



# Opportunity Virginia

A Virginia Community Capital & LOCUS Initiative

## ANNUAL REPORT 2019-20

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**JUNE 2020**

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## OUR MISSION STATEMENT

Opportunity Virginia strives to encourage and enable positive community impact investments by ensuring fair and equitable access to resources, facilitating productive connections between investors, project sponsors, and communities via an inclusive marketplace, and maintaining a pulse on socio-economic impact in Opportunity Zones throughout the Commonwealth.



## **A MESSAGE FROM OUR EXECUTIVE DIRECTOR, ADAM NORTHUP**

The original hypothesis behind Opportunity Virginia (OVA) was simple: while the Opportunity Zone (OZ) tax incentive was designed to steer long-term capital to distressed and low-income communities, the lack of an established market threatened to dampen its true potential. The Commonwealth's agencies and leaders therefore set out to 1) build a marketplace for stakeholders to learn and engage, to share project ideas and pipeline, and to link investors with business; and 2) make inclusive and equitable economic growth a priority alongside the market-driven capital flows. After our first year, I can confidently say that our commitment to the Commonwealth's goals remains unwavering.

We established eight guiding principles at the outset to ensure we always remain focused on these objectives. As you will see, we decided to test our successes and the challenges ahead by truing back to those markers in our first annual report. The result is at once a truly remarkable story of brute force achievement and a confirming recognition of the job ahead. Indeed, this work is more important than ever as the inequities in Virginia are front and center. The COVID-19 pandemic and the long-overdue resurfacing of systemic racial injustice will be at the heart of all our efforts in the year ahead.

We would not be where we are without the vision and support of Virginia's leaders. From the very beginning, Governor Northam and his offices – especially the Secretary of Commerce and Trade – made sure Virginia would take a preeminent lead in leveraging the OZ incentive. The Department of Housing and Community Development continues to draw together key partners and devote important resources to our effort. Virginia Housing put forward the vital down payment to establish this market and continues to provide critical guidance. But that is only the beginning – economic development, elected officials, community leaders, non-profits, and philanthropy have all played essential roles. We are so truly grateful for these collaborators.

Without a doubt, the story of our first year is written by the OVA team. Not a day goes by that I am not in awe of Becca, Jay, and Valerie. Their passion for, and devotion to, using the OZ incentive as a tool to better Virginia's communities and the lives of its residents is something to behold. And the backing and commitment of our parent organizations, Virginia Community Capital and LOCUS Impact Investing, make it all possible. I am so proud of this team and our institution.

I sincerely hope that the following pages offer some sunshine to those focused on the economic vitality and health of Virginia's communities in these difficult times. And while we are excited about what we accomplished in 2019, we are equally energized about what lies ahead.

# OUR GUIDING PRINCIPLES

At the outset, we worked with the Opportunity Virginia steering committee to codify eight guiding principles to frame the team's work.

<p><b>ENCOURAGE AND ENABLE</b></p> <p>positive community impact investments in conjunction with financial returns.</p>	<p><b>ENSURE FAIR &amp; EQUITABLE ACCESS</b></p> <p>to OZ resources, support, and guidance for all localities and interests.</p>	<p><b>ATTRACT AND MATCH</b></p> <p>national capital and businesses with easily accessible and current information.</p>	<p><b>EMPOWER</b></p> <p>local business, government, and community leaders to take point in the Opportunity Zones.</p>
<p><b>LEVERAGE</b></p> <p>the full suite of Federal, Commonwealth, &amp; local gov't programs &amp; incentives in partnership with philanthropic &amp; non-profit institutions.</p>	<p><b>COMMISSION</b></p> <p>a neutral and independent third party to manage and facilitate the inclusive marketplace with full transparency on process and participants.</p>	<p><b>SEED THE EFFORT</b></p> <p>with one-time funding and become a self-sufficient operation over time.</p>	<p><b>TRACK AND MEASURE</b></p> <p>socio-economic impact in Opportunity Zone communities.</p>

## THANK YOU TO OUR PARTNERS



## THE OVA STEERING COMMITTEE

Every maiden voyage needs an experienced crew to help chart the path forward. We owe much gratitude to our supportive steering committee, whose enthusiasm and expertise helped the Opportunity Virginia team navigate an exciting and successful first year. Thank you for your insight and guidance as we took the helm of Virginia's Opportunity Zone marketplace.



