

DEVELOPMENT OR DISPLACEMENT?

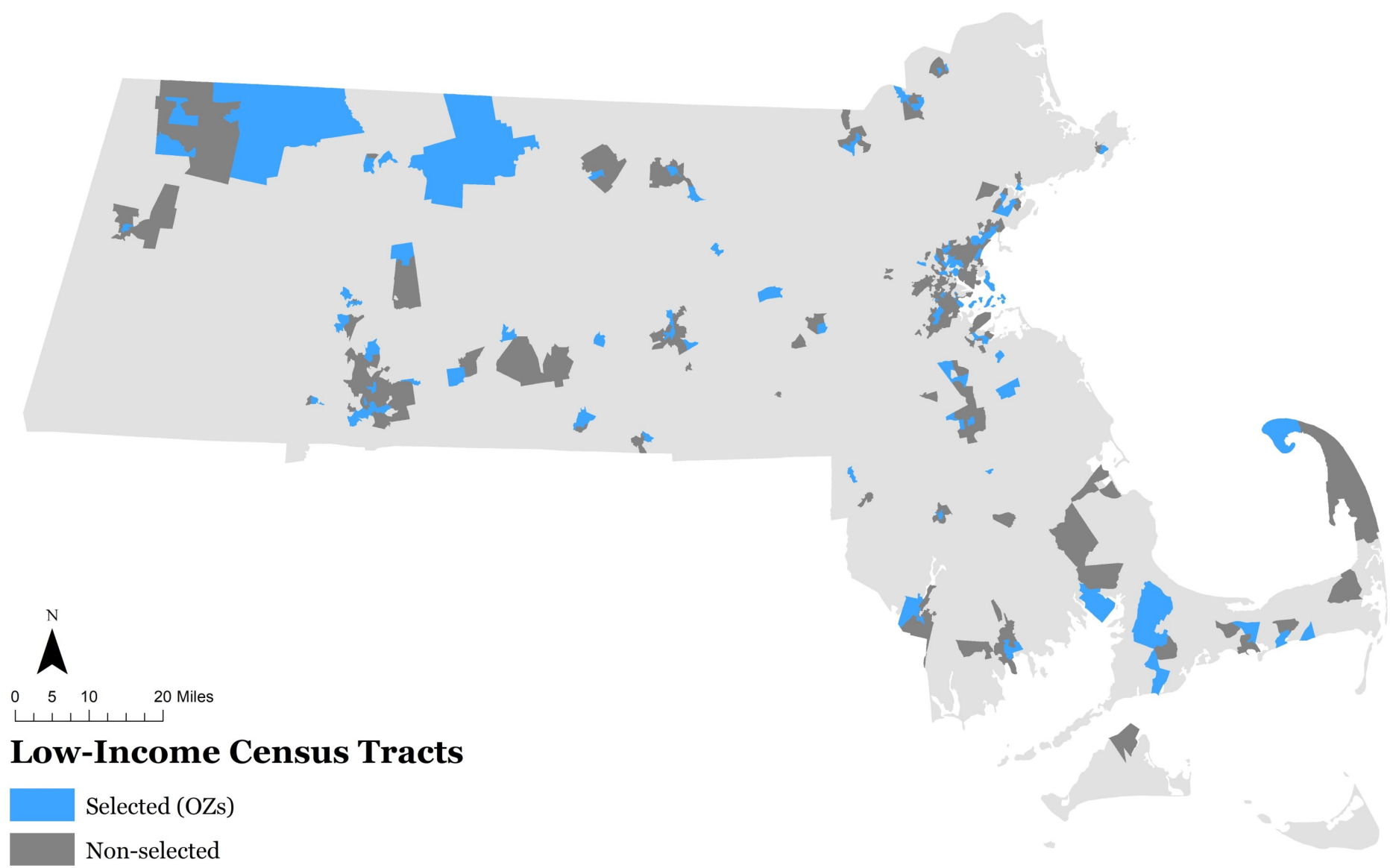
How Selection and Impact of Federal Opportunity Zones Are Shaping Massachusetts

Introduction

The Investing in Opportunity Act, part of the Trump administration’s Tax Cuts and Jobs Act of 2017, created a new federal tax incentive program to spur community development. It allowed governors in each state to designate about one quarter of all low-income census tracts as Opportunity Zones (OZ). Investors in OZ-based projects would receive deferrals or even exclusions on capital gains taxes.

