

**REPORT OF THE
CHIEF LEGISLATIVE ANALYST**

DATE: February 26, 2018

TO: Honorable Members of the Economic Development Committee

FROM: Sharon M. Tso 
Chief Legislative Analyst

Council File No: 18-0112
Assignment No: 18-02-0174

SUBJECT: Federal Opportunity Zones in Los Angeles

SUMMARY

On February 13, 2018, the Economic Development Committee discussed Motion (Buscaino-Price, Jr., CF#18-0112) which was accompanied by a report from the Chief Legislative Analyst (CLA) that instructed our Office to: (1) review eligible Opportunity Zones in each Council district to determine a final map that will be transmitted to the Governor; and (2) prepare a final map and Resolution to be submitted to the Governor regarding Opportunity Zones. At the conclusion of presentation, the Economic Development Committee continued the Item for 14 days pending an additional report by our Office to identify tracts that would be sent to the Governor for Opportunity Zone designation.

This report provides a response to the above instructions. A list of proposed Opportunity Zone eligible census tracts is provided for submission Governor Edmund G. Brown, Jr. The list has been organized to request the designation of Opportunity Zones in tracts with substantial commercial activity rather than residential development to ensure job creation and economic growth. In total, there are approximately 3,500 Opportunity Zone eligible census tracts in California and roughly 500 in the City of Los Angeles.

There are a total of 169 tracts listed in this report we urge the Governor to examine prior to designating Opportunity Zone census tracts in the City of Los Angeles. Of these 169, there are 125 the City has determined to be "Primary" tracts that we believe contain the highest potential to create jobs and spur economic growth along with 44 "Secondary" tracts the City has labeled that may fill those same purposes. Also included in this report is a color-coded map with both the Primary and Secondary census tracts labeled to illustrate where the intended economic output and commercial activity will take place.

This report recommends that the City submit a total of 169 tracts to the Governor for Opportunity Zone designation. In addition, a Resolution is attached for Council approval.

RECOMMENDATIONS

That the Council:

1. Adopt Motion (Buscaino-Price, Jr.) and approve the recommended list of 169 Census tracts to be submitted to the Governor for Opportunity Zone designation.
2. Adopt the attached Resolution to request the Governor to include the attached list of low-income Census tracts in the Opportunity Zone program.

DISCUSSION

Opportunity Zones were established as part of the Tax Cuts and Jobs Act of 2017 (Act) to promote economic development in low-income urban and rural communities nationwide. As part of this program, the City has an opportunity to send a list of Opportunity Zone-eligible tracts to the Governor of California for consideration to be included in the program. Governors can designate a maximum of 25% of the eligible tracts in the state as Opportunity Zones, which the U.S. Secretary of Treasury will ultimately approve as eligible to receive Opportunity Funds after March 21, 2018.

The tracts included in this report have been organized to focus on growing industries that include biotechnology, medical services, and the film industry. Tracts were also selected that were near major transit stations such as the Metro light rail and Blue and Expo lines, which have seen substantial transit-oriented development over the past decade across Los Angeles. Along with the targeted sectors and transit stations, our Office has selected tracts where other programs such as Promise Zones, Transformative Climate Communities, and Clean Up Green Up zones were already operational to compound economic growth. The key theme with all of the tracts selected is the emphasis on job creation and local business expansion, as evidenced by the diversity of industries and businesses in the City.

There are approximately 3,500 Opportunity Zone eligible tracts within California and roughly 500 in the City of Los Angeles. Our Office has identified Census tracts that are eligible and selected 169 tracts for submission to the Governor. The analysis provides justification for inclusion of the selected tracts. Furthermore, our Office has included a map that illustrates the location of the tracts the City is requesting the Governor designate as Opportunity Zones. In addition, Council and Mayor should approve the selection of the tracts by Resolution, which is attached to this report.

Primary and Secondary Tracts

The law states that a Governor can only designate a maximum of 25 percent of the eligible tracts in their state as Opportunity Zones. Since Los Angeles contains approximately 500 eligible tracts, we have selected 125 “Primary” tracts to maintain this ratio organized into twelve community population clusters. We have also identified an additional 44 “Secondary” tracts where additional investment from unrealized capital gains can provide substantial number of good-paying jobs and stimulate economic growth for the Governor to consider.