CASSIDY RASNICK,  
DEPUTY SECRETARY OF  
COMMERCE & TRADE



MIKE HAWKINS,  
MANAGING DIRECTOR OF  
COMMUNITY OUTREACH,  
VIRGINIA HOUSING



ERIK JOHNSTON, DIRECTOR,  
VA DEPT. OF HOUSING AND  
COMMUNITY DEVELOPMENT

# ENCOURAGING & ENABLING IMPACT INVESTMENTS

We believe the success of the Opportunity Zone program is not simply measured by dollars invested – to us, it is also about driving positive social impact. That message was featured prominently at our launch event.

Opportunity Virginia formally launched in October 2019 by gathering OZ project sponsors, investors, and community leaders for a day of education and networking.

Governor Northam kicked off the day by emphasizing the intent of the OZ incentive – to leverage its attractive tax benefits to revitalize rural and urban Virginia communities. "We are focused on pursuing economic growth that is inclusive and equitable, not just market-driven, and this partnership will bolster our efforts to improve economic opportunity for people in

communities that have traditionally been underserved," he said. Senator Mark Warner, Darden faculty, and leaders from various state agencies and Virginia Community Capital also delivered remarks.

With a program that featured both workshops and a pitch session for OZ project sponsors to present their projects to an auditorium full of interested stakeholders, the event served as a great springboard for OVA.



The poster features the Opportunity Virginia logo, which consists of a stylized 'X' made of colorful geometric shapes. Below the logo, the text reads 'Opportunity Virginia' in a bold, blue font, followed by 'A Virginia Community Capital & LOCUS Initiative' in a smaller, grey font. The main title 'LAUNCH & SUMMIT' is prominently displayed in large, bold, blue letters. Below the title, there is a paragraph of text: 'Join us as we introduce Virginia's Opportunity Zone market, amplify Opportunity Zone knowledge and activity in the Commonwealth, roll out enabling tools and resources, and build connective tissue between underserved communities, business interests, and capital.' This is followed by another line of text: 'Presented in partnership with the Virginia Housing Development Authority, Department of Housing and Community Development, and the Secretary of Commerce and Trade.' A decorative horizontal line of yellow dots separates this text from the event details. The event details are listed in two columns: 'TUESDAY, OCTOBER 22, 2019' and '9AM TO 3PM' on the left, and 'DARDEN SCHOOL OF BUSINESS' and 'UNIVERSITY OF VIRGINIA' on the right.

## SPOTLIGHT: FREDERICKSBURG CO-OP



The Fredericksburg Food Cooperative (the “Co-op”) is a full service, member-owned grocery store with a mission to provide Fredericksburg, VA, and the surrounding area with access to locally-grown and locally-sourced products. After Fredericksburg Economic Development & Tourism suggested that the Co-op consider OZ equity for start-up capital, the Co-op set up its own single-asset Qualified Opportunity Fund and turned to Opportunity Virginia as a trusted partner.

“From advising us on our offering documents to designing professional-quality marketing materials and helping to craft our investor outreach strategy, Opportunity Virginia has been a truly invaluable resource,” said Rich Larochelle, Co-op board member.

# ENSURING FAIR & EQUITABLE ACCESS

Virginia communities have made it clear that access to education, tools, and resources empowers Opportunity Zone stakeholders. We are committed to going the distance by offering this crucial access throughout the Commonwealth.



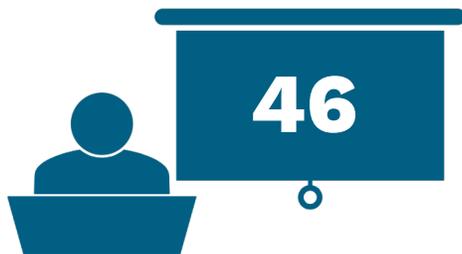
## MILES TRAVELED

Over 80% of these miles were driven on Virginia's highways and roads, giving us a chance to appreciate the Commonwealth's varied landscapes and the distinct beauty of each OZ community we visited.



