

Finding Opportunity in Appalachia's Opportunity Zones



LEARNING SESSION

October 28 | 11:00 AM-12:30 PM



PETER TROUGH
Opportunity Exchange



DONNA GAMBRELL
Appalachian Community
Capital



NOELLE ST. CLAIR
Woodforest National Bank



ALEX FLACHSBART
Opportunity
Alabama



TIM THOMAS
Appalachian Regional
Commission



DR. JASON JOLLEY
Ohio University



ROSS BAIRD
Blueprint Local

Agenda

1 Welcome

2 OZ Basics

3 OZ Process A to Z

4 Appalachian
Strategies

5 Investor
Perspectives

6 Q&A

Welcome - Tim Thomas, Federal Co-Chairman, ARC

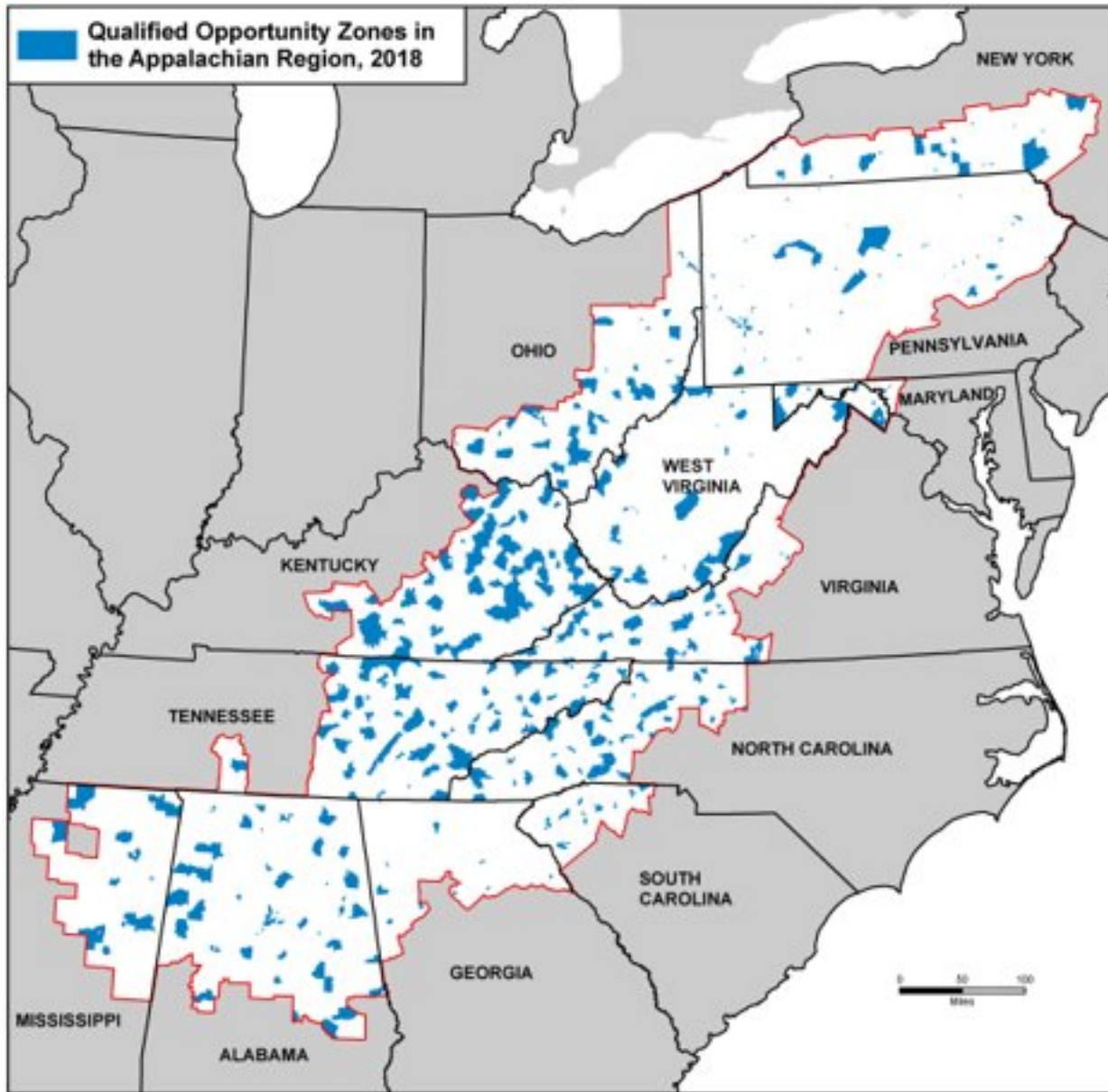
Opportunity Zone Basics

History

- Part of bi-partisan legislation
- Rolled into 2017 Tax Cuts and Jobs Act
- Not a federal appropriation, but a foregone revenue

- Low income census tracts
- Incent investors for federal capital gains tax advantages
- Finance community projects and enterprises

What is an Opportunity Zone



Appalachian Regional Commission, July 2018
Data Source: U.S. Department of the Treasury, Community Development Financial Institutions Fund (updated June 14, 2018)

Appalachian Opportunity Zones

www.arc.gov

V

Incentives for Investors to put funds into Opportunity Zones

- Deferral of capital gains taxes
- Reduction of capital gains taxes
- Elimination of taxes on future gains

What are Qualified Opportunity Funds?

