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Opportunity For Whom? Neoliberal Place-Based Policy and its Effects on Neighborhood Change

Introduction

The history of displacement in the United States is far reaching and ever-present. Ever since the project of colonization began on this land, the forms and processes of dispossession have shifted and adapted to the times: from excessive violence and biological warfare to policy.[1] It is essential to contextualize this land as a project of dispossession in perpetuity; settler colonialism is a structure, not an event, and the project of land dispossession continues to adapt to maintain the original dispossession of land, and a subsequent ongoing project of dispossession.[2,3] In their own ways, policies have served to create spatial divides in order to determine who is entitled to what space. In some forms, these have been very blatant: such as redlining and restrictive covenants. Today, the way in which people are displaced and dispossessed is a process of gentrification and displacement predicated on colonial and capitalist views of land and property. Policies are enacted that view land and communities as opportunities for investment and industry with the housing that they provide as an afterthought. Policies that continue to incentivize investment, promote industry, and rely on the private sector to uplift communities serve as tools for displacement masquerading as a necessary aid for disadvantaged and under-resourced communities. Public-private partnerships that center

[1] Dunbar-Ortiz, *An Indigenous Peoples' History of the United States*.
[2] Wolfe, "Settler Colonialism and the Elimination of the Native."
[3] Harris, "How Did Colonialism Dispossess? Comments from and Edge of Empire."

localized place-based investment will be seen as the current iteration of dispossession if the result of these policies benefits only the investor while displacing community residents.

This paper will focus on Opportunity Zones, a provision in the 2017 Tax Cuts and Jobs Act (TCJA), as a case study for a larger exploration of similar place-based policies. The way that these policies have been structured for decades positions low-income neighborhoods and the residents who live there as the lucky recipients of private investment. However, throughout the many iterations of similar policies, the low-income communities receiving investments do not benefit from these policies equitably.[4] Time and time again, private and public investment without serious oversight has led to displacement of original populations and a simultaneous influx of whiter and wealthier populations.[5] Place-based policies in the way that they have been implemented have reinforced colonial ideologies and halted any attempts to actually uplift communities that have been historically disinvested.[6] These policies, along with their current iteration of Opportunity Zones, have served the wealthy investors that they incentivize at the expense of long-time community residents.

Now that Opportunity Zone policy has been enacted and billions of dollars are expected to be funneled into the neighborhoods targeted by this policy, it is important to critically evaluate its effects on displacement and the effectiveness of investments – not for investors, but for the community residents who inhabited that space before the flood of investment. Can place-based policies be effective in "revitalizing" a community without negatively affecting the long-term inhabitants of the existing community? If not, what steps can be taken to offer reparations for

[4] Ferrer, "Opportunity Zones and Neoliberal Policy Histories."
[5] Ferrer.
[6] Leitner and Garner, "THE LIMITS OF LOCAL INITIATIVES: A REASSESSMENT OF URBAN ENTREPRENEURIALISM FOR URBAN DEVELOPMENT."

centuries of displacement and dispossession in communities that have been perpetual targets of expansion and prosperity for rich investors and speculators?

Background

Defining Opportunity Zones

The 2017 Tax Cuts and Jobs Act (TCJA) adopted in December of 2017 amends the Internal Revenue Code (IRC)[7] with the primary goal of cutting taxes and simplifying the previous iteration of the IRC. The Trump administration as well as a majority of the Republican party claimed that this would benefit the average American family. In fact, Donald Trump's aide and the Chairman of the Council of Economic Advisers (at the time) argued that American workers would receive a pay increase if corporate taxes were cut.[8] The White House's report claimed wages would rise anywhere from four to nine thousand dollars annually.[9] This estimate was largely disputed by top economists,[10] but was still a justification for lowering corporate taxes in the TCJA. This Republican idea of trickle-down economics has been tested and shown to benefit only the wealthy rather than the average American household, but it is still a justification used by Republicans in an attempt to benefit the wealthy constituents and corporations that continue to lobby for similar policies.[11]

Despite the objections from any economist outside the Trump Administration, Donald Trump claimed that these tax cuts would not benefit wealthy individuals like himself and that the tax cuts are in fact a helping hand for the working class. In a speech about the (then newly

[7] H.R.1 — 115th Congress (2017-2018)
[8] Lovelace Jr, "Americans Would See up to a $9,000 Raise If US Cuts Corporate Taxes, Says Trump Economic Advisor."
[9] Lovelace Jr.
[10] Summers, "Perspective | Lawrence Summers."
[11] "The Ultimate Zombie Idea."

introduced) TCJA, Trump explained: "This is going to cost me a fortune, this thing – believe me. Believe me, this is not good for me"[12]. However, an analysis done using Trump's leaked and partial tax return from 2005 found a net savings of 22.5 million dollars for Trump.[13] The stated intentions of the TCJA are to benefit the average American family, but it seems that many provisions in the TCJA will create millions of dollars of savings for the wealthiest Americans, while claims that wages will increase due to corporate tax cuts have been largely disproven.

The Opportunity Zone program is just one of those provisions included in the TCJA that is intended to benefit low-income, working families. The Opportunity Zone program allows states to designate 25% of low-income census tracts to be Qualified Opportunity Zones, and all low-income census tracts are eligible for designation.[14] Eligible tracts must have poverty rates of above 20%, or have a median household income below 80% the state average (not median).[15,16] Additionally, adjacent tracts that are otherwise ineligible may also be designated with qualifying tracts, so long as they do not exceed 125% of the eligible tract's median income.[17] Any private investments made through Qualified Opportunity Funds (QOF) in these designated census tracts can have the capital gains taxes on these investments deferred. Furthermore, any profits made from these investments, if held for long enough, are untaxed. Investments and any profits made from them are subject to hefty capital gains tax relief;

"If income is placed in a QOF, it is deferred from inclusion of gross income that year. If the money remains in a QOF for 5 years, there is a 10% exclusion benefit, if 7 years, there is a

[12] Jacobson, "Will the GOP Tax Bill Cost Donald Trump 'a Fortune'?"
[13] Jacobson.
[14] H. R. 1—131
[15] "26 U.S. Code § 1400Z–1 - Designation."
[16] Alexander Ferrer and Donlin, "Displacement Zones: How Opportunity Zones Turn Communities into Tax Shelters for the Rich."
[17] "26 U.S. Code § 1400Z–1 - Designation."

15% exclusion benefit. If the money remains in a QOF for 10 years, any gains made from that investment are not taxed when the investment is sold or exchanged."[18]

These benefits are huge incentives for investments in Opportunity Zones, and the limits on investments are practically nonexistent. Investments must be held at least 90% in a "Qualified Opportunity Fund"[19], defined as "any investment vehicle which is organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property".[20]

This broad definition allows for investment in almost anything as long as the investments are targeted towards Opportunity Zone-designated census tracts. Because of the loose definition and lack of transparency or regulation, investors are beginning to put billions of dollars into projects in these designated areas, however very little of the investment is required to contribute to job creation, affordable housing, or local businesses. If this policy is intended to incentivize investment in low-income communities rather than serving as simply a tax-break, it is curious that there are few guidelines directing investments into specific avenues such as affordable housing. In fact, the policy seems to incentivize the opposite. One Opportunity Zone developer that I spoke with stated: "People are happy to be building housing anywhere (in Los Angeles) because L.A. needs housing. For us, we're building a brewery, which is much more risky".[21] This developer hints that the Opportunity Zone policy incentivizes investments that would not create housing in low-income census tracts. Rather, his real estate development corporation saw this policy as a contingency for an otherwise risky development due to the incredibly auspicious benefits of Opportunity Zone investments.

[18] Alexander Ferrer and Donlin, "Displacement Zones: How Opportunity Zones Turn Communities into Tax Shelters for the Rich."
[19] H. R. 1—131
[20] Ibid
[21] Anonymous Developer, Opportunity Zone Incentives.

Hence, this program has the potential to create luxury housing and niche projects that otherwise would be too risky or financially irresponsible. This type of investment will benefit developers and investors looking for investment vehicles for large amounts of capital gains rather than the low-income communities they are intended to support.[22] These wealthy investors are creating pockets of investment with little to no job creation, and serve as tax shelters to investors with endless opportunities for developers to take a gamble on experimental projects. Meanwhile, these developments pose the threat of displacement to community residents. Previously low-income communities experiencing a flood of investment could experience gentrification as a result of higher property values from speculation and further development in neighborhoods deemed as “up and coming” due to intense investment.

Opportunity Zone Investments in Practice

Because the TCJA was passed in late 2017 and the Opportunity Zone designations were not announced until early 2018, it is difficult to fully gauge the potential future impact of Opportunity Zone policy, or even its impact to date. Due to the lack of public reporting mandates, the tracking of Opportunity Zone investments is very difficult. However, through an analysis of previous similar policies and the investments that have been made public, the policy and its potential can be better understood. Donald Trump proposed that Opportunity Zones are “providing massive new incentives for investment and job creation in distressed communities”.[23] He is partially correct. There is certainly a massive new incentive for investment, but the language that he and other proponents of the tax incentive uses centers the communities and the benefit for these so-called distressed communities. Since the designations have been announced

[22] Drucker and Lipton, “How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich.”
[23] Drucker and Lipton.

and the policy has gone into effect, it is the tax break and the benefits for investors that have been centered rather than the target communities.[24]

The reason that so many ultra-wealthy investors are so excited about Opportunity Zones is that normally, when selling assets considered capital gains, they can be taxed up to 41% on those profits. Again, these are simply from selling assets gained from the stock market, real estate, or other business ventures, so it is mainly extremely wealthy individuals and corporations who are seeking to channel this money from investing their wealth into less tax-burdened avenues.[25] Some of the main proponents are also the people receiving the most possible benefit from the program. Conservative Facebook investor Sean Parker and his economic lobbying group helped to push for this bill by garnering support for the program, and as a major investor in Facebook, stands to gain millions of dollars in untaxed assets.[26] Even Democratic Senator Cory Booker has praised the program's efforts and co-sponsored the original bill that brought Opportunity Zones into the spotlight. Booker imagines "trillions of dollars of capital… coming into our communities".[27] This phrasing of "coming into our communities" is incredibly accurate due to the nature of capital gains. In the United States, 90% of capital gains income is owned by the wealthiest 10%, and just under 70% of that is owned by the wealthiest 1%. Capital gains income in the amount that is necessary for sensible Opportunity Zone investment is largely inaccessible to the low-income community members of designated tracts. All investment must come from a holder of a large amount of capital gains income and is therefore likely to exist outside of the community where the investment is made.

[24] The New York Times Editorial Board, "Opinion | Opportunity Zones — for Billionaires."
[25] Drucker and Lipton
[26] Bertoni, "An Unlikely Group Of Billionaires And Politicians Has Created The Most Unbelievable Tax Break Ever."
[27] Bertoni.

By some estimates, up to $6.1 trillion dollars will be invested into the 8,800 Opportunity Zones across the country.[28] Even those who imagine possible positive benefits of the program mention the possibility of gentrification and the displacement of long-time residents. The deregulation of trillions of dollars of private investments into low-income neighborhoods have already led to investments in certain ventures that have great gentrifying potential.

For example, Anthony Scaramucci, former Trump adviser has begun developing a luxury hotel in New Orleans' warehouse district complete with a rooftop pool and fancy restaurant – perfect for low-income residents![29] The tax break is also being used by Trump's friend and former adviser Chris Christie, who had been raising funds to finance luxury apartments in an Opportunity Zone in New Jersey.[30] The plans include a pool, a rooftop deck, a courtyard, and space for private events.[31] There is no plan at the moment for how the apartments will be affordable for the community, which is by nature low-income. Pictured below (in Figure 1) is the plan for the brand-new apartment complex. The image depicts Porsches and a modern looking building for the luxury apartment. Who will live in these apartments if there is no affordability guarantee? Based on the plans, it appears that the development is meant to transform the neighborhood rather than spark opportunity for the current residents.

[28] Bertoni.
[29] Drucker and Lipton
[30] Yaffe-Bellany, "The Trump Associates Benefiting From a Tax Break for Poor Communities."
[31] Hackensack, "Partnership, Led by Russo, Will Redevelop Former Site of The Record Newspaper."

Figure 1 - Proposed Development by Chris Christie in a New Jersey Opportunity Zone[32]

Opportunity Zones and Real Estate Investments in Los Angeles

The previous discussion of Opportunity Zone investments focused on the potential for commercial developments and the risky developments promoted by the program's design. The program encourages risky commercial development, but is seen by many as mainly an avenue for real estate investments.[33] Therefore, as much potential as Opportunity Zone policy has to promote intense commercial development in designated tracts, it is poised to even more dramatically impact the housing market in said tracts. A recent study by Zillow has already shown a large increase in sale prices in Opportunity Zones following the 2017 designations.[34] This study was performed across all census tracts, and shows that after Opportunity Zone

[32] Hackensack.
[33] "Seattle Tech Execs Fund 'Opportunity Zone' Housing, Harnessing New Tax Breaks."
[34] "Sale Prices Surge in Neighborhoods With New Tax Break."

designations were announced, the sale prices in designated tracts spiked relative to both eligible and non-eligible undesignated tracts. This is telling, but could also be misleading. Because 200 of the 8,800 designated tracts are not low-income (and incorporated by proximity), this data may be skewed. Additionally, a disproportionately high amount of investments have been made in these 200 census tracts.[35] Regardless, the impact on the real estate market is undeniable.

