

Expanding Access to Broadband and Digital Opportunity in Opportunity Zones

Presented by:

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With guest speakers:

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OZ Webinar Series

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Agenda

- Opportunity Zones updates and resources.
- Expanding access to broadband and digital opportunity.
 - Context and background.
 - Federal and state initiatives to expand broadband access.
 - Financing broadband initiatives with OZ equity.
 - OZ investment use cases.

Updates & Resources

- New Report
 - [*Opportunity Zones: State of the Marketplace*](#)
- OZ Coalition Comment Letter
 - [Response to the Federal Reserve Bank's Advanced Notice of Proposed Rulemaking on the Community Reinvestment Act.](#)
- Federal Update
 - [Reps. Burchett, Cuellar introduce the Opportunity Zones Extension Act of 2021](#)

Expanding Access to Broadband and Digital Opportunity

- On average, **27 percent** of OZ residents live in a home without access to a computer and broadband internet.
- Socioeconomic status is one of the **major causes** of the digital divide and is **also a consequence** of the digital divide.
- The digital divide impacts:
 - Educational attainment.
 - Job readiness and access to job opportunities.
 - Communication, representation, and information sharing.
 - Ease of life.

“When it comes to closing gaps in broadband connectivity, ‘the easy stuff ... has been done,’ and the hard work remains.”

[A National Solution to the Digital Divide Starts With States](#)

The Pew Charitable Trusts, 12/2020

Expanding Access to Broadband and Digital Opportunity

Public and private stakeholders are working to expand broadband access and digital opportunity.

- **Federal policies and initiatives**

- Consolidated Appropriations Act of 2021 included \$7 billion in COVID-19 relief to fund important [broadband initiatives and provisions](#).
- Existing programs include: USDA's [ReConnect program](#) and HUD's [Connect Home program](#).

- **State policies and initiatives**

- States are [targeting](#) CARES Act resources to:
 - Increase access to online learning for K-12 and postsecondary students.
 - Support telehealth services.
 - Deploy more public Wi-Fi access points and invest in residential broadband infrastructure
- State efforts [include](#):
 - Tax incentives, bonds, grants, loans, and guarantees.
 - Policy, inter-agency coordination, and public-private partnerships.
 - Alignment with public infrastructure projects.
 - Community readiness.

Expanding Access to Broadband and Digital Opportunity

Public and private stakeholders are working to expand broadband access and digital opportunity.

- [Centri Tech](#)

- A social venture focused on digital advancement through:
 - Smart technology integration and broadband deployment
 - Research and development
 - Program design and implementation.

- [The Digital City](#) - Memphis



Combines smart city technology with an ecosystem that supports entrepreneurship. The Walk, which is [leveraging OZ financing](#), anchors this effort and is poised to increase efficiency, improve quality of life, and enhance equity and economic prosperity.

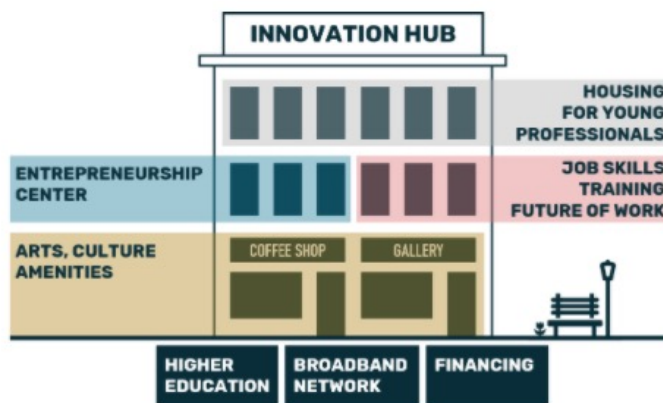
More information – [Digi.City](#)



Expanding Access to Broadband and Digital Opportunity

Public and private stakeholders are working to expand broadband access and digital opportunity.

- [Center on Rural Innovation](#)
 - Rural Innovation Initiative
 - Digital Economic Development



[Proximity Space](#) - Founders chose Montrose, CO—a town of 19,100 residents—taking into account factors like the cost of living, access to high-speed internet, and affordable downtown workspace.