In Massachusetts, the process of zone selection allowed local governments to nominate their own choices. *Yet the structure of OZ designation remained inherently vulnerable to bias.* Eligible tracts had varying levels of income growth, poverty, unemployment, and demographic makeups. Some had large student populations which artificially lowered median income levels. *Governors were not required to choose tracts which might benefit the most from development.*

The Act also didn’t include safeguards to prevent displacement—rapid development in areas with easy access to amenities and relatively vulnerable populations could price out residents. And finally, compounding these issues, governors were given only six months at most to finalize their OZ choices.



Research Questions

Two main research questions guided my analysis. First, was bias incorporated into the designations of Opportunity Zones in Massachusetts? In particular, I examined these seven factors:

- . % Minority Population
- . % College Students
- . % Below Poverty Level
- . % Unemployed
- . Population density
- . Median Household Income
- . Median Income Growth Rate (2010-17)

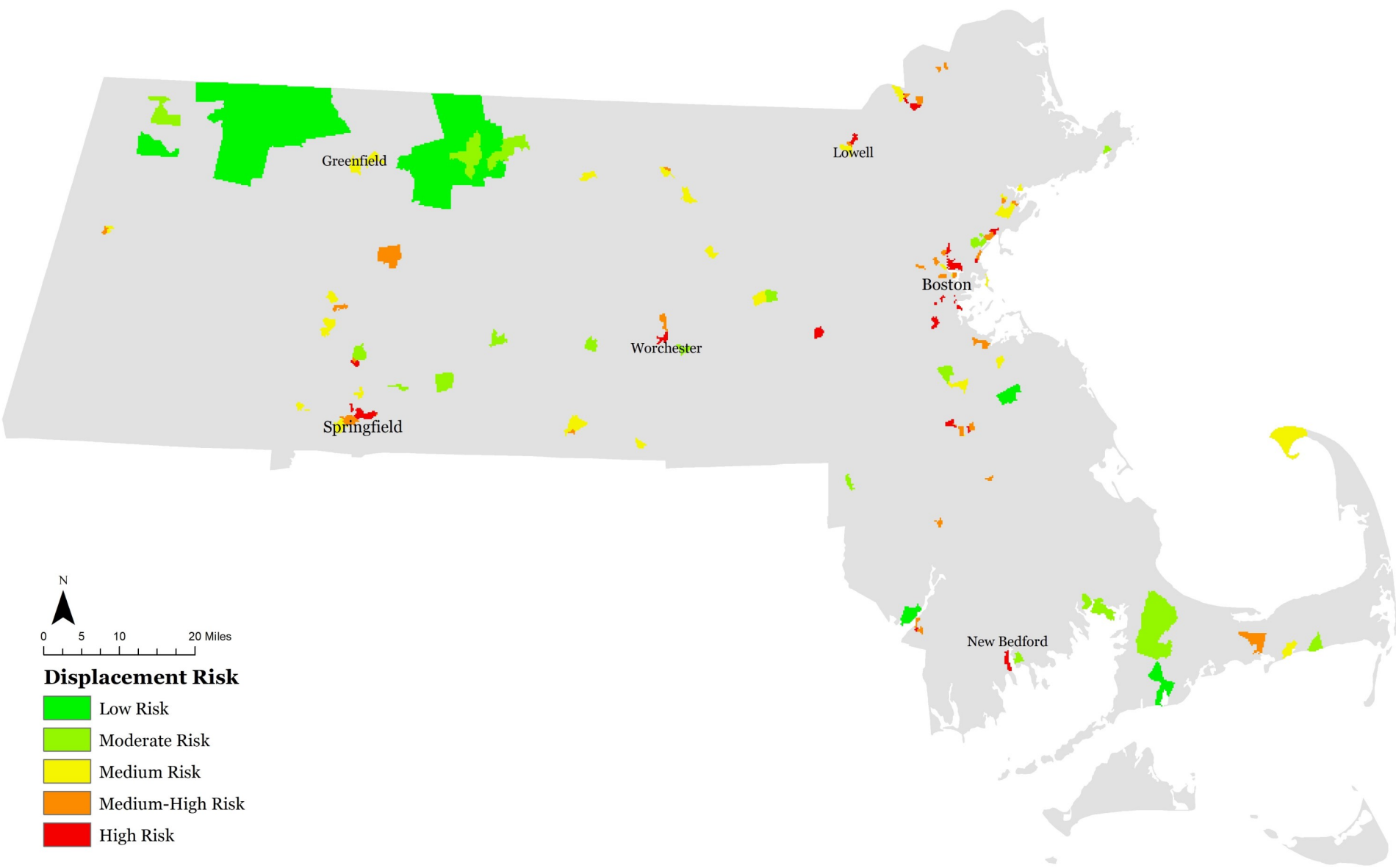
Secondly, which of the selected OZs are most at risk for displacement? I created an index that included the following factors, weighted equally.

