

## **NOTICE OF REQUEST FOR INFORMATION (RFI)**

# **Securing Stability and Affordability for DC's Small Commercial Space Users**

### **Introduction and Background**

Many small businesses, including local retailers, light manufacturers, startups, nonprofits and arts organizations, struggle to find affordable space in Washington, DC. This challenge was prominent in stakeholder input that informed DC's Economic Strategy and the DC Cultural Plan.

The District of Columbia Government, including the Office of the Deputy Mayor for Planning and Economic Development, would like to find new and sustainable ways to empower small commercial space users (i.e. users requiring less than 10,000 SF) and small businesses to secure stable, affordable real estate via ownership or tenancy. Recognizing that public resources are limited, DMPED and partner agencies are interested in exploring market-oriented approaches and public-private partnerships to addressing this challenge.

Through this Request for Information (RFI), the Office of the Deputy Mayor for Planning and Economic Development (DMPED) is requesting input about ways to support small commercial space users – including local retailers, light manufacturers, startups, nonprofits, as well as arts and cultural organizations – in securing affordable commercial space, with a focus on users located in DC's 25 Opportunity Zones. In addition, the District invites input on ways to leverage the new federal Opportunity Zones tax incentive to support this objective and align District, federal and philanthropic resources.

### **Purpose of the RFI**

The purpose of this Request for Information (RFI) is to solicit input from commercial real estate professionals, Opportunity Zones policy experts, financial service institutions, small business support providers, and others with relevant perspective about ways to help small commercial space users secure affordable commercial space and, specifically, ways to leverage the federal Opportunity Zones tax incentive, to do so. Secondly, this RFI seeks to identify potential program partners, in the event that the District moves forward with launching a new initiative. A new initiative could include a program, partnership and/or District investment.

Stakeholders responding to this RFI are asked to provide informed responses to the questions that follow. In addition, respondents can provide recommendations regarding program design and their qualifications for delivering such a program.

This document is a Request for Information (RFI) only. It is not being posted as a statement of work (SOW) at this time, nor does it constitute a Request for Proposal (RFP) or Request for Application (RFA) or a promise to issue an RFP or RFA in the future.

Respondents are advised that DMPED will not pay for any information or administrative costs incurred in response to this RFI. All costs associated with responding to this RFI will be solely at the interested party's expense. Not responding to this RFI does not preclude participation in any future RFP or RFA.

## Opportunity Zones

Created in the Tax Cuts and Jobs Act of 2017, Opportunity Zones is a federal tax incentive that encourages equity investments in new businesses and commercial projects in economically distressed communities designated as Opportunity Zones. There are 25 Opportunity Zones (OZs) located in Washington, DC, the majority of which are located in Wards 7 and 8. An interactive map of DC's Opportunity Zones is available at [oppzones.dc.gov](http://oppzones.dc.gov).

Any investor with a capital gain can invest the gain into a Qualified Opportunity Fund (QOF) within 180 days to realize several tax benefits:

1. Deferral: Defer capital gains tax liability until December 31, 2026.
2. Reduction: Receive a 10% step-up in basis after 5 years invested in the QOF and an additional 5% step-up in basis after 7 years invested in the QOF.
3. Elimination: Pay no capital gains tax on the appreciation of the investment after 10 years invested in the QOF.

QOFs are the vehicles through which investors may realize the tax benefit. QOFs may invest in tangible property, stock or partnership interest. They must maintain 90% of assets in eligible Opportunity Zone stock. They will be subject to a semi-annual asset test. Notably, anyone can create a QOF. The OZ incentive can also pair with other federal, state and local incentives, making it a relatively flexible tool.

The U.S. Department of Treasury is the agency responsible for issuing implementation regulations for Opportunity Zones, and the U.S. Internal Revenue Service is responsible for administering it. Treasury issued an initial round of implementation regulations in October 2018 and a second round in April 2019.

For full details about the incentive and regulations governing eligible investments, see 26 U.S. Code § 1400Z-1 and 26 U.S. Code § 1400Z-2 and the implementation regulations issued by the U.S. Department of Treasury in October 18, 2018 and April 2019. Links are included in the Resources section of this document.

In addition to the tax incentive, the White House has established an Opportunity and Revitalization Council comprising 13 federal agencies. These agencies have added preference points for applications from Opportunity Zones to many existing grants programs that support entrepreneurship, workforce development, public safety and education.

## How the OZ Incentive Can Benefit the District

The Opportunity Zones incentive can encourage investments that address some of Washington, DC's economic development objectives, including:

- Delivering new amenities like neighborhood-serving retail and grocery stores;
- Creating jobs and career opportunities for DC residents;
- Improving access to capital for local businesses, including those owned by underrepresented entrepreneurs; and
- Financing new workforce and affordable housing.