One of the main reasons for this is the "substantial improvement" clause unique to Opportunity Zone policy. The statute requires all Opportunity Zone properties to be "substantially improved" – meaning that the value of the property at the time of purchase must be at least doubled during the investment period.[36] Because these standards do not consider appreciation in its valuation, the implications are particularly destabilizing for investments in rental housing.[37] Furthermore, the substantial improvement requirement is a contingency for receiving the tax benefits of the policy, and therefore requires serious improvement to the properties as investments. Improvements in the case of rental housing would require either partial renovation, or demolition and redevelopment of the property at double the original value.[38] This results in the high probability of low-income tenants being displaced in the long-term as a result of these provisions in the Opportunity Zone guidelines.

In the context of Los Angeles, and Lincoln Heights specifically, there is a serious threat to low-income tenants. Lincoln Heights has a relatively high renter population – about 75%.[39] Consequently, about 75% of the population is subject to eviction, rent increases, or illegal

[35] Drucker and Lipton, "How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich."
[36] "[USC02] 26 USC 1400Z-2: Special Rules for Capital Gains Invested in Opportunity Zones."
[37] Alexander Ferrer and Donlin, "Displacement Zones: How Opportunity Zones Turn Communities into Tax Shelters for the Rich."
[38] Alexander Ferrer and Donlin.
[39] Los Angeles Times Local, "Lincoln Heights."

removal tactics such as cash for keys[40]. Even renters protected under the Los Angeles Rent Stabilization Ordinance (LARSO) are vulnerable to displacement due to the Ellis Act – a law that is intended to offer an exit from the rental market for small landlords.[41] In practice, the Ellis Act has been exploited as a loophole for landlords to evict tenants from rent-stabilized units in order to perform serious luxury renovations or demolish a building and rebuild for higher profits.[42] Tenants can be evicted from their homes (with no fault) if a landlord wishes to "demolish or permanently remove the unit from rental housing" under the LARSO.[43] With the requirement of substantial improvement, it is a near guarantee that tenants will face displacement due to the incentive of real estate investment and subsequent "substantial improvement requirements. Several investment firms have already begun raising funds to invest in housing across the country, but the effects are yet to be fully realized.[44] Because the investment must be held for 10 years to gain the full tax benefits, the investments also have about 10 years to fulfill substantial improvement requirements. The full effects won't be seen for another decade, but the investments are being made before 2020 in order to qualify investments for full exemptions and deferrals.

Understanding Local Context of Private Investment in Opportunity Zones

One way to better understand the effects of the Opportunity Zone designations is to compare the designated census tracts with similar low-income tracts that were eligible but not designated. Below (in Figure 2) is a map of Los Angeles's Opportunity Zone designations.

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[40] Cash for keys refers to the process of a landlord or property manager offering a tenant any amount of money for the tenant to move out of their unit without terminating the lease officially, often to forgo relocation fees
[41] Coalition for Economic Survival, "Map of Ellis Act Evictions in Los Angeles."
[42] Coalition for Economic Survival.
[43] Los Angeles Housing and Community Investment Department, "Tenant Is Not At-Fault for Eviction | HCIDLA."
[44] Sprow, "Starwood to Raise $500 Million for Opportunity Zone Investments."

There are several that are clustered together, and others that exist in solitude. This designation pattern allows targeted investment into the entire community that could have long-lasting effects on the neighborhood, resulting in large-scale demographic turnover. While there are large pockets of designations together, there are also similar neighborhoods that are considered low-income that are not designated as Qualified Opportunity Zones due to the limit on designations – a maximum of 25% of low-income tracts. For example, the Lincoln Heights neighborhood – with a median income of around $30,000 – is designated in its entirety.[45] The adjacent neighborhood of Boyle Heights has a similar median income (within $1,000), but only a small portion of the neighborhood was selected during the designation period.[46] This provides the opportunity for analysis between similar communities by designation to fully understand the incentive of Opportunity Zones to both prospective investors as well as the community members that the program is intended to benefit.

The Lincoln Heights neighborhood (shown in Figure 3) has already seen Opportunity Investments and will certainly be the destination of more investments during the policy's lifetime. With the entire neighborhood's designation, investors are following through on a decades-long plan to expand the central commercial district of downtown into the east side of Los Angeles.[47] Several public-private partnerships already exist in the area such as the USC Biotech corridor and the Cornfield Arroyo Specific Plan (CASP). With the addition of the Opportunity Zone designation, Lincoln Heights is a compelling case study for the effects of

[45] Los Angeles Times Local, "Lincoln Heights."
[46] "Census Profile."
[47] Milici, "Redevelopment Merger Seeks to Create Local Jobs, Spur Economic Growth."

public-private partnerships, urban entrepreneurialism, and unchecked private investment – all of which are encompassed by Opportunity Zone policy.

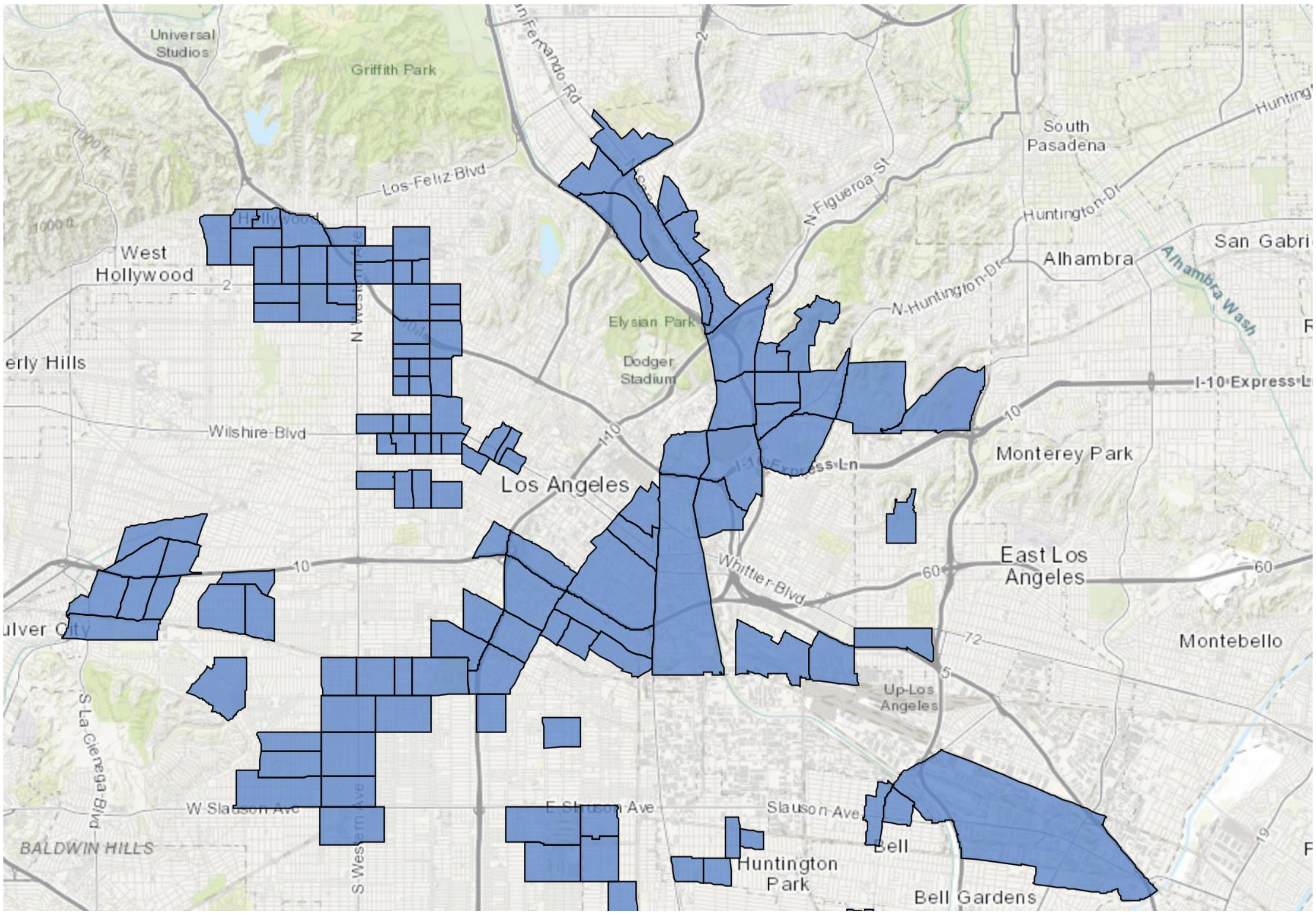

Figure 2 - Opportunity Zone designations in Los Angeles County

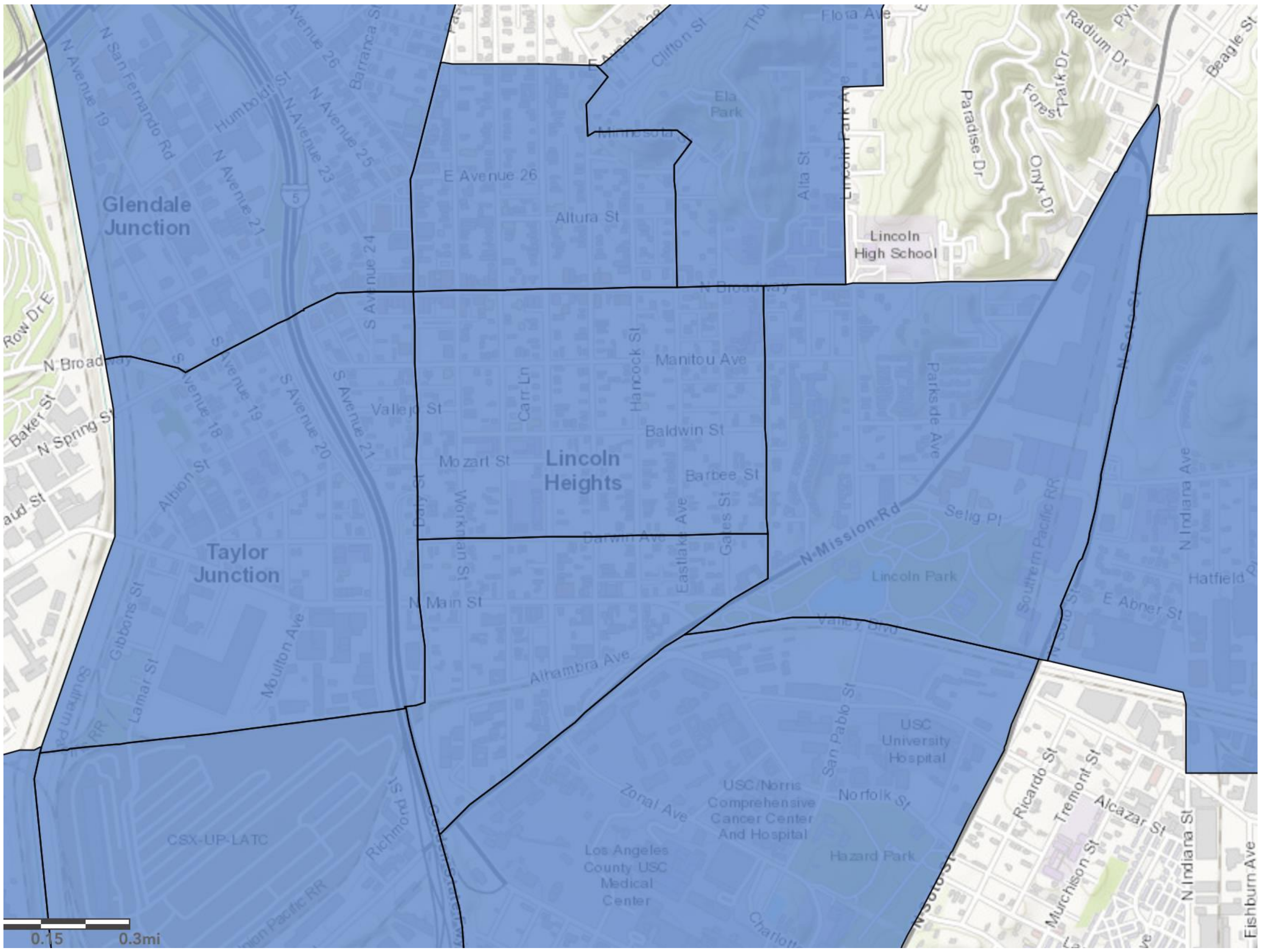

Figure 3 - Lincoln Heights neighborhood designation

The prospect of these risky developments is not simply a prediction, rather it is already a reality. One of the projects that is currently planned for the Lincoln Heights neighborhood is by Diego Torres-Palma's real estate development corporation Ventana Ventures. The plan is to build a brewery and cider house, and while the project is still in the permitting stage, the goal for completion is April 2020. The plans (pictured below in Figure 4) include two separate buildings that require partial demolition of industrial buildings along the 5 freeway.

