SOM Inclusive Economic Development Lab: Opportunity Zones in New Haven

Prof Kate Cooney and Students: Paul Bashir, Dan Bitner, Nina Croock, Liam Grace-Flood, Sara Harari, Lauren Harper, Song Kim, Camilo Monge, Christian Rodriguez, Phil Ross, Allie Yee

Spring 2019
Opportunity Zones New Haven

PRESENTATION OVERVIEW

1. Overview of Inclusive Economic Development Lab at Yale SOM

2. Developed Zone level prospectus
   - Dixwell
   - Newhallville
   - Hill South
   - Fair haven

3. What is “inclusive economic development”?
   - Presentation of 4 models + creative financing

4. How do we operationalize it?
   - Potential application of models
Podcast on IEDL learnings (August 2019 pub date)!

Brandon Weiss, Visiting Professor, YLS CED
James Johnson-Piett, Urbane Development
Eric Letsinger, Qualified Ventures
Jerry Davis, Professor, Ross Business School, UM
Doug Rae, SOM Professor
Joe Evans, Kresge Foundation

Tsai CITY Studio
Inclusive Economic Development Speaker Series

SOM Inclusive Economic Development Lab

New Haven City
The Big Picture
OZ Neighborhood Prospectuses
Community Engagement
Inclusive Economic Development Models
Key Recommendations
Opportunity Zones New Haven

7 O-ZONE TRACTS
19 New Haven-Milford Metro Tracts
37% of all Metro tracts

862,127 Metro population
130,884 City of New Haven population
27,942 O-Zone population

3% of Metro population
21% of City of New Haven population

All numbers taken from the 2017 5 year average of the American Community Survey.
## Opportunity Zones New Haven

### Socio-Economic Overview

<table>
<thead>
<tr>
<th></th>
<th>Black</th>
<th>Hispanic</th>
<th>Foreign Born</th>
<th>Poverty</th>
<th>Median Household Income</th>
<th>% BA+</th>
<th>% Some College, or associates degree</th>
<th>% No HS Degree</th>
<th>% Under 18</th>
<th>% Over 65</th>
<th>Unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metro</td>
<td>13%</td>
<td>17.2%</td>
<td>12%</td>
<td>12%</td>
<td>$64,872</td>
<td>34.6%</td>
<td>25%</td>
<td>10.1%</td>
<td>20.8%</td>
<td>16.2%</td>
<td>7.7%</td>
</tr>
<tr>
<td>City</td>
<td>33%</td>
<td>30.4%</td>
<td>16.4%</td>
<td>25.6%</td>
<td>$39,191</td>
<td>33.9%</td>
<td>19%</td>
<td>15.4%</td>
<td>22.1%</td>
<td>10.5%</td>
<td>10.4%</td>
</tr>
<tr>
<td>O-Zones</td>
<td>44.6%</td>
<td>39.8%</td>
<td>13.8%</td>
<td>26%</td>
<td>$32,834</td>
<td>17.8%</td>
<td>21%</td>
<td>21.5%</td>
<td>27%</td>
<td>9.8%</td>
<td>17.5%</td>
</tr>
<tr>
<td>State (CT)</td>
<td>10.5%</td>
<td>15.4%</td>
<td>14.2%</td>
<td>10.06%</td>
<td>$73,781</td>
<td>38.4%</td>
<td>24%</td>
<td>9.7%</td>
<td>22.9%</td>
<td>16%</td>
<td>7.23%</td>
</tr>
<tr>
<td>US</td>
<td>12.7%</td>
<td>17.6%</td>
<td>13.4%</td>
<td>14.58%</td>
<td>$57,652</td>
<td>30.9%</td>
<td>29%</td>
<td>12.6%</td>
<td>21.2%</td>
<td>14.9%</td>
<td>6.55%</td>
</tr>
</tbody>
</table>

All numbers taken from the 2017 5-year average of the American Community Survey and weighted by population.
Total Population: 5,006

Total Occupied Housing Units 1,816 (87% of 2,088 total units)

Total Housing Units Owner Occupied 272 (15% of 1,816 occupied units)

$182,500 Median Value of Owner-Occupied Housing Units
Dixwell

Storied neighborhood with jazz history, Post-industrial neighborhood catalyzing arts based reinvention

- **A) Hillhouse High** - Public High School in the northeastern part of Dixwell with more than 900 enrolled students.

- **B) ConnCAT** - Non-profit post-secondary career training institution serving the Dixwell neighborhood by preparing residents for educational and career advancement.

- **C) Yale University** - Close proximity to Yale and its 11,000+ student population has a strong influence on the Dixwell neighborhood.

