

Opportunity Zones For Transit-Oriented Development

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Introduction

Opportunity Zones are census tracts that are economically distressed communities where new investments may be eligible for preferential federal tax treatment or preferential consideration for federal grants and programs. The Tax Cuts and Jobs Act of 2017 established Opportunity Zones as a mechanism to provide tax incentives for investment in designated census tracts. Opportunity Zones in California are designated by the governor of California, based on criteria such as poverty rate, median family income, and unemployment rate. Opportunity Zones are an economic development tool—that is, they are designed to spur economic development and job creation in distressed communities. (Opportunity-Zones 2019)

As previously mentioned, the Opportunity Zones program provides tax incentives for investment, and when it gets combined with Transit Oriented Development (TOD), it can lead to transformative development around transit infrastructure. There is also a list of incentives that come with Transit Oriented Development which aggregates multiple incentives to this great opportunity. This kind of synergy has the potential to revitalize impoverished and neglected communities, improve transportation availability for those who are not car-dependent, and enhance the overall quality of life for many communities in Los Angeles.

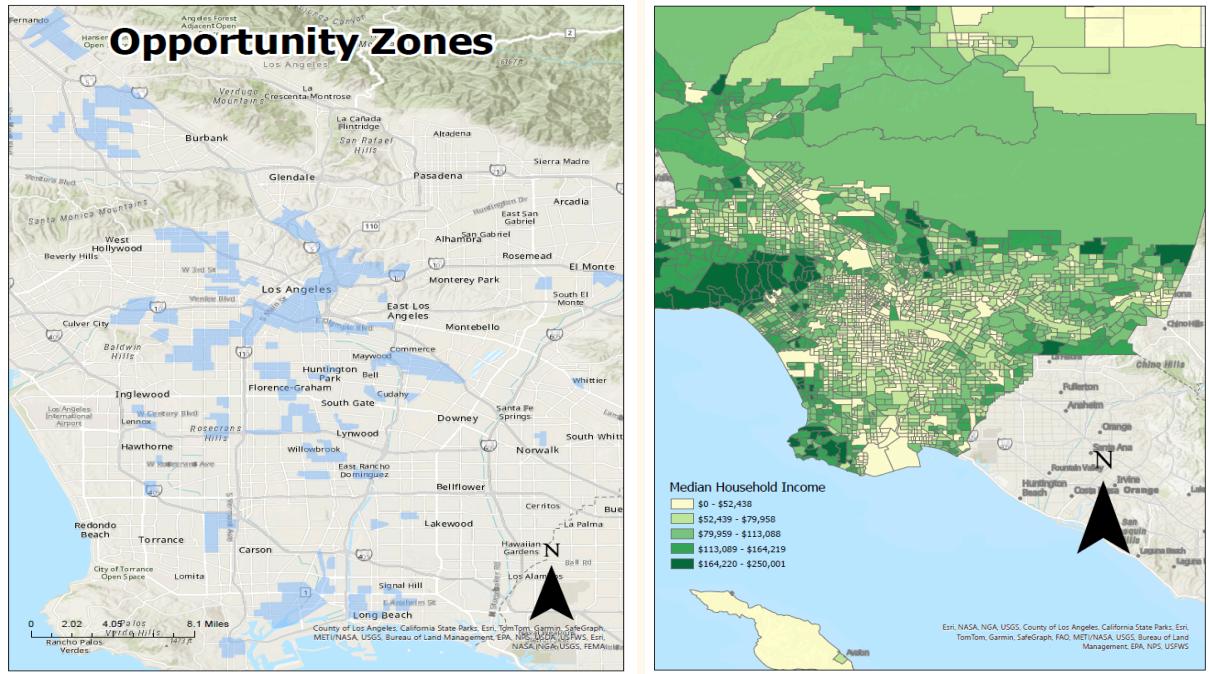


Fig 01 and 02.

