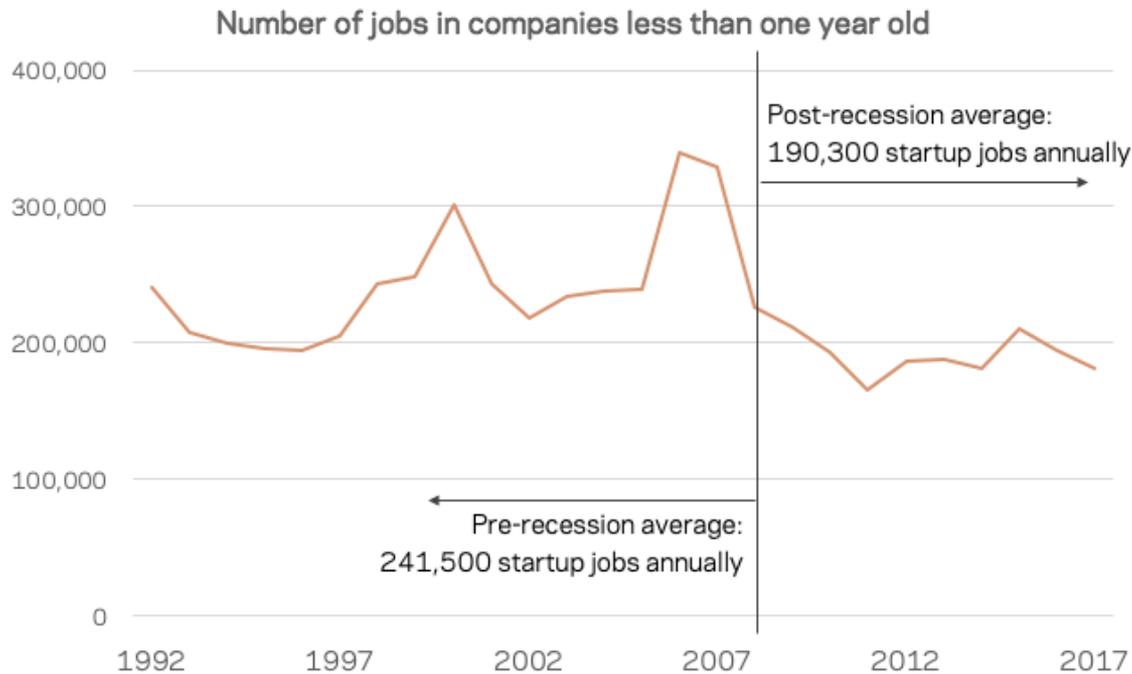
Figure 3. Net annual job creation by firm age



The number of businesses in LA has been rising steadily for years, but jobs only recently surpassed 1990 levels



There are 50,000 fewer startup jobs annually in Los Angeles County now than prior to 2008



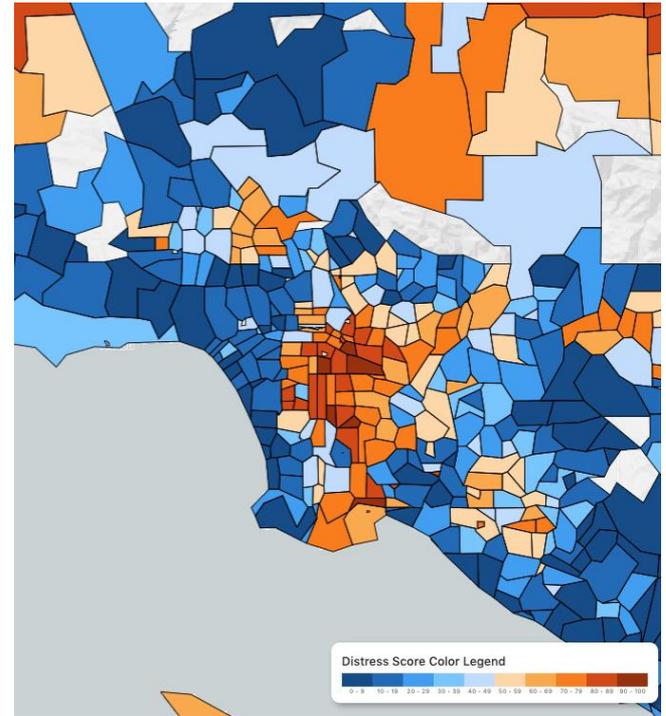
Wide disparities exist even within high-growth areas