- Investment vehicles
- Must invest at least 90% of fund in Opportunity Zone properties or businesses
- Can be a single investor or pool of investors

Opportunity Zones Resources

[Appalachian Opportunity Zones](#)

[Economic Innovation Group Webinar Series and Other Resources](#)

[HUD Opportunity Zones Toolkit for Communities](#)

[White House Opportunity Revitalization Council](#)

[Opportunity Exchange](#)

[Opportunity Virginia Virtual Workshop Series](#)



THE OPPORTUNITY
EXCHANGE

Community Based OZ Strategies & Tools

Finding Opportunity in Appalachia's
Opportunity Zones

Peter Truog | peter@theopportunityexchange.com

The Opportunity Exchange

2020



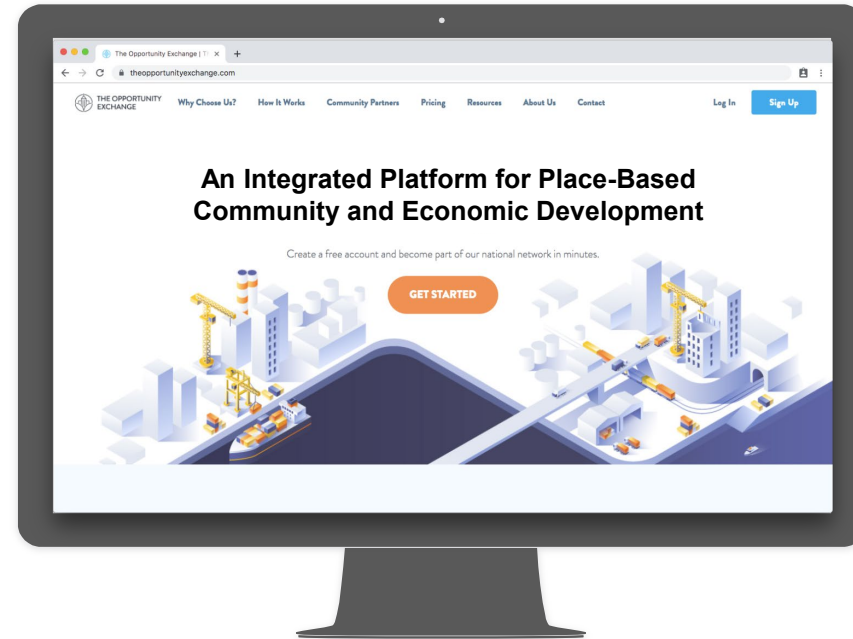
Our Discussion

- Introduction: The Opportunity Exchange
- Community OZ Strategy: Best Practices & Resources

The Opportunity Exchange

Our Mission

The Opportunity Exchange platform provides tools and resources that facilitate transparent & collaborative ideation, development and execution of impactful community & economic development projects.



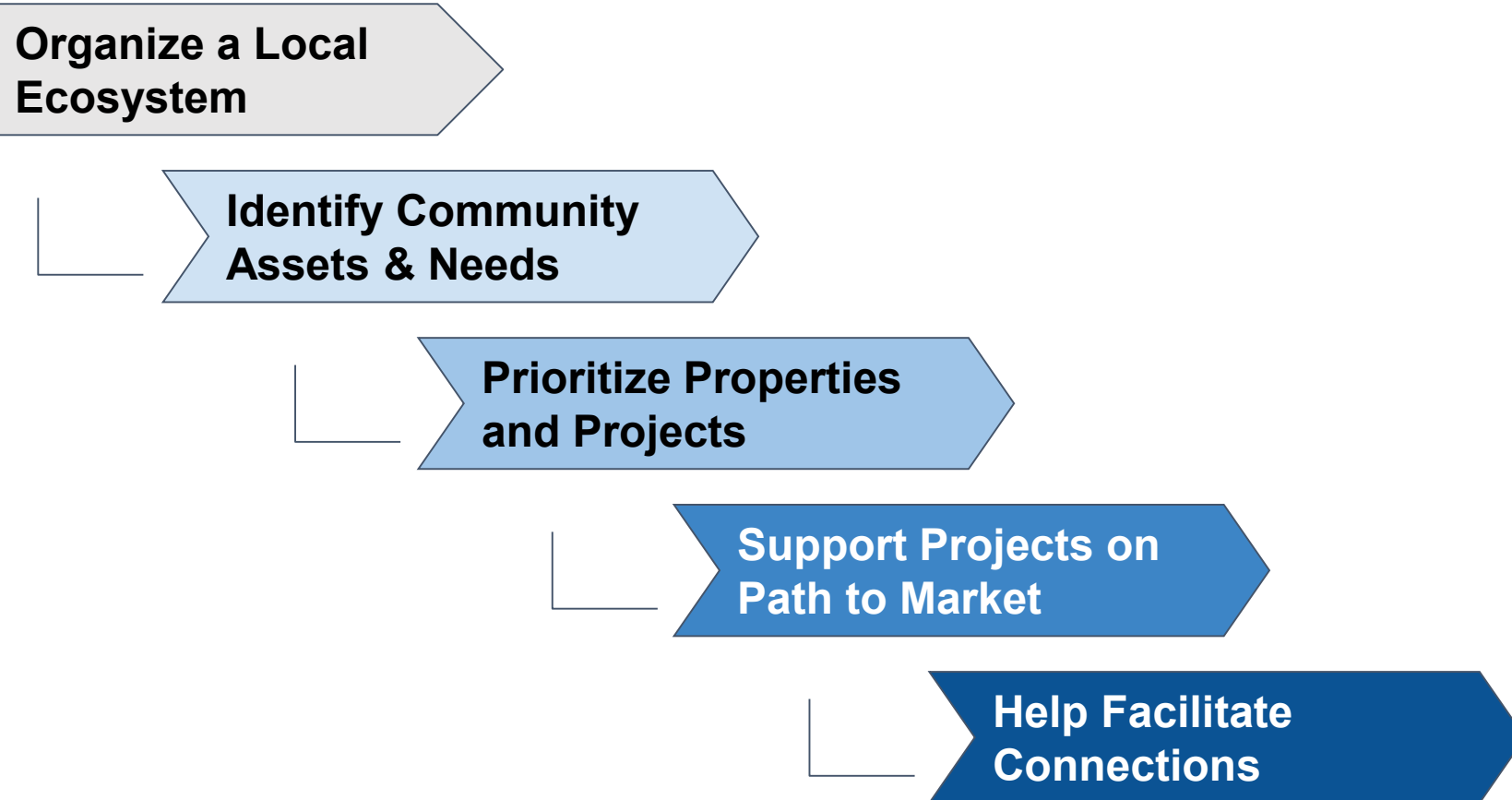
We partner with many leaders in the community
and economic development industry



Our Discussion

- Introduction: The Opportunity Exchange
- Community OZ Strategy: Best Practices & Resources