Below is a discussion of the Opportunity Zone eligible census tracts listed by highest priority in the City that includes a description of each cluster of tracts and the justification for their inclusion.

Primary Tracts

1. East San Fernando Valley/North Hollywood

The first cluster of tracts listed would be ideal candidates for Opportunity Zone designation and funds as these areas are undergoing substantial commercial development such as a retail mall, movie theatre, and over 640 units of housing. Furthermore, the Hollywood Burbank Airport will be building a new terminal and realigning the Airport, which will provide additional commercial investment opportunities to capitalize on expanded aviation-related activity. The remaining tracts included are near the Metro light rail station and State enterprise zones:

06037123901 06037123020
06037125310 06037123103
06037125320 06037123206
06037102105
06037122200

2. Van Nuys/Pacoima

The second cluster of tracts would also be strong candidates for economic development due to their proximity to the Burbank Airport. Aviation and auxiliary industries have ample potential to create jobs and stimulate economic growth. In Pacoima, the film industry has been steadily expanding into some of the identified tracts that provide jobs to individuals ranging from caterers, props, and other goods and services supporting the industry throughout Los Angeles.

06037121101 06037120030 06037121801
06037127400 06037120020 06037122120
06037127300 06037122122 06037122121
06037127520 06037121900
06037120010 06037127210

3. West Adams

The third assortment of tracts we recommend the Governor designate as Opportunity Zones are below is the community of West Adams near Culver City. Expansion of entertainment and now digital technology in this area is occurring due to proximity to studios in Culver City. In addition, these tracts are served by light rail stations along the Expo and Crenshaw lines.

06037219902 06037218300 06037218702
06037220100 06037219800
06037219901 06037236100
06037218400 06037219300
06037218500 06037220000

4. Canoga Park

This group of tracts would attract substantial investment inasmuch as they contain ample businesses and other valuable commercial property with the potential to spur job growth. These tracts will be able to create jobs in the West Valley community of Canoga Park, which was previously designated a redevelopment area and has significant development potential at sites such as the Aerojet Rocketdyne property. This area is connected to the South San Fernando Valley by the orange transit line, where transit-oriented development may enhance job creation in the area.

06037113233 06037134521
06037113234 06037134520
06037113421 06037135114
06037134305 06037134903
06037134522 06037132300

5. Wilmington

The fifth cluster of tracts include areas where the Clean Up Green Up Los Angeles policy is currently operational, which is a local initiative aimed to address the cumulative health impacts of industrial land uses adjacent to homes, schools, parks, and other sensitive users starting in multiple portions of the City. Wilmington is adjacent to the Port of Los Angeles, which is operated under the State Tide Lands Trust. Inclusion of the tracts support the continued growth of jobs at the Port. There are also tracts listed that provide the City with better tools to enhance competition with neighboring communities with less onerous business taxes.

06037294120	06037294830	06037293201
06037294620	06037296500	06037292000
06037294701	06037296600	
06037980014	06037296210	
06037294820	0603796220	

6. Arts District/Fashion District/Boyle Heights

There is a sixth cluster of tracts recommended for Opportunity Zone designation near the Keck Medical Center at the University of Southern California, California State University Los Angeles, and the County University of Southern California Medical Center. These locations have stimulated an influx of capital into the area and attract students and professionals who work at the institutions. Tracts in the Arts District and Fashion District are recommended as they overlap with federal Promise Zones. The fact that these tracts overlap with an existing program should leverage additional resources to maximize investment and job creation in emerging technology, fashion, and digital industries.

06037203500	06037207900	06037206200
06037203300	06037226062	
06037201402	06037205120	
06037201700	06037204920	
06037224010	06037206300	

8. Pacoima/Sylmar

The eighth group of tracts represent the commercial and industrial core of the communities of Pacoima and Sylmar in the San Fernando Valley. The geographic area located in the neighborhood of Pacoima exemplifies an area that is prime for development. Over a billion dollars in transportation infrastructure investment in the form of light rail transit is directed to a major arterial corridor that passes through Pacoima's core. These transit investments are carried through to the neighborhood of Sylmar and other surrounding communities. The industrial uses that are adjacent to the proposed transit corridor station terminus provide the ideal labor market characteristics for transit oriented development.