However, the federal incentive does not require these outcomes. Thus, the District is working to align private investment activity with local priorities. For example:

- **Oppzones.dc.gov:** DMPED created this clearinghouse to share information with stakeholders and facilitate two-way communication with community members, industry, and policy experts. It contains interactive maps, a sign-up for email updates, educational resources, videos from past events, and more.
- **Incentives lookup tool:** DMPED created incentives.dc.gov to enable QOFs and project sponsors to find tax credits and rebates, grants, and loan programs that can be paired with OZ. Examples include the Supermarkets Tax Credit, the Neighborhood Prosperity Fund grant program, and the Housing Production Trust Fund.
- **OZ-specific incentives:** In March 2019, Mayor Bowser announced a commitment of \$24 million to support affordable housing, workforce development and small businesses in DC's Opportunity Zones. Responses to this RFI will inform the small business component of these incentives.
- **OZ Community Corps:** DMPED is developing a network of lawyers, accountants and other experts who will provide pro bono consultations to community organizations and small businesses interested in pursuing OZ investment or structuring deals.
- **Online OZ Marketplace:** DMPED will soon launch an online Opportunity Zone Marketplace that anyone – project sponsors, fund managers, investors and community members – can access to submit and view OZ investment opportunities.

### **Possible Program Approach**

While new investment in a community can deliver needed amenities and improve quality of life, it can also increase property values and put upward pressure on rents. Property ownership could help existing businesses secure a stable, long-term home in their communities and create opportunities to build wealth. While commercial property ownership entails significant resources and work and may not be right for every small business owner, DMPED is interested in creating a sustainable pathway to ownership for those small business owners that desire it.

One possible approach to supporting small commercial space users in securing stable space is described below. Respondents are encouraged to share feedback on this concept, including ways to best align an approach with existing District, federal and philanthropic resources. DMPED welcomes alternative approaches (see Questions section).

### **Commercial Property Purchases**

One approach could involve a non-governmental entity partnering with the District to create a program that would help small commercial space users purchase commercial property. This privately-administered program could include:

- Counseling small commercial space users about the advantages and disadvantages of commercial property ownership and opportunities to leverage available resources, including the Opportunity Zones incentive.
- Supporting small commercial space users in finding commercial property and finding a QOF equity partner and potentially lessees.

- Structuring deals on behalf of the small commercial space user – possibly leveraging the U.S. Small Business Administration’s 504 loan program and the District’s Department of Insurance, Securities and Banking (DISB)’s DC BizCap Collateral Support program to reduce the small commercial space user’s required equity contribution.
- Working with the small commercial space user to develop a plan for property maintenance.

## QUESTIONS FOR RESPONDENTS

Please respond to all relevant questions below. Respondents need not address all questions.

1. **Program design:** How well would the Possible Program Approach described above address DMPED’s goal of supporting small commercial space users in purchasing commercial property?
  - a. What changes or additions to the approach would you suggest?
  - b. What resources would be necessary to executing such a program?
  - c. What risks could threaten its success?
2. **Commercial property purchase and OZ:** How, if at all, could the OZ tax incentive best be used to support small commercial space users in DC – including small businesses such as local retailers, light manufacturers, startups, nonprofits, as well as arts and cultural organizations – with purchasing commercial property? Describe possible deal structures.
3. **Affordable commercial leases:** How could the District most effectively incent developers and private property owners to provide affordable space for small commercial space users? Are there opportunities to use underutilized space for this purpose? Proposed program approaches are welcome (please limit to 1 page).
4. **Innovative models:** Are there innovative models of enabling small commercial space users to secure stable space (via ownership or tenancy) that have been effective elsewhere that could be applicable in the District?

## RESPONDENT INFORMATION REQUESTED

Respondents should include the following information if they are interested in playing a role in delivering a program that supports small commercial space users in the District (including businesses, nonprofits, and artists/arts organizations):

- **Team/Company Contact:** Provide company name(s), contact name, and contact information (phone, email and mailing address).
- **Response Summary:** Describe the company/team’s interest and approach to delivering a program.
- **Project Approach:** Describe how the team would implement the “Possible Project Approach” described above. Make sure to include a description of how the approach and team would support clients with counseling and education. If the respondent is proposing a different approach, describe how the respondent would implement that.

- **Resources:** Describe resources needed to implement the recommended approach.
- **Roles:** Describe the anticipated role of the respondent, District Government, and any other recommended project partners.
- **Respondent’s Capabilities:** Describe the history and structure of the organization(s), relevant experience and expertise, and resources available to perform the work suggested in the project approach.

**KEY DATES**

RFI Released	June 6, 2019
Last Day to Submit Questions about the RFI	June 14, 2019
DMPED issues response to Questions	June 21, 2019
Responses Due	July 17, 2019

**SUBMISSION AND CONTACT**

Please submit questions about the RFI and responses to Lindel Reid, senior contract administrator, at [lindel.reid@dc.gov](mailto:lindel.reid@dc.gov).

**REFERENCED RESOURCES**

- 26 U.S. Code § 1400Z-1 and 26 U.S. Code § 1400Z-2
- [Proposed Opportunity Zones Regulations 26 CFR Part 1 \(REG-115420-18\) | October 2018](#)
- [Proposed Opportunity Zones Regulations 26 CFR Part 1 \(REG-120186-18\) | April 2019](#)
- [Internal Revenue Service Opportunity Zones FAQs](#)
- DC’s Economic Strategy, (full report, page 81) [available here](#)
- DC Cultural Plan ([dcculturalplan.org](http://dcculturalplan.org))
- [Oppzones.dc.gov](http://Oppzones.dc.gov)
- February 26, 2019, “Making OZ Work for DC Businesses” event: video and materials available at [oppzones.dc.gov](http://oppzones.dc.gov).