Key Steps for Supporting OZ Communities and Projects



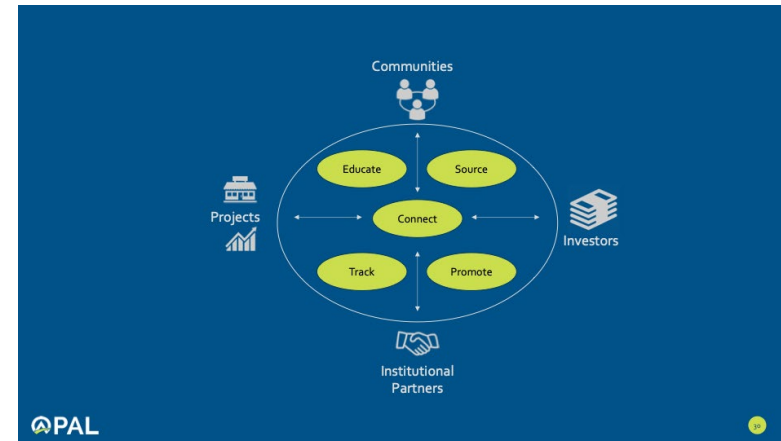
1 Organize a Local Ecosystem

Observed Best Practices:

- Determine who will “lead:” a primary [organization](#), or a [collaboration](#)
- Determine scope: Opportunity Zones, or “OZ+”
- Develop engagement strategies for ecosystem partners
- Complete an asset inventory for your community¹

1: HUD OZ Toolkit Volume 2, P. 17 for an overview

Example:



Opportunity Alabama helps coordinate and align activity between projects, investors, communities and institutional partners in Alabama

Source: <https://www.tn.gov/ecd/opportunity-zones.html>

2 Identify Community Assets & Needs

Observed Best Practices:

- Leverage existing community strategy documents to compile a “community vision”
- Solicit input from community stakeholders related to assets and community needs
- Compile these resources into a shared document that organizations across the community can use

Source: [Accelerator for America Investment Prospectus Guide](#), [The Opportunity Exchange Community Profile Tool](#)

Examples:

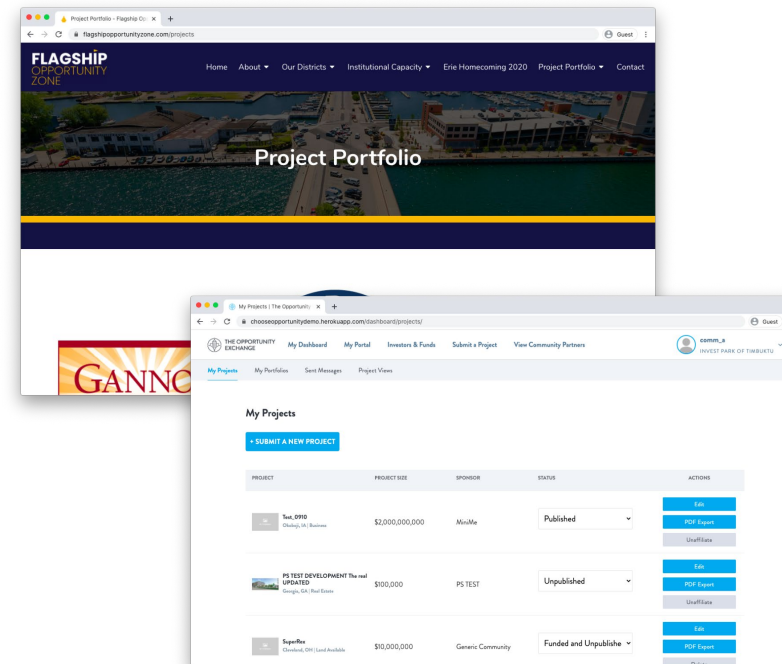


3 Prioritize Properties and Projects

Observed Best Practices:

- Identify properties that could be catalysts for future development
- Solicit current project ideas from developers who are active in the community
- Aggregate and prioritize these projects and properties into a standardized pipeline that can be tracked and monitored over time

Example:

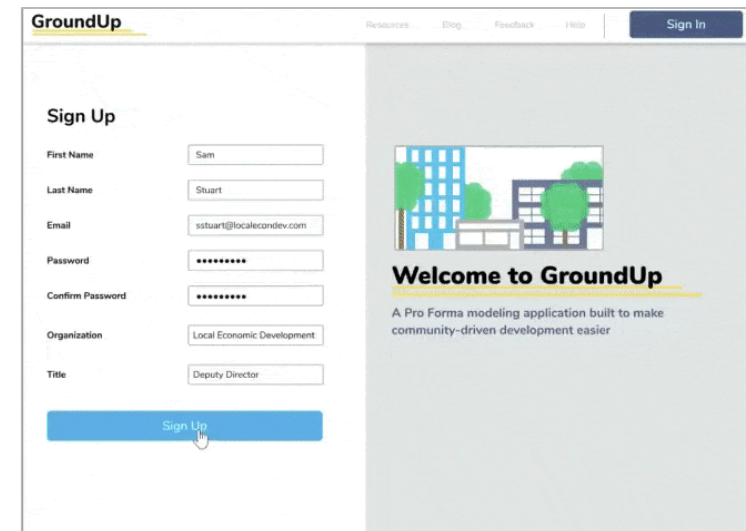


4 Support Projects on Path to Market

Observed Best Practices:

- Develop a “project readiness” checklist
- **Help projects assess their financial viability**
- Help projects convey their community impact
- Provide access to specific TA resources to support demand studies or other project development activities

Example:

A screenshot of the GroundUp website's sign-up page. The page has a light gray background. On the left, there is a 'Sign Up' form with fields for First Name (filled with 'Sam'), Last Name (filled with 'Stuart'), Email (filled with 'sstuart@localecondev.com'), Password (masked with dots), Confirm Password (masked with dots), Organization (filled with 'Local Economic Development'), and Title (filled with 'Deputy Director'). A blue 'Sign Up' button is at the bottom of the form. On the right, there is a 'Welcome to GroundUp' section with a graphic of a city skyline and the text: 'A Pro Forma modeling application built to make community-driven development easier'. At the top right, there is a 'Sign In' button and links for Resources, Blog, Feedback, and Help.