- . % Minority Population
- . % Below Poverty Level
- . % Renters
- . % Housing Cost-Burdened
- . Jobs accessible via car and transit

Methods and Results

To answer my first question, I found the averages of all factors for two groups: selected OZs and all eligible tracts. I then conducted a Single Sample t Test. My results showed that for a significance level of 5%, compared to all eligible tracts, OZs in Massachusetts tended to have *lower percentages of minorities*, but also *lower income levels*, *higher unemployment rates*, *less income growth*, and *higher proportions of poverty*.

Since the data distributions for “% College Students” and “Population Density” were severely skewed, I didn’t calculate their t-scores. Averages for both are shown in the next column.



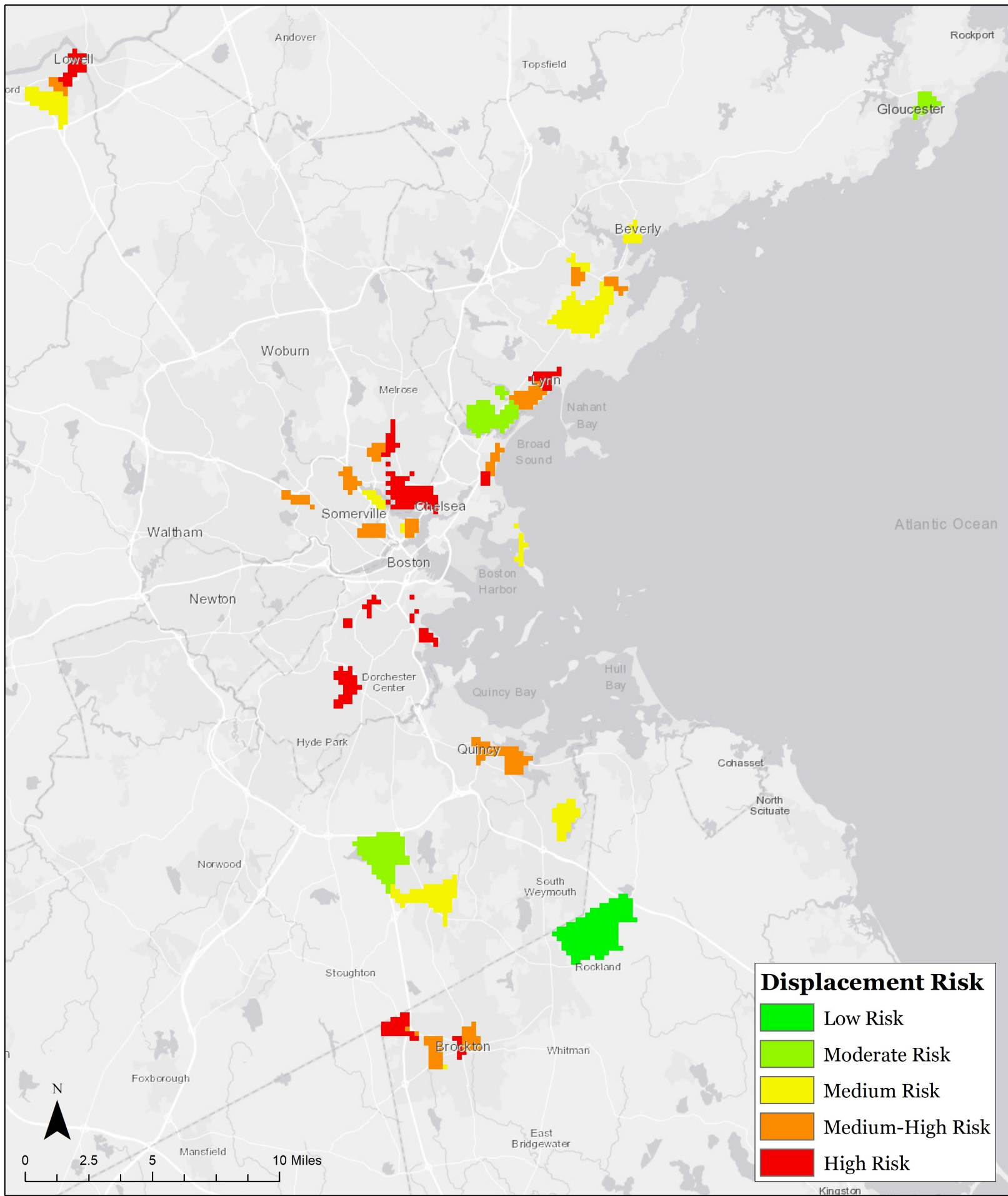
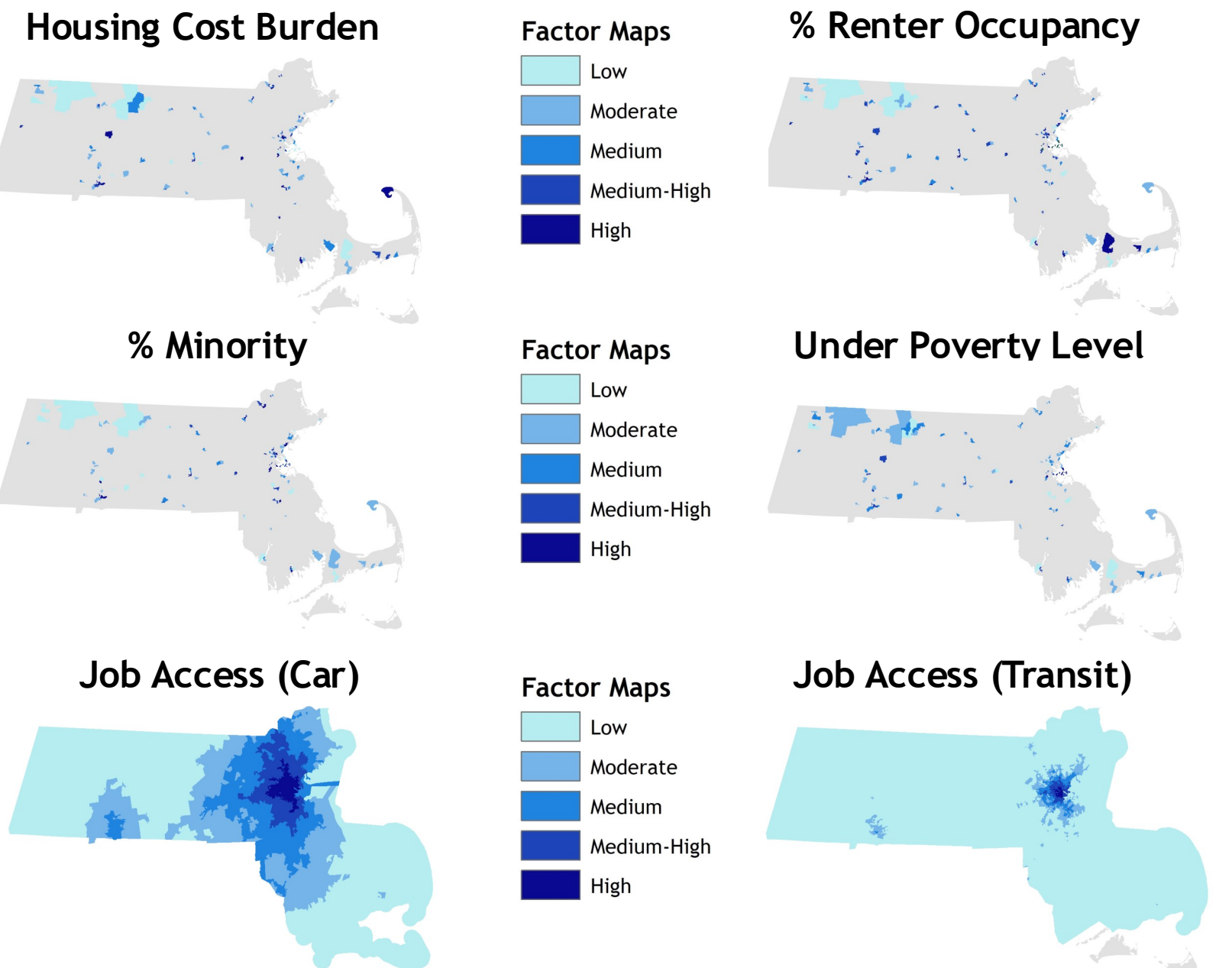
	% College Students	Population Density
Selected Tracts	2.83%	8,462.58
All Eligible Tracts	5.60%	12,880.69