Ramona Mullahey

U.S. Department of Housing and Urban
Development



U.S. Department of Housing and Urban Development

Honolulu Field Office

The digital divide in Hawai'i

- **19.2%** of households with an annual income less than \$75k have no internet subscription
- **8.7%** of Native Hawaiian and other Pacific Islanders (NHPs) are without an internet subscription (compared to 4.6% for Hawai'i's total population)
- **8.2%** of NHPs have no computer in their household (compared to 4% for Hawai'i's total population)
- **11.6%** individuals 65 years and older have no computer in their household (compared to 4% for Hawai'i's total population)
- **10.1%** of individuals with the educational attainment of less than a high school diploma or equivalent have no internet subscription (compared to 4.6% for Hawai'i's total population).
- **14.2%** of individuals in the same group have no computer in their household (compared to 4% for Hawai'i's total population).

2019 American Community Survey

U.S. Department of Housing and Urban Development

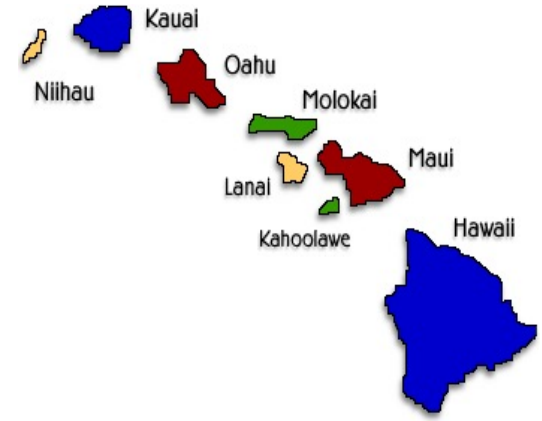
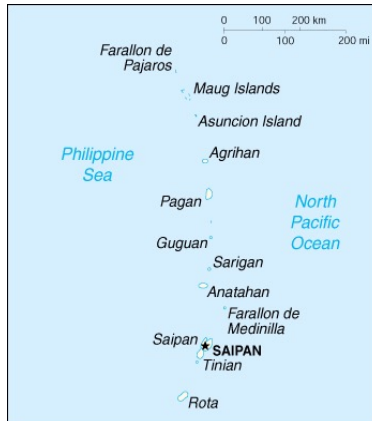
Honolulu Field Office

Overview of HUD

Service Area

The Honolulu Field Office covers the **largest geographical area** of any field office.

The jurisdiction of the Honolulu Field Office includes the **State of Hawaii**, the **Territory of Guam**, the **Commonwealth of Northern Mariana Islands**, and **America Samoa**, which is a possession of the United States. The population served is an estimated 1,576,000 people, and includes indigenous Native Hawaiians, Samoans, Chamorros and Carolingians as well as citizens of the Federated States of Micronesia, the Republic of Palau and the Republic of the Marshall Islands who can live and work in the United States under Compacts of Free Association.



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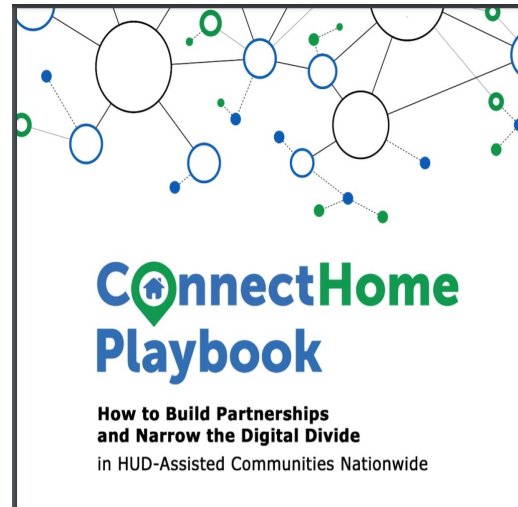
HUD initiatives to expand broadband

Connect Home

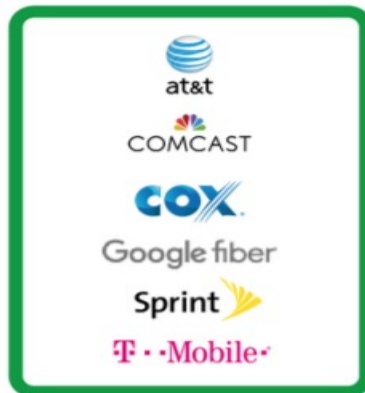
- **Public-private collaboration** designed to narrow the digital divide for residents living in HUD-assisted housing.
- **Three-legged stool of digital inclusion:** affordable connectivity, training, and low-cost devices.