[GroundUp](https://www.groundupmodel.org/launch) is a free modeling tool that simplifies community involvement and collaboration for helping fund community-focused projects. Developers, local officials, and community members can easily generate key project financials to present to investors.

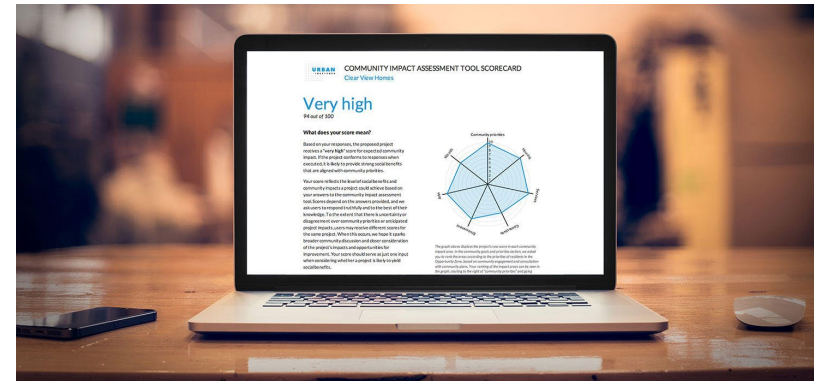
Source: <https://www.groundupmodel.org/launch>

4 Support Projects on Path to Market

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Example:



The [Opportunity Zone Community Impact Assessment Tool](#) assesses the potential social impact of a local development project using evidence-based indicators. The tool is available for any stakeholder interested in the social impact of an eligible investment in an Opportunity Zone, whether an operating business; a residential, commercial, or industrial development; or some combination of these types.

4 Support Projects on Path to Market

Observed Best Practices:

- Develop a “project readiness” checklist
- Help projects assess their financial viability
- Help projects convey their community impact
- **Provide access to specific TA resources to support demand studies or other project development activities**

Examples:

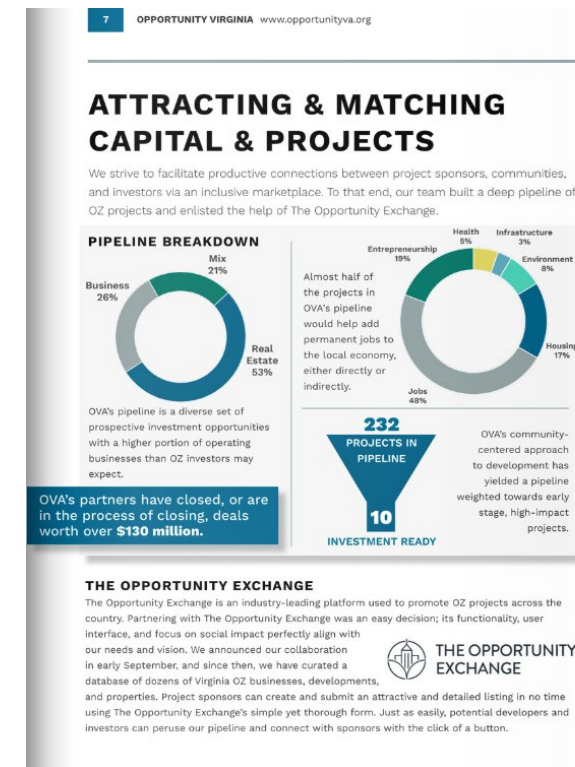
- Cleveland: [Direct financial assistance](#)
- Washington, DC: [Donated professional services](#)
- SBA or other: [Sponsored OZ-focused TA](#)

5 Help Facilitate Connections

Observed Best Practices:

- Identify the different types of investors or sources of capital that might be interested in your community's projects
- Develop outreach strategies for those investors and capital sources
- Create a location and mechanism for investors and sources of capital to reach out to you!

Example:



Source: <https://www.opportunityva.org/annual-report>

Overview

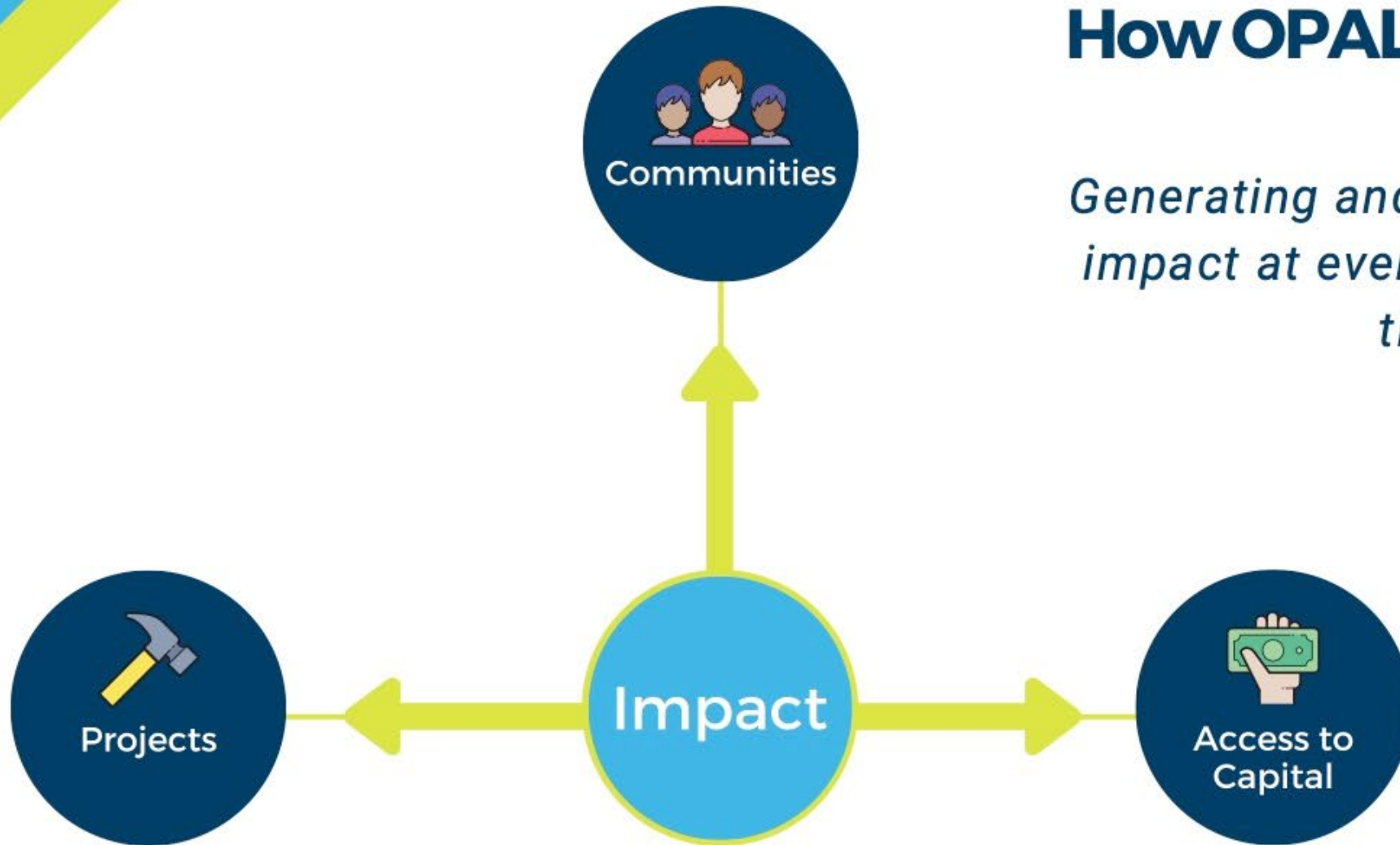
Opportunity Alabama is the economic development engine for Alabama's low-income communities