Figure 4 - Benny Boy Brewery project plans in the Lincoln Heights neighborhood.[48]

Developer Diego Torres-Palma conveyed the magnitude of the incentive provided by the neighborhoods designation: "We would have built the brewery no matter what, but it completely changes the investor… it would have been a different building, probably in a different

[48] Torres-Palma, "Opportunity Zone Project."

neighborhood”.[49] This example shows that the Opportunity Zone policy is indeed effective in attracting development that otherwise would not occur. It also shows its ineffectiveness in creating opportunity for the local community, as the project is likely to produce very few new jobs (if any) and is contributing to gentrification in the area. This is due to its location in a known “gentrification cluster” identified by the NELA Vulnerability Study.[50]

Gentrification clusters are defined as areas with a 1,200 foot buffer that contain at least three of the following: creative economy businesses, housing for members of the creative economy, luxury housing, new housing developments, art live/work spaces, new retail, creative retail, lifestyle and leisure retail, or new coffee shops and restaurants that cater to high socioeconomic status individuals.[51] The study has identified these buffer zones as indicators of possible displacement and centers for gentrification. The brewery is located directly in an already existing gentrification cluster and will serve as a catalyst for the already anticipated displacement. Pictured below (in Figure 5) is a map of Lincoln Heights’ known gentrification clusters, with a blue arrow marking the location of the prospective brewery.

[49] Torres-Palma, Opportunity Zone Incentives.
[50] Urquiza and Matsuoka, “NELA Vulnerability Study.”
[51] Urquiza and Matsuoka.

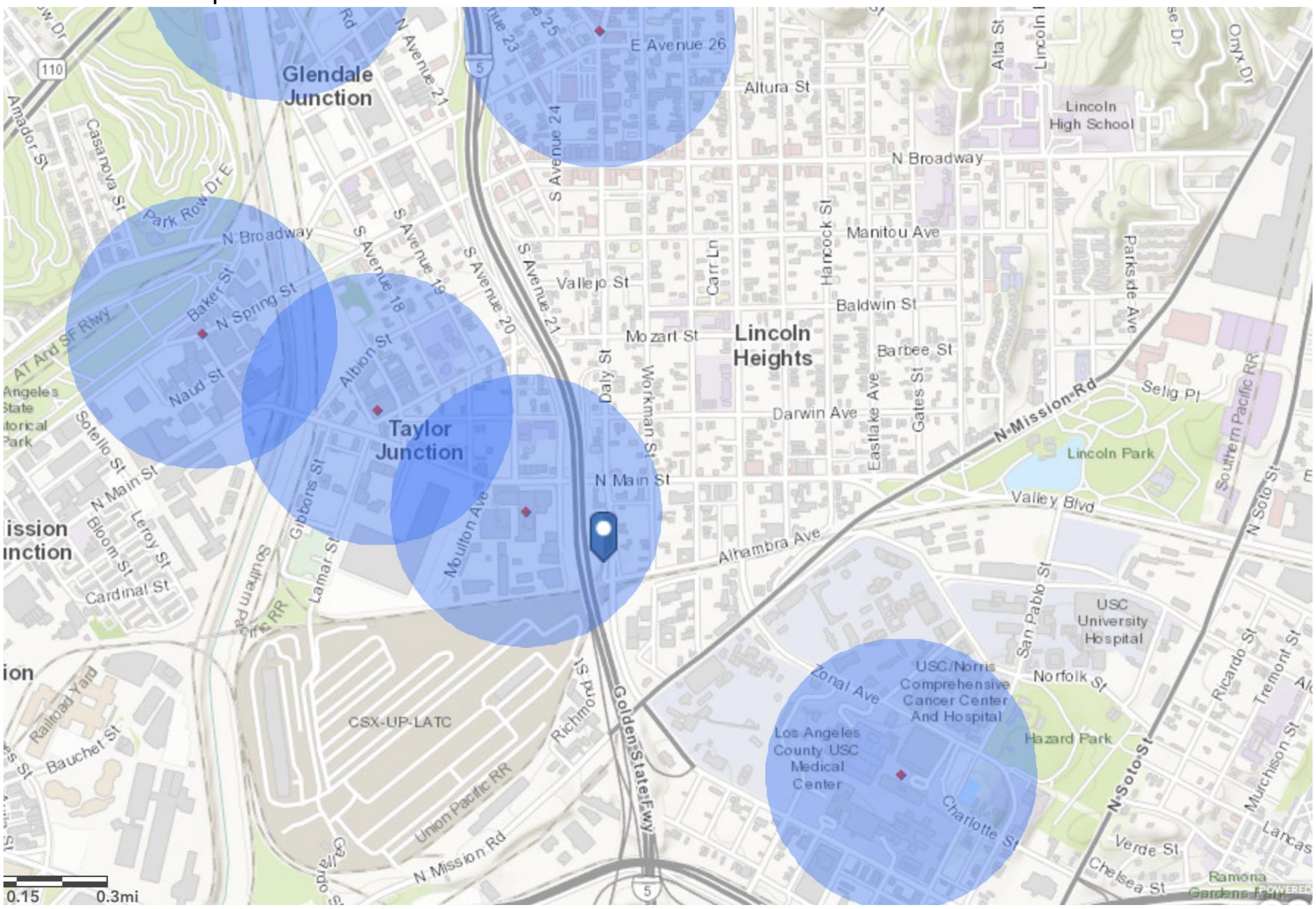

Figure 5 - Lincoln Heights area gentrification clusters with brewery location marked by blue arrow.

The indicators that deem these buffer zones gentrification clusters existed before the Opportunity Zone designation, so the point is not to say that Opportunity Zones are responsible for all gentrification in the area. Nonetheless, the incentive that the designation provides in an already gentrifying census tract is strong evidence that the existence of Opportunity Zones provides sufficient incentive to invest in gentrifying areas, subsequently accelerating the process of gentrification and displacement – at least in the case of Lincoln Heights.

Why Lincoln Heights?

The focus on Lincoln Heights in this study is based on both a local connection, and its identity as a neighborhood. Lincoln Heights is not far from Occidental College, where other students and I worked with Professor John Urquiza in a class to further develop the NELA Vulnerability Study. Through the work of John and Professor Martha Matsuoka in the UEP department, the study has identified multiple gentrification clusters and found several points of vulnerability in this historic neighborhood. Other than this study and a few cultural sites in the neighborhood, the study found few organizing spaces dedicated to Lincoln Heights specifically (as opposed to Boyle Heights, which has developed grassroots anti-gentrification movements). This leaves the neighborhood more vulnerable to outside forces, and this research is intended to support the ongoing organizing in the neighborhood.

Furthermore, Lincoln Heights is one of the few remaining neighborhoods within close proximity to the college that is in an early stage of gentrification, and is in a position to halt further unwanted development. Lincoln Heights is one of the oldest neighborhoods in Los Angeles with deep historical roots as a largely Latinx community. The neighborhood is relatively close to downtown Los Angeles, which has been attracting speculation for decades now. As it faces increasing pressures from projects like the Biotech Corridor, CASP, the neighborhood's Business Improvement District (BID), and others, it is an important neighborhood to look at to determine the effects of Opportunity Zone policy on vulnerable neighborhoods. It is important to look at how this effects the neighborhood from the perspective of the housing market. If the policy creates jobs in Lincoln Heights, but it is not for the residents, then the "benefits" further harm the community. Lincoln Heights is already experiencing gentrification pressures and the threat of Opportunity Zone investments are an added pressure. For that reason, monitoring Lincoln Heights could protect the neighborhood and others like it from experiencing widespread displacement and neighborhood change.

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Literature Review

Introduction

As this paper focuses on Opportunity Zones as a case study for a larger discussion of place-based policies and targeted tax-incentives, this review of literature will cover a narrow portion of the literature with a minute focus on Opportunity Zones on the east side of Los Angeles, the persistence of similar place-based policies, and a particular focus on the impact these policies have on the housing market and gentrification. In an attempt to explore the effects of designation, it is important to narrow my focus to the local context and further investigate how these policies have affected both intended outcomes and unanticipated consequences. I also aim to identify a niche beyond the specific statistical analysis that I will perform laid out in my methodology.

Creating Opportunity in Los Angeles

As Los Angeles faces a housing crisis[52] with more than half of California's renter population being rent burdened,[53] stakeholders everywhere are calling for solutions to the growing crisis.[54] According to the 2019 report released by the Los Angeles County Homeless Services Authority (LAHSA), LA County experienced a 12% increase in homelessness, while the city saw an increase of 16%.[55] In response, policymakers, community members, and benefactors are coming forward to offer solutions to the crisis, with a large emphasis on supply-side and private market solutions.[56] The shortfalls of these approaches have been well

[52] "The Sad, Scary Reality Seniors Face with Evictions, High Rents in California's Housing Crisis."
[53] "Newsom Backs Effort to Cap Rent Increases in California."
[54] Chiland, "LA's Homeless Crisis Is Getting Worse. Here Are the Stats."
[55] Los Angeles Homeless Services Authority, "2019 Homeless Count by Community/City Dashboard."
[56] "Opportunity Zones - Economic & Workforce Development Department, City of Los Angeles."

documented,[57] but there is still a bipartisan reliance on these solutions that has continued to fail those who suffer from the housing crisis. The Opportunity Zone program affords each state the power to designate up to 25% of low-income or high poverty census tracts, which occurred within 90 days of the bill's ratification. The designation is not mandatory, meaning then governor Jerry Brown's choice to designate 879 tracts shows a clear endorsement of the program and its ability to achieve the stated goals.[58] Of the 879 tracts designated by Jerry Brown, 193 are in Los Angeles, with a total of 274 in Los Angeles County.[59] In conjunction with the general confusion surrounding the bill,[60] the process of designation was convoluted and highly exclusive – no public comment was required, "though some states used them".[61] Selected tracts were submitted to the Treasury Secretary after the initial 90 days for the approval of Qualified Opportunity Zones, and although no public comment period was required, the City of Los Angeles offered a two week period that was hardly publicized and took place on-line.[62,63]

Despite the lack of community feedback, Mayor Eric Garcetti continued in support of the program, stating: "Every Angeleno should be able to share in the wealth and opportunities our city creates. The Opportunity Zone program can deliver on this promise by spurring economic investment where it's needed most — from injecting capital in local small businesses to increasing affordable housing".[64] For a program that is supposed to benefit the communities that it has designated, the actual potential benefit is much lower for communities than for investors.

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57 Sazama, "Lessons from the History of Affordable Housing Cooperatives in the United States."
58 Ferrer, "Opportunity Zones and Neoliberal Policy Histories."
59 Ferrer.
60 Tankersley and Rappeport, "A Hasty, Hand-Scribbled Tax Bill Sets Off an Outcry."
61 Ferrer, "Opportunity Zones and Neoliberal Policy Histories."
62 Ferrer.
63 "About Opportunity Zones – CA Opportunity Zones."
64 "Opportunity Zones - Economic & Workforce Development Department, City of Los Angeles."

The Los Angeles Economic & Workforce Development Department (EWDD) states that the community benefit provided by the program is "the incentive it provides for increased investment . . . in distressed areas", while the benefit to investors is "the deferral or elimination of capital gains taxes."[65] There is a large and obvious advantage for investors, as even the stated benefit to community is the same incentive that benefits investors. Los Angeles is in desperate need for more affordable housing, but the reliance on Opportunity Zones and other private market forces to create that is a flawed approach relying on a flawed policy logic.