Los Angeles County, CA

Total population: 10.1 million

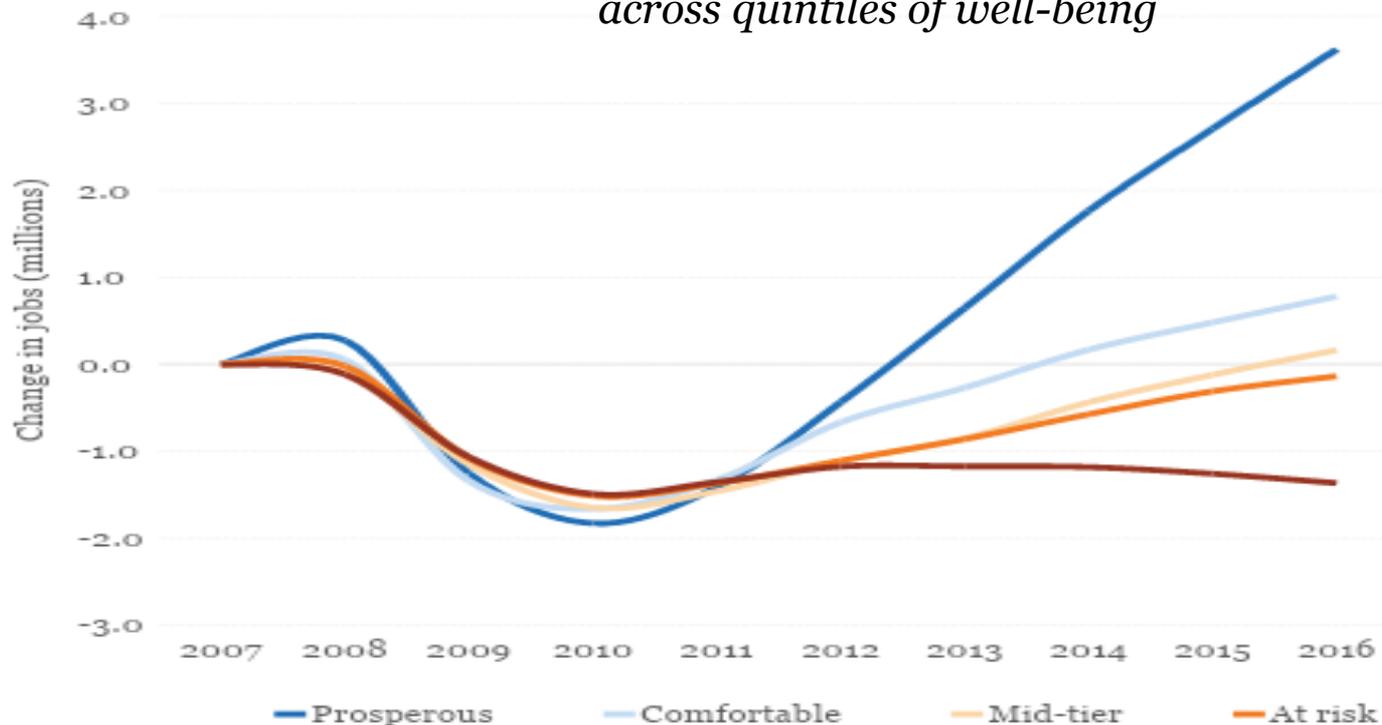
In prosperous zips: 2.4 million

In distressed zips: 1.2 million



The recovery from the Great Recession deepened the fractures of the U.S. economy

Total change in **employment** since 2007
across quintiles of well-being



Prosperous Zip Codes

Recession start: 2008

Full recovery: 2013

Jobs surplus: +3.6m

Comfortable Zip Codes

Recession start: 2008

Full recovery: 2014

Jobs surplus: +781k

Mid-tier Zip Codes

Recession start: 2007

Full recovery: 2016

Jobs surplus: +164k

At Risk Zip Codes

Recession start: 2007

Full recovery: Projected 2017

Jobs deficit: -137k

Distressed Zip Codes

Recession start: 2007

Full recovery: Unlikely

Jobs deficit: -1.4m

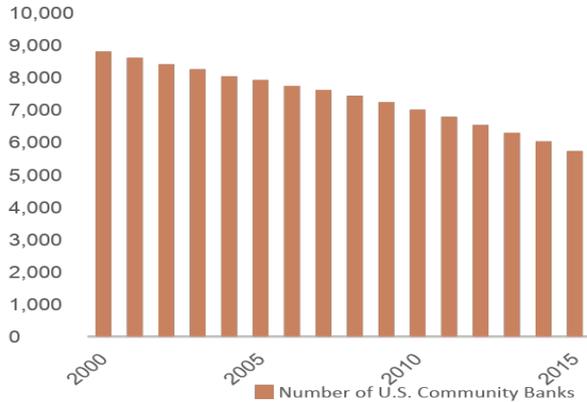
New Policy Tools for Economic Development

New framework for policy + new leadership from the private sector:

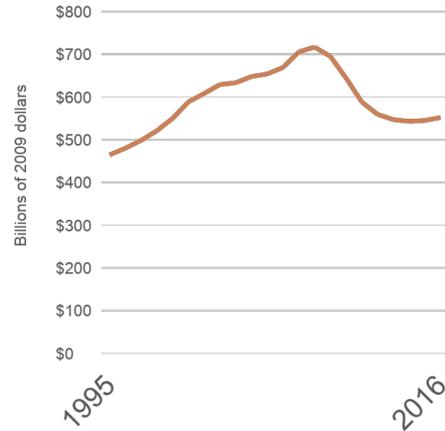
- ❑ Remove barriers for workers and entrepreneurs
- ❑ **Embrace immigration (the country is NOT full)**