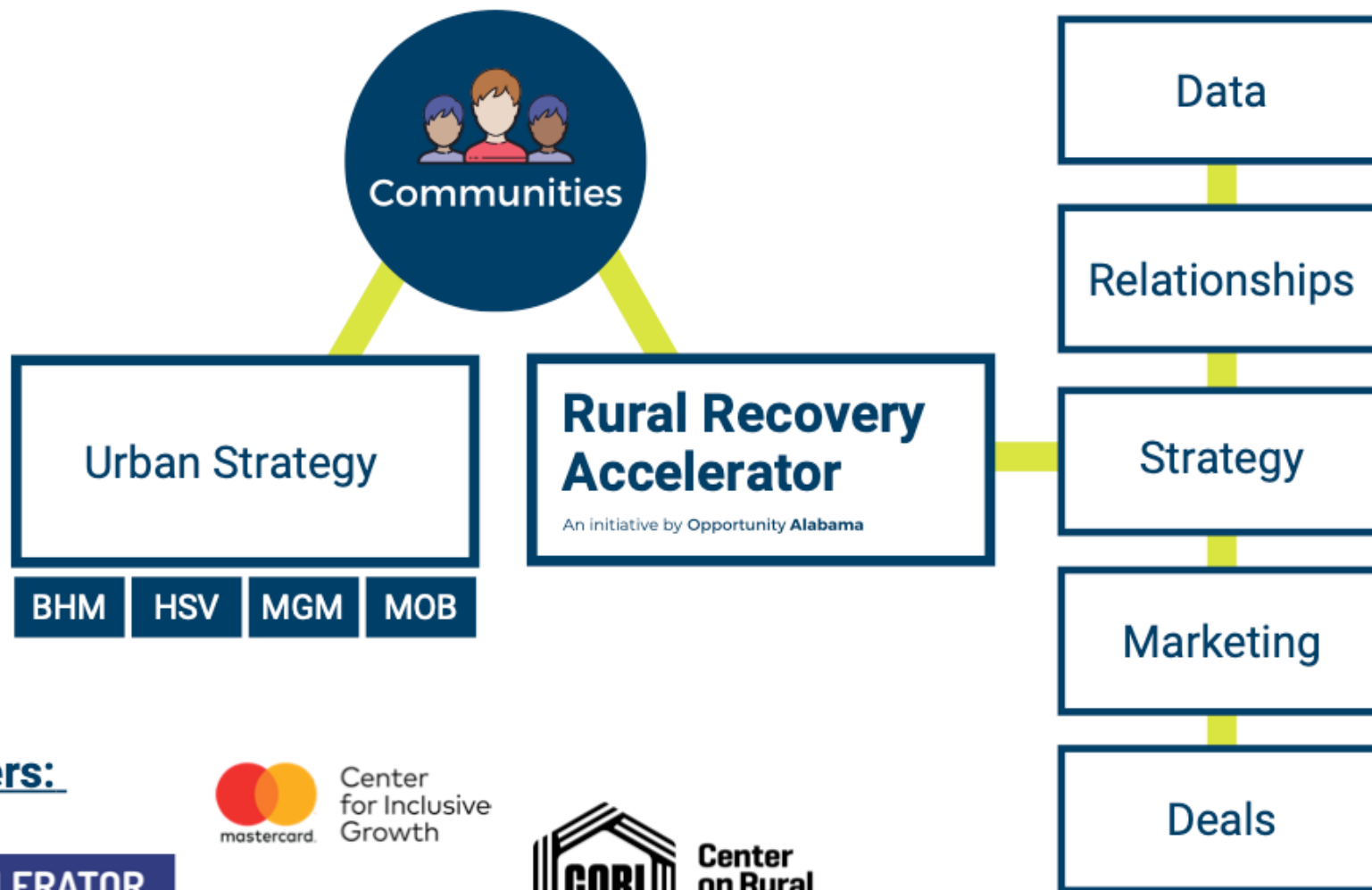
-
- We use Opportunity Zones (OZs) as a catalyst for growth.
 - At least one OZ in each of the state's 67 counties.
 - Provides new sources of capital for impact-oriented development projects



How OPAL does it

Generating and fostering impact at every stage of the project.





