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June 1, 2020

Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

**Re: Responses to Securities and Exchange Commission Proposed Rules Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets, File No. S7-05-20**

To Whom it May Concern:

This letter is submitted on behalf of Raise Green, Inc. and New Haven Community Solar, LLC, active market participants who rely on Regulation Crowdfunding (Reg CF) to conduct business. Raise Green is a registered crowdfunding portal and New Haven Community has conducted two crowdfunding offerings. As both an intermediary and an issuer, we support 1) increasing Reg CF offering and investing limits, 2) the creation of crowdfunding vehicles (“CFVs”), and 3) easing communication restrictions to allow first-time issuers to successfully navigate their offering.

We would like to express our appreciation to the United States Securities and Exchange Commission (SEC or the Commission) for creating a new market that enables access to capital that previously did not exist. This market will continue to grow and thrive as individuals search for effective measures for local, self-determined economic development. Additionally, we appreciate the SEC for crafting a thoughtful set of proposed rules to streamline capital formation across the entirety of the exempt securities offerings landscape. Direct responses to SEC requests on the proposal rule are quoted in bold italics and responded to directly in Appendix A.

Raise Green has the following general comments as a registered crowdfunding portal: investment limits, communication restrictions, and the costs associated with managing potentially thousands of investors are deterring issuers from effective capital formation using Reg CF. These proposed rules address many of those concerns, but leave room for uncertainty by presenting new defined terms and roles. Additional clarity is needed in the final rules to reduce uncertainty for potential issuers and rapidly unlock more capital for small businesses.

New Haven Community Solar, LLC has the following general comment as an exempt issuer: Reg CF is designed and written with startup ventures in mind as the primary issuers. These

ventures are typically businesses selling widgets aiming for explosive growth, and targeting 10x-20x returns at high valuations. However, project finance companies that sell securities to finance real assets can also effectively use Reg CF as demonstrated by a proliferation of real estate offerings. Project finance companies have a greater capacity to forecast revenue (i.e. from contracted cash flows) that widget businesses lack (i.e. from variable customer tastes and vast uncertainty in product-market fit).

Project finance companies, especially those established with Environmental Social and Governance (ESG) impacts at the core of their construction, would benefit from consideration in final rules. For example, project finance companies are newly created companies, and if targeting a Reg CF raise above \$107,000 thus have to bear the cost of an audit with \$0 in revenue and no historical financials. These corporate structures offer an inherently different risk profile than ventures, as well a different strategic trajectory that does not seek exponential growth (i.e. raising several subsequent rounds of increasing size before an exit or acquisition). On the contrary, project finance companies once built offer steady contracted cash flows as the asset operates.

Raise Green and NHCS are both founded, designed and mission-driven with a core intention of amplifying marginalized voices and empowering everyone to be part of creating a more healthy, just and sustainable world. Our comments reflect this. We would like to emphasize the capacity Reg CF has to address the countless historical and systemic inequalities through access to inclusive capital formation if properly constructed. Final rules should consider the lack of personal and professional networks as well as knowledge equity that could inhibit use of Reg CF or, even worse, reinforce these systemic inequalities.

For additional context on amplifying voices of marginalized communities with emerging hardware and software metrics, please see our attached comment letter on a Request For Information - Data Collection and Tracking for Qualified Opportunity Zones filed jointly with MIT Media Lab City Science.

*“...diverse founders, including women-owned and minority-owned businesses may have less access to start-up capital and venture capital (“VC”) funding.”*

*- Page 17975*

We also want to voice our support for the Integration Safe Harbors in Proposed Rule 152(b), these safe harbors provide much needed clarity and are a marked improvement over 2007 integration guidance and prior related provisions.

We appreciate the diligent and consistent work of the civil servants of the Commission, and convey these comments in the sincere interest of contributing to efficient and equitable markets.

Sincerely,



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Franz Hochstrasser  
Chief Executive Officer, Raise Green Inc.  
Managing Member, New Haven Community Solar, LLC



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Matthew Moroney  
Chief Operating Officer, Raise Green Inc.  
Managing Member, New Haven Community Solar, LLC

**Enclosures:**

- Appendix A: Comments on Securities and Exchange Commission Proposed Rules Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets, File No. S7-05-20
- Appendix B: Request For Information - Data Collection and Tracking for Qualified Opportunity Zones
- Appendix C: Reflexive Mutual Series-LLC (RMS-LLC), John Clippinger, MIT Journal of Computational Law

## Appendix A

### 60. Increase Issuing Limits for Reg CF

***Should we, as proposed, increase the Regulation Crowdfunding offering limit from \$1.07 million to \$5 million? Is another limit more appropriate? Would increasing the limit encourage more issuers to use Regulation Crowdfunding? Are there additional investor protections we should consider in connection with the increase?***

Yes, the Commission should increase offering limits to, at a minimum, \$5M with a method established to regularly review these limits and increase them if the market is functioning effectively and without incidents of abuse. Increasing Reg CF offering limits will allow for greater innovation for community-scale infrastructure such as distributed power generation water treatment systems, timber carbon sequestration projects, autonomous and electric vehicle networks, community supported agriculture, local land trusts and affordable housing complexes. All of these types of infrastructure can be constructed as Reg CF project finance offerings and raising the offering limit will increase the scale and pace of potential beneficial impact that these community-driven projects can create.