U.S. Department of Housing and Urban Development Honolulu Field Office



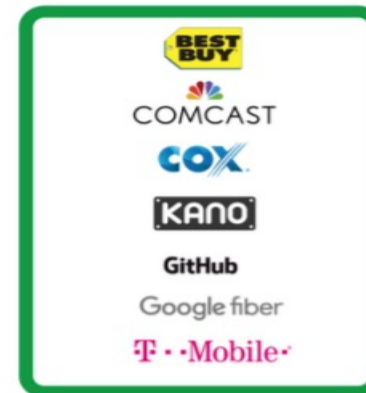
High-Speed Internet Access



Digital Literacy



Devices



U.S. Department of Housing and Urban Development Honolulu Field Office

The expansion program

Join the digital
inclusion
movement

ConnectHomeUSA

Please visit: <http://www.connecthomeusa.org/>



U.S. Department of Housing and Urban Development

Honolulu Field Office

Use of HUD programmatic funding



OFFICE OF PUBLIC & INDIAN HOUSING

**Public Housing Operating and Capital Funds
to Support Internet Connectivity for
Residents**
January 19, 2021



**CDBG:
Community Development Block
Grant Programs**

Use of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds

U.S. Department of Housing and Urban Development

Honolulu Field Office

Hawai'i Opportunity Zones



U.S. Department of Housing and Urban Development Honolulu Field Office

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About Hawaii Opportunity Zones

Learn more about the Opportunity Zones federal program including beneficial tax incentives.

[Learn more](#)

View Investment-Ready Projects in Hawaii's Opportunity Zones

[Investment Projects](#)