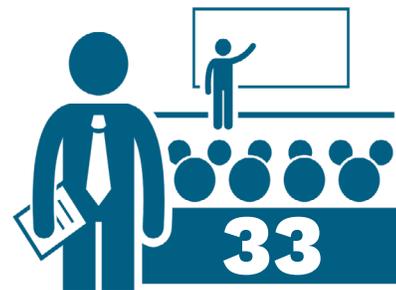
## TOWNS & CITIES VISITED

From far Southwest to the Eastern Shore and the urban areas in between, the OVA team had the opportunity to meet and learn about the unique needs of OZ communities throughout the Commonwealth.



## WORKSHOPS HOSTED

Local governments and stakeholder groups across the Commonwealth utilized OZ workshops to develop their understanding of the OZ program and spark dialogue about community needs and opportunities.



## CONFERENCES ATTENDED

It has been a privilege to both share our thoughts as frequent speakers/panelists and hear from the many inspiring participants who offer insightful lessons learned at these conferences and roundtables.

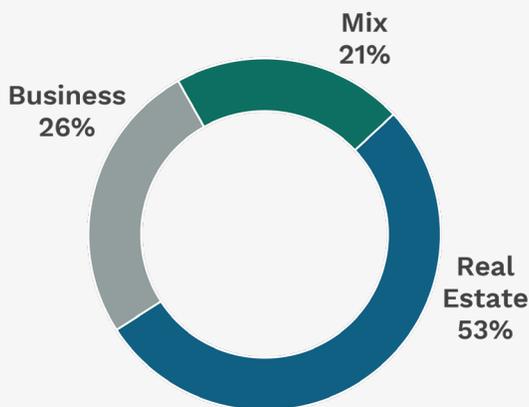


Wondering where to find the Opportunity Virginia team next? [Click here to check out our events calendar.](#)

# ATTRACTING & MATCHING CAPITAL & PROJECTS

We strive to facilitate productive connections between project sponsors, communities, and investors via an inclusive marketplace. To that end, our team built a deep pipeline of OZ projects and enlisted the help of The Opportunity Exchange.

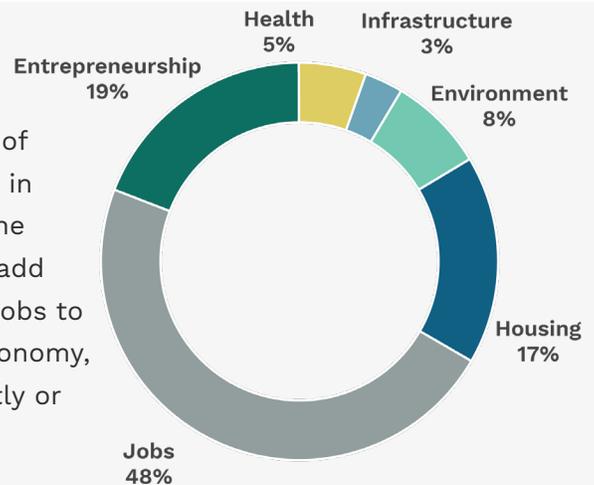
## PIPELINE BREAKDOWN



OVA's pipeline is a diverse set of prospective investment opportunities with a higher portion of operating businesses than OZ investors may expect.

**OVA's partners have closed, or are in the process of closing, deals worth over \$130 million.**

Almost half of the projects in OVA's pipeline would help add permanent jobs to the local economy, either directly or indirectly.



**232**

PROJECTS IN PIPELINE

**10**

INVESTMENT READY

OVA's community-centered approach to development has yielded a pipeline weighted towards early stage, high-impact projects.

## THE OPPORTUNITY EXCHANGE

The Opportunity Exchange is an industry-leading platform used to promote OZ projects across the country. Partnering with The Opportunity Exchange was an easy decision; its functionality, user interface, and focus on social impact perfectly align with our needs and vision. We announced our collaboration in early September, and since then, we have curated a database of dozens of Virginia OZ businesses, developments, and properties. Project sponsors can create and submit an attractive and detailed listing in no time using The Opportunity Exchange's simple yet thorough form. Just as easily, potential developers and investors can peruse our pipeline and connect with sponsors with the click of a button.



**THE OPPORTUNITY EXCHANGE**

# EMPOWERING STAKEHOLDERS

With access to the right resources, local business owners, government representatives, and community leaders are in a powerful position to support meaningful OZ activity.

## SPOTLIGHT: HARRISONBURG, VA

Located in the heart of the scenic Shenandoah Valley, Harrisonburg is home to a lively arts and culinary scene, James Madison University's vibrant campus, and a dedicated business community. It is no surprise to anyone familiar with "Rocktown" that the same energy has been channeled into developing the area's Opportunity Zones.

