should repeal federal funding for affordable housing subsidies, too.

All of this demonstrates the folly of what urban researcher Joe Cortright calls the "myopic particularism" of focusing exclusively on "whether a single housing unit is affordable, with no attention given to affordability across the market spectrum."[9] To be fair, Johnson is hardly alone in this error. The idea that market-rate housing inevitably raises nearby rents and accelerates displacement — although backward — has long been treated as self-evident by many of the loudest voices in the housing debate.

Housing markets, like all aspects of a local economy, are deeply interconnected. New market-rate housing construction sets off a chain reaction involving intra-neighborhood moves, in-migration of new residents, renovations to existing properties, and the development of new amenities — resulting in simultaneous improvements to neighborhood quality and reductions in the forces that lead to displacement of more vulnerable residents. New units tend to absorb the more affluent residents and newcomers to a neighborhood, relieving pressure on older, more affordable housing stock and allowing for a reshuffling akin to a game of musical chairs[10] in which there are just as many chairs as there are players, and everyone can find a seat. Building market-rate housing on its own isn't sufficient to preserve affordability for all residents in high-demand neighborhoods, but it is a necessary and powerful part of the equation.

Moreover, today's market-rate dwelling is tomorrow's affordable housing unit. It's simple: Housing steadily depreciates as it ages, becoming more affordable relative to newer housing stock. And as Daniel Hertz notes in *City Observatory*, "The vast majority of homes that are actually 'affordable' to lower-income people are sold or rented *at market rate*," but are relatively low in price because of characteristics like size or location.[11]

The lesson is clear: Preventing displacement starts with ensuring an adequate supply of all types of housing.

Rejecting the False Choice

Now that we've covered the empirical evidence on housing supply, it's worth looking more closely at the troubling implications of Johnson's piece. His central claim is that increasing neighborhood quality and market value in low-income areas is inherently harmful to poor residents, because "they get nothing but displacement from property value increases." If that's true, what else could be viewed as a threat? Simple amenities, like new restaurants and retail. Upgrades to crumbling infrastructure and modernized public transit. Improvements in the quality of public schools. Initiatives that reduce violent crime and promote public safety. Grocery stores that sell quality food options. Beautification of local parks and public spaces. Remediation of environmental hazards (remember that brownfield statistic?) and repurposing of vacant or blighted structures. The list goes on and on. Every one of these can raise demand to live in a neighborhood and contribute to an increase in local property values.

Of course, it would be cruel and absurd to deny residents of low-income neighborhoods the benefits of those improvements. It is equally cruel and absurd to oppose the adequate supply of new housing. That kind of paternalistic NIMBYism only perpetuates — even justifies — the neglect and decline that plague struggling communities throughout the country.

Let's also not forget that for most American families, a home is their largest and most important asset. Raising the long-depressed value of these assets in low-income communities is therefore one obvious way of helping to boost local wealth and close the racial wealth gap. For example, Andre M. Perry and his colleagues at the Brookings Institution have done pathbreaking research uncovering deep discrepancies in how homes are valued between Black and non-Black neighborhoods. They estimate that the undervaluing of owner-occupied homes in Black neighborhoods amounts to a whopping $156

---

[9] Cortright, "Building More Housing Lowers Rents for Everyone," CityObservatory.org, Dec. 14, 2020.

[10] Dan Bertolet, "Cruel Musical Chairs (Or Why Is Rent So High?)" Sightline Institute, Oct. 31, 2017.

[11] Daniel Hertz, "What Filtering Can and Can't Do," CityObservatory.org, Nov. 10, 2015.

billion in missing wealth.[12] This leaves observers like Johnson in an awkward dilemma, for one cannot simultaneously lament the undervaluing of Black communities — which are disproportionately low-income — while also opposing efforts to improve their market values and increase local wealth. Most O-Zone residents are nonwhite. There are 1.7 million Black or Hispanic owner-occupied units within these communities, where vacancies run more than 50 percent higher than the average U.S. community, and where the median home is worth $47,000 less than the national average. And fully 28 percent of all majority-Black neighborhoods nationwide are designated as Opportunity Zones. Are we truly to believe that the best case against this policy is that it might improve the market values of communities that have faced decades of underinvestment and outright discrimination?

Fortunately, we don't need to choose between supporting long-overdue measures to improve struggling neighborhoods and protecting their residents from displacement; we can and must do both. Beyond the basic step of building enough market-rate housing supply to keep up with demand, there are many tools that can help ensure residents of transitioning neighborhoods can remain and reap the benefits of new investment and amenities. Most of these exist at the local level, such as capping property tax increases for long-term residents and helping tenants become property owners. After all: neighborhoods change. That much is inevitable. When it comes to managing that change, federal policy simply isn't a substitute for targeted local interventions tailored to the unique needs of a community.

A Reality Check on O- Zones

Having examined the evidence and implications for Johnson's broader argument, we can now turn our attention to how Opportunity Zones are actually designed and used. Here again, we will find that Johnson's critiques stem from a fundamental misunderstanding of the facts.