06037104703	06037106520
06037104404	06037104201
06037104320	06037104203
06037104701	06037104704
06037104310	06037106604

9. South Los Angeles/Expo Park

These tracts are located in areas where Promise Zones are operational. Not only have the areas been designated as Promise Zones, but also the tracts are near the University of Southern California and Exposition Park, the Metro Blue and Exposition lines, and the Lucas Museum. The aforementioned areas have steadily gained commercial activity over the past few years. Furthermore, projects focused on art and urban agriculture are proposed for tracts listed below, which may be an attractive investment area for individuals and corporations.

06037231220	06037224020	06037239330
06037222700	06037226410	
06037231800	06037226420	
06037224600	06037227010	
06037231100	06037239202	

10. East Hollywood/Koreatown/Little Armenia

This set of tracts are located in the neighborhoods of Koreatown, East Hollywood, and Little Armenia have experienced substantial commercial development in the past decade. In addition, Los Angeles City College (LACC) is located in one of the referenced tracts below along with multiple Metro Red and Purple rail stations. Along with new restaurants and LACC, the tracts below contain the Kaiser Permanente Medical Center, Los Angeles Children's Hospital, and Hollywood Presbyterian Medical Center. Other tourist attraction areas such as the Hollywood Walk of Fame, and Hollywood Wax Museum are also eligible to receive Opportunity Zone designation. Finally, the area also contains tracts where convenient stores such as Ralphs and Home Depot are located. Designation of these tracts would support expansion of the health care, entertainment, and hospitality industries, all of which produce high-quality jobs.

06037190100	06037191810	06037190201	06037191201
06037190202	06037191820	06037191720	06037192620
06037190700	06037190902	06037191500	06037211202
06037191000	06037190901	06037191110	06037211320
06037190801	06037191120	06037192610	06037211310
06037211201			
06037211122			
06037211120			

11. South Los Angeles/Central Alameda

Additional tracts near Slauson and Gage Boulevard include the Slauson Mall, which has experienced increased business development within the past decade along with other convenient and retail stores such as Home Depot, CVS Pharmacy, and the Vermont Slauson shopping Center. Other tracts near Crenshaw contain businesses such as Bank of America, Ralphs, Rite Aid, and locally known restaurants such as The Buffalo Spot.

06037234600	06037232400
06037234501	06037231500
06037234502	06037231400

06037232500 06037231300
06037237202 06037231210

12. Lincoln Heights/Cypress Park/Macarthur Park

The final cluster of tracts include a varied mix of communities and commercial activity including residential development around the University of Southern California Keck School of Medicine and the Macarthur Park community located between Koreatown and Downtown Los Angeles. Additional tracts are requested to receive Opportunity Zone designation on the San Fernando road, where housing development and small business activity has steadily increased over the past decade.

06037199120 06037185203 06037199201
06037199800 06037185320 06037186404
06037199900 06037224200 06037199202
06037199700 06037221110

FISCAL IMPACT

There is no impact on the General Fund at this time.



Henry Flatt
Analyst

- Attachments: 1. Resolution
 2. List of Census tracts nominated for Opportunity Zone designation
 3. Maps of selected Primary and Secondary tracts

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations or policies proposed to or pending before a local, state or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council with the concurrence of the Mayor; and

WHEREAS, spurring economic development and job creation in each Council District is one of the key responsibilities of the City; and

WHEREAS, the City has an abundance of US Census tracts with a scarcity of resources and good paying jobs; and

WHEREAS, the Opportunity Zone program that was included in the recent Tax Reform Legislation passed on December 22, 2017, provides an incentive for investing in low-income communities through capital gains tax breaks; and

WHEREAS, under the Opportunity Zone program, the Governor of California has until March 21, 2018, to designate up to 25% of the approximately 3,500 eligible Opportunity Zone census tracts in the State that will be submitted to the Secretary of Treasury; and