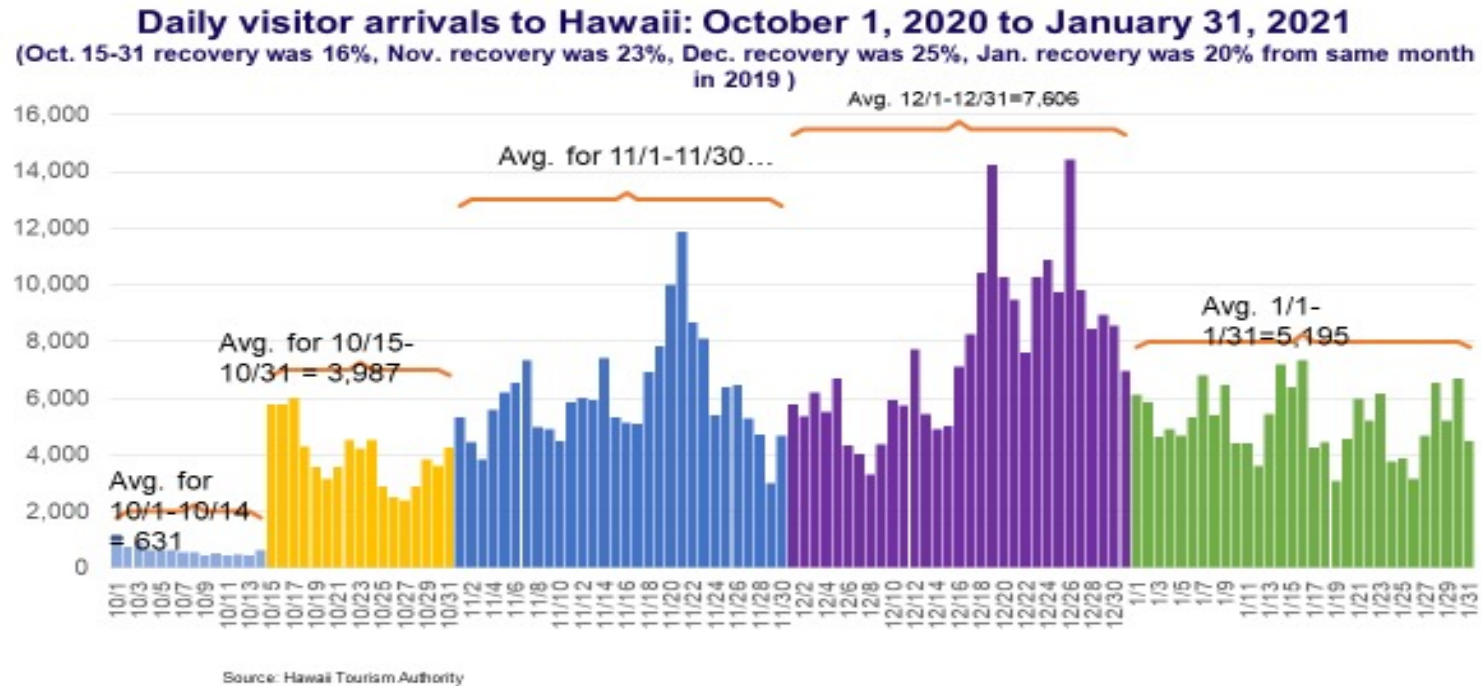
<https://invest.hawaii.gov/oz/>



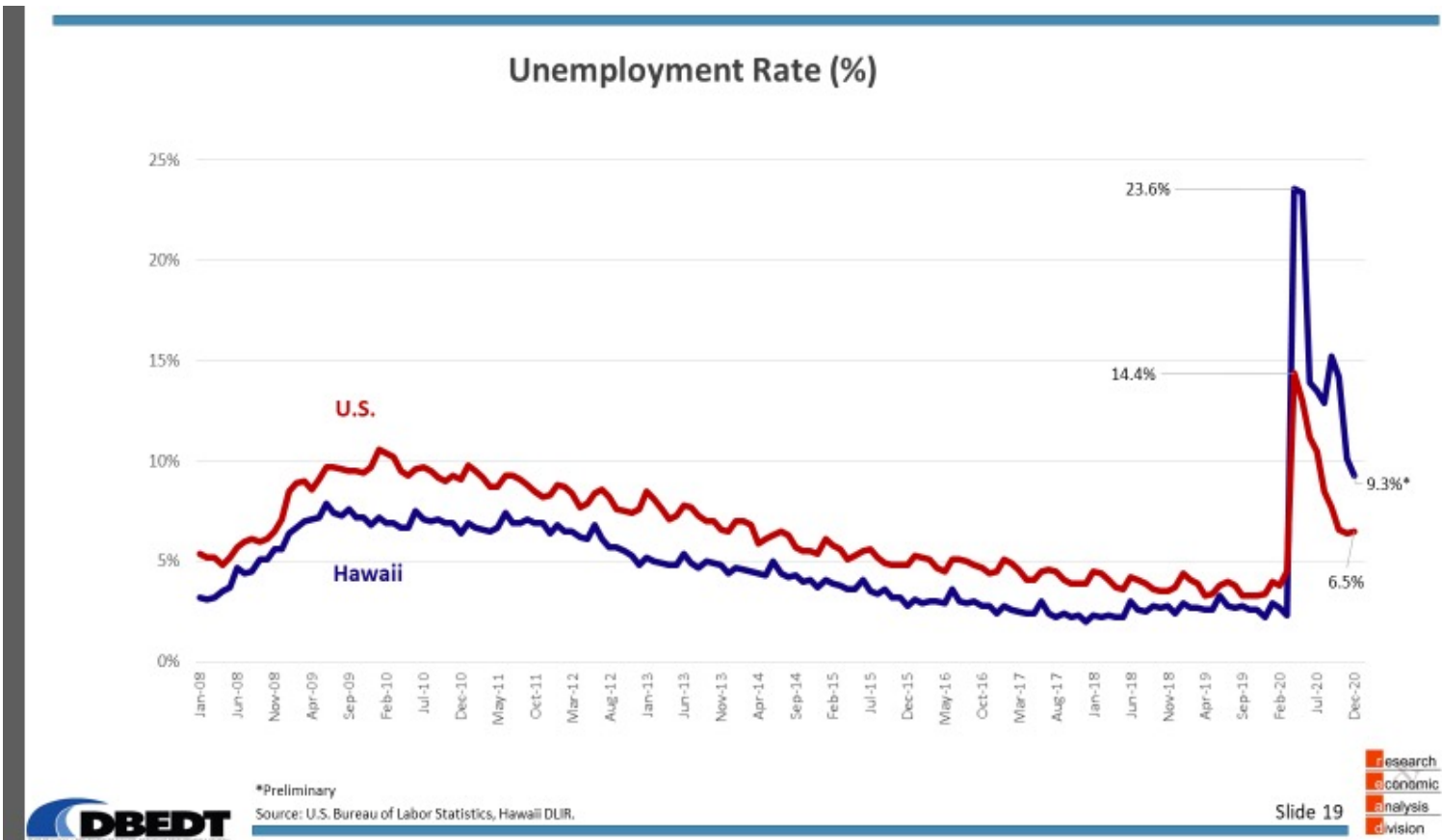
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The Challenges:

- The COVID-19 pandemic and the economy.



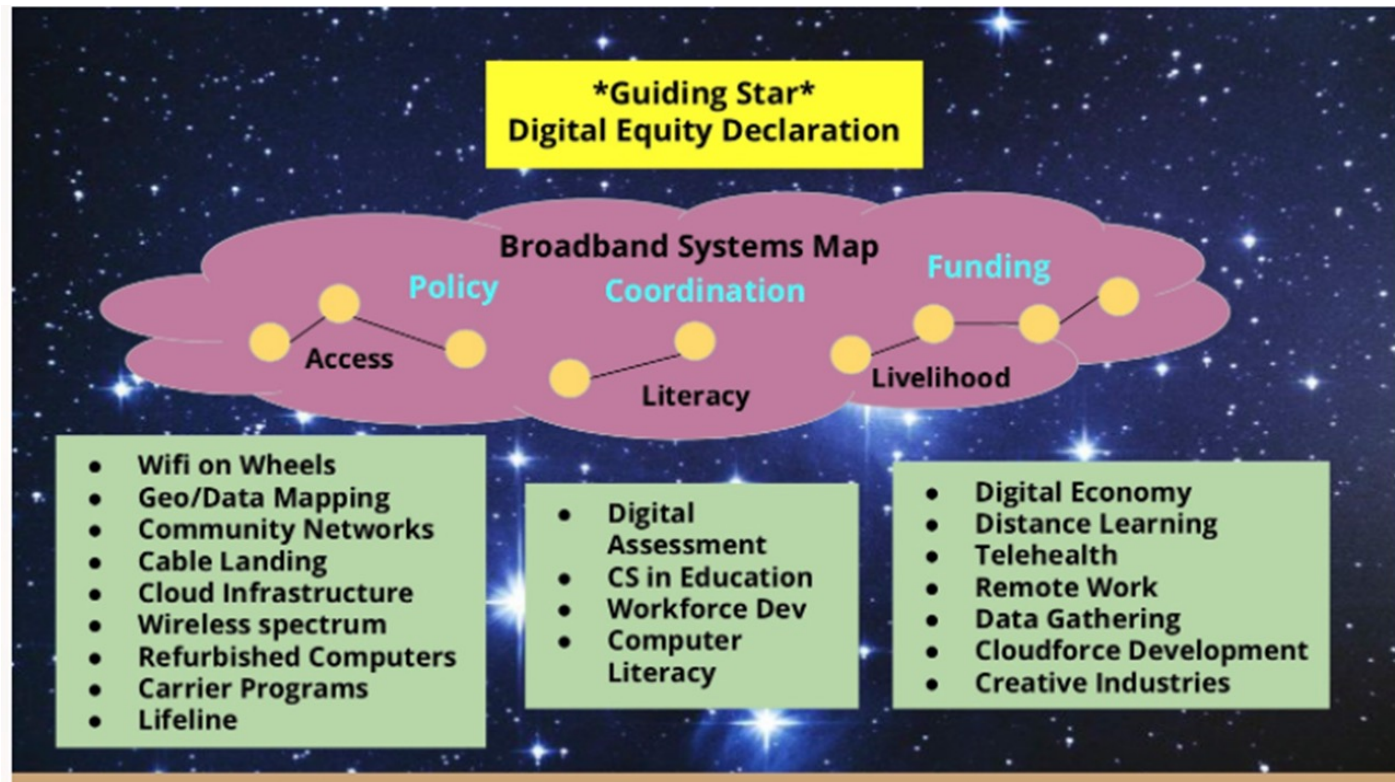
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State of Hawaii | DBEDT – Hawaii Broadband Initiative

Broadband Hui



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Digital Divide Initiative

- Use DOT facilities (the roadways) as backbone to **deliver wifi service** to eight underserved communities statewide.
- Kalihi is the first community
 - This will impact 2,327 public housing and senior housing units, including projects directly located in Opportunity Zones.