<table>
<thead>
<tr>
<th>Square Miles</th>
<th>0.4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>5,006</td>
</tr>
<tr>
<td># of Households</td>
<td>1,826</td>
</tr>
<tr>
<td>Bachelor’s Degree or Higher</td>
<td>18.2%</td>
</tr>
<tr>
<td>Median Income</td>
<td>$17,745</td>
</tr>
<tr>
<td>Median Home Value</td>
<td>$182,500</td>
</tr>
</tbody>
</table>
The Momentum

- A) NXTHVN - Innovative art space “cultivating a sustainable creative community” and combining a fellowship program with a high school apprenticeship, a co-working space, a black box theater, and other interesting components.

- B) Winchester Lofts - Large mixed-use redevelopment of commercial and market-rate residential units under development.

- C) Q House - A New Haven Government project of re-establishing the Dixwell community center including a full-size gymnasium, a senior center, a teen center, a museum, a health care center and a public library branch.

Opportunities

Current opportunities in Dixwell involve:
- OZ development project by ConnCAT
- Development possibilities due to rezoning
- Diversification of the neighborhood due to projects such as NXTHVN, Winchester Lofts, or the Q House

A) NXTHVN
B) Winchester Lofts
C) Q House
IEDL Outreach

Immersion and Observations:
> People highly concerned about gentrification and affordable housing

NH City Presentation on Zoning 5/04
> Talk about zoning impact on DIX and commercial corridor
> Discussion focused strongly on operational aspects of zoning; residents had high-level concerns

Community Visit: NXTHVN
> Meeting with Jason Price from NXTHVN
  ConnCAT Driveby

Engagement Moving Forward
> Attend rescheduled CMT meeting

Takeaways

1. Address community concerns about gentrification caused by Yale property acquisitions and re-zoning efforts.

2. Any development needs to take into account the impact it may have on the already inadequate quantity of affordable housing.

3. Rezoning should facilitate commercial and affordable residential development.
**Important Census Statistics**

- Total Population: **6,074**
- Total Occupied Housing Units: **2,660**
- Total Housing Units Owner Occupied: **790 (30%)**
- Median Value of Owner-Occupied Housing Units: **$141,000**
The Newhallville neighborhood in New Haven’s north is primarily residential, but would but offers ample opportunity for investors to take equity stakes in additional affordable housing.

Each of the four corners of the zone is home to either a college, high school, or innovation center showcasing favorable conditions for public private partnerships.

Greenspace is prevalent throughout the community which could be developed or monetized through other means like designated rainwater runoff areas.

**Census Tract: 1415**

<table>
<thead>
<tr>
<th>Asset and Anchor</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Science Park</td>
<td></td>
</tr>
<tr>
<td>Albertus Magnus</td>
<td></td>
</tr>
<tr>
<td>S. CT State University</td>
<td></td>
</tr>
<tr>
<td>High Schools</td>
<td></td>
</tr>
</tbody>
</table>

**A residential neighborhood, with big dreams, primed for innovation and revitalization**

- Square Miles: 0.6
- Population: 6,074
- # of Households: 2,660
- Bachelor’s Degree or Higher: 15.6%
- Median Income: $26,635
- Median Home Value: $141,000
The Momentum

A) Property at 201 Munson Street is already under development to add nearly 400 additional apartments in the opportunity zone. They are currently discussing how many units will be reserved as “affordable”.

B) The City of New Haven has recently purchased vacant commercial property in Newhallville to begin a resident-run commercial laundry business with dozens of lots available, new small businesses could thrive improving the quality of life for residents from groceries to restaurants to retail.

Opportunities

Commercial and residential development throughout Newhallville. The residents are looking for opportunities to help invest in their future, cementing their culture and strong sense of community.
NEWHALLVILLE local stakeholder engagement

How IEDL engaged local communities to inform our work

Outreach

Immersion and Observations:
> The Community holds a high number of religious institutions which could be leveraged for collective community action or engagement
> There are gaps in foundational quality of life institutions which offer opportunities for new small businesses

CMT 4/23
> Following the incident between police and Newhallville residents, it was clear the community is engaged and wants to interact with the New Haven government at a higher level

Engagement Moving Forward
> Scheduled meeting with CMT leadership to discuss possible initiatives or Newhallville needs

Takeaways

1. The community wants to have an ownership stake in upcoming projects cementing their culture and cohesion as a family.

2. Lot size may limit major development but offers an opportunity to target medium-sized donors to open small business contingent upon a structured exit

3. There is a lack of awareness of city initiatives that Newhallville could leverage

Census Tract: 1415
Key Census Statistics*

- **Total Population**
  - 1,114
  - 2,608

- **Total Occupied Housing Units**
  - 592 (80%)
  - 647 (75%)

- **Total Housing Units Owner Occupied**
  - 6 (1%)
  - 182 (28%)

- **Median Value of Owner-Occupied Housing Units**
  - $121,700

*Stats for Census Tracts 1402 and 1403, respectively.
Hill South

Key New Haven Neighborhood with a Vibrant History, Harbor and Waterfront

- **Union Station** is the major railroad hub in New Haven and served **700k+ passengers** in 2018. The site is listed in the National Register of Historic Places.