In Los Angeles, as shown in Figure 01, there are 274 census tracts throughout the city that are identified as qualified opportunity zones. These Opportunity zones in Los Angeles are intended to attract affordable housing and economic development projects. The cities in which they are located are relatively on the impoverished side resulting in being desperately in need of economic enhancement.

Figure 02 shows the Median Household Income per census tract. The median household income varies significantly across different census tracts. Some areas have higher incomes, while others have lower incomes. Many of the inner cities (Yellow) are seen to be represented by the \$0 to \$52,438 median income; they are the same inner cities with qualified opportunity zones. These areas often face economic challenges, including limited job opportunities, higher poverty rates, inadequate access to essential services, and just overall quality of life.

Disadvantaged communities throughout Los Angeles suffer the greatest. Across the urban core of the sprawling metropolis, a crisscross of freeway overhangs hug and swirl over swaths of

pavement. (Canon, 2023) Transit Oriented Development can help mitigate the expansion of freeways as well as other environmental injustices.

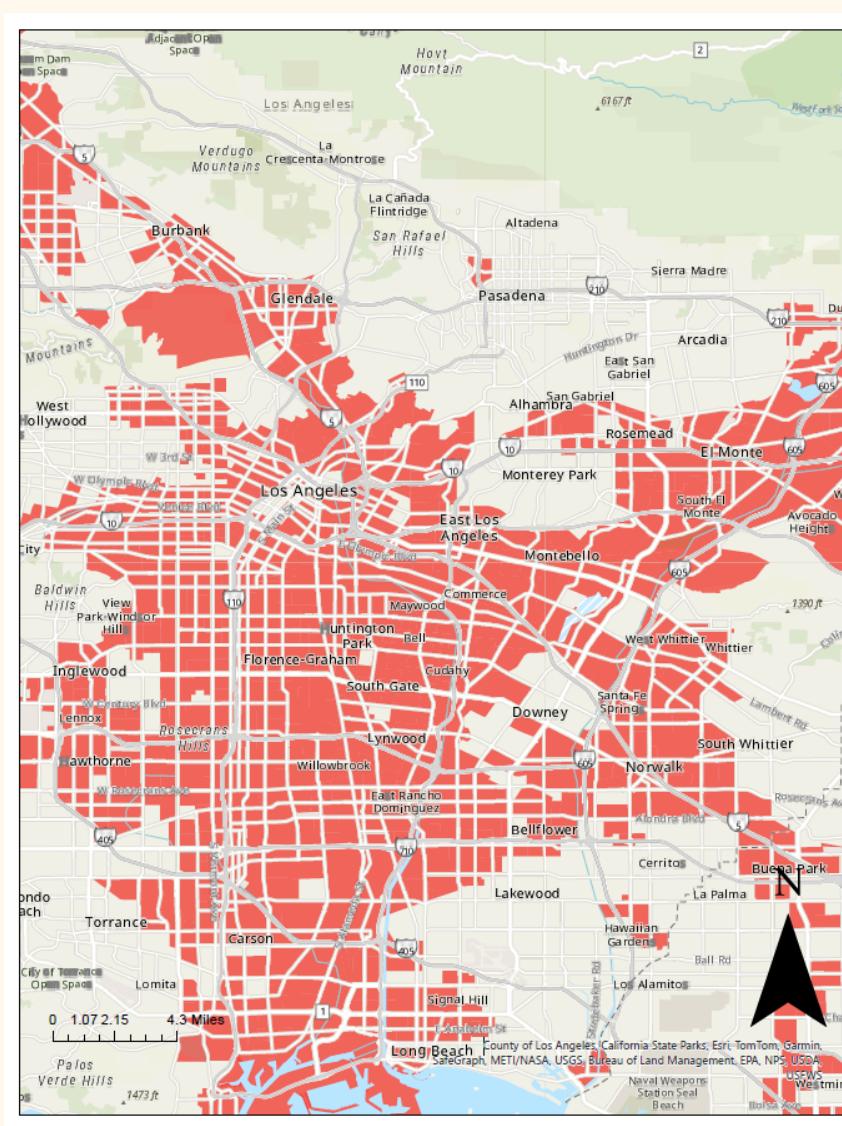


Fig. 03

Figure 03 shows the disadvantaged communities throughout Los Angeles.