Policy Logic and Persistence

The Opportunity Zone program is born out of a policy logic that is inherently flawed, but it is one that has a long history of support from conservatives and liberals alike. This logic of incentivizing private investment is what Paul Krugman refers to as a "zombie idea".[66] This term refers to policy ideas that are constantly refuted by evidence, "but nonetheless shamble relentlessly forward… because they suit a political agenda".[67] Krugman's "ultimate zombie idea"[68] is the perpetually touted connection between tax cuts for the rich and economic growth.[69] The Opportunity Zone program relies on this same ideology that has been constantly disputed with facts and research.[70]

The place-based targeted tax incentive policy began in the United States in the early 80's with the Reagan administration,[71] however in 1977, the Thatcher administration adopted a

[65] "What Are Opportunity Zones - Economic & Workforce Development Department, City of Los Angeles."
[66] "The Ultimate Zombie Idea."
[67] "The Ultimate Zombie Idea."
[68] "The Ultimate Zombie Idea."
[69] "The Ultimate Zombie Idea."
[70] Rosenthal, "Ideology Over Reality."
[71] "Promise Zones - HUD Exchange."

similar policy to address Britain's "inner-city crisis".[72] The proposed "Enterprise Zones" were created with a very similar intention as Opportunity Zones: create incentives for investment from businesses into "big-city slums".[73] The combination of tax credits and huge exemptions from income and capital gains taxes offered an incentive that was particularly enticing. However, there were several problems with the Enterprise Zones as well. Despite the incredibly attractive incentives to businesses and investors, the actual intention (or stated intention) of the program was to spark job creation, of which many critics were highly skeptical.[74] Instead, the program simply offered large payouts to these business with little to no reason to believe there would be any substantial job creation. In a statement backed by AFL-CIO, opponents wrote: "The most likely outcome is a reshuffling of existing jobs", as well as the creation of a fierce and destructive "competition for industry" in these zones.[75] Even in 1983 at the beginning of the trend of these types of policies, the statement proposed that the Enterprise Zone policy relies on a "false premise that relief from taxes, regulations, and other government burdens will '. . . create a climate for the enterprise system to flourish . . . allowing private sector firms and entrepreneurs to create jobs and expand economic activity'". [76] However, despite the AFL-CIO president's condemnation of the bill as a "'tax cut package, not a program to correct urban problems'",[77] the legislation continued and so did its legacy.

The Enterprise Zone policy is a crucial facet of global neoliberal policy that has been replicated many times in the U.S. and France after its origins in the UK, however for the purpose

[72] Chaudhary and Potter, "Evaluation of the Local Employment Impacts of Enterprise Zones."
[73] Denton, "Reagan Proposes Enterprise Zones To Lure Business to Big-City Slums."
[74] Cantor, Benedick Jr., and Zdenek, "Is The Proposed Reagan 'Enterprise Zone' Program A Sound Approach To The Nation's Urban Problems?"
[75] Cantor, Benedick Jr., and Zdenek.
[76] Cantor, Benedick Jr., and Zdenek.
[77] Cantor, Benedick Jr., and Zdenek.

of this paper I will focus on the context within the United States. The program was introduced in new iterations by several administrations after Reagan, including the Empowerment Zones by the Clinton administration, the New Market Tax Credit program by the George W. Bush administration, and now Trump's Opportunity Zones.[78] The legacies of each program are largely disputed and the literature is split, but most of the criteria focuses on job creation.[79] The Clinton Era Empowerment Zones saw some designated zones achieve an increase in average educational attainment as well as income, but these results were largely attributed to a "demographic turnover" in the zones generated by the program.[80] As investment flowed into the designated zones, increasing property values displaced existing previous community members, replacing them with a wealthier and whiter population that did benefit from the program. Therefore, it is important to notice that the effectiveness of the program cannot be judged by how many dollars have been funneled into the designated areas.

When the Congressional Research Service (CRS) released a report that seemed to reveal no connection between such tax cuts and economic growth in 2012, Senate Republicans pressured the service to withdraw the report from circulation.[81] The political agenda of increasing profits and prosperity for the most wealthy individuals seems to be more important than the true impacts of these policies – as seen through the adoption of one private investment based tax incentive policy after another. Opportunity Zones are an example of this furthering of a political agenda for the wealthy while masquerading as an effective solution that benefits both

[78] Ferrer, "Opportunity Zones and Neoliberal Policy Histories."
[79] Cantor, Benedick Jr., and Zdenek, "Is The Proposed Reagan 'Enterprise Zone' Program A Sound Approach To The Nation's Urban Problems?"
[80] Ferrer, "Opportunity Zones and Neoliberal Policy Histories."
[81] Rosenthal, "Ideology Over Reality."

wealthy investors and the targeted low-income communities. The bill's origins are completely top-down and informed by wealthy individuals with interests in their own prosperity. This is evident in that it was achieved through lobbying and funding from influential billionaires and their think tank, whose sole purpose is to lobby for tax policies that will end up benefiting those who have huge amounts of capital gains to invest.[82,83]

Public-Private Partnerships and Investment in Los Angeles

Los Angeles is deeply invested in public-private partnerships and incentives in order to fulfill a master plan to revitalize neighborhoods and incentivize development of low-income areas. Los Angeles has relied on public-private partnerships and the encouragement of private investment for its transformation into a global metropolis. In the 1960's, the city began a campaign to revitalize the downtown Bunker Hill area after the Federal Urban Renewal program of the 1950's. Once a neighborhood comprised of low-income people of color, the city sold the land to corporations in order to create the central commercial and business district that exists today.[84] More recently, Los Angeles submitted a bid for Promise Zone designation under the Obama era program, which still exists in South LA.[85] This program is different from Opportunity Zones in that it relies more on public-private partnerships rather than leaving outcomes completely subject to private market interests, however, it still serves as a piece of the urban entrepreneurial puzzle that makes up South Los Angeles with developments like the Staples Center and Expo Line.[86] South Los Angeles has seen a drop in its black population by

[82] Drucker and Lipton, "How a Trump Tax Break to Help Poor Communities Became a Windfall for the Rich."
[83] Bertoni, "An Unlikely Group Of Billionaires And Politicians Has Created The Most Unbelievable Tax Break Ever."
[84] Woocher, "This Map Shows How LA Politicians Have Created a City for the Rich."
[85] "Employment by Industries in Los Angeles, CA."
[86] "Promise Zones - HUD Exchange."

up to 50% in some areas,[87] and continued investment into the area is contributing to the push and pull factors resulting in this demographic shift. The persistence of these policies shows that Los Angeles cares more about its own branding as an international hub for business and commerce than the people who are being priced out and pushed out.[88]

These policies and practices can result in modern manifestations of redlining. When an area is low-income, often a proxy for race, that area is viewed as needing revitalization. The neighborhood is classified as high-crime,[89] and the solution, rather than preventing the causes of these issues, is to revitalize a neighborhood. The consequences of these actions largely result in displacement of long-term residents and benefits only for newcomers and the investors (whether that be public or private). The city has a stake in increasing property tax revenue for further funding (as discussed below) and the residents who are displaced are uprooted and left without the resources provided to the neighborhood now flooded with investments and resources available to the newcomers.[90]

This paper will focus on the Opportunity Zone policy as a case study for a more broad discussion of similar policies that have been tried and failed, and yet persist due to the zombie ideology. These policies have a habit of benefitting wealthy investors that advocate for these policies in the first place, rather than the communities (or residents) that are targeted. The downfalls of these types of policies can be seen through the previous failed attempts, however the Opportunity Zone program adopted in 2017 reveals the intentional ignorance by policy makers for the sake of their wealthy donors.

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[87] "In L.A.'s Historic African American Core, a Growing Latino Wave Represents a Possible 'Turning Point.'"
[88] Woocher, "This Map Shows How LA Politicians Have Created a City for the Rich."
[89] Board of Governors of the Federal Reserve System et al., "Fewer Vacants, Fewer Crimes?"
[90] Smith, "New Globalism, New Urbanism: Gentrification as Global Urban Strategy."

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Pitfalls of Locally Focused Funding Models Without Community Oversight

In 1945, California established RDAs (California Redevelopment Agencies) with the purpose of revitalizing urban areas. It was an essential tool in the effort to create affordable housing in urban areas across the state. The Community Redevelopment Act (CRA) allowed for the creation of RDAs that designated areas as “blighted”.[91] After 1952, the program established “tax-increment financing”[92] that allowed for the funneling of property tax revenue into the project area. The program saw many “successes” that turned “blighted” neighborhoods into thriving areas that attracted millions in private investments.[93] The program also created thousands of units of affordable housing across the state, which are certainly an important part in combatting the housing crisis that California has been facing for decades. However, further research revealed that while some RDAs succeeded in the in the creation of affordable housing, most of the funding for the program was not being used efficiently.[94] Many of the RDAs were unable to produce a single unit of affordable housing, and ended up using 12% of the state’s property tax revenue for failed projects.[95] Many argue that this is proof that the creation of housing should be left to the private sector.[96] The program did spark millions in private investment in the neighborhoods in which it failed to produce its own project, but this should not be accepted as a blanket positive. While this is not an example of an explicit public-private partnership, the prompting of speculation and investment into “blighted” neighborhoods in order

[91] Beyer, “California’s Redevelopment Agencies.”
[92] Blount et al., “Redevelopment Agencies in California.”
[93] Blount et al.
[94] Blount et al.
[95] Beyer, “California’s Redevelopment Agencies.”
[96] Sacramento, “California’s Secret Government.”

to revitalize them has failed time and again.[97, 98] While those arguing in favor of this type of policy and incentive for the private sector, the difference is the measure of success. Those in favor seem to measure success by buildings built, revitalization of downtown commercial district, and economic growth,[99] however critics find themselves inquiring about "the degree to which urban entrepreneurialism strategies have helped solve economic and social problems and stabilize municipal finances".[100]

Gentrification and the Housing Market

Rather than evaluating the impact of Opportunity Zones by the dollar amount of investments that have occurred as a result of the program, or a change in average income as a given success of the program, it is important to engage in the evaluation critically. Who does this investment benefit? Do community residents receive direct benefit from the investments of corporations and wealthy individuals, or do the investments spark demographic change that displaces the community and benefits newer and wealthier community residents? The tax cuts undoubtedly benefit investors, as any tax break is creating a benefit that did not previously exist and increases profits regardless of the success of the investment.

Gentrification is defined by Maureen Kennedy and Paul Leonard as "the process of neighborhood change that results in the replacement of lower income residents with higher income ones".[101] Their 2001 paper, however, goes on to detail that gentrification is an extremely complex process that looks different everywhere it occurs. Regardless of its complexity, the

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[97] Leitner, "Cities in Pursuit of Economic Growth."
[98] Leitner and Garner, "THE LIMITS OF LOCAL INITIATIVES: A REASSESSMENT OF URBAN ENTREPRENEURIALISM FOR URBAN DEVELOPMENT."
[99] Leitner and Garner.
[100] Leitner and Garner.
[101] Kennedy and Leonard, "DEALING WITH NEIGHBORHOOD CHANGE: A PRIMER ON GENTRIFICATION AND POLICY CHOICES."

process of replacing lower income residents with higher income ones remains a constant across all gentrifying neighborhoods. As in the case of Clinton's Empowerment Zones, the attempt to transform a neighborhood through place-based policies has the tendency to be effective in funneling large amounts of capital into the intended areas, but with the additional consequence of the replacement of the low-income residents who were once intended to receive these investments. [102] The focus on incentivizing private investment without any serious guidelines to structure or control the impact of the investments has the potential to bring about transformational change to Opportunity Zone tracts that result in the displacement of entire communities for the benefit of newcomers who can afford the newly invested in and subsequently more expensive neighborhoods.

Research Question: How does the designation of a census tract as an Opportunity Zone impact the home sale volume, property values, and rent prices of its neighborhood?

Methodology

This research requires quantitative methods to determine the impacts of Opportunity Zone designation, but the analysis of findings will involve some qualitative analysis for support. For this case study of Opportunity Zones, the initial aim was to directly compare specific census tracts by each variable (home sale volume, property values, and rent prices) before and after the policy was enacted, in order to determine if the policy has already had an effect the variables being measured. However, as this policy is new, and up to date census tract level data is inaccessible for these variables as of right now, the tests are performed by neighborhood. Zillow offers data for these variables by the geographic designation of neighborhood and allows for the

[102] Ferrer, "Opportunity Zones and Neoliberal Policy Histories."

initial intended comparison between Lincoln Heights and Boyle Heights. Throughout each test, I will be comparing the two neighborhoods which are similar in demographics such as population, racial composition, and median income, however one is a completely designated as an Opportunity Zone (Lincoln Heights), while the other is largely undesignated (Boyle Heights)– with certain sections of the Boyle Heights neighborhood incorporated as designated tracts (further discussion in limitations section).

In this quasi-experimental research design, I am testing the effect of the designation on home sale volume, home values, and median rent. Each of these three variables will be tested separately as the dependent variables with the explanatory variable being Opportunity Zone designation. I will also compare home sale volume, home values, and median rent over time within each neighborhood to determine how these numbers have been trending and what kind of effect the designation may have had. This research will provide important insight into the local case, which can lead to specific organizing strategies and policy recommendations on a local level.

I chose these factors that focus on the policy's effect on housing because of its design and potential impact on the real estate market. There has already been a spike of sale prices in Opportunity Zones relative to non-designated tracts nationwide[103]. By measuring these factors, I refocus the attention on Opportunity Zones' role in displacement specifically. Previous similar policies have been measured relative to job creation or employment, but this means nothing if the beneficiaries of the policy are new community members that have displaced the previous low-

[103] "Sale Prices Surge in Neighborhoods With New Tax Break."

income residents. I will run independent samples t-tests, ANOVAs, and perform graphical analyses to gauge the effects of designation.