- **Yale New Haven Hospital** is a top tier nationally recognized hospital with **1M+** patient visits per year. The hospital is New Haven’s biggest employer.

- Multiple historic district areas in the Hill including Redfield & West Streets Historic District and Howard Avenue Historic District, and Oyster Point Historic District.

### Census Tracts: 1402/1403

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Square Miles</td>
<td>1.1</td>
</tr>
<tr>
<td>Population</td>
<td>3,722</td>
</tr>
<tr>
<td># Households</td>
<td>1,239</td>
</tr>
<tr>
<td>Bachelor’s Degree or higher</td>
<td>11%</td>
</tr>
<tr>
<td>Median Income</td>
<td>$27,677</td>
</tr>
<tr>
<td>Median Home Value</td>
<td>$121,700</td>
</tr>
</tbody>
</table>
Hill South

Momentum

A. Shell and Bones Oyster Bar and Restaurant in City Point Historic District (opened 2015)

B. Canal Dock Boathouse—40+ million dollar Federal Highway Funded Project opened 2018

C. “Hill to Downtown Corridor”
   Construction began in 2018 after one year of planning across hundreds of stakeholders. The first phase will be 110 residential units and +2000 Sq ft of retail space

D. “New Long Wharf”-Award winning architects Perkins Eastman is helping drive the planning and development.

Opportunities

Commercial and residential development throughout the Hill leveraging in place infrastructure, key high traffic venues, proximity to Downtown New Haven and the historic New Haven Waterfront.
Long Wharf Food Terminal

A Unique Investment Opportunity

- **22 acres**, adjacent to I95, Union Station, Waterfront & anchor retail tenants Ikea & Jordan’s Furniture
- Current 12-owner coop maintains the space, which is grandfathered in to **USDA food processing** standards
- Anchor retail tenants **Brazi’s Steakhouse** and **Long Wharf Theater**
- Owners interested in **soliciting offers** for redevelopment of the area as a live-work-play environment
How IEDL engaged local communities to inform our work

**Outreach**

**CMT 4/17/19**
- Police reported back large numbers of incidents, residents concerned about lack of officers, safety of students coming in for cleanup day
- Residents engaged with large institutions in neighborhood - student volunteers from SCU, Yale New Haven health primary health care facility

**Community Engagement Meeting 4/23/19**
- Residents were interested to learn more about OZs and impacts on housing and jobs
- Residents shared stories about the history of industry in the neighborhood, and about residents’ vision for bringing in jobs

**Car Tour 5/02/19**
- City of New Haven staff shared redevelopment plans for Long Wharf Area
  - Team toured Long Wharf Food Terminal and met with business owner

**Census Tracts**: 1402/1403

---

**Takeaways**

1. Encourage development of commercial (leveraging underutilized railroads in The Hill), residential (including affordable housing and senior citizen housing), and retail space in the areas around Union Station and Long Wharf.

2. Strengthen the existing neighborhood with adequate police presence.

3. Create new job opportunities for residents and potentially trade apprenticeship opportunities for local high school students. Engage youth to become invested in community.

4. Interest in learning more about crowdfunding and local resident investment into The Hill initiatives by deadlines.
Important Census Statistics*

- **Total Population (2017):** 11,648
- **Total Occupied Housing Units:** 4,382
- **Total Housing Units Owner Occupied:** 788 (18%)
- **Median Value of Owner-Occupied Housing Units:** $145,335

*TRACTS: 1423/1424*
An entrepreneurial, diverse community, featuring waterfront access and a young population, with easy access to I-93 & I-95, Yale University and East Rock neighborhood.

