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Morning Shift (/shows/morning-shift/22669fdb-ffef-42fa-910b-98490b8925da)

In ‘Opportunity Zones,’ Do Residents Benefit?

Char Daston
February 28, 2019

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This photo from 2014 shows a view shot through a fence looking north of the area that once housed the former Michael Reese Hospital in the South Side neighborhood of Bronzeville.

The federal Opportunity Zones (https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions) program created as part of the Tax Cuts and Jobs Act (https://www.congress.gov/bill/115th-congress/house-bill/1/text)was meant to spur economic development and job creation in low-income areas.

There are 135 such zones in Chicago, largely scattered across the South and West sides in neighborhoods like Englewood, Bronzeville, Little Village and East Garfield Park.

Back in November, a Chicago private equity real estate firm told the *Morning Shift* (https://www.wbez.org/shows/morning-shift/could-opportunity-zones-reinvigorate-south-west-sides/f97b2746-b539-4983-8421-f632a5c6f66f) that the program is more likely to help areas on the cusp of gentrification than struggling communities.

Now, a new report (https://www.housingstudies.org/blog/opportunity-zones-and-displacement/) from DePaul University’s Institute for Housing Studies (https://www.housingstudies.org/), digs deeper into the connections between opportunity zones incentives and displacement in Chicago.

Could a federal program aimed at improving the economic life of neighborhoods lead to rising rents and housing prices and force low-income residents out?

Morning Shift explores that question and assesses whether opportunity zones are more likely to help or hurt Chicago.

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What made the Institute for Housing Studies look into this issue?

Geoff Smith: There’s been a lot of concern about displacement in Chicago and how different types of place-based investments, or catalytic-type investments, can affect housing affordability, especially in low and moderate-income neighborhoods, and that those investments, while intended to benefit the community might have the unintended consequence of displacing folks who live there for a long period of time.

An IHS mapping tool identifies key neighborhoods

Smith: We created a mapping tool and a data analysis to highlight neighborhoods with a certain set of characteristics. One is that property values in those areas — or sales prices — are rising above the city average. And two, that the underlying demographic mix and housing stock mix in the neighborhood would be vulnerable to potential displacement in a context where housing costs would go up. So you would lose affordable housing.

The tool bores down to the census tract level

Smith: We identified a group of census tracts in the city that met those two criteria, and then segmented those tracts based on the current housing value. So, high-cost, moderate-cost and lower-cost. And each of those value tiers aligns with what we consider the current pressure on existing low-income residents and also aligns with what we consider the risk of new investment potentially accelerating any pressure that might be happening in those neighborhoods.

A plan that includes opportunity zones could help some neighborhoods

Smith: We matched up that market typology against the city’s designated opportunity zones, and what the analysis showed is that the city did do a credible job of targeting opportunity zones to areas of need.… Those are areas where opportunity-type investments could benefit the community, presuming that those investments are really aligned with the community needs and are part of some kind of broader plan to preserve affordability for existing residents.

Opportunity zones might hurt other neighborhoods

There are a smaller group of census tracts that have a different market context, different market conditions, and that may raise some concerns that the opportunity zone designation may accelerate already existing pressure in the neighborhood…. There are opportunity zones in Bronzeville, on the Near South side, Woodlawn, Little Village, Humboldt Park, East Garfield Park that our analysis are already showing pressure of rising costs and vulnerable populations, so there are concerns that opportunity zones could accelerate them.

Where are the hottest opportunity zones in Chicago?

Odette Yousef: We’re a little more than a year into this policy experiment. What do we know about the activity that the program has actually spurred in these Opportunity Zones in Chicago?

Geoff Smith: Not much. There’s not a lot of data — or any data for that matter — that’s been generated about what investments are eligible for opportunity zones … There have been a lot of conversations about the formation of “opportunity funds,” about the amount of capital that’s been collected in those funds and then plans to invest in certain places. In Chicago, there are a few census tracts of interest to opportunity investors, and they are the three nearest to the Loop. There’s one that’s near Fulton Market on the West Side. There’s one that’s near the Medical District, and then there’s one that’s near the Michael Reese site on the near South Side. Those are the three sites in Chicago that have generated the most buzz … but there’s not a lot of definitive data on what exactly has happened.

GUEST: Geoff Smith, executive director, Institute for Housing Studies at DePaul University

LEARN MORE: Understanding the Relationship between Opportunity Zones and Displacement Pressure in Chicago (https://www.housingstudies.org/blog/opportunity-zones-and-displacement/) (IHS 2/18/19)

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