- ❑ Focus on **connectivity** between places, people, and institutions, leveraging Opportunity Zones

Uneven access to capital limits new business growth

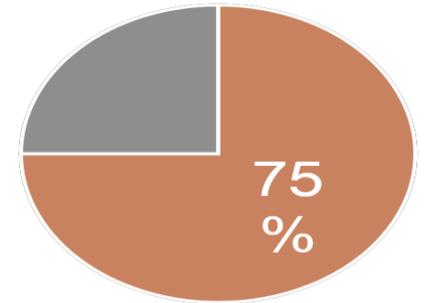
Nearly
one out of every four
community banks
has disappeared
since 2008



In real terms,
small business lending
remains **down by a quarter**

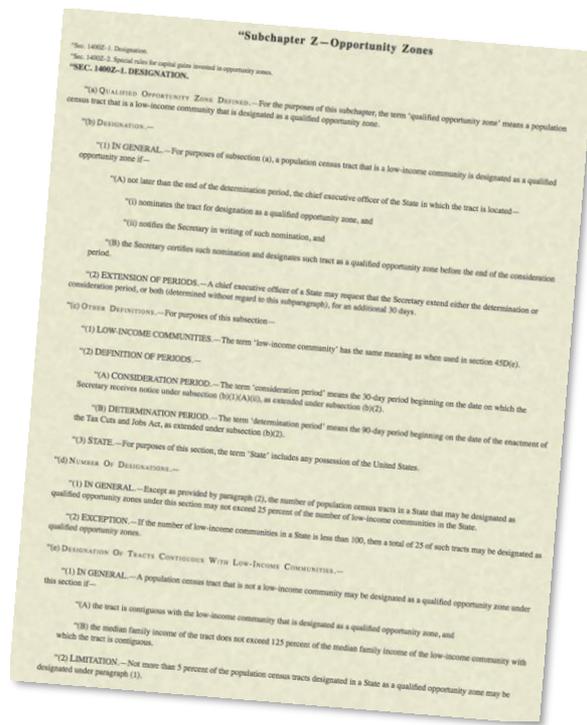


78 percent of all
venture capital
concentrates
in three states



Opportunity Zones are a tool for catalyzing growth and opportunity through long-term private sector investment

- Opportunity Zones offer investors a frictionless way to **reinvest capital gains** into distressed communities through Opportunity Funds, in exchange for a graduated series of incentives tied to long-term holdings.
- With U.S. households and corporations sitting on an estimated **\$6.1 trillion** in unrealized gains capital gains, the potential is huge.
- It is specifically designed to channel more **equity capital** into overlooked markets.