A: Fair Haven School: Renewed focus on bilingual education for large hispanic population with community library next door

B: Grand Ave. Corridor: Major thoroughfare with grocery store, post office and dining options that cuts through Fair Haven

C: Criscuolo Park: Named a top park in need of renovation in 2017 in New Haven

D: Quinnipiac River Front: Available green space along the water, with views

<table>
<thead>
<tr>
<th>Square Miles</th>
<th>0.9</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population</td>
<td>11,648</td>
</tr>
<tr>
<td># Households</td>
<td>3,835</td>
</tr>
<tr>
<td>Bachelor's Degree or higher</td>
<td>10%</td>
</tr>
<tr>
<td>Median Income</td>
<td>$33,605</td>
</tr>
<tr>
<td>Median Home Value</td>
<td>$142,000</td>
</tr>
</tbody>
</table>
The Momentum

- **A: The District**: Nine acre Innovation and Technology hub opened in 2018.
- **B: Brewery Square Apts**: 104-units apartment complex that was formerly a brewery built in 1896 rehabbed in 1980s and currently receiving new city investment.
- **C: Art to Frames Factory**: Recently purchased in 2019 by Brooklyn-based frame company, expected to add 50-150 jobs

Opportunities

- Home ownership opportunities
- Youth-oriented services
- Investment in food-oriented or design businesses
**Outreach**

**Immersion and Observations:**
- Residents have a deep knowledge of region’s history
- Small businesses and corner stores, few chains

**CMT 04/04/19**
- Active community discussion
- Well attended, lively meeting with age and racial diversity
- Seems like a must attend for local community organizations and politicians

**Car Tour 04/19/19**
- Seeking to activate spaces and make them revenue-generating
- Largely residential space but certain streets or areas of commercial activity

---

**Takeaways**

1. Strong entrepreneurial and community organizing spirit

2. Seeking a vibrant community in terms of social, economic, and cultural life.

3. Housing is not a main concern but interest in seeing it as part of mixed-use buildings.

4. Community already has generated a set of principles to guide new development (focused around the Strong school project).
Food Halls

Key Elements of Successful Food Halls

○ Diverse, healthy offerings, strategically selected based on community input
○ Priced to match local appetite
○ Shared public space for community gatherings

Benefits of Food Halls

Community Benefits:
○ Place of intersection: nexus of cultural sharing
○ Safe community space
○ Anchor against displacement

Public Health Benefits:
○ Increased access to good, healthy food

Economic Benefits:
○ Incubator for small businesses
○ Stepping stone to long-term economic mobility
Food Halls: Mercado La Paloma (South LA)

By the Numbers:

**Occupancy:**
8 restaurants, 5 shops, and NGO offices

**Size:**
34,000 sf

**Daily Customers:**
600/d on weekdays, 510/day on Sunday

**Customer Diversity:**
54% Hispanic, 16% White, 8% Asian, 8% Black

**Location:**
Close to University of Southern California & DMV

**Ownership:**
 Owned and operated by Esperanza
Why is this model for inclusive economic development a fit for DIXWELL?

1) Dixwell is a food desert

2) Ride the wave of other development
   (a) NXTHVN
   (b) Munson

3) As well as existing institutions
   (a) Hillhouse High
   (b) Yale
   (c) ConnCat
   (d) Q House

4) Leverage diversity and confront segregation

Is it compatible with OZ financing?

Possible as either a:

1) Stand alone development
2) Mixed use

Given higher income residents around the neighborhood, could be a profitable business for which an equity stake would be desirable.
Makerspaces

Makerspaces are community spaces with tools and resources to support people’s ability to make anything.

That can facilitate:
- Education and skills training for the new economy
- Incubation of new products and businesses
- Community & individual self-sufficiency
  - Alternative economies
  - Empowerment re: the Ikea effect
  - Cohesion and social infrastructure

Makerspaces: an extremely flexible platform:
- Tool libraries
- Education & apprenticeship spaces
- Open science labs
- Community art studios
- Craft space
- Engineering facility
- Membership model
- Public access
- Pay-as-you-go
### Why is this a good fit for Hill South?

#### STEM and Trade Job Training Opportunities
- National Association of Colleges and Employers winter 2019 survey showed that STEM majors commanded the highest salaries among recent college graduates
- A Fab Lab in Hill South will encourage local youth extracurricular involvement in the STEM and technical fields, serving as a pipeline for college or the trades

#### Build Youth Community Engagement
- Hill South has an active local resident engagement group but lacks youth involvement. A Fab Lab offers the opportunity to bring youth together under a neighborhood institution to help build social fabric and engagement with the community

#### Bring Awareness & Connection to Hill South’s Industrial Past

### Compatibility with OZ Financing
- Requires initial equity investments to get off the ground, possibility of being deeded as community-owned under CLT management
- Potential for steady revenue generated from membership fees, classes, and private rentals
- Partner with local community groups and neighborhood institutions to create mixed use buildings
What does Inclusive Affordable Housing in New Haven do?

*Provides safe, suitable housing that truly integrates those who live there with the community*

*Allows residents to hold an equity stake in their community and embrace commercial development without fearing displacement*

How is it operationalized?