Peirce Macgill, Assistant Director of the Harrisonburg Department of Economic Development, created an OZ marketing prospectus for his community early last year when most of us were still making heads or tails of the program. Peirce also shared his insight on marketing his community's OZs as a panelist at Opportunity Virginia's Launch and Summit in the fall.



Peirce and Brian Shull, Harrisonburg's Director of Economic Development, invited OVA to Harrisonburg in October

2019 to lead an OZ workshop for community members. The event was a success; Peirce and Brian brought together community leaders, practitioners, and project sponsors to discuss program basics and a collective vision for Harrisonburg's OZs. From there, stakeholders built OZ networks and harnessed momentum from the gathering, resulting in three OZ property transactions, totaling approximately \$7,000,000 in investments.

"Opportunity Zone benefits have been a critical tool in our economic development toolbox. Shortly after the workshop, one attendee informed a colleague of the benefits, which led to the closing of a deal. In addition, two other attendees ended up taking on substantial OZ property renovation projects. These projects are direct results of Opportunity Virginia's workshop, the OZ benefits, and the engagement of our development community," stated Peirce.

## SPOTLIGHT: NORFOLK STATE

Norfolk State University (NSU) and the Norfolk State University Research and Innovation Foundation (NSURIF) have modeled a hands-on method to leveraging the OZ program as a development tool in the higher education space. Upon learning that NSU's campus was located within an OZ, Hud



Croasdale, NSURIF's CEO, and Glenn Carrington, Dean of the NSU School of Business, worked together to learn the ways a university could

participate and benefit, as well as how a foundation could support those efforts. Coupled with the public historically Black university's community need-driven approach to development, their expertise enabled the NSU team to take a proactive approach to identifying and prioritizing potential OZ projects.

While exploring the breadth of NSU's OZ opportunities, Hud has called on OVA for help brainstorming deal structures, providing education to NSURIF's board of directors, and acting as networking liaison. We look forward to future reports from NSU on reimagined OZ projects and priorities in the post-COVID landscape.

# LEVERAGING INCENTIVES & PARTNERSHIPS

There are many federal, state, and local government programs and incentives that can be paired with Opportunity Zones to fill gaps in the capital stack. We help stakeholders explore all the tools that can bring their visions to life.

Here are just a few of the agencies offering incentives that can bolster development efforts. Our team and local economic development offices are essential partners in utilizing all the resources available to project sponsors.



## SPOTLIGHT: C-PACE

C-PACE (Commercial Property Assessed Clean Energy) is a regionally-based finance incentive to promote impactful investments in energy efficiency, renewable energy, water efficiency, resiliency, and stormwater management. Like OZ equity, C-PACE expands the menu of innovative financing options available to project sponsors, thereby increasing the odds of financial feasibility for community- and environment-serving projects. But also like the OZ incentive, it requires community outreach, engagement, education, sourcing, and network-building.



Seeing the potential synergies, Opportunity Virginia sought out a partnership with the Virginia PACE Authority (VPA). VPA is the administrator of PACE for Virginia localities, and as a recent awardee of the RISE Coastal Community Resilience Challenge grant, it is currently focused on helping the Hampton Roads region use C-PACE to mitigate the impacts of sea-level rise. VPA will leverage OVA's community outreach and capital stacking capabilities to support the open-market C-PACE platform and ultimately the flow of capital to resilient projects in the region.

# MANAGING & FACILITATING THE MARKETPLACE

Our team was formed in June 2019 after Governor Ralph Northam tapped Virginia Community Capital to manage the Commonwealth's OZ efforts. We come from varying backgrounds, but we share a passion for community development.

## ADAM NORTHUP

EXECUTIVE DIRECTOR



As Opportunity Virginia's leader, Adam's work includes managing the team, liaising with key stakeholders across the Commonwealth and beyond, and setting the OVA strategy.

## BECCA RICHARDSON

DIRECTOR OF PROJECT DEVELOPMENT



Becca provides education, tools, project identification support, and capital stacking guidance for community, business and economic development leaders.

## JAY BEEKMAN

DIRECTOR OF INVESTMENTS



Jay assists project sponsors by providing advice and services that position them for successful capital raises that deliver long-term community impact.