The first census tract I originally chose was Census Tract 2043 in Boyle Heights, Los Angeles County, California. This tract has a median household income of $31,026, a poverty rate of 36.5%, and its population is 95% Hispanic, 3% White, and 1% Asian according to census reporter.[104] While this tract has a high poverty rate and would qualify for designation, it was not selected during the 2017 designation process. The tract that I would be comparing it to is Census Tract 1998 in Lincoln Heights. This tract was selected, in addition to the entire neighborhood of Lincoln Heights. Census Tract 1998 has a median household income of $31,974, a poverty rate of 28.7%, and its population is 60% Hispanic, 39% Asian, and 1% White[105]. This difference in racial composition may influence the findings, but my analysis is based mainly on displacement of lower socioeconomic status communities of color by upper-class white people, so due to the very similar poverty rates, median household incomes, and a high "Hispanic"[106] population, this analysis should not be affected too significantly.

The specific tests that I am using compare the means of different samples of continuous variables. An Independent Samples T-Test determines if there is a statistically significant relationship between the means of two samples using a "grouping" or independent variable. In this case, the grouping variable is a dummy variable created to signify the period of time (before or after designation of Opportunity Zones). For example, this takes the mean rent price in a neighborhood from the period of time before the policy was enacted, and compares that to the

[104] "Census Profile."
[105] "Census Profile."
[106] Hispanic is the category used by the Census reporter, but I do not think that the term Hispanic adequately identifies those folks

mean rent price after policy is enacted to compute a test statistic that will reveal whether or not the difference in means is statistically significant. The other test is an ANOVA, which functions very similarly. Unlike an Independent Samples T-Test, the ANOVA is able to perform the same comparison of means, but with three or more functions of the grouping variable. For these tests, the grouping variable is the same: period of time. However, it is now possible to compare means among different periods of time. I created a dummy variable for the grouping variable for these tests as well, with a time period dating back to the beginning of the available data (September of 2010) up until the TCJA was passed in 2017. The next time period is between December 2017 to December 2018 (when designations of zones were made) to determine if anything significant occurred between this time period. Finally, the last time period is from December 2018 to the present, which is the same time period that the previous test measured after the intervention. From this test, we can determine if any statistically significant changes occurred between any of the three time periods.

I will mainly use Zillow data at no cost to perform these tests to measure statistical significance. I will also use Census data and community research such as Marina Litvinsky's study on Lincoln Heights for accurate demographic statistics.[107] From Zillow, I will use their collected median sale prices for homes, median rent list prices, home value index (ZHVI), and home sales (to determine volume). It may be the case that 2 years has not been long enough for significant change to have occurred simply because of the designation of opportunity zones in these neighborhoods specifically. As previously mentioned, certain census tracts in the Boyle Heights neighborhood have been designated, and that may affect investment and other factors

[107] Litvinsky, "USC Lincoln Heights Neighborhood Change Study Fall 2016/Spring 2017."

leading to skewed results. I will conduct the actual tests through a statistics software called SPSS after coding and parsing the data. By including a focused local comparison, (as a student in Los Angeles at Occidental College), the qualitative and quantitative analyses of the findings may provide insight for organizations engaged in advocacy and activism around Opportunity Zones and housing justice.

Findings

Dataset

As mentioned in the Methodology section, the data that are being used for the statistical analyses come from Zillow's data and research department. I chose this data because it is some of the most up to date information on the variables I was interested in, and focuses in on a relatively narrow geographical designation. While the data does not include census tract level data, the data can be sorted by neighborhood. The data is downloadable for free from Zillow.com/research/data, and can be used for further analysis as the policy ages. The variables chosen from this larger dataset are ZRI, ZHVI, and monthly home sales. ZRI is the "Zillow Rent Index" that represents the mean of rent estimates in a neighborhood for all housing types, which includes units not currently on the market.[108] ZHVI, or "Zillow Home Value Index" functions similarly in that it represents the mean home value in a neighborhood adjusted seasonally and for home type. Monthly home sales is the variable that reflects home sale volume, as the variable reflects the raw number of homes sold in a neighborhood each month. There are other variables that are important to consider for this study, and may be included in further iterations of this research. These variables include the HPI, (House Price Index) released by the FHFA by census

[108] "Housing Data."

tract which would allow closer scrutiny between designated and non-designated eligible tracts, and Ellis Act Filings, which would show if a property owner has filed to demolish a building used for housing in order to renovate or demolish it. These two variables will increase the holistic understanding of what type of neighborhood change is occurring at a closer level, as these are both available by census tract.

Limitations

Because of the recency of Opportunity Zone policy, there are many limitations on the statistical analysis that are important to consider in the discussion of findings. Two years have passed since the TCJA has been signed into law, and only one year has gone by with the designations in place. Additionally, many of my original intentions for statistical analysis were impossible due to the lag in data by Census Tract. This provides opportunities for further research with the same tests performed on available data at a more microscopic level in the future. Because Census Tract data was not available for the dependent variables I was testing, the tests are performed on a neighborhood level. These tests compare Lincoln Heights and Boyle Heights, which are intended to represent a neighborhood that is designated, and a neighborhood that is eligible but not designated (respectively). The way that I define a designated neighborhood in this sense is having more than 50% of that neighborhood comprised of Opportunity Zone designated tracts. Another limitation is that while these neighborhoods have similar characteristics that make them comparable in many ways, they are not perfect comparisons. The demographics, poverty rate, and median income are very similar (see Methodology), but the rent prices and home values are generally higher in Lincoln Heights, while the home sale volume tends to be higher in Boyle Heights (over the time that data is available). Additionally, Boyle Heights does have census tracts within the neighborhood that are designated Opportunity Zones, and could affect the rest of the neighborhood due to proximity to investment. This may affect the analysis of findings, and could play out differently as the policy's life is extended.

In order to combat the original differences in home value and rent prices, I had to adjust my analysis. Additionally, rent prices and home values have increased universally over the last few decades, so it is not good practice to compare only the raw number from before the policy and after, as this includes a general increase in living cost due to inflation and other confounding variables. For this reason, I created a time series variable to complete the analysis for home values and rent prices, rather than using the raw numbers. The creation of a time series variation for these variables takes the difference from one time-period measurement to the next. In this case, data is collected as an average value for rent or home value from month to month, so the time series variation would calculate the change in price from one month to the next, in order to compare if there is a statistically significant difference not in the price itself from before implementation to after, but rather if there is a difference in the way those values are changing.

Findings of Statistical Analysis

The first tests that I ran are separate tests that intend to answer my research question by statistical analysis: **How does the designation of a census tract as an Opportunity Zone impact the home sale volume, property values, and rent prices of its neighborhood?** The way that I set up this test was to first create the time series variables for Boyle Heights and Lincoln Heights in each of the dependent variables: home sale volume, home values, and rent prices. I then created a dummy variable that represented the designation of Opportunity Zone Census Tracts in December of 2018 as an intervention. This dichotomous variable (represented as 0 for before designation and 1 for after designation) allows me to test the difference in means before and after designation through SPSS, a statistics software. To further exhibit why I chose to use time series variations on the raw data, the data below (Figure 6) shows descriptive statistics on the mean home values before and after the designations of Opportunity Zones.

T–Test

Group Statistics

	Intervention	N	Mean	Std. Deviation	Std. Error Mean
BoyleHeights	.00	272	263665.62	100748.974	6108.804
	1.00	14	462649.57	7763.454	2074.870
LincolnHeights	.00	272	312313.71	126233.336	7654.020
	1.00	14	583369.29	6212.955	1660.482

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
BoyleHeights	Equal variances assumed	39.037	.000	-7.377	284	.000	-198983.95	26975.065	-252080.38	-145887.52
	Equal variances not assumed			-30.843	263.914	.000	-198983.95	6451.556	-211687.02	-186280.88
LincolnHeights	Equal variances assumed	35.046	.000	-8.020	284	.000	-271055.58	33795.534	-337577.09	-204534.06
	Equal variances not assumed			-34.608	283.996	.000	-271055.58	7832.064	-286471.84	-255639.31

Figure 6: Descriptive Statistics for Home Values and Test for Difference in Means

As displayed in the Group Statistics dialog box, the average home value for before the designation is $263,665.62 in Boyle Heights, and $312,313.71 in Lincoln Heights. After designation, the average home value is $462,649.57 in Boyle Heights, and $583,369.29 in Lincoln Heights. Again, the values are higher in Lincoln Heights from the start, but the main limitation presented is that the home values have gone up universally. It would be irresponsible and self-serving to say that this is statistically significant due to the implementation of Opportunity Zones alone. In the "Independent Samples Test" dialog box, under "Sig. (2-tailed)", the values of .000 represent a p-value below the alpha (set at .05), indicating a statistically significant difference in means before and after the designation of Opportunity Zone Census Tracts. However, the data for home values before the intervention includes data from back to

2010, and therefore ten years of home value increase, compared to one year of data for after the intervention. This can't be ethically used to conclude that Opportunity Zone designation alone had the effect of this increase.

For that reason, I use a Time Series variation on this variable, that is transformed from BoyleHeights into BoyleH_1, and from LincolnHeights into Lincol_1. Again, this transforms the raw number into the difference from month to month. Therefore, if from 2010 to 2018, an increase of x is standard, the test can find if there is a statistically significant difference in the change from month to month from before designation, to after the designation. These tests are displayed below:

Group Statistics

	Intervention	N	Mean	Std. Deviation	Std. Error Mean
BoyleH_1 DIFF (BoyleHeights,1)	.00	271	1191.98	3632.899	220.683
	1.00	14	1892.93	2052.936	548.670
Lincol_1 DIFF (LincolnHeights,1)	.00	271	1582.63	4274.056	259.630
	1.00	14	1570.07	1109.965	296.651

Figure 7: Descriptive Statistics for Time Series variation of Lincoln and Boyle Heights Raw Home Value Data

Shown above are the means for Boyle Heights and Lincoln Heights Time Series data. For Boyle Heights (BoyleH_1), the average change in home values from month to month before designation is $1,191.98. After designation, the average change from month to month is $1,892.93. For Lincoln Heights, the average change in home values from month to month before designation is $1,582.63, while this number stays relatively similar after designation, at $1,570.07. For Boyle Heights, this is a large difference, and shows that there has been a much larger monthly increase in home values after designation in Boyle Heights as a neighborhood.

This shows a near opposite of what I would have predicted due to the prospect of increased investment in Lincoln Heights due to its designation. However, the independent samples T-Test in SPSS yielded these results:

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means					95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
BoyleH_1 DIFF (BoyleHeights,1)	Equal variances assumed	1.422	.234	-.715	283	.475	-700.947	980.007	-2629.974	1228.080
	Equal variances not assumed			-1.185	17.524	.252	-700.947	591.388	-1945.829	543.935
Lincol_1 DIFF (LincolnHeights,1)	Equal variances assumed	8.410	.004	.011	283	.991	12.556	1146.058	-2243.324	2268.436
	Equal variances not assumed			.032	39.429	.975	12.556	394.220	-784.552	809.664

Figure 8: Independent Samples T-Test for stat. sig. Difference in Means

As shown in the column titled: "Sig. (2-tailed)", we fail to reject the null hypothesis (there is no statistically significant relationship between change in home value from month-to-month, and designation of Opportunity Zone Census Tracts).

In addition to the Independent Samples T-Tests that were conducted, I ran ANOVA tests for the home value variables. In this case, I am comparing the means across three different grouping variables: 0 for the time of the first available data to December of 2017 (when the TCJA was signed into law), 1 for December, 2017 until December, 2018 (the time of designation), and 2 for after designation. It is possible that speculation was being made prior to designation, as investors were certainly aware of census tracts likely to receive designations prior to the designations themselves. As discussed previously, it was also investors that lobbied for the designations to the Treasurer, so the investments could have been made as early as December of 2017. In order to test these relationships, ANOVAs were performed for both the raw data as well as the time series variation again. Because I have determined the accuracy of the raw data in determining statistical significance as it relates to the effect of designation as being rather low, I will focus on the tests with Time Series data. Below are descriptive statistics for the Time Series data for each grouping.