How are Opportunity Zones different?

- ✓ It is **flexible** and designed to fit the full range of communities and needs.
- ✓ It is **scalable**: There is no appropriated cap on how much capital can move.
- ✓ It is **simple** and avoids the micromanagement of business models that limited past programs.
- ✓ The fund model allows for **broad participation**.
- ✓ It can provide an **anchor** for local economic development strategies.
- ✓ It is **compatible** with other incentives, such as NMTC, LIHTC, and HTC

Opportunity Zones can finance almost anything that makes a community prosper

- Housing
- Commercial Developments
- Startups



- Innovation Districts
- Brownfield Developments
- Energy Assets

Opportunity Zones are intended to catalyze diverse and reinforcing investments



Main Streets



**Transit-Oriented
Development**

Majority of mayors believe their zones were appropriately targeted and will positively impact the local economy.

- The 2019 Menino Survey of Mayors spoke to **119 mayors** of cities with a population of greater than 75,000 about their opinions on Opportunity Zones, among other topics.
- A majority of mayors agreed with the statement that Opportunity Zones **targeted “areas of true economic need”** nationally. Twenty-nine percent were unsure, suggesting a large minority are not yet aware/confident the program is working as intended.
- **Sixty-five percent** of mayors said their governor adopted their list of recommended tracts, or a list that looked similar to what they would have proposed.
- **Mayors across party lines are happy with the zone designations in their cities:** 79 percent of Democratic mayors were pleased with their designations, as were 65 percent of Republican mayors.
- With regards to expectations, **60 percent** of mayors agreed the incentive would have a **“large and positive impact”** on their economies.
- Finally, **mayors understand the important role they play in implementation.** Nearly 75 percent disagreed with the statement that whatever happens in the zones is “largely out of my city’s control.” More than 75 percent of mayors also agreed with the statement that they have the capacity to maximize their Opportunity Zones.

SoLa Impact



Homelessness Prevention

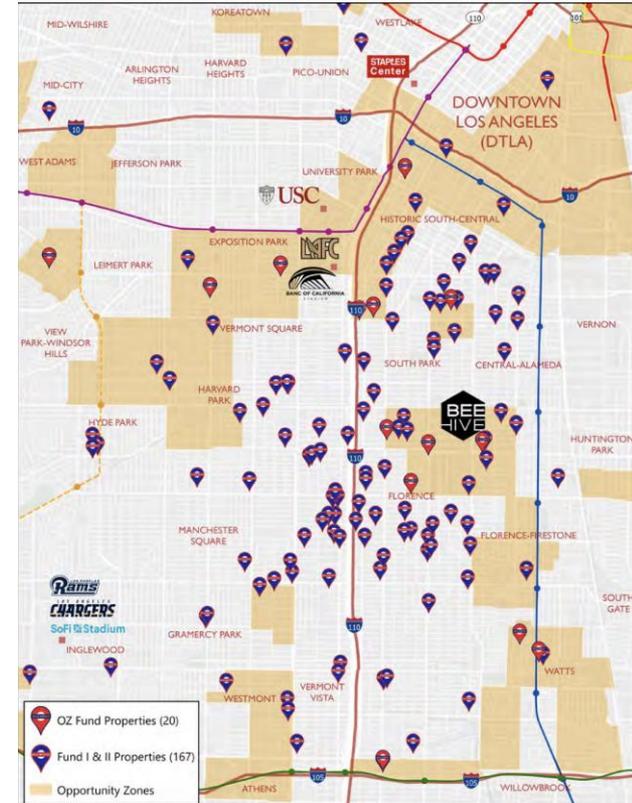


Youth Access to Education



Economic Development/ Job Creation

- **1,400 + apartments** housing most vulnerable South LA residents
 - 98% racial minorities
 - 2/3 low income
 - 50% have experienced homelessness
- **The Beehive**
 - Nation's first OZ Business Campus
- **Technology and Esports Development Center**
 - Provides resources to youth entering eSports market