The likely effects of the proposed changes, based on our current prospective issuers, would be larger issuer sizes on the crowdfunding portals. This will lead to offerings of larger projects, which could potentially provide better returns to crowdfunded investors due to economies of scale associated with solar and other types of climate solution projects with contractual cash flows. Other market participants, such as municipalities and developers, would find the regulation more attractive because there are a larger array of projects types and classes that could be issued. Raising the limit will also lead to more issuers viewing Reg CF as a viable means to raising capital for community-scale projects, and will therefore encourage more issuers to use Reg CF. In order to encourage greater investor protection with a higher offering limit, the Commission should allow for Crowdfunding Vehicles (CFVs) in order to more simply enable blocks of crowdfunding investors to be cleanly added and removed from larger private equity capitalization stacks without complication. These protections should include clear guidance on ways to improve the liquidity of crowdfunding securities to protect low-moderate income crowdfunding investors that may require greater liquidity of their investments to meet near-term cash needs.

### 62. Accredited Investor Limits

***Should we remove investment limits for accredited investors in Regulation Crowdfunding offerings as proposed? Should the limits be modified in some other way?***

Yes, accredited investor limits should be removed to harmonize this principle with other exempt securities offerings. Issuers would benefit by allowing larger accredited investors to support local communities and particularly low-moderate and disadvantaged communities that would benefit from greater access to capital formation from Reg CF offerings and may provide attractive Program- and Mission-Related Investment, or other types of impact investing options to organizations such as CDFIs, donor-advised funds and philanthropic foundations. We do not believe there should be a cap on accredited investor investment amounts, or if a cap remains in place, that cap should be proportionally scaled from current limits (e.g. \$107k to \$535k).

***If so, should we require verification of accredited investor status, as suggested by several commenters?***

The SEC could maintain a database of investor accreditation status that all intermediaries could query through an application programming interface (API). The SEC and IRS are both federal entities and have already collected this information, thus requiring intermediaries to create their own systems to collect, administer, enforce and comply with investor accreditation verification requirements is an exercise in redundancy that could be avoided by connecting the SEC and IRS database to allow this type of query. This type of modernization and technology interconnection must eventually occur within these two entities as part of the digital modernization of federal information technology infrastructure.

### 63. Investment limit calculations for non-accredited

***Should we amend the method for calculating the investment limits for non-accredited investors in Regulation Crowdfunding to allow those investors to rely on the greater of their annual income or net worth as proposed? Is there any evidence to suggest that a more restrictive approach to investment limits is warranted for Regulation Crowdfunding offerings? Should we align the non-accredited investor limits in Regulation Crowdfunding with those in Regulation A Tier 2?***

Amending the method for calculating the investment limits for non-accredited investors in Reg CF as written in the proposed rule would allow for greater flexibility. However, many non-accredited investors lack the capacity to easily calculate their net worth or salary, making self-attestation the industry standard. This estimated self-attestation is easy to significantly underestimate or overestimate. The intermediary and the issuer have no clear way of verifying these reported values, and many of the investors lack sufficient information to accurately report these numbers.

Non-accredited investors can not simply estimate their salary if they have unpredictable hourly wages, or if they are self-employed (e.g. gig workers). Relying on these uncertain guesses undermines the proposed rules' intended purpose of investor loss protection. There needs to be an alternative heuristic.

Instead of relying on the proposed “5 percent/10 percent limit”, we propose scaling up the maximum non-accredited investor maximum proportionally from \$2,200 to \$11,000 to match the proposed increase in the offering limit.

Alternatively to maintain maximum protection for the investors the Commission may consider simply setting an absolute floor of say \$2,500 which any investor is able to invest regardless of net-worth or annual income, and then require investors to only attest to their net-worth or annual income if they wish to invest a greater amount, up to the max of \$11,000. If the current method for calculating the investment limits is retained, it could perhaps be modified and made more specific to be calculated off of the previous year’s Adjusted Gross Income from their IRS filed tax return, and the IRS could enable an API query to verify the amount.

## 66. CFVs

### ***Should we permit crowdfunding issuers to use crowdfunding vehicles as proposed?***

Yes. The prospect of adding complexity to an issuer’s capitalization table has deterred several potential issuers from using Raise Green. The CFV option would assuage many of those expressed concerns. This may pull more potential issuers into proceeding with an offering if there is an easier way to manage crowd investors on their capitalization table. In particular, this would be very supportive of larger sized offerings where the number of investors can become significant. It also supports a new business model that can leverage economies of scale and house expertise to reduce risk to first-time issuers.