Descriptive Statistics

Dependent Variable: Lincol_1 DIFF(LincolnHeights,1)

anova_intervention	Mean	Std. Deviation	N
.00	2679.62	3361.430	87
1.00	3965.25	2283.340	12
2.00	1570.07	1109.965	14
Total	2678.68	3108.410	113

Figure 9: Means for Each Grouping by Time in Lincoln Heights

Descriptive Statistics

Dependent Variable: BoyleH_1 DIFF(BoyleHeights,1)

anova_intervention	Mean	Std. Deviation	N
.00	2183.83	2272.669	87
1.00	2921.50	1607.912	12
2.00	1892.93	2052.936	14
Total	2226.12	2185.449	113

Figure 10: Means for Each Grouping by Time in Boyle Heights

In each respective Descriptive Statistics dialog box, the means for change in home value from month to month are shown, grouped by time as explained above. In both neighborhoods, there is a clear pattern. A positive mean change equates to an increase in home value from month to month. For both neighborhoods, there is an observably large increase in the difference in home value from the time period of before the signing of the TCJA (09/2010-12/2017) to the designation of tracts (12/2017-12/2018). The increase in average change is $1,285.63 in Lincoln

Heights, and $737.67 in Boyle Heights. That number is particularly high in Lincoln Heights, which was eventually designated completely, and could indicate an early intention for investment in this prospective Opportunity Zone during the period between the signing of the TCJA and the designation. The other pattern that we can observe is the decrease in this value in the last period (12/2018-current, or after designation). In Lincoln Heights, this number decreases $1,109.55 from the original period, and $2,395.18 from the in between period. In Boyle Heights, the change is less drastic, but the pattern occurs nonetheless; the mean change value after designation changes $290.90 from the first period (grouping value of .00), and $1,028.57 from the second period (grouping value of 1.00). These values make sense. Because of the substantial improvement clause, it is most desirable to invest at a lower property value to make the doubling of that value (a requirement for realizing full tax benefits) much more feasible. It is also important to notice that this change is more drastic in Lincoln Heights – the neighborhood representing a designated OZ neighborhood.

This difference is observable in the difference of means visually, but when the ANOVA test is performed, it yields the following results:

Pairwise Comparisons

Dependent Variable: BoyleH_1 DIFF(BoyleHeights,1)

(I) anova_intervention	(J) anova_intervention	Mean Difference (I–J)	Std. Error	Sig.[a]	95% Confidence Interval for Difference[a] Lower Bound	Upper Bound
.00	1.00	-737.672	674.294	.829	-2376.978	901.633
	2.00	290.899	630.549	1.000	-1242.057	1823.855
1.00	.00	737.672	674.294	.829	-901.633	2376.978
	2.00	1028.571	861.418	.705	-1065.660	3122.802
2.00	.00	-290.899	630.549	1.000	-1823.855	1242.057
	1.00	-1028.571	861.418	.705	-3122.802	1065.660

Based on estimated marginal means

a. Adjustment for multiple comparisons: Bonferroni.

Figure 11: Results of ANOVA test for Boyle Heights

Pairwise Comparisons

Dependent Variable: Lincol_1 DIFF(LincolnHeights,1)

(I) anova_intervention	(J) anova_intervention	Mean Difference (I-J)	Std. Error	Sig.[a]	95% Confidence Interval for Difference[a]	
					Lower Bound	Upper Bound
.00	1.00	-1285.629	949.182	.535	-3593.227	1021.968
	2.00	1109.549	887.604	.642	-1048.343	3267.441
1.00	.00	1285.629	949.182	.535	-1021.968	3593.227
	2.00	2395.179	1212.591	.152	-552.803	5343.160
2.00	.00	-1109.549	887.604	.642	-3267.441	1048.343
	1.00	-2395.179	1212.591	.152	-5343.160	552.803

Based on estimated marginal means

a. Adjustment for multiple comparisons: Bonferroni.

Figure 12: Results of ANOVA test in Lincoln Heights

For these tests, the "Sig.[a]" column tells us whether or not there is a statistically significant relationship between any of the time periods. Because none of these cells display a p-value of below .05 (the predetermined alpha level), we fail to reject the null hypothesis: there is no statistically significant relationship between change in home value from month-to-month, and designation of Opportunity Zone Census Tracts. Therefore, despite the observable pattern of change from time period to time period, it is not a large enough difference to be statistically significant, however that does not mean that the pattern cannot lead us to a meaningful conclusion on the possibility of that data. If this pattern continues and becomes more drastic, it may become statistically significant, and therefore indicate a relationship between the designation and change in home values.

Finally, I attempted to visually plot this data to see if there is an observable difference, however it seems to yield the same results as these statistical analyses. (See graph below)

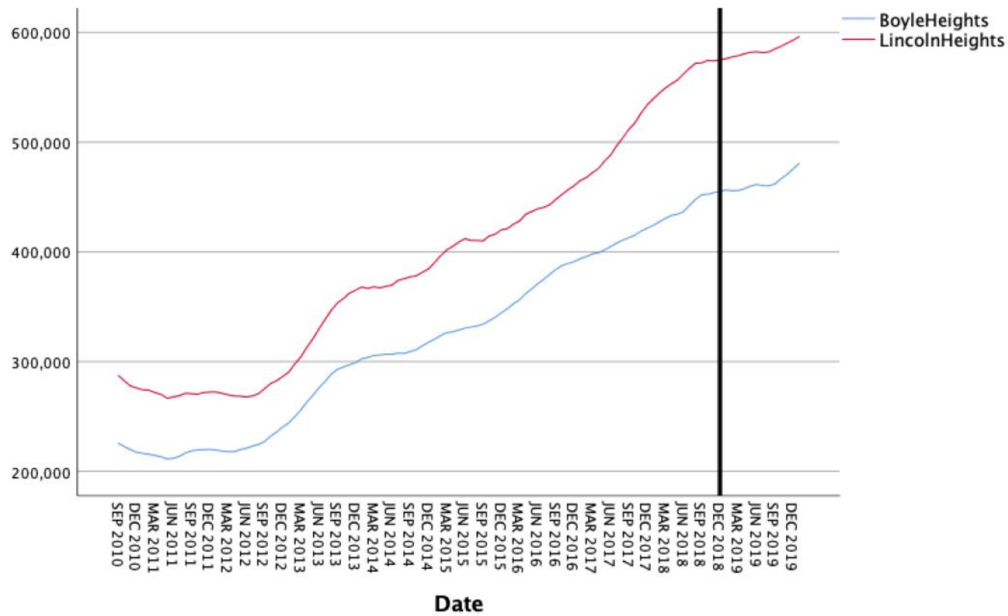

Figure 13: Graphical Depiction of Raw Data for Home Values in Boyle and Lincoln Heights

This graph shows a similar story; there is an increase after the intervention of designation (displayed by the black vertical line), but not one that is drastically different than the course that home values had been following prior to the intervention. Below is the same graphing tool for the time series variation.

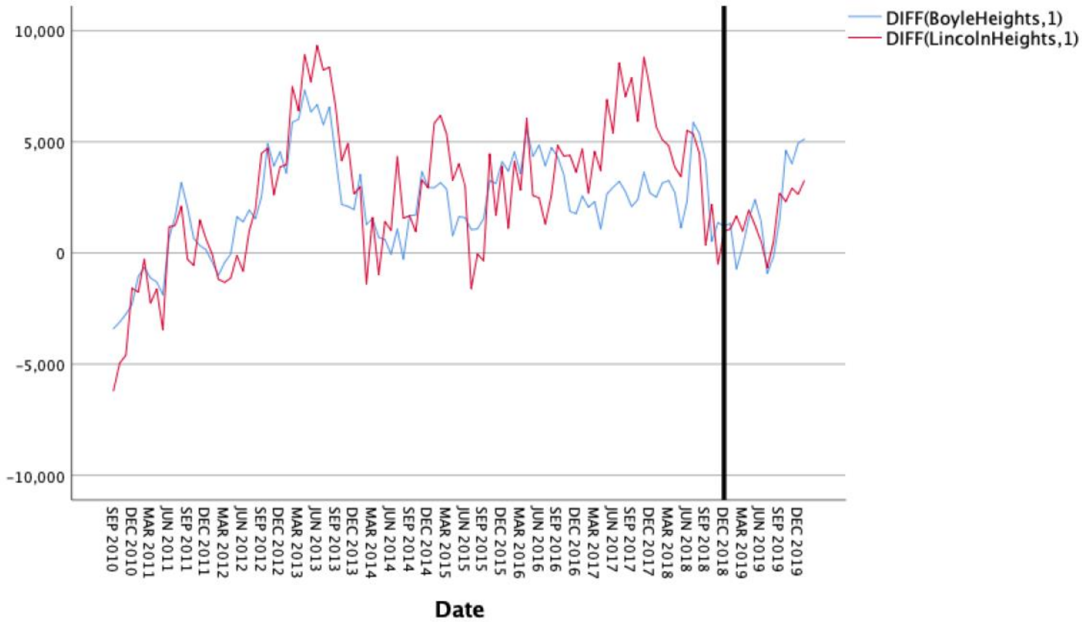

Figure 14: Graphical Depiction of Time Series Data for Home Values in Boyle and Lincoln Heights

Again, there has not been much time since the designation, so this is certainly a limitation. After designation, there is not much change immediately, but for both the Time Series data, and the raw data, there seems to be a small spike that occurs after September. The further analysis of this data in the future is required to continue to monitor the long-term effects of the policy. Right now, this spike seems like nothing out of the ordinary, as the historical data shows constant patterns of peaks and valleys, but perhaps this spike will continue. In order to maximize the tax benefits from the program, the investments must have been made by the end of 2019 (although tax benefits are still available in smaller but not insignificant amounts with investments after this date). Therefore, it would make sense that home values stagnate for a period of time after designation and skyrocket after a majority of investments are made. Again, the continuous monitoring is necessary to determine if this is simply part of the regular pattern, or a result of the designations.

Rent Prices Analysis

The next dependent variable for analysis is the rent prices in each neighborhood. For this variable, I created Time Series variations as well (for the same reasoning as with home values). I originally hypothesized that the designation of a Census Tract as an Opportunity Zone would affect all dependent variables in consideration, however I would also hypothesize that rent prices will be most affected. Due to the high renter population in the neighborhoods that I selected for comparison, and the substantial improvement requirements, I predict that renters and rental housing are particularly vulnerable to change.

The tests that I performed for rent prices were the same as for home values. First, I performed T-Tests, which (again) compare means between an independent grouping variable. The independent grouping variable remained the same – essentially designation. This was assigned in the same way as the previous tests for continuity: 0 is the value assigned to any time before designation, and 1 for after designation. Because rents have increased over time similarly to home values, I decided that performing the tests on raw rent price data would be unnecessary and any results would most likely be incorrect or misleading. Below are descriptive group statistics and the tests for the Time Series variation on the Time Series data.

Group Statistics

	Intervention	N	Mean	Std. Deviation	Std. Error Mean
BoyleH_1 DIFF (BoyleHeightsZRI,1)	.00	98	4.44	18.490	1.868
	1.00	12	-12.58	18.068	5.216
Lincol_1 DIFF (LincolnHeightsZRI,1)	.00	98	4.14	20.336	2.054
	1.00	14	-3.93	19.547	5.224

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
BoyleH_1 DIFF (BoyleHeightsZRI,1)	Equal variances assumed	.000	.991	3.017	108	.003	17.022	5.642	5.839	28.205
	Equal variances not assumed			3.073	13.976	.008	17.022	5.540	5.138	28.906
Lincol_1 DIFF (LincolnHeightsZRI,1)	Equal variances assumed	.565	.454	1.395	110	.166	8.071	5.784	-3.391	19.534
	Equal variances not assumed			1.438	17.276	.168	8.071	5.613	-3.758	19.900

Figure 15: Descriptive Group Statistics and T-Test for Rent Prices

In the "Group Statistics" dialog box, we can see that in both neighborhoods there is a similar pattern. Before designation (grouping value .00), the mean monthly change in rent price is $4.44 for Boyle Heights, and $4.14 in Lincoln Heights. After designation (grouping value 1.00), the mean monthly change in rent price is -$12.58 for Boyle Heights, and -$3.93 in Lincoln Heights. This means that before designation, there would be an average monthly rent price increase of a little more than $4 in both neighborhoods. However, after designation, there is an observed decrease in monthly change in rent price of $12.58 and $3.93 respectively. In the "Independent Samples Test" dialog box, the "Sig. (2-tailed)" column shows the p-value. For Boyle Heights, we reject the null hypothesis. There is a statistically significant relationship between monthly change in rent price and designation, with mean before designation being 4.44, and mean after designation being -12.58 at $p < .05$. However, for Lincoln Heights, we fail to reject the null hypothesis: there is no statistically significant relationship between monthly change in rent price and designation.