Results to date:

70+ educational events

1500+ miles driven

147 OZ communities engaged

5000+ stakeholders educated

Partners:



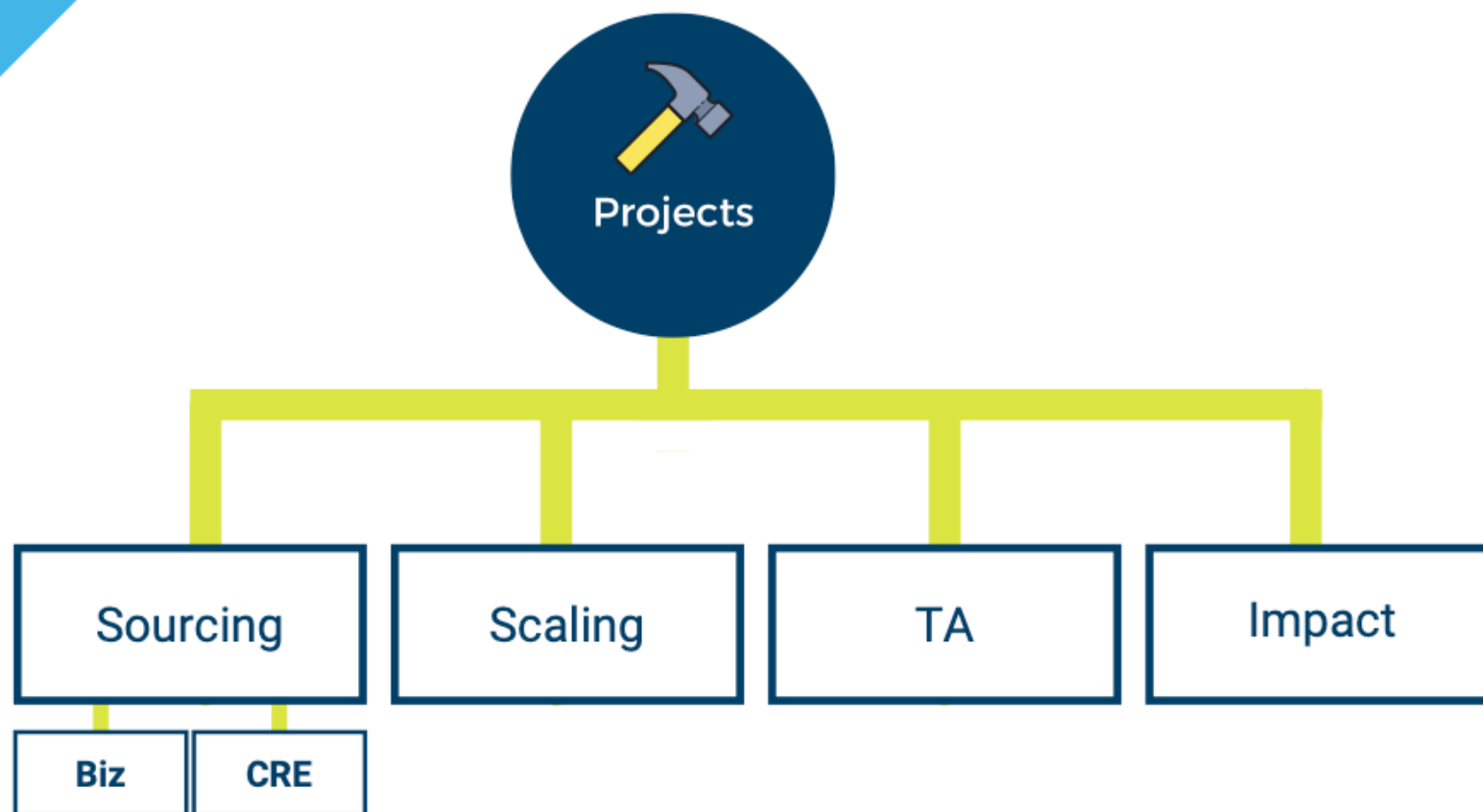
Center
for Inclusive
Growth



SORENSEN
IMPACT



Center
on Rural
Innovation



Results to date:

200+ projects in pipeline
(62% CRE)
(38% Op Biz)

40+ "investment ready"
(60% CRE)
(40% Op Biz)

12 deals closed

\$125M+ in new capital

Partners:



THE OPPORTUNITY
EXCHANGE



THE
GOVERNANCE
PROJECT

Example Projects

Deal Size: \$12,000,000



CARILLON OAKS

Deal Type: Senior Living

Rehabilitation of a long-vacant high school building in the heart of downtown Heflin into 40 units of assisted living and 16 units of memory care - creating almost 40 jobs in one of the more rural parts of Alabama

Deal Size: \$24,000,000



AMERICAN LIFE BUILDING

Deal Type: Workforce Housing

This \$26 million historic rehab project will create 140 new units of workforce housing and space for the Dannon Project's work with returning citizens, all while putting a long-abandoned building back into service.

HI-PACK INDUSTRIAL PARK

Deal Type: Industrial/Warehouse

Hillstone Advantage Partners created an OZ fund with Opportunity Alabama's help to invest in Hi-Pack Industrial, a new park that will hold 10 buildings. Buildings can be multi-tenant or single tenant.



