

Jeff: Hello and welcome to this edition of Community and University, your one stop shop for the latest on community and economic development. I'm your host, Jeffrey Franklin. And today I'm joined by Chris Miller and Mary Zumbrunnen, two of the authors of our 2019 co-learning plans. Before we begin, do you guys want to tell me anything about yourselves?

Mary Zumbrunnen: I am Mary Zumbrunnen. I am a consultant. I own a company called Long Community Consulting. I am currently a, a Rising Tide fellow at the city of Adrian and working on all things community economic development.

Chris Miller: And I'm Chris Miller. So I am the economic developer for the city of Adrian, which is a small community of a little over 20,000, kind of in the south central area of Michigan.

Jeff: These are two of our authors for our Co-learning plans for the 2019 year. They will be presenting at our innovate Michigan Summit August 29th, Thursday, August 29th. If you would like to come to that, you can always go to the Michigan State University Center for regional economic innovation website, [reicenter.org](http://reicenter.org), and you can register to come to that event. So moving forward, from my understanding, you guys are working on a plan to kind of create a toolkit to best understand how to utilize these new Opportunities Zones. First start with what is an Opportunity Zone and then we'll talk about the toolkit in a little bit.

Chris Miller: Sure. So an Opportunities Zone is an entity that was created in the federal budget in 2017. It was a several years in the making a bipartisan effort. Um, and it was an idea about how to bring resources into a traditionally underserved communities. So as, as you look across the country or across the state or across communities, there are communities that, for whatever reason, I have not had resources in them that has not been in a position to bring resources into them. So in particular investment into those communities, it's very difficult to have a vibrant local economy without capital happening, investment occurring. So the idea behind the opportunity zones was it provides an incentive for typically wealthy individuals that have a capital gains taxes to pay. It was a way essentially for them to shelter those capital gains and invest them into one of these underserved communities. And if they maintain the investment for a decade, an ownership position, an equity position there, essentially a hundred percent of the capital gains, a penalty, is forgiven. So are the taxes forgiven? So our work has been, at this point, working with colleagues across the country to try and identify how we can put a structure in place that allows some measure of local control, local investment or ownership, some way to be sure that those resources that come into community actually do the good that they were intended to do.

Jeff: With this being so new creating a toolkit to be somewhat challenging because we don't really know best way to do it. So what have you found? What were some of the surprises you found while you've been like going about creating this toolkit?

Mary Zumbrennen: Well, I think as we put together the toolkit, it's trying to figure out a way, considering this is new and then we're, we're trying to figure out a form and fashion to make sure that this is as socially equitable as possible and that it's a, it's a community investment, truly. Trying to figure out how to provide that information in a way that's digestible, that's not text and policy heavy where people aren't getting lost in the weeds and the details and figuring out how can we go through this? So it's like plug and play, particularly for those other small and rural areas that may not have demonstration projects out there about them. You may not be able to pick up something and see them in a magazine. Like, what does that mean for this small cities that otherwise are not seeing investment? Or, you know, so we're trying, we're learning as we go. We're building as we fly and we're crafting the strategy as we make this. So it truly is like a, you know let's all go together and, and learn from one another.

Jeff: I mean, you're really just kind of trailblazers right now. I mean it's never really been done.

Mary Zumbrennen: Its information delivery. Yeah. So what's the best form and function of the toolkit so that people can actually access it and then learn from our mistakes center and our successes as well.

Jeff: Yeah. It's easy to get caught up in like academic and jargony writing. So that's cool to see.

Chris Miller: And that's the advantage I think of working both in an existing local community as well as something as abstract as the legislation that produced this you know, this program. And so, cause we're, we're thinking all the time what does this look like? How do we do this? How do we make it actually happen in our community? But it, but it is challenging because you know, in the legislation, there was nothing that addressed the community side of this. It was exclusively about what incentives can we provide to wealthy individuals to put their money in some community that is not their's, maybe on the other side of the country, that is gonna get them the return that they expect because there is that piece, you know, if you don't satisfy the investor, the investment isn't going to come. So they tried to structure that on a federal level so that the capital gains benefit was so good that they would come in.

Jeff: Within the legislation, how are opportunities zones like designated? How did Adrian become an opportunity zone in other words.

Chris Miller: So each state governor had to submit a list of communities to the feds, and then the Fed made the ultimate decision. I think that they largely followed what the state governors provided to them. So we were like other communities we were kind of tuned in and were aware of this legislation was coming. Essentially what we had to do was submit an application to the governor, and this was governor Snyder at that point in time, that submitted individual census tracts within our community and we knew that the program was aimed at lower income census tracts. So when we took a look at the city of Adrian has five census tracts within

it, and when we took a look at that, four of the five were under the national average. And so we submitted all four of those census tracks and the governor selected our lowest income census track, which was our southern most census track, as the one that was eligible for this. And then the federal government approved that. I think there are 288 census tracks in Michigan that were identified as opportunity Zones.

Jeff: So because you guys are doing it in such a community oriented way, is there any way that potential listeners anywhere really in the state of Michigan can get involved with this at this point?