What does this finding mean? In the neighborhood meant to represent an Opportunity Zone designated neighborhood (Lincoln Heights), there is an observed, but marginal decrease in the change in monthly rent prices. Simultaneously, there is a statistically significant (and relatively large) drop in the change in monthly rent prices in the eligible but non-designated neighborhood (Boyle Heights). This could mean that the designation in Lincoln Heights did not allow for the same drop that Boyle Heights experienced. The graph below (Figure 16) visually depicts this change:

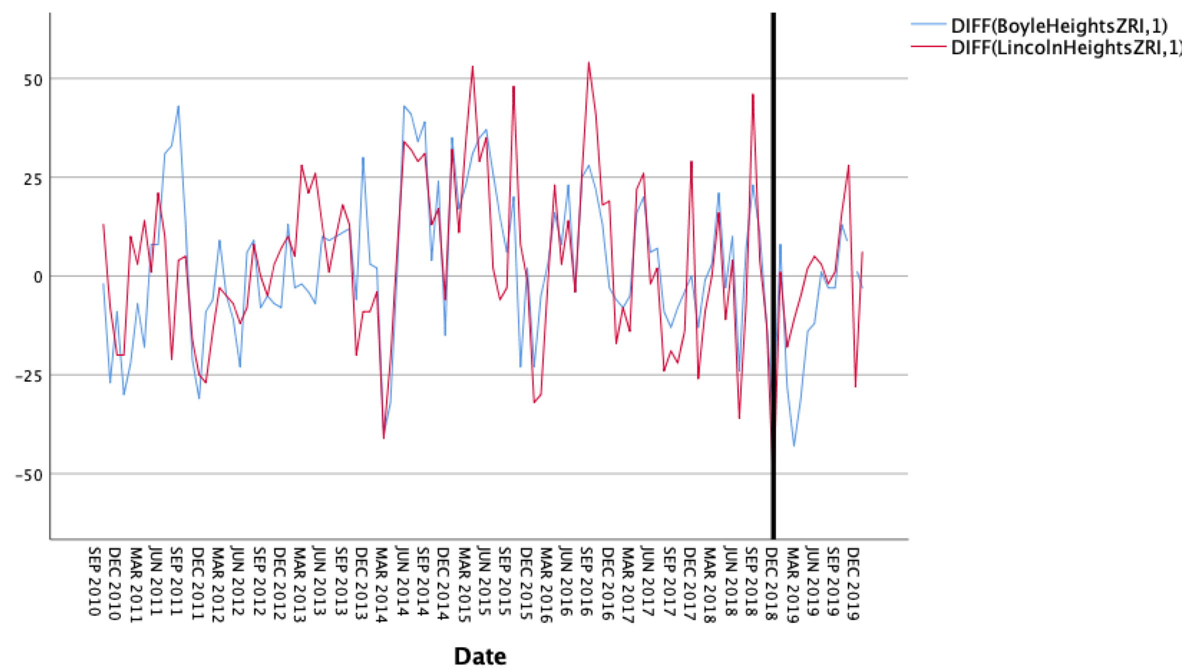

Figure 16: Graph of Change in Monthly Rent Prices

This graph shows that historically, the rent prices in these neighborhoods move similarly. As monthly rent price change increases in Lincoln Heights, it often increases at a similar rate in Boyle Heights. However, after designation, this trend changes slightly, as described by the rejection of the null hypothesis. If monthly rent price change was set to decrease in both neighborhoods, it is possible that the stagnation of rents in Lincoln Heights is due to the increased investments in Lincoln Heights. Again, this conclusion is not certain, as the amount of data is limited, but this is a statistically significant difference. In the graph below (Figure 17), there is a clear decrease in even the raw rent price data.

Figure 17: Graph for Rent Prices Raw Data

Similarly, each neighborhood seems to change together based on historical data. However, after designation there is a split, where Lincoln Heights rents stagnate and Boyle Heights rents drop significantly. In this case, the raw numbers on average rent prices show clearly the sharp drop in rent prices in Boyle Heights that is not mirrored in Lincoln Heights. Although one may have expected an increase in rent prices in Lincoln Heights due to designation, it is telling nonetheless that the non-designated neighborhood saw a relatively large decrease in rent prices, while the designated neighborhood did not experience the same relief.

Similarly to the home value variable, I performed an ANOVA test for both Lincoln Heights and Boyle Heights to determine relationships between the time periods of September 2010 (first data available) to December 2017 (enactment of TCJA), December 2017 to December 2018 (designation by treasury), and December 2018 to present. Below (Figures 18 & 19) is the dialog box for Descriptive Statistics in Boyle Heights and Lincoln Heights.

Descriptive Statistics

Dependent Variable: BoyleH_1 DIFF(BoyleHeightsZRI,1)

anova_intervention	Mean	Std. Deviation	N
.00	4.80	19.085	86
1.00	1.83	13.842	12
2.00	-12.58	18.068	12
Total	2.58	19.121	110

Figure 18: Descriptive Statistics for ANOVA in Boyle Heights

Descriptive Statistics

Dependent Variable: Lincol_1 DIFF(LincolnHeightsZRI,1)

anova_intervention	Mean	Std. Deviation	N
.00	4.74	20.073	86
1.00	-.17	22.587	12
2.00	-3.93	19.547	14
Total	3.13	20.330	112

Figure 19: Descriptive Statistics for ANOVA in Lincoln Heights

These dialog boxes for descriptive statistics display mean monthly change in rent prices grouped by time period. This additional test is being performed in order to understand if there is another statistically significant relationship to observe particularly between the time of the enactment of the TCJA and designation of Opportunity Zone Census Tracts. The results of the

ANOVA are displayed below (Figure 20) for Boyle Heights.

Pairwise Comparisons

Dependent Variable: BoyleH_1 DIFF(BoyleHeightsZRI,1)

(I) anova_intervention	(J) anova_intervention	Mean Difference (I−J)	Std. Error	Sig.[b]	95% Confidence Interval for Difference[b] Lower Bound	Upper Bound
.00	1.00	2.969	5.704	1.000	−10.904	16.842
	2.00	17.386*	5.704	.009	3.512	31.259
1.00	.00	−2.969	5.704	1.000	−16.842	10.904
	2.00	14.417	7.557	.177	−3.963	32.796
2.00	.00	−17.386*	5.704	.009	−31.259	−3.512
	1.00	−14.417	7.557	.177	−32.796	3.963

Based on estimated marginal means

*. The mean difference is significant at the .05 level.

b. Adjustment for multiple comparisons: Bonferroni.

Figure 20: ANOVA Results Boyle Heights

In analyzing the results of this test, one must observe the column: “Sig.[b]”. This column, which states the p-values, shows a p-value below .05 (our alpha level) for only the relationship between the period before the TCJA was passed and the period of time from designation to the present. Because our previous test determined the same result, this does not necessarily contribute further to the results yielded by the Independent Samples T-Test. For Lincoln Heights, there is no statistically significant relationship between any of the groups. This is shown in the “Sig.” column in the dialog box below (Figure 21). The “Sig.” column in the “Tests of Between-Subjects Effects” dialog box tells us that there is no statistically significant relationship between any group, and therefore we fail to reject the null hypothesis, and don’t need to observe pairwise comparisons.

Tests of Between-Subjects Effects

Dependent Variable: Lincol_1 DIFF(LincolnHeightsZRI,1)

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	1052.024[a]	2	526.012	1.279	.282	.023
Intercept	2.531	1	2.531	.006	.938	.000
anova_intervention	1052.024	2	526.012	1.279	.282	.023
Error	44826.967	109	411.257			
Total	46979.000	112				
Corrected Total	45878.991	111				

a. R Squared = .023 (Adjusted R Squared = .005)

Figure 21: ANOVA Results Lincoln Heights

Home Sales Volume Analysis

The final dependent variable compared by neighborhood is sale count, or sale volume. For this variable, there is no logical reason for increase in sale count over time as there is for rent prices and home values. Therefore, the same tests are performed both on the raw numbers as well as the Time Series variation. The dialog box below (Figure 22) displays the means for each variable before (grouping variable .00) and after (grouping variable 1.00) designation of Census Tracts as the intervention.

Group Statistics

	Intervention	N	Mean	Std. Deviation	Std. Error Mean
Lincol_1 DIFF (LincolnHeights,1)	.00	98	.02	3.473	.351
	1.00	14	-.29	3.384	.904
BoyleH_1 DIFF (BoyleHeights,1)	.00	98	-.03	5.267	.532
	1.00	14	.21	4.300	1.149
BoyleHeights	.00	99	11.07	3.465	.348
	1.00	14	9.21	2.636	.705
LincolnHeights	.00	99	6.93	2.840	.285
	1.00	14	5.64	2.845	.760

Figure 22: Descriptive Statistics by Group for Sale Count

For each of the Time Series variables, the mean sale count remains relatively similar before and after designation, with Lincoln Heights decreasing by .31, and Boyle Heights increasing by .24. This change is marginal and based on the test performed (in Figure 22), there is no statistically significant relationship. In the raw numbers, Lincoln Heights reports an average of 6.93 homes sold per month in the period before designation, and 5.64 homes sold in the period after designation. This equates to a decrease in average of monthly home sales of 1.24 between periods. This is slightly larger of a difference but is not statistically significant (See Figure 18). For Boyle Heights, the average home sale count in the period before designation was 9.21, and after designation, the average drops to 6.93 (a decrease by 2.28). This difference is very close to statistical significance, but falls just short with a p-value of .057.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means						
									95% Confidence Interval of the Difference	
		F	Sig.	t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	Lower	Upper
Lincol_1 DIFF (LincolnHeights,1)	Equal variances assumed	.028	.867	.309	110	.758	.306	.989	-1.654	2.267
	Equal variances not assumed			.316	17.155	.756	.306	.970	-1.739	2.351
BoyleH_1 DIFF (BoyleHeights,1)	Equal variances assumed	1.342	.249	-.166	110	.868	-.245	1.475	-3.168	2.678
	Equal variances not assumed			-.193	19.053	.849	-.245	1.266	-2.895	2.405
BoyleHeights	Equal variances assumed	.959	.330	1.924	111	.057	1.856	.965	-.055	3.768
	Equal variances not assumed			2.362	19.968	.028	1.856	.786	.217	3.496
LincolnHeights	Equal variances assumed	.002	.968	1.586	111	.116	1.286	.811	-.321	2.894
	Equal variances not assumed			1.584	16.878	.132	1.286	.812	-.428	3.001

Figure 23: T-Test Results for Sale Counts

Because the "Sig. (2-Tailed)" column displays no p-values below our stated alpha level (.05), we fail to reject the null hypothesis: there is no statistically significant relationship between home sale volume and designation of Opportunity Zone Census Tracts. For this variable as well, there has been a drop in home sale volume in both neighborhoods after the period of designation. Because of our limited access to data from the period after designation, it may be possible that this trend continues to the point that it is statistically significant, but this is a limitation for now. Sale volume is another variable that could show different behavior between the three time periods that have been the subject of the two previous ANOVA tests, so it is necessary to perform this test again for home sale volume. Because of the way that Opportunity Zone legislation is written, it is possible that sale volume would increase after the signing of the TCJA, and then decrease after designation. This is because investments must be held (and not sold) for the full time period in order to realize full tax benefits. The test for Boyle Heights is shown below (Figures 24 & 25):

Descriptive Statistics

Dependent Variable: BoyleHeights

anova_intervention	Mean	Std. Deviation	N
.00	11.22	3.353	87
1.00	10.00	4.200	12
2.00	8.60	3.481	15
Total	10.75	3.552	114

Figure 24: Descriptive Statistics for Boyle Heights Home Sale Volume by Time Period

Pairwise Comparisons

Dependent Variable: BoyleHeights

(I) anova_intervention	(J) anova_intervention	Mean Difference (I−J)	Std. Error	Sig.[b]	95% Confidence Interval for Difference[b]	
					Lower Bound	Upper Bound
.00	1.00	1.218	1.066	.767	−1.373	3.810
	2.00	2.618*	.968	.024	.266	4.971
1.00	.00	−1.218	1.066	.767	−3.810	1.373
	2.00	1.400	1.341	.896	−1.859	4.659
2.00	.00	−2.618*	.968	.024	−4.971	−.266
	1.00	−1.400	1.341	.896	−4.659	1.859

Based on estimated marginal means

*. The mean difference is significant at the .05 level.

b. Adjustment for multiple comparisons: Bonferroni.

Figure 25: ANOVA Results for Home Sale Volume in Boyle Heights

In the “Descriptive Statistics” dialog box, the mean home sale volume is shown by time period for the Boyle Heights neighborhood. The time period of September 2010 to December 2017 is represented by the value .00, December 2017 to December 2018 is represented by the value 1.00, and December 2018 to present is represented by the value 2.00. Below (in Figure 26), the dialog box “Pairwise Comparisons” displays the ANOVA test with the p-values displayed in column "Sig.[b]". We can conclude that there is a statistically significant relationship between home sale volume and time period in the comparison of values .00 and 2.00, which represent the period of time before the signing of the TCJA to December 2017 (mean=11.22), and the time period of December 2018 to present (mean=8.60) at $p<.05$. For all other relationships, we fail to reject the null hypothesis. The same figures and tests are displayed below (in Figures 26 & 27) for Lincoln Heights home sale volume.