Deal Size: \$10,000,000



WOODLAWN THEATRE

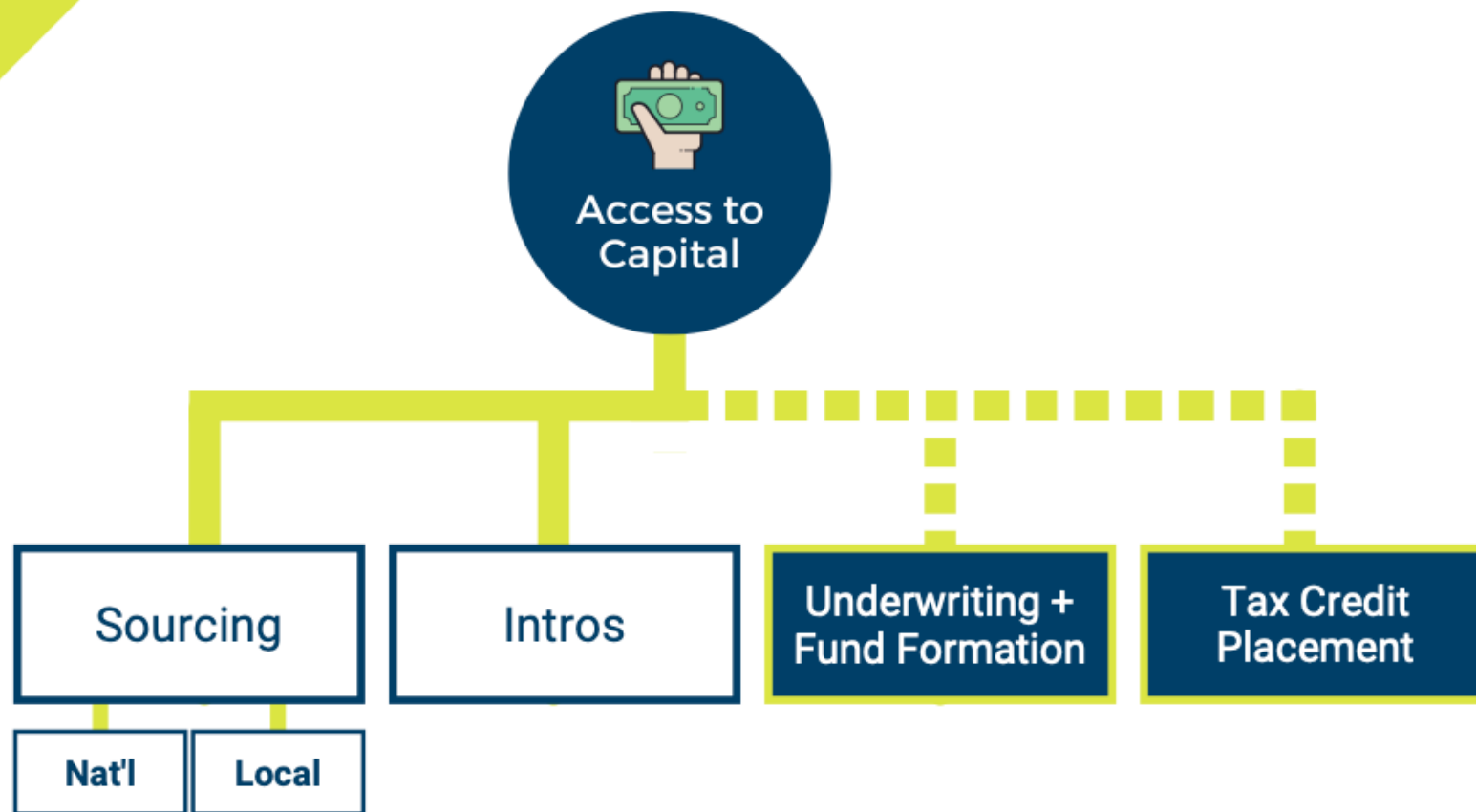
Deal Type: Performance Venue

A rehabilitation of a Woodlawn's historic theater. It will double as a teaching venue for Mason Music Foundation (offering free music lessons) and as Woodlawn's first entertainment venue in decades.



Deal Size: \$500,000





Results to date:

100+ investor partners

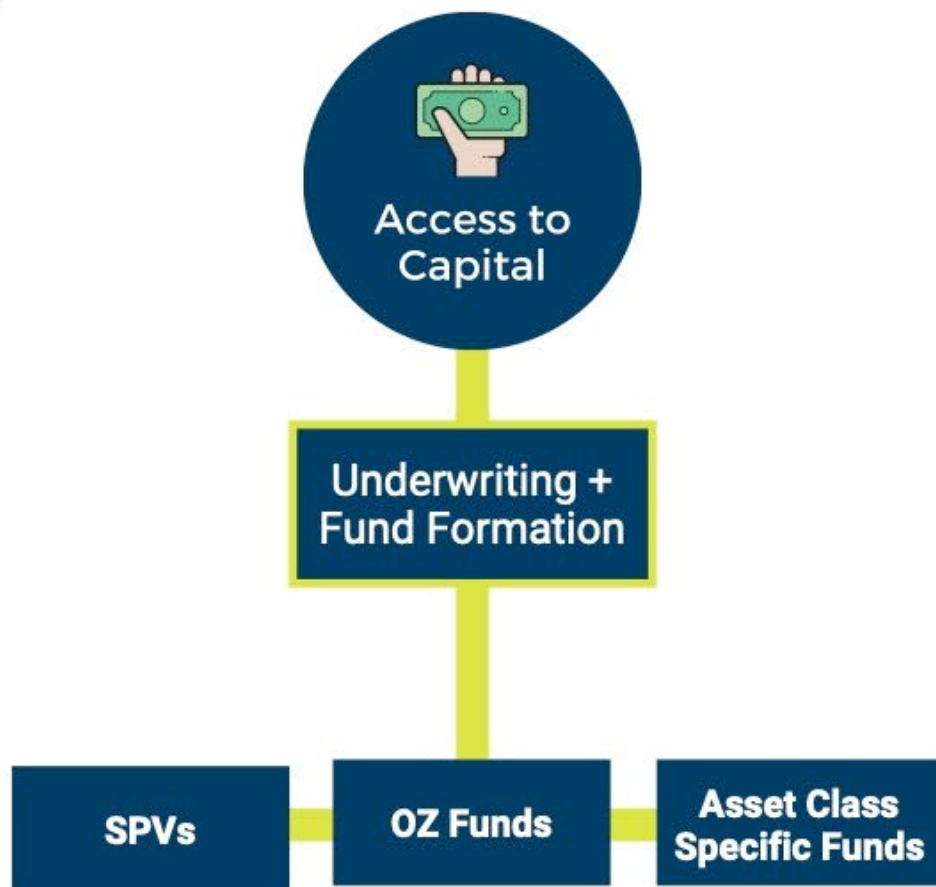
56 introductions

27 projects in diligence

5 currently under LOI

Partners:





Blueprint Local

\$50M raised to date in TX and Mid-Atlantic

Forbes OZ Catalyst Challenge Finalist

20+ collective years of CRE / Op Biz investing experience

Ross Baird - Principal (Kauffman Fellow), 20%+ IRR over 10 years at Village Capital