Incentives

Tax Incentives for Opportunity-Zoned Areas in Los Angeles

The Investing in Opportunity Act, passed in December 2017, ultimately aims to get more people to invest in low-income areas by offering tax breaks. This means if you invest money, you've made from selling

property or other investments into Opportunity Funds; you can save on taxes, and you will not need to pay. These funds are strictly used in Opportunity Zones. A takeaway is opportunity zone incentives are great not just because they provide tax breaks but because they intend to help with the much-needed development within these poor areas by creating newer, safer, and better infrastructure than what they currently endure.

Opportunity Funds

An Opportunity Fund is a special kind of investment group that puts money into areas called Opportunity Zones. These are places that need more investment to grow. The fund has to use at least 90% of its money in these zones. If you keep your money in the fund for at least 5 years, you get a 10% tax break on the profits you made when you first put in your money. If you wait 7 years, this tax break goes up to 15%. And if you can keep it there for 10 years, you get the 15% break on your initial profits and don't have to pay taxes on any more money you make from that investment. The more you wait, the more you can benefit. It's like any type of investment.

Positive Impact on Neighborhoods

Opportunity Zones help the local economy grow and create more jobs around the needed areas.

- Tax Benefits: Investors get special tax breaks when reinvesting their earnings into designated Opportunity Zones. This includes delaying or avoiding capital gains taxes if the investment lasts 10 years or more. Investors can defer and reduce taxes on previous gains by investing in Opportunity Funds. If the investment is held for 5 to 7 years, part of the tax is forgiven, and if held for over 10 years, the increase in investment value is not taxed.
- Community Revitalization: Putting money into these zones spurs community development and job creation in areas that need it most, improving the quality of life for residents.

- **Versatile Investment Options:** The program allows for various investments, including residential and commercial real estate, as well as new business ventures, with no cap on the benefits.
- **Economic Growth:** Opportunity Zones stimulate economic growth by providing attractive tax incentives to investors who channel their funds into businesses within these designated areas. This influx of investment capital is critical in revitalizing underdeveloped neighborhoods, fostering job creation, and stimulating local economies. By incentivizing investment in these zones, not only are investors given a chance to grow their wealth, but communities also benefit from improved infrastructure, increased employment opportunities, and a boosted local economy. This creates a win-win scenario where investors and community members see tangible benefits, leading to a more vibrant and sustainable economic landscape.
- **Beautification and Clean-Up:** Investments can also enhance the area's physical appearance, making it more attractive and welcoming.
- **Expanding Housing and Business Opportunities:** By investing in these zones, there's an opportunity to create more housing and business spaces, meet the community's needs, and foster economic growth.

Transit Oriented Development

The Transit Oriented Communities (TOC) Incentive Program in Los Angeles encourages the construction of affordable housing, all housing developments must be located within a one-half-mile radius of a Major Transit Stop. Transit Oriented Communities aim to aid low-income residents to reduce reliance on cars and encourage more sustainable transportation options.

It is important to note that some TOC housing is all-affordable, but more often TOC permits market-rate housing with affordable housing. These represent affordable units added to projects that otherwise would not have included them.

Incentives

The TOC program offers various incentives to developers who build affordable housing near transit stations. Incentives include the following:

- Increased Density: Developers can build more dwelling units than usual.
- Increased Floor Area Ratio (FAR): Developers can construct larger buildings.
- Reduced Parking Requirements: Parking spaces can be minimized.