Descriptive Statistics

Dependent Variable: LincolnHeights

anova_intervention	Mean	Std. Deviation	N
.00	6.99	2.871	87
1.00	6.50	2.680	12
2.00	5.27	3.105	15
Total	6.71	2.917	114

Figure 26: Descriptive Statistics for Lincoln Heights Home Sale Volume by Time Period

Tests of Between-Subjects Effects

Dependent Variable: LincolnHeights

Source	Type III Sum of Squares	df	Mean Square	F	Sig.	Partial Eta Squared
Corrected Model	38.526[a]	2	19.263	2.317	.103	.040
Intercept	2178.136	1	2178.136	261.965	.000	.702
anova_intervention	38.526	2	19.263	2.317	.103	.040
Error	922.922	111	8.315			
Total	6095.000	114				
Corrected Total	961.447	113				

a. R Squared = .040 (Adjusted R Squared = .023)

Figure 27: ANOVA Results for Home Sale Volume in Lincoln Heights

For Lincoln Heights, the same method of interpretation applies, with time periods remaining standard and the same ANOVA testing being performed. It is clear by the "Descriptive Statistics" dialog box that there is a decrease in home sale volume from each defined time period to the next, but the "Sig." column in the "Tests of Between-Subjects Effects" dialog box tells us that there is no statistically significant relationship between any group, and therefore we fail to reject the null hypothesis, and don't need to observe pairwise comparisons.

This finding stands out, because it is not what I had expected. I would have predicted the home sale volume in Lincoln Heights to decrease after designation, as investments are held for the long haul, but not as significantly in Boyle Heights. Because this occurred more in Boyle Heights, it is possible that there have been more investments made in the neighborhood than previously anticipated. The significant decrease in sale volume could indicate that investments have been made in real estate, and that those investments will be held until the ending of the Opportunity Zone program to realize full tax benefits.

Data Conclusions

As a summary, there were only two results of all tests that resulted in statistically significant results. In Boyle Heights, there was a statistically significant difference in the change in monthly rent price between the two time periods being analyzed (before designation and after). This is also reflected in the ANOVA. Additionally, there was a statistically significant difference in Boyle Heights in sale volume between the periods of time: .00 (beginning of data to December 2017) and 2.00 (December 2018 to January 2020). All other tests yielded statistically insignificant results, however this is important too. This may be a result of the early stages of the policy and its lack of time to show the changes that may be occurring. It is also possible that this means the policy will not have an affect on home values, and rather only affect home sale volume and rent prices, which was predicted as the policy's language leaves renters particularly vulnerable and targets rental housing.

As for the statistically significant results, there are a few possible interpretations. For the Boyle Heights rent price analysis, it is possible that this change occurred because of the focus on investment and development of the nearby neighborhood of Lincoln Heights, while Boyle Heights was relatively unaffected. While rents continued to rise in Lincoln Heights, the Boyle Heights neighborhood may have been spared of a similar rent price increase due to investors and speculators honing in on other areas. The rents in each neighborhood have a history of changing together, so this somewhat severe divergence could continue to manifest in the future. It is possible that this difference may become more drastic as time goes on and more investors attempt to fulfill substantial improvement requirements. This would mean that Lincoln Heights rents could begin to increase from month to month, and possibly affect the surrounding neighborhoods once these requirements are met and speculation increases.

Boyle Heights also experienced a statistically significant drop in monthly home sales after the designation of tracts. This is most likely explained by a similar phenomenon as the previous variable. As investment increases in Lincoln Heights due to the promise of tax benefits in the Opportunity Zones, fewer investors are looking to buy properties in Boyle Heights, as the nearby neighborhood does not offer the same incredible tax incentives. This is the most likely explanation, but other interpretations are possible and may become more clear as the policy ages.

Recommendations

Theoretical Framing

This paper is grounded in a few essential frameworks that shape the recommendations being made. The first framework is one of Settler Colonialism. As discussed previously, this policy relies on Settler Colonial views of land that position these neighborhoods as fungible and as points of resource extraction. This leads to the neighborhoods in question being seen for their potential profit, rather than sites of community cultural wealth being produced by the current long-term residents. This is a project of dispossession that began with the displacement of the land's indigenous people, and continues as a structure that is attempting to displace its new, low-income, residents of color. Drawing from Tuck and Yang, decolonization is not a metaphor.[109] This means that its solutions cannot be metaphorized, and the only sufficient remedy for this problem is the re-appropriation of the land itself to the Tongva people who were once stewards of the neighborhood now called Lincoln Heights, and now designated as an Opportunity Zone.

The other theory grounding this paper is Critical Race Theory (CRT). This theory is a framework that views racism as embedded into everyday society in a way that has become normal – not just the explicit, outward acts of racism or policies like redlining and restrictive covenants. One of the essential tenets of this theory is "racial permanence". The theory suggests that "Even those herculean efforts we hail as successful will produce no more than temporary 'peaks of progress,' short-lived victories that slide into irrelevance as racial patterns adapt in ways that maintain white dominance".[110] This theory is seemingly cynical, but offers readers an alternative. Instead of striving to reform the systems and policy that displace people of color and

[109] Tuck and Yang, "Decolonization Is Not a Metaphor."
[110] Bell, "Racism Is Here To Stay: Now What?"

maintain systems of white dominance, Derrick Bell encourages abolition of these systems. This encourages creative and innovative solutions, rather than what we have seen with policies like Opportunity Zones in the past. The constant evolution of these programs has not led to a version of the policy that is now beneficial for the residents of targeted communities. Instead, the newest iteration (Opportunity Zones) are further deregulated, offer more tax benefits, and have shifted and adapted to maintain these systems of oppression through more nuanced and complex methods. For that reason, the most important recommendation that I can make is the abolition of this policy, and a moratorium on further such policies.

Statistical Basis and Practical Recommendations

Although I firmly believe that the immediate repeal of this policy is imperative, and that the United States should in fact return the land that it is currently occupying to the indigenous communities (that still exist in Los Angeles) that once lived here, these are bigger projects than this research can achieve. For that reason, I return to Derrick Bell, who addresses this issue of two irreconcilable projects[111] – trying to make this flawed system better, and trying to create an entirely new system. On the topic, he states: "it is a question of both the recognition of futility of action (where action is more civil rights strategies that are destined to fail) and the unbelievable conviction that something must be done, that action must be taken".[112] While I believe that repealing the Opportunity Zone policy will not lead us closer to the end of settler colonialism, or racism, or even gentrification, I am certain that something must be done about this policy.

Based on the findings, it is clear that Opportunity Zone designation has had a larger impact on rent prices than home values. Therefore, it is important to consider renters at the

[111] Wilderson, We're trying to destroy the world.
[112] Bell, "Racism Is Here To Stay: Now What?"

forefront of these recommendations. Because the legislation lacks any type of protections for the neighborhoods receiving investment, the renters in Lincoln Heights have already seen changes due to the policy. Rent prices may not have skyrocketed (yet), but Boyle Heights saw a statistically significant drop in rent prices that the residents of Lincoln Heights did not experience. With more and more Angelenos becoming rent burdened, this drop in rents could mean the difference between affording groceries and going hungry. Therefore, until this policy can be fully repealed, legislators must advocate for renter protections as a condition of designation. This would ideally include a rent freeze or some cap on rent increases and eviction protections. Relocation assistance is not a viable substitute for an eviction moratorium, as the tax benefits for investors would incentivize evictions with relocation assistance payments that would pale in comparison to the profits from renovation and rent increases. This includes repealing (or restricting in designated tracts) the Ellis Act.

With sufficient renter protections (including rent on commercial zoning), residents may be able to benefit from investments without being displaced if the protections are airtight. However, the investments must be transparent: which leads to the second recommendation. Any investment must require community input and a democratic process with full transparency. In the designation process, there was a supposed community input session, but these were optional, and when they did occur, they were not accessible. Any investment in the neighborhood should require community feedback and must be fully publicized before any investments are made. If the land use process for Opportunity Zone investments mandates community input, the low-income community residents of color will have more of a voice in the outcomes of their community.

Finally, the tax benefits that are received by investors who follow all of the previous guidelines (community approved investments, full disclosure of investment plans, renter protections, etc.) should not all go towards the benefit of the investor. As further protection for the community, a portion of the tax benefits received by investments should be pooled in a community fund available to a local Opportunity Zone Investment Council. This council will require local representation, and funds will be eligible for use only for rental assistance, community centered small businesses, other uses deemed fit by the council with guidelines that ensure use of funds is not prioritized for stimulating economic growth, but rather growing the existing community and building power among current residents.

The Opportunity Zone Program has yet to fully bare its teeth in these neighborhoods, but it will almost certainly result in eventual displacement of long-term residents in the same way that neoliberal place-based investment policies tend to do. Another recommendation is the further research into the effects of this policy as it develops. While the previous recommendations are for the reform of this policy, the ideal first step is to repeal it altogether, and then to evaluate its immediate impact. Public reporting on Opportunity Zone investment is not currently mandated, and therefore we can’t know the full impact. After the policy is repealed, Congress must investigate and report all registered funds in order to inform residents of the investments that have been made in their communities. Following these actions, the same recommendations could be implemented to protect residents from the damage that has already been done. It is still important to protect renters, implement local control over investments in communities, and allow residents to have power over where funds are being directed in their communities.

Transparency is one of the most important things in the aftermath of this policy. The fact that these investments are not public to the communities that they affect is deceptive, manipulative, and only serves the rich investors benefitting from the policy. Without knowledge of where investments are being made, who is making the investments, and what the effects will be, communities that are already disadvantaged will continue to suffer, and will be pushed out of their homes without the ability to organize against an invisible antagonist.

The recommendations made in this paper are based off of a few statistically significant results, but there are certainly holes to be filled in the data. These recommendations are nonetheless valid, having spent time with folks organizing in the neighborhood who see these as threats. However, with the quantitative analysis being the only formal methodology conducted, other than one interview with a developer, this would be a crucial support to the argument against Opportunity Zone policy. Interviews with community members who live near the brewery or developers of other projects could be important in identifying further protections necessary. For further research, I recommend further analysis with the two previously mentioned variables: HPI and Ellis Act Filings. However, the census level data will be released for 2020 that will have more in-depth information for each census tract to better understand how the program is affecting each designated tract relative to non-designated eligible tracts. This analysis would be very telling and can only be conducted once that information is released: now scheduled for April of 2021. By then, a clearer picture will surely be revealed.

Conclusion

In the ongoing wake of the Covid-19 crisis sweeping the entire world, I first thought that Opportunity Zones were not a top priority during this time. This paper and its progress were slowed by the crisis, as lives were turned upside down, and focus was turned elsewhere. However, this is a crucial moment for those writing about, thinking about, and acting on issues of gentrification and displacement. During a time of crisis, there are many possible outcomes. In this one, it is absolutely essential that those fighting for housing justice and housing as a human right remain vigilant. People are losing their jobs, becoming unable to pay rent, and possibly being evicted. This is happening to local small businesses too. Disaster capitalism in a time like this is extremely threatening, and must be considered in the context of Opportunity Zones. Investors may take advantage of this time when units become vacant, small businesses go under, and these tragic times are viewed as an opportunity. Instead of locating the investment during these times, it is critical to find out how we can heal and emerge from this crisis better protected from predatory investment and speculation.

Times like these are turning points. They can turn for the worse, or organizers and activists can turn this into an opportunity to make sure that people stay housed. If people are evicted from their homes, how are we ensuring that they are quickly rehoused? How are we protecting the health of unhoused folks? How are we framing race, class, and gender into our analysis of this crisis? For Opportunity Zones, there is an opportunity for “both sides”. However one is an opportunity for profit and exploitation, while the other is an opportunity to fight for housing and justice. When this recession impacts the housing market, how can non-profits or community land trusts ensure that this housing is secured for the housing insecure and vulnerable communities?

In fact, Opportunity Zone policy includes a provision of working capital safe harbors (WCHS). This essentially affords Opportunity Zone projects a certain amount of time to attract investments – a period of 31 months.[113] This period of time is extended by 24 months in a "federally declared disaster area".[114] This will allow Opportunity Zone projects more time to gain funding, and provides opportunities to those who were put in a difficult position to now reconsider making property purchases.[115] Furthermore, the real estate industry that has been left scrambling in this crisis is now left with a "bright spot".[116] I would say that is an interesting take on the situation at hand. Regardless, this proves that investors are not being slowed by this crisis – quite the contrary. Investors have been handed a get out of jail free card with the extension, and those who did not have previous plans to invest in Opportunity Zones may be inspired due to the plummeting costs of investing, and the potential of high returns on their investment. If investors are not slowing down, it is absolutely critical that folks fighting against displacement and investments of this type don't slow down either. How to do that over Zoom? The subject of another paper.

[113] Rothenberg et al., "A Guide to Key Opportunity Zone Regulations For Real Estate Transactions."
[114] April 9, 2020, and Edt, "What COVID-19 Means For Opportunity Zone Projects - Law360."
[115] "IRS Extends Deadlines For 1031, Opportunity Zone Investors."
[116] "Why Opportunity Zones Could Be a Bright Spot for Birmingham amid COVID-19."

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