Chris Miller: Yes. Is the short answer to the question, but it's going to depend on a couple of things. So as a community member, if you happen to have a capital gains tax, then regardless of your income, again, capital gains can happen to anyone ultimately, but you could look for an opportunity to invest and to avoid that tax if you are so inclined to do that. In your individual community, again, there are a lot of them in Michigan, so you can find out whether your own community is an opportunity zone, has an opportunity zone within it, and then call up the local unit of government and say, "Hey, I'm interested in this and is there something I can do to help?" I can tell you as a representative from a local unit of government when we get a call that says, "I'd like to help or I'd like to become involved, or I'd like to invest," We always say, "great." You know and in our case we have some community members who are working with us on this who have recognized the potential importance of it. So what else would you,

Mary Zumbrennen: well, I guess I would say that particularly around the community capital piece, when you think about what makes this project new and different, obviously it's new, but what really differentiates it is the opportunity for social impact. So from my perspective as a fellow, one thing that's been really interesting to me is learning about community investment, community capital. And so I will just say working with Chris has been awesome because him and his colleagues I think are really leading the way.

Jeff: The summit is coming in August. And you guys will both be presenting there. Tell us a little bit about where your presentation is going to be, like what will people get out of it?

Mary Zumbrennen: I think that we'll, we'll go through our process for making it as inclusive as possible. So we'll talk about our strategy behind it as far as making it known to folks that there is this opportunity-- an opportunity within the opportunities zone it's like... We're going to try not to repeat that word over and over. So we'll be talking a little bit about the strategy, engaging folks, doing some public sessions, maybe some education and outreach. This, you know, the state has already been doing a lot of this, but as far as what that really means, like boots on the ground for your neighbors and hooking them in is gonna be important. So we'll talk about that. The marketing of it, creating a perspective so the way that we've gone through are tracked and looking at the properties and shuffling through that and figuring out like, what do we want to go after? There is

opportunity within the opportunities zones, but zeroing in and figuring it out, which one do you really... If you want to get this done, short, measurable outcomes is very important. And so like, not necessarily what's just the lowest hanging fruit, but how do we really achieve this within a measured timeframe. So we'll talk through the actual process of it, and then we'll also walk through the toolkit and show how to use it. So, cool. What else? What else, Chris?

Chris Miller:

Yeah, I would say, you know, we're, we're obviously going to talk about what our first person experiences on this, and we will describe it right up to that moment of the conference, and we'll also talk about going forward so that there'll be a practical application piece here, which I think will, because it will be speaking from our experience that will be beneficial and we'll also be relying on some of my colleagues across the country and then a couple of places where this process we're talking about in this structure that we're talking about maybe further along than us, we can provide that information on how you might be doing. So hopefully save some folks some time if they've got an opportunity zone in their community, if not much has happened on it or if it's unclear how they can go. And I think to alert them of the potential challenges, you know, because there may be folks out there that go, this could be fabulous and they're not thinking anything about about local engagement in it or local control over it or local investment. The whole idea of local investing right now is a brand new one really for most folks. If you talk to most people, they've never invested in a local business or a local project. They wouldn't even know how to go about it. So we'll talk about some of those things pretty specifically as well.

Jeff:

And you kind of led into my final question. So after the summit, after the research is all done, or at least this level of research with REI, what are the next steps? What are the more boots-on-the-ground next steps after you create the toolkit? How do we get it out there? How do people actually go about using what you've researched for them?

Mary Zumbrennen:

Well one piece I think to add to that is the opportunity fund and the maintenance of it and the management of it, and then continuing community governance and making sure that folks are aware of progress and what's going on. So what's the projected division for the future and how are they influencing that? So those are questions that by the time the summit comes along, we won't have the answers to, but we can certainly speak to it and what we think next steps will be. But at that, at that point, we're still going to be in the kind of the strategy portion of it.

Chris Miller:

Yeah, I think obviously the tool kit is a starting place just because this whole process is evolving now. And so I think we will look for mechanisms to continue to upgrade that and to add to it, certainly look at Michigan state as a mechanism and a vehicle for getting that word out and the good community economic development work that, that is being done here, and we'll look for other partners. You know, the MEDC has been a great partner on investment crowdfunding and is now supporting a local investor training program that's being piloted in some communities across the state. Michigan is the only state

that's doing that. So we like the fact that Michigan is leading in this and we want to take advantage of this opportunity zone in a similar way, make sure that we can see the benefit in the 288 communities in Michigan and have opportunities zones in them.

Jeff:

I want to thank you guys so much for taking the drive out here. I know it's far to get all the way from Adrian to Lansing. That's all the time we have for today's episode of community and university. I would like to extend the Michigan State University Center for regional economic innovation's greatest thanks to Mary Zumbrunnen and Chris Miller. They drove out a long way to get here and if you would like to hear more about their project, you can always hear them present at the Innovate Michigan Summit August 29th. Again, you can register to attend on the [rei.center.org](http://rei.center.org). under the events tab.