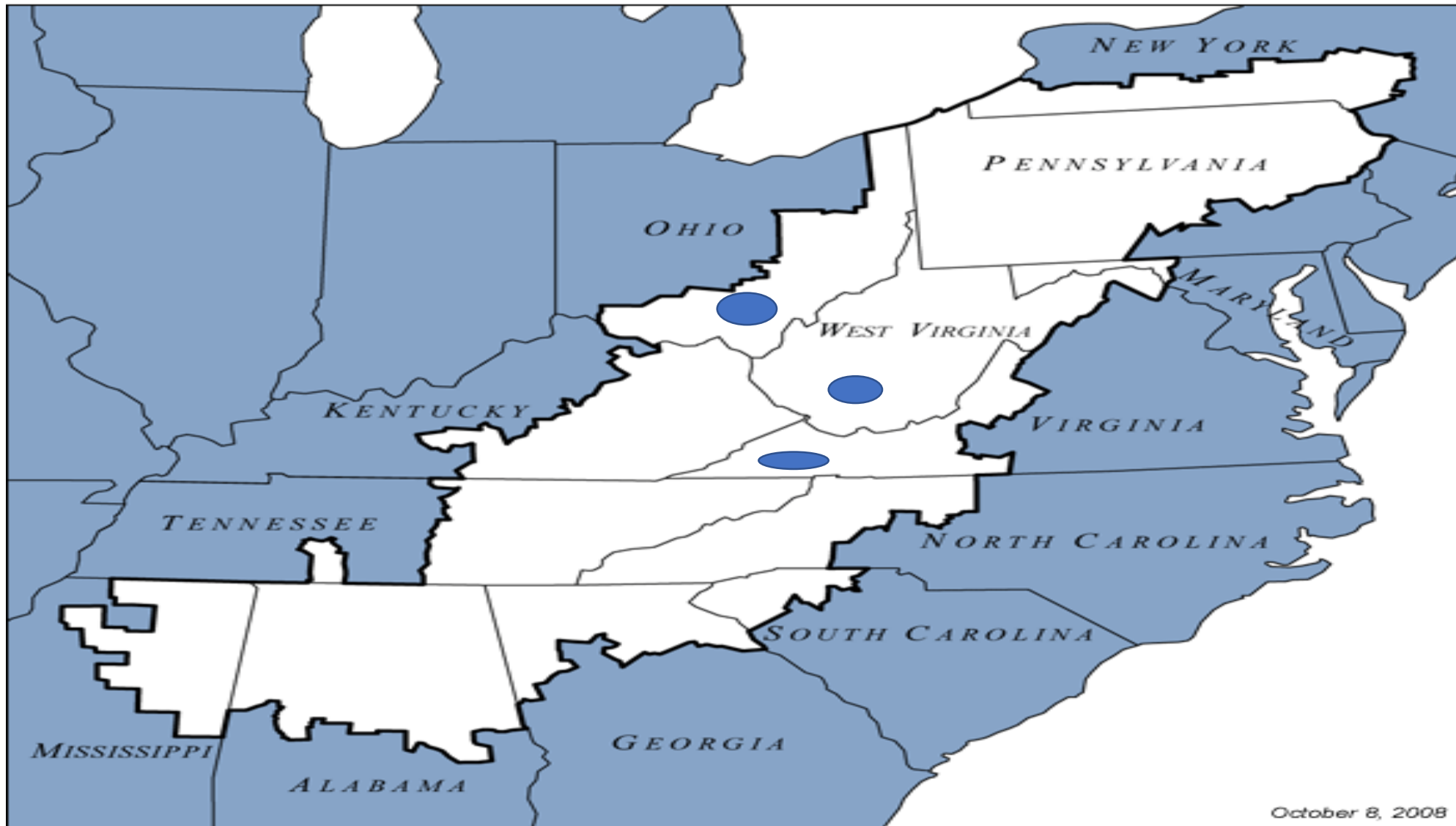
Justin Ferreira - CRE Investment Lead (HBS, McKinsey, 15+ years in CRE PE)

Lindsay Edwards - Alabama Investment Manager (Morehouse / Emory, 20+ years at Goldman, Morgan Stanley, & running own portfolio of CRE & Op Biz)

Opportunity Appalachia

BRINGING OPPORTUNITY ZONE INVESTMENT TO CENTRAL
APPALACHIAN COMMUNITIES, CREATING NEW JOBS AND
BUSINESSES FOR SUSTAINABLE GROWTH





Source: Appalachian Regional Commission

STRATEGIC VISION

- **TO HAVE IMPACT**
- **TO BRING JOBS, BUSINESS SUPPORT, AND INVESTMENT TO HARD HIT RURAL COMMUNITIES**
- **TO BUILD NEW AND/OR STRENGTHEN CURRENT PARTNERSHIPS**
- **TO BE INCLUSIVE**

ANTICIPATED OUTCOMES

15 - 20 OZ communities in Central Appalachia receive technical assistance to:

- develop community strategies
- structure investable transactions
- create prospectus and pitch decks
- Investments support economic restructuring and diversification:
 - manufacturing, health, education, tourism / recreation, downtown development, food systems

Once these prospectus are complete, reach out to Opportunity Fund investors, both national and local.

Bring \$235M of new Opportunity Fund capital to 15 targeted OZ communities.

Create over 1800 jobs.

EXAMPLES OF PROJECTS



OHIO - \$4M redevelopment of 25,000 SF historic downtown Ohio & Erie Canal Warehouse

VIRGINIA - Virginia Ave Warehouse redevelopment and Virginia Ave Boutique Hotel

WEST VIRGINIA - Thundercloud, Inc, Fiber Network and Data Center

AND NEXT STEPS.....

THANK YOU!

Donna Gambrell, CEO, Appalachian Community Capital
dgambrell@acc1.org

Opportunity Appalachia
<https://appalachiancommunitycapitalcdfi.org/oa-program>

Opportunity Appalachia

Bringing jobs, business support, and investment to Central Appalachian communities