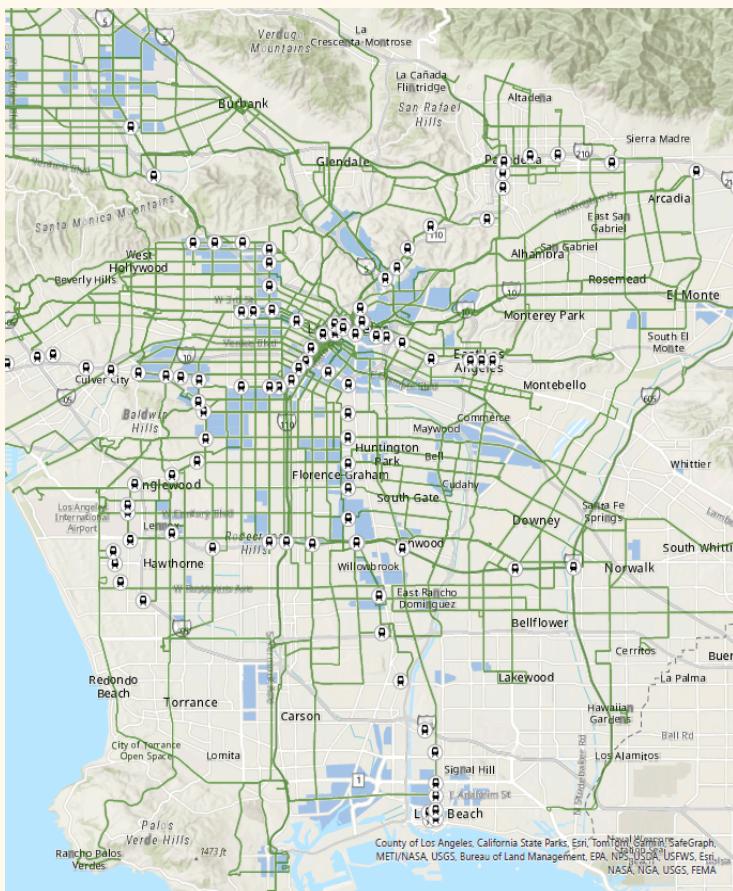
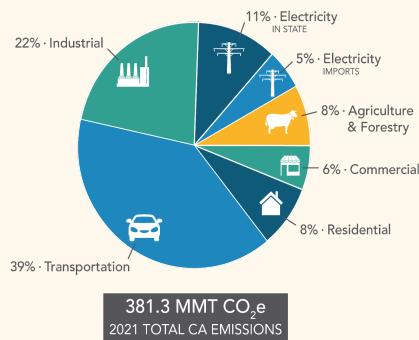


Figure 04 shows Opportunity Zones within close proximity to rail and bus lines in Los Angeles. The idea that Transit Oriented Development can be potentially pursued where Opportunity Zones and Public Transportation coincide due to the prime locations is the goal that Los Angeles needs to focus on since it is serving low-income communities.

Transit Oriented Development is intended to encourage people of all ages to use public transportation, and become less dependent

on cars. Having less car-dependent communities can help mitigate traffic congestion as well as air pollution/greenhouse gas emissions throughout the city. As shown in the pie chart,



transportation is the leading cause of Greenhouse Gas Emissions. The bulk of those emissions, nearly 60 percent, come from the country's 250 million passenger cars, SUVs, and pickup trucks, according to the Environmental Protection Agency.

Freight trucks contribute an additional 23 percent. (NYT, 2019) Cities have also tried to reduce the amount people drive by encouraging carpooling, expanding transit options — including subways, light rail, and rapid bus services — and planning denser, more accessible neighborhoods, too.

Furthermore, low-income community members have much better access to jobs, schools, and other economic opportunities when living near public transit. In the United States, access and availability of goods and services fluctuate widely along racial, ethnic, and income lines. Historically and contemporaneously, the political allocation of public resources and transportation infrastructure has been significantly associated with residential living patterns.