For my second research question, I created raster layers for each factor, then used Map Algebra to combine them into a single index. In order to account for transportation types in both rural and urban areas, I averaged jobs accessibility statistics via automobile with transit and walking. Of note, my displacement risk index took only Opportunity Zones into account—that is, “high” or “low” risk is relative only to selected areas, not all census tracts statewide.

Conclusions

It appears that Massachusetts’ process for OZ designation may have selected areas which could benefit relatively more from development. However, tracts still tended to have lower proportions of minorities.

In terms of displacement risk, the eastern half of the state seems to have more vulnerable zones. This may be partly due to high housing costs in areas such as Boston, shown on the right. Since displacement is a complex phenomenon, however, more assessment is needed.



Cartography: Bailey Hu
Lambert Conformal Conic, State Plane MA (NAD 1983)
Sources: Social Explorer/US Census, CDFI Fund, US EPA, HUD, Mass.gov, USGS, IRS, ESRI
Thanks to Sumeeta Srinivasan, Nilakshi Chatterji, Amelia Najjar

Timeline of Opportunity Zone Program Rollout

- December 2017**
 - . 2012-2016 US Census data released
 - . Tax Cuts and Jobs Act of 2017 is introduced
- January 2018**
 - . Act is passed into law
- February 2018**
 - . List of 550 eligible low-income tracts in MA is released
- March 2018**
 - . Governor Charlie Baker opens up application process for OZ nominations
- April 2018**
 - . Governor Baker submits final choices for review
- May 2018**
 - . All 138 OZ choices are approved by federal government