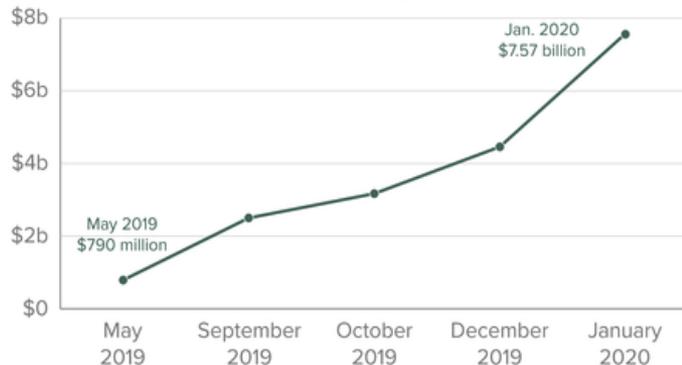
Qualified Opportunity Fund Tracking

Novogradac Opportunity Funds Listings Totals

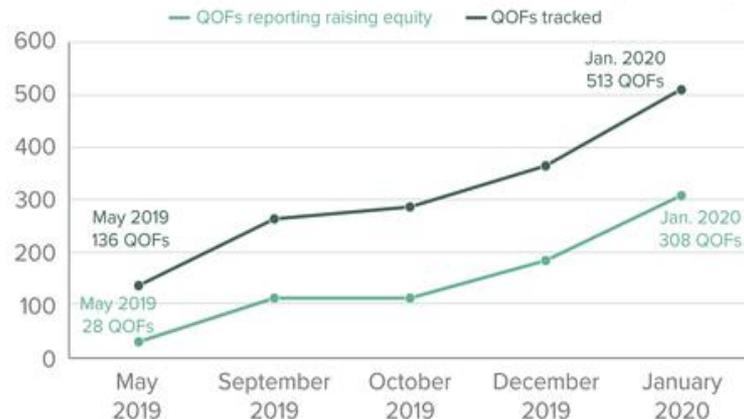
As of January 17, 2020

FUNDS RAISED BY QOFS REPORTING EQUITY	QOFS REPORTING EQUITY RAISED	TOTAL QOFS
\$7.57 billion	308	513

Reported Equity Raised



QOFS Tracked and Reporting Raising Equity

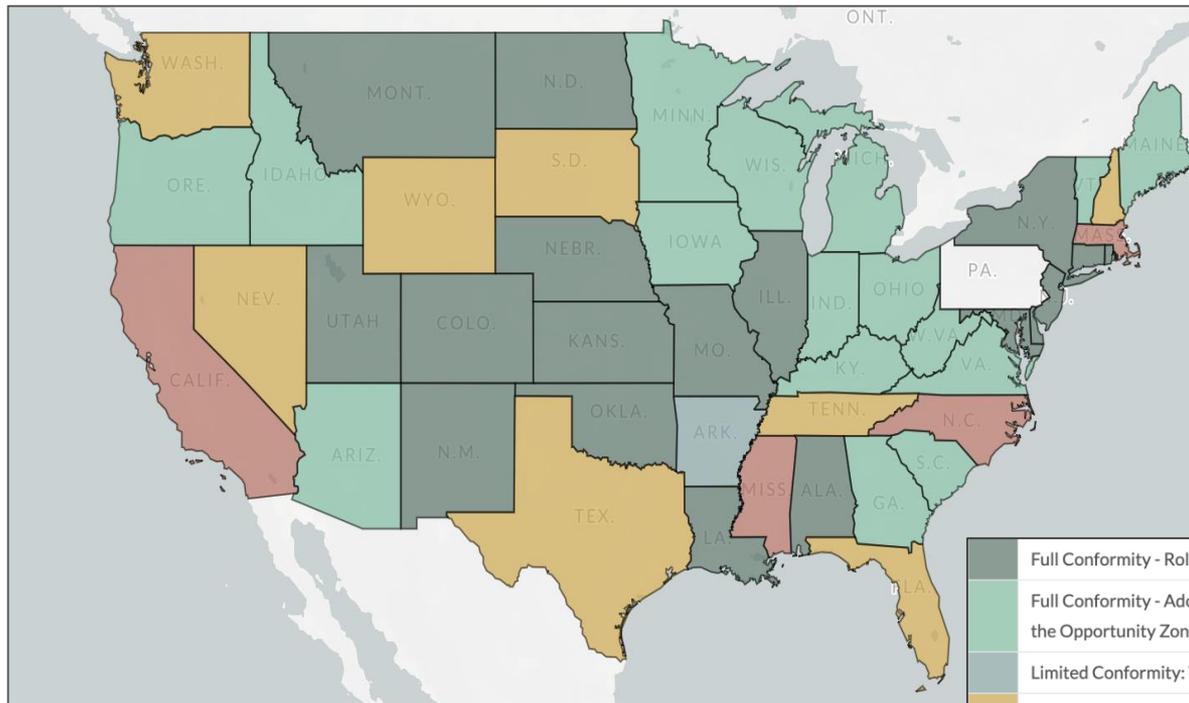


The 513 QOFS listed as of Jan. 17, 2020, have a fundraising goal of \$68.75 billion. The 308 QOFS that report raising equity as of Jan. 17, 2020, have a fundraising goal of \$28.80 billion.

Source: Novogradac



California - 1 of 4 States w/out OZ Policy



California OZs

- ❑ 879 OZs > 10% of national total
- ❑ Home to large share of national pool of OZ investor capital
- ❑ Home to several high-profile QOZ leaders and advocates
- ❑ Significant influence on national policy and media discussions

Full Conformity - Rolling: The state automatically conforms to the current IRC as it is amended.

Full Conformity - Adopted: The state conforms to the IRC as of a specific date that is after the enactment of the Opportunity Zones legislation.

Limited Conformity: The state specifically conforms with Section 1400Z-2 of the IRC