SERVICE	DETAILS	NOTES
Secured, High Speed Internet (SHSI)	Fiber-based broadband to each unit with next-generation firewall services, hosted by HT	*Target bandwidth = 50Mb *Requires a contract term *Wireless coverage options available for common areas
ITaaS (IT as a Service)	HT Managed Helpdesk service to support end-users with technical issues	*Multiple language support *Available M-F, normal business hours



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Honolulu Field Office

Key takeaways

- Broad stakeholder engagement [vertical, horizontal].
- Making connections and building relationships.
- Understanding cultural dynamics.
- Catalyzing new partnerships.
- Sharing resources, information, education and platforms for advocacy.
- Leadership and locally-based solutions.

“Our communities require leadership from within for change to be effective and sustainable. When solutions come from an engaged community – there is no limit to the good that can be done.”



Mike Landes

Colorado Office of Economic Development and
International Trade



COLORADO

Office of Economic Development
& International Trade

Opportunity Zones and Broadband Expansion in Colorado

- The Colorado Office of Economic Development and International Trade (OEDIT) creates a positive business climate that encourages dynamic economic development and sustainable job growth.
- We advance the state's economy through financial and technical programs under the leadership of Governor Jared Polis and Executive Director Betsy Markey.



COLORADO
Office of Economic Development
& International Trade

Opportunity Zones and Broadband Expansion in Colorado

Why broadband?

The importance of expanding our networks:

- Access to healthcare.
- Economic opportunity.
- Social cohesion.
- In Colorado, 85,000 households (14%) have slow or no access to broadband.

Opportunity Zones and Broadband Expansion in Colorado

The two major funding sources for broadband expansion in Colorado.

Broadband Deployment Fund

- Available to private entities.
- Provides grants to deploy broadband service in unreserved areas of the state.
- Awarded almost \$41 million since 2016.

Department of Local Affairs (DOLA) Energy Impact Assistance Fund

- Promotes inter-jurisdictional communication.
- Supports access to learning opportunities and telemedicine over broadband.
- Provides planning and middle-mile infrastructure grants.

Opportunity Zones and Broadband Expansion in Colorado

OZ program overview

Nomination, Education, Community Support, Investment Facilitation.

- OZ Steering Committee Grant Program
- OZ Capital Accelerator Program
- Cultivating an investment ecosystem

Opportunity Zones and Broadband Expansion in Colorado

OZs and broadband

Do they play well together? In theory, yes! In practice... not so much.

Why not?

- **Ignorance of the OZ incentive** – easily the program's biggest hurdle in almost any scenario.
- **Structural challenges** – broadband needs a lot of space to operate; many states restrict broadband expansion.
- **Broadband providers** are reluctant to share equity – have even proven resistant to applying for state and federal grants.

How do we overcome these challenges?

Opportunity Zones and Broadband Expansion in Colorado

How Colorado confronts these challenges.

Ignorance of the OZ incentive

- Solution: Targeted education.
 - Topic- and region-focused educational webinars, outreach to the finance industry, technical assistance for local developers and county/municipal managers.

Structural challenges

- Solution: Create bigger OZs in rural areas; seek legislator support.
 - Colorado has large OZs and allows towns to opt out of Sen. Bill 152.

Providers resistant to sharing equity

- Solution: Find the partner they actually want – municipalities.
 - Providers may not want OZ equity stakeholders, but municipalities in OZs can take advantage of the incentive in order to fundraise for infrastructure projects.

Opportunity Zones and Broadband Expansion in Colorado

Broadband expansion: New investment coming to Colorado.

Partners:

- Arctaris Impact Investors, LLC
- The Colorado Health Foundation
- Finance Authority of Maine

Arctaris has partnered with the Colorado Health Foundation and the Finance Authority of Maine to invest \$60 million in broadband infrastructure.