- Inclusionary zoning: providing some affordable units in their developments
- Blending: Making new public housing developments indistinguishable from the rest of the neighborhood
- Increasing Efficiency: Making units 2 bedrooms instead of 1 etc...
- Community Land Trusts: aim for permanent affordable housing by selling homes below market price while maintaining ownership of the land
Community Land Trusts: Newhallville

Premise: Act as the springboard for Greater New Haven
Newhallville cannot support a CLT by themselves

1. Focus On rezoning existing silver lots to remove blight, monetize green space, and allow for additional housing
   a. Green rehab could also include opening community gardens, or establishing runoff zones
   b. Consider the CLT model which raises an equity stake which can be bought out over time by residents, and that CLTs only exist as long as property is available

2. Opportunities exist for CLTs to become an advocate for broader community wellbeing: energy efficiency (reducing costs of living), senior care, networking for small businesses.
Business Expansion: Boston Ujima Project

Community Organizing

Impact Investing

BOSTON UJIMA PROJECT
Commercial Expansion: Fair Haven

Why is this a fit for Fair Haven?
- Fair Haven CMT as a natural & credible launch partner
- Potential for programming with The District
- Limited available commercial spaces, better to support existing businesses

Compatibility with OZ Financing
- Equity investments with structured exits as an ideal deal lifecycle
- Boston Ujima model that mixes institutional & community capital
- Paired with add’l revenue via work contracts with anchor institutions
What does inclusive economic development mean?

Generating financial returns for people and organisations in the local community

Alignment of investor and community interests

- Inclusive businesses
- Wealth generators
- Social impact and equity

How is it operationalized?

- Covenants to advance social goals
- Blended capital stacks
- Ownership structures for the community
  - Equity gift
  - Trusted advisors
- Market players and investors are used to determined risk-reward structures
- Risk tolerant (philanthropic) capital can help “crowd-in” other investments
- HNWIs with an interest in New Haven (e.g. alumni)
- Community crowdfunding
- Structuring intermediaries
  - Impact investing community
  - Fund managers & Financial institutions
CREATIVE FINANCING: Driving Impact

**Impact Covenants**
- Quality Jobs: living wage; CORI friendly hiring; wage equality
- Environmentally responsible practices
- Local purchasing
- Elected worker board seat
- Race and gender diversity

**Community-Oriented Finance**
- “Self-liquidating” equity
- Repayments linked to profits

**Blended Finance**
"to mix in concessionary capital that will reduce the difference between the perceived risk and the real risk of a deal, thereby incentivizing additional private investment”

**Environmental Impact Bonds “Pay-for-success”**

1. Structures deal, aligns and coordinates stakeholders
2. Provides up-front capital through bond investment to launch or scale program/intervention
3. Delivers services, benefiting target population(s) or meeting regulatory requirements
4. Repays investors based on achievement of outcomes

○ Impact Investment
○ Impact Bonds
○ Community Crowdfunding
○ OZ Funding
○ Layered revenue streams
CREATIVE FINANCING: Ownership opportunities

Equity can be distributed amongst different stakeholders

Community management teams  Community crowdfunding  Impact investors
### CREATIVE FINANCING: Newhallville

#### Why these models could work for NHV?
- NHV requires upfront investments with exit opportunities that can attract responsible investors to the neighborhood.
- Creative finance can attract different types of investors per opportunity.
- Size / industry / exit threshold.

#### Opportunities
- Talks with different levels of stakeholders for feedback may reveal more alternatives.
- Foundations/federal tax credits/investors/state/city.
- Food and groceries availability is scarce (i.e. NHV is a “food desert”).
- Urban household services (e.g. laundry) are scarce.
- Unused lots.
- Community-based organizations as catalyzers for support.

#### How would it be applied to an OZ?
- Bundling social and financial returns.
- Covenants must be clear.
- Blended capital stacks.
Recommendations

1. Start with Community Engagement
2. Experiment with Blended Stacks & Layered Projects
3. Expect Metrics on Horizon
4. Prepare for Evolution of OZ Program
When it comes to planning our redevelopment efforts, I like to say we subscribe to the *nothing about us without us* approach in that we're planning people's community and people's homes and we can't do that without really centering the voice of the people who are going to benefit from it. I think again it's aligned with equity, I think it's a very top down disempowering model to think that I can come in with my frame and my development team and tell a group of people what's going to be right for them, and so we do a lot of community process in redevelopment hearing from them what works.

Karen Dubois Walton, President,
ELM City Communities
Thank you!
Yale SOM Inclusive Economic Development Lab
Email: kate.Cooney@yale.edu