No Capital Gains Tax: Has no state income tax/generally does not tax capital gains.

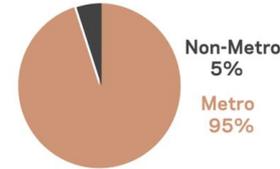
Nonconformity: The state conforms to the IRC as of specific date prior to the enactment of the Opportunity Zones legislation or the state has specifically decoupled from the Opportunity Zones provisions of the IRC.

California OZs - By the Numbers

California Opportunity Zones



879 Opportunity Zones
4168k Zone Residents
2084k Zone Jobs
169k Zone Businesses



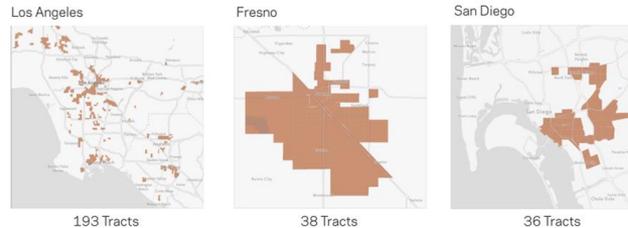
Congressional districts with largest number of zones

Representative	District	Party	Zones
Cárdenas, Tony	CA-29	D	50
Gomez, Jimmy	CA-34	D	49
Costa, Jim	CA-16	D	48
Vargas, Juan	CA-51	D	45

	Minority Population	Poverty Rate	Average MFI*	Bachelor's Degree+	Adults Not Working	Housing Vacancy	Rent Burdened
California	62%	15%	\$77,000	33%	28%	5%	56%
California Opportunity Zones	81%	31%	\$42,100	15%	35%	7%	63%

*median family income

Major areas with largest number of zones



EIG brings together leading entrepreneurs, investors, economists, and policymakers from across the political spectrum to address America's economic challenges.

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