This investment will expand broadband access to 25,000 households, many of which are located in towns with lower than 80% broadband coverage.



Jonathan Tower

Arctaris Impact Investors



Philosophy

Arctaris Investment Philosophy: Doing Well By Doing Good

Arctaris combines OZ tax benefits with Principal Protection for above-market returns

ABOVE-MARKET RETURNS	PRINCIPAL-PROTECTION	COMMUNITY IMPACT
<p>Fund structure and investment approach increase investor returns</p> <ul style="list-style-type: none">• Significant tax benefits through OZ fund structure• Enhanced upside through operating company investment focus <p>– Only 4% of OZ capital targets investment in operating businesses (Novogradac, 2020)</p>	<p>Arctaris Principal-Protection partners mitigate risk and protect investor capital</p> <ul style="list-style-type: none">• Incremental deal-level protection achieved through grants, tax credits, and loan guarantees to investors	<p>Driving job growth, social/racial equity, and sustainability in underserved communities</p> <ul style="list-style-type: none">• 11 years of experience investing in underserved regions focusing on ESG and minority-owned businesses• Partnership with Initiative for a Competitive Inner City (ICIC) for impact transparency and accountability

SELECT NATIONAL & REGIONAL PARTNERS



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ARCTARIS
IMPACT INVESTORS

Introduction

Arctaris at a Glance

Arctaris Impact Investors is a private fund manager driving economic, social, and environmental impact in underserved regions across the U.S. through blended capital investments in profitable enterprises



Investing in underserved communities for **11+ years**



Growing national investment footprint and **on-the-ground** partnerships



6 active funds in US Private Equity and Credit



Currently more than **\$30M of Principal Protection** and guarantees for the Arctaris Opportunity Zone Funds



Investing in **operating businesses, infrastructure, and real estate**



Investing for **above-market returns, measurable impact, and investor liquidity**

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ARCTARIS
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Background

Extensive History of Delivering Value for Investors and Communities

Arctaris has launched 6 investment funds over 11 years, focusing on high-quality opportunities in underserved communities throughout the U.S.



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The Problem

Today's **digital economy** is out of reach for **far too many people**.

More than one in six people living in poverty have no internet access.¹

Approximately, 14% of households with school-age children do not have internet access.²

In 2018, more than 18 million American households lived without a broadband subscription.³

As a result, those **18 million American households** do not have access to:

Online Education

Remote Employment Opportunities

Telehealth Services

¹https://aspe.hhs.gov/system/files/pdf/263601/Internet_Access_Among_Low_Income.pdf

²<https://www.brookings.edu/blog/the-avenue/2020/02/05/neighborhood-broadband-data-makes-it-clear-we-need-an-agenda-to-fight-digital-poverty/>

³<https://www.ntia.doc.gov/blog/2018/digital-divide-among-school-age-children-narrows-millions-still-lack-internet-connections>

Our Solution

- Arctaris launched a program to fund broadband fiber projects in OZs that will increase **digital equity**.
- The program is driven by our **partnerships with private, municipal, and philanthropic organizations**.
- The goal is to provide affordable, high-speed internet to **underserved urban and rural communities**.
- Access to broadband internet will create **pathways to prosperity, employment, online education, and telehealth** for low-income individuals and families.

Case Study: Colorado

Impact

Address healthcare availability issues due to a lack of access to broadband.

Partner

Colorado Health Foundation (CHF)

Structure

- Arctaris contributes \$50M of OZ equity.
- CHF provides 20% anchor guarantee.

Reach

+25,000 households and small businesses.

Activities

- Develop impact and broadband screening criteria.
- Identify projects with highest economic impact and probability of success.
- Structure program investments.
- Monitor impact and economic improvement over life of program.

Case Study: Maine

Impact

Improve access to education, employment, and healthcare through broadband.

Partner

Finance Authority of Maine (FAME)

Structure

- Arctaris contributes \$10M of OZ equity.
- FAME provides 20% anchor guarantee and a below market-rate loan.

Reach

+9,000 households and small businesses.

Activities

- Identify internet service provider.
- Evaluate development across impact and broadband screening criteria.
- Structure program investments.
- Monitor impact and economic improvement over life of program.

Q & A

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