The design of the O-Zone incentive was intended to increase investment in low-income communities, including increasing the supply of housing through the construction of new apartments and repurposing of vacant buildings, and to prevent direct displacement of tenants from existing rental units. The statute requires eligible O-Zone property to satisfy an "original use" or "substantially improved" standard. To meet the original use standard, a housing investment would generally need to be brand-new or involve the rehabilitation of a vacant building. In either case, that investment would add to the local supply of housing — without displacement. The substantial improvement test requires an investment into an existing property to spend an amount greater than the cost of the building in new improvements. Other rules preclude investors from simply purchasing an existing building and raising rents. And, while possible in theory, the O-Zone rules make it enormously costly and difficult to meet the "greater than the cost of the building" standard by tearing down or renovating an existing income-generating development and replacing it with a newly constructed or renovated property and charging higher rents (assuming local affordability rules even permitted such a scenario in the first place). Instead, investors are more likely to look for an empty parcel or vacant structure within an O-Zone to build new units, just as lawmakers intended. As a result, Johnson's claim that the incentive "destroys" affordable housing only to replace it with higher rent market-rate housing is far-fetched as a practical matter and unsupported by any data.[13]

One can, however, easily find many examples of O-Zone investments going into affordable and moderate-income rental housing through a simple Google search.[14] One of those is the Phoenix Community in Columbus, Ohio, which will provide affordable housing and support

[12] Perry, Jonathan Rothwell, and David Harshbarger, "The Devaluation of Assets in Black Neighborhoods," Brookings Institution (Nov. 27, 2018).

[13] Even the single anecdotal example Johnson cites in his piece, a *Bloomberg Businessweek* article on the city of Norfolk, Virginia, turns out to be riddled with errors and grossly misleading. The city's response can be found at StPaulsDistrict.org.

[14] Economic Innovation Group, "EIG Opportunity Zones Activity Map," EIG.org (2021).

services to residents transitioning from incarceration.[15] Another is SoLa Impact, which is building hundreds of affordable units in South Los Angeles, an area grappling with a massive housing shortfall.[16]

Not only is O-Zone capital helping to finance the supply of badly needed housing, but it is also making individual projects more affordable to tenants than they otherwise would have been. Here is how one developer of a mixed-use, mixed-income project in Cleveland described the effects of the incentive:

> Basically, some of our investors are able to invest into this project and take less of a return than they typically would, because they have all these tax benefits from the opportunity zone. What that means is our capital stack is less stressed for dollars, so we're able to take some of the units and [charge less for] them, and still pay back our investors.[17]

Congress intended for the O-Zone incentive to be flexible enough to finance a wide spectrum of needs across a diverse range of communities. Early data and anecdotal evidence speak to the benefits of that flexibility. In addition to helping address the severe housing shortfall plaguing markets across the country, the incentive is being used to support major industrial, commercial, and mixed-use investments in an array of regions, as well as investments in non-real-estate operating businesses, such as Second Chances Farm, an indoor vertical farming start-up that provides employment and mentoring to formerly incarcerated individuals.[18] From rural Alabama to downtown Erie, Pennsylvania, one can find O-Zone capital being put to productive use bit by bit in local economies nationwide.

Conclusion

None of this is to say that the Opportunity Zone incentive cannot be improved. Nor is it to deny that well-informed observers can come to very different conclusions about whether place-based incentives are a good use of taxpayer resources. But any criticism premised on the notion that expanding local housing supply and improving neighborhood quality are fundamentally at odds with protecting poor residents should be discarded with great prejudice.

Instead, those who want to ensure that low-income people don't get priced out of their neighborhoods should fight to make it much easier, faster, and cheaper to build adequate housing *of all types* in our communities. Restrictive zoning and land-use policies have choked the supply of new housing and driven up prices to astonishing levels, disproportionately harming lower-income people desperate for access to housing in opportunity-rich areas. In San Francisco, for example, it costs around $750,000 to build a single two-bedroom unit of affordable housing.[19] Federal incentives like O-Zones can help lower the cost of capital for housing investment, but they won't solve the fundamental problem. That responsibility lies primarily with local officials who dictate the process, type, and location of new housing in supply-starved cities across the country.[20]

No single policy can come close to solving the economic challenges facing struggling areas of the country, nor is investment in a community a substitute for direct support for low-income people and families. But the need for powerful and flexible economic development tools like the O-Zone incentive has only grown stronger since its passage, as the pandemic has wreaked havoc on many vulnerable communities and added new urgency to the task of connecting struggling areas with the lifeblood of long-term investment capital.

It's time to ignore the catastrophizing and give this worthy experiment a chance to succeed. ■

---

[15] Economic Innovation Group, "Opportunity Zone Investment Profile: The Phoenix Community," EIG.org (2021).

[16] Anne Field, "Tapping Opportunity Zones, Social Impact Investor SoLa Raises Its Biggest Fund," *Forbes*, May 31, 2019.

[17] Jordyn Grzelewski, "Tremont Project The Tappan Would Include Apartments, First-Floor Bakery on Scranton Road," Cleveland.com, Feb. 8, 2019.

[18] Michael Butler, "Wilmington's Second Chances Farm Prepares for a Philly Expansion," Technical.ly, May 20, 2021.

[19] Thomas Fuller, "Why Does It Cost $750,000 to Build Affordable Housing in San Francisco?" *The New York Times*, Feb. 20, 2020.

[20] Liam Dillon, Ben Poston, and Julia Barajas, "Affordable Housing Can Cost $1 Million in California. Coronavirus Could Make It Worse," *Los Angeles Times*, Apr. 9, 2020.