(Tehrani, S. O., Wu, S. J., & Roberts, J. D. (2019)

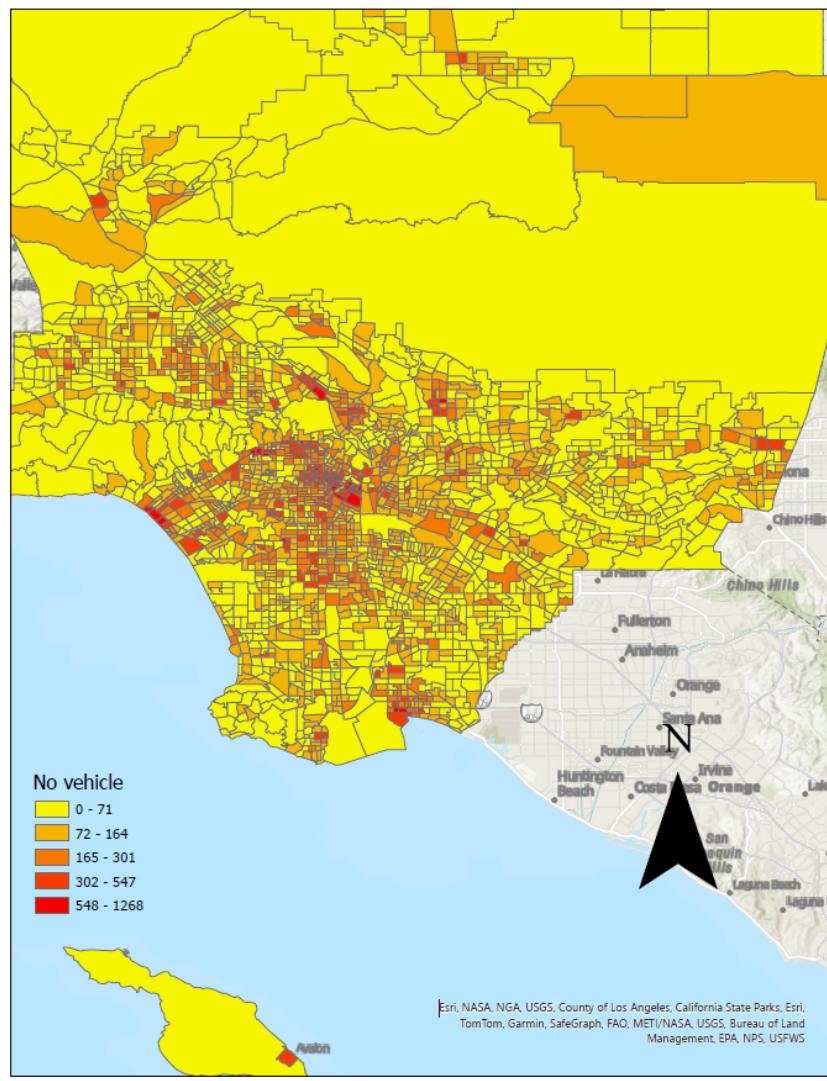


Fig 05.

Figure 03. shows the population that identifies as carless, per census tract. The color scheme that was used (Yellow-to-Red) helps visualize what is being presented. The color red represents higher numbers of people who do not own vehicles, while yellow indicates the opposite, the census tracts in which most people own vehicles.

Conclusion

The purpose of opportunity zones is to aid and target impoverished inner cities while promoting investors to invest in such sectors through incentives and tax write-offs, specifically

Transit Oriented Development. In order to promote TOD Transit Oriented Development in disadvantaged communities, it is necessary and reasonable to promote said opportunity zones.

This project examines the quantities of the location of opportunity zones, which indicates that the existence of established opportunity zones is rational and is consistent with the goal of supporting poor communities in LA County.

In addition to the existing opportunity zones, Los Angeles as it is known continues to be an economically depressed region that has established opportunity zones. Having ArcGISpro as a resource for this project helped analyze opportunity zones near transit and disadvantaged communities in order to paint a picture of what Opportunity zones close to transit can do to mitigate ongoing economic struggles in impoverished communities.

Transit Oriented Development/Communities can't solve all of the Los Angeles Metro problems, but the upward program is making an important difference by addressing two big issues: the recurring housing crisis and a need to reduce car use to curb emissions.

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