## VALERIE LEE

DIRECTOR OF MARKETING



Valerie's work includes communicating Opportunity Virginia's mission, telling stories of impact, organizing events, and managing day-to-day marketing activities.



## JANE HENDERSON PRESIDENT & CEO, VIRGINIA COMMUNITY CAPITAL

"The experienced and diverse teams of Virginia Community Capital, LOCUS, and our partners already focus on and uncover new opportunities in many of these communities each day. This partnership gives us the chance to leverage this experience to grow energy and focus investment in Virginia's Opportunity Zones."

# BUILDING SUSTAINABILITY

Similar to many of the projects it supports, Opportunity Virginia's funding comes from a variety of sources. OVA has begun to evaluate multiple options for long-term sustainability as we continue to operate with the grant funding we received to serve as the Commonwealth's OZ marketplace.

**A recent Novogradac report** on OZ capital generation contains several noteworthy observations, but one figure that stood out to the OVA team was the continued delta between funds announced and funds that successfully raised capital. Though there are undoubtedly several explanations for this trend, our experience suggests that – for community impact-oriented investments, in particular – this is often a function of the work required to source investments and prepare them for an equity injection.

In order to build the foundation for a future attracting this ever-growing pool of capital into Virginia's communities, OVA will seek to fill a market need by testing services in three primary areas: consulting, advisory, and fund management.

## SPOTLIGHT: GALAX, VA

Here are a few things you may not know about the City of Galax:

- 1.) It is home to the world's largest fiddlers' convention.
- 2.) The city gets its name from a plant (Galax urceolata) commonly found in the Blue Ridge Mountains.
- 3.) It is where you can find one of the most potentially impactful Opportunity Zone projects in the Commonwealth.



Credit: Randy S. Leagan Photography

Opportunity Virginia's relationship with Galax began with City Manager Keith Barker and City Council member Mike Larrowe. In calls, we discussed what the OZ program could mean for the city, and one project stood out immediately – the 440,000 sq. ft. Vaughan Furniture Building, a landmark with approximately 10 acres under roof. "The TG Vaughan Furniture Plant served our community as an employer for generations of our citizens, manufacturing furniture that is part of our history," said Keith. "The Opportunity Zone program can assist in giving it new purpose so it can again become a key part of our community."

In fall 2019, the City of Galax invited community members to an "OZ 101" workshop with OVA. The city also allowed us to present an OZ case study to City Council, with a focus on redevelopment strategies for turning the Vaughan Building into a multi-use space that will enhance the quality of life for the Galax community, as well as attract new residents and visitors.

In April 2020, **Opportunity Appalachia** awarded the city grant funding to support the redevelopment of the Vaughan Building. In turn, the City of Galax enlisted OVA, along with Summit Design & Engineering Services and Main Street America, to collectively provide community engagement facilitation, architectural and market feasibility studies, and services to market to and recruit developers. We are thrilled to collaborate with Galax's leadership, community members, and the ecosystem of organizations that wish to support the project's success.

# TRACKING & MEASURING IMPACT

The Opportunity Zone incentive is designed to spur economic development in disinvested communities. Wherever possible, we will capture data and measure the impact of OZ investments throughout Virginia so that we will know if, how, and when it does.



Measuring the impact of the OZ incentive is not something the law and regulations yet require. A number of national think tanks and non-profits looked to fill this gap – but at the end of the day, those frameworks are only useful if data is collected. We knew early on that we needed to be part of the solution.

With one year under our belt, we pulled up to examine the way Opportunity Virginia approaches gathering data and assessing the impact of OZ investments in the Commonwealth. We asked ourselves hard questions. We know what data we want to collect, but what data can we actually get our hands on? We know what types of projects we want to see, but how does that reconcile with the reality on the ground?