WHEREAS, once tracts are designated as Opportunity Zones, they will be eligible to receive unrealized capital gains through Opportunity Funds, which may be real property, partnership interest, or company stock; and

WHEREAS, the City has a longstanding history of assisting low-income residents through robust measures such as raising the minimum wage, progressive business taxation, and workplace protections;

NOW, THEREFORE, BE IT RESOLVED, with the concurrence of the Mayor, that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2017-2018 State Legislative Program SUPPORT for the inclusion of the attached list of low-income Los Angeles Census tracts for the Opportunity Zone program.

Primary Tracts

1. 06037219902
2. 06037220100
3. 06037219901
4. 06037218400
5. 06037218500
6. 06037218300
7. 06037219800
8. 06037236100
9. 06037220000
10. 06037218702
11. 06037219300
12. 06037113233
13. 06037113234
14. 06037113421
15. 06037134305
16. 06037134522
17. 06037134521
18. 06037134520
19. 06037135114
20. 06037134903
21. 06037132300
22. 06037123901
23. 06037125310
24. 06037125320
25. 06037102105
26. 06037122200
27. 06037123020
28. 06037123103
29. 06037123206
30. 06037121101
31. 06037127400
32. 06037127300
33. 06037127520
34. 06037120010
35. 06037127210
36. 06037120020
37. 06037120080
38. 06037121801
39. 06037121900
40. 06037122122
41. 06037122121
42. 06037122120
43. 06037203500
44. 06037203300
45. 06037201402
46. 06037201700
47. 06037224010
48. 06037207900
49. 06037226062
50. 06037205120
51. 06037204920
52. 06037206300
53. 06037206200
54. 06037294120
55. 06037294620
56. 06037294701
57. 06037980014
58. 06037294820
59. 06037294830
60. 06037296500
61. 06037296600
62. 06037296210
63. 06037296220
64. 06037293201
65. 06037292000
66. 06037224020
67. 06037226410
68. 06037226420
69. 06037227010
70. 06037231220
71. 06037222700
72. 06037231800
73. 06037231100
74. 06037224600
75. 06037239202
76. 06037239330
77. 06037231600
78. 06037190100
79. 06037190202
80. 06037190700
81. 06037191000
82. 06037190801
83. 06037191810
84. 06037191820
85. 06037190902
86. 06037190901

87. 06037191120
88. 06037190201
89. 06037191720
90. 06037191500
91. 06037191110
92. 06037191201
93. 06037192610
94. 06037192620
95. 06037211202
96. 06037211320
97. 06037211310
98. 06037211201
99. 06037211122
100. 06037211120
101. 06037234600
102. 06037234501
103. 06037234502
104. 06037232500
105. 06037237202
106. 06037232400

107. 06037231500
108. 06037231400
109. 06037231300
110. 06037231210
111. 06037199120
112. 06037199800
113. 06037199900
114. 06037199700
115. 06037186404
116. 06037185203
117. 06037185320
118. 06037224200
119. 06037221110
120. 06037199202
121. 06037199201
122. 06037234700
123. 06037234902
124. 06037234901
125. 06037237202

Secondary Tracts

1. 06037187102
2. 06037186401
3. 06037187200
4. 06037127712
5. 06037127804
6. 06037127803
7. 06037127910
8. 06037127711
9. 06037127805
10. 06037127806
11. 06037128302
12. 06037128303
13. 06037128210
14. 06037124102
15. 06037124204
16. 06037124105
17. 06037124104
18. 06037124103
19. 06037123205
20. 06037123203
21. 06037122410

22. 06037123303
23. 06037123420
24. 06037241001
25. 06037242600
26. 06037242000
27. 06037242300
28. 06037242200
29. 06037243000
30. 06037243100
31. 06037242100
32. 06037211802
33. 06037212102
34. 06037212101
35. 06037212502
36. 06037212410
37. 06037213201
38. 06037213310
39. 06037213320
40. 06037212303
41. 06037212304
42. 06037212203
43. 06037211120
44. 06037212204