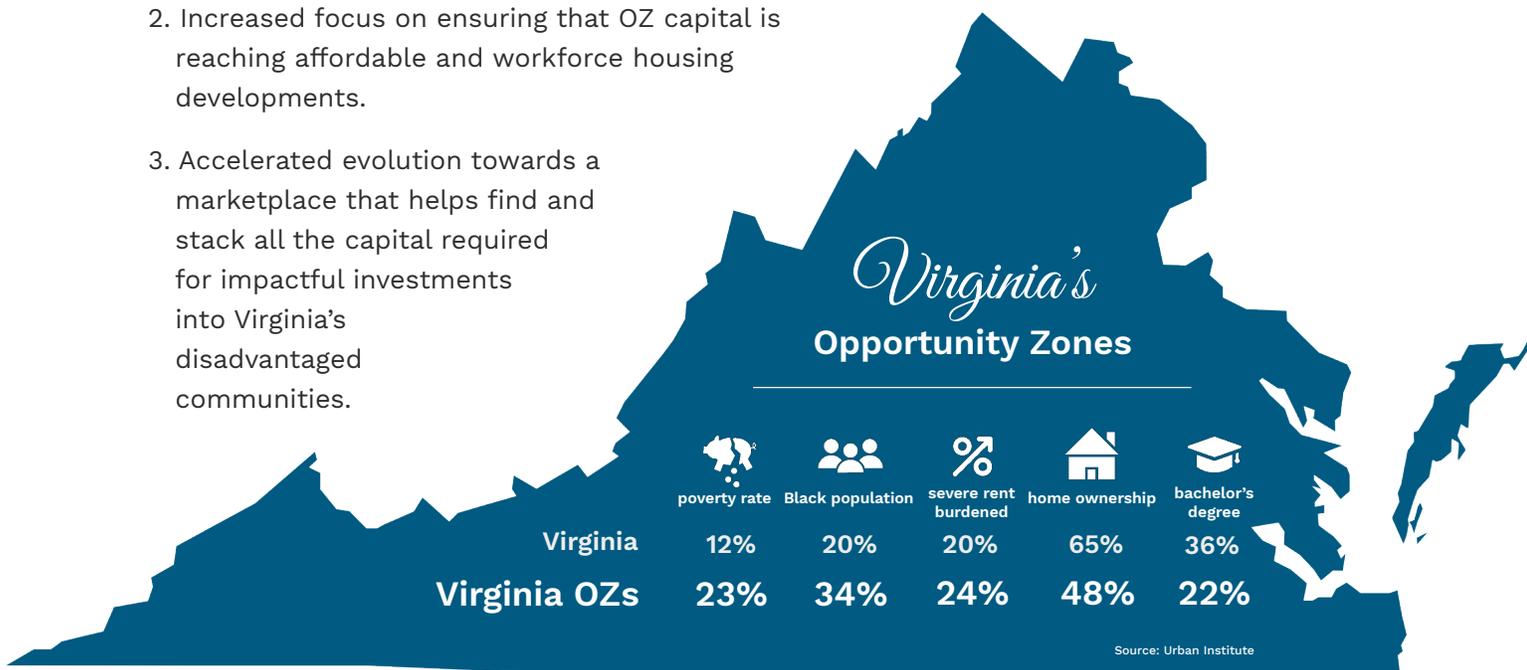
In the end, we decided to keep it simple and without nuance. After all, the Opportunity Zone incentive is social policy. We just want to tell it like it is – the good and the needs-to-be-better.

# LOOKING TO THE FUTURE

In one respect, Opportunity Zone communities are just another lens through which to view the inequity that exists across Virginia. These places have the people and vision needed to thrive, yet racial injustice, discrimination, and poverty pervade these communities – both rural and urban. Vast disparities in wealth, education, and housing are apparent in the figures below. While not the most talked about response right now, we believe that purposely capitalizing businesses and real estate projects in OZ communities can help to address these systemic challenges. We are committed to making those outcomes as important as getting capital to flow.

Though it is difficult to set a course to meet this challenge with so much uncertainty, here is what you can expect from us in the year ahead:

1. Intensified outreach, education, capacity-building, and project support in regions off to a slower start.
2. Increased focus on ensuring that OZ capital is reaching affordable and workforce housing developments.
3. Accelerated evolution towards a marketplace that helps find and stack all the capital required for impactful investments into Virginia's disadvantaged communities.



We need your help in this effort. Tell us what you need to make Virginia the home of plentiful and equitable OZ capital.

**Adam Northup**  
EXECUTIVE DIRECTOR



Click here to explore our listings on The Opportunity Exchange. You can submit a project or ask about an existing one with the click of a button.



**Opportunity Virginia**



**LOCUS**  
*local investing for impact*

## GET IN TOUCH

If you're a project sponsor, investor, developer, community leader, or other stakeholder interested in Virginia's Opportunity Zones, we would love to connect with you.



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