### ***Does the CFV issuing debt through a Reg CF raised to buy debt or bonds from the Crowdfunded Issuer constitute ‘borrowing money’ under proposed Rule 3a–9(a)(2)?***

The Commission should clarify this prohibition against “borrowing money” in the final rules. It is confusing to us if the managing member of the CFV would be able to have a different type of security. We believe that the CFV should consider two modifications:

1. CFVs should be able to issue different securities for different rounds of Reg CF offering. This could allow the issuer to offer preferential securities to investors that took more risk in earlier crowdfunded offerings.
2. Being able to issue two classes of securities based on project finance use cases. One class could symbolize “appreciation rights” representing the spirit of the current proposed rule for investor capital growth and protection. The second type could be “access rights” for those who may be using the project finance infrastructure issued on a crowdfunding intermediary. For example, an access right could be used to guarantee a discounted power rate over the lifetime of a solar project finance company, or a rent free apartment for several years of an affordable housing project finance company, or a prepayment on a lease at an artist studios project finance company or an office project finance company.

***Would this approach encourage crowdfunding issuers to offer voting rights or other advantageous terms to investors?***

If a CFV was on the capitalization table as opposed to several hundred (or over a thousand) investors, then the CFV would be more on par with the other future investors — strength in numbers under one concentrated entity to provide protection. The rights of the CFV shareholders would be diluted with time but this risk already exists in current regulations.

## 67. Investment advisors for CFVs

***Should we require registered investment advisers to manage crowdfunding vehicles?***

No, registered investment advisers should not be required to manage crowdfunding vehicles. This requirement and the costs associated with it may deter small-medium enterprises, community groups, or women and minority owned businesses that may not have or want ready access to that type of specialized expertise from utilizing these structures. The Funding Portal is better situated to manage crowdfunding vehicles than registered investment advisers. If this requirement were to be enacted, the intermediary should be able to broker commissioned connections between investment advisers and issuers, or the Funding Portal itself should be allowed to substitute for a registered investment advisor for the purposes of managing the crowdfunding vehicles on behalf of the issuer.

***Would there be a role for a registered investment adviser in light of the limited activities in which a crowdfunding vehicle could engage?***

The SEC should make it simpler for investment advisers to purchase Reg CF securities on behalf of clients. This should come in the form of clear guidance to RIAs and other investment advisers for how to purchase Reg CF securities using investment advisory and managed accounts, including 401k, robo-advisors, traditional IRAs, self-directed IRA accounts and other types of retirement accounts. Many clients do not make their own investment decisions and rely on their investment advisers to do so, but have interest in supporting small-businesses, ESG investing options and the types of community-created infrastructure that could be deployed with Reg CF.

***Would registered investment advisers find it practical to serve a role with respect to a crowdfunding vehicle?***

Due to the small size of the vehicle, it might be more burdensome for an investment adviser to maintain a CFV. However, there is a small marginal cost to manage a corporate entity for an established investment advisor, since they already have communication channels and payment channels to potential crowdfunding investors. If registered investment advisers are made eligible to serve as managers of CFVs, then Funding Portals should also be designated as eligible to

serve as managers of CFVs given their inherent and necessary familiarity with the structures as the intermediary issuing securities into them.

***Should we require an exempt reporting adviser to manage crowdfunding vehicles?***

No, unless that exempt reporting advisor can be the function of FINRA and SEC registered Funding Portals. This role would inevitably require fees for service and adding another layer of services on already small denomination raises would unduly burden the crowdfunding issuers and further deter them from using Reg CF. If reporting is required, this would best be conducted by the Funding Portals conducting the offerings, as they will be most familiar and proximate to the CFV and its capitalization table having facilitated the raise.

***Should we allow investment advisers to form funds for non-accredited investors that invest in multiple crowdfunding issuers?***

Yes. Right now it is difficult for traditional investors facilitating easy investment from individuals 401k into Reg CF offerings. Allowing investment advisers to form funds for non-accredited investors to invest in multiple crowdfunding investors would decrease their risk by spreading their capital over multiple offerings as well as increase the ease of which an issue could raise capital, as it would be directed from one investment adviser and could be done in a recurrent fashion.

## 68. CFV limitations and roles

***The proposed rule includes several conditions designed to require that the crowdfunding vehicle serve the sole purpose of acting as a conduit for investors to invest in the crowdfunding issuer. Are these conditions appropriate?***

Yes. However, there should be more flexibility in the crowdfunded vehicle to make decisions if it aligns with the original intent established by the crowdfunded issuer. For example, they may want to reinvest the proceeds in the issuer in future rounds, or provide loans to the issuer to grow through reinvestment of profit interest instead of forcing the crowdfunding issuer to rely on separate and future capital formation activities.

***Should a crowdfunding vehicle be permitted to engage in a broader range of activities?***

Raise Green believes that a CFV should be permitted to engage in a broader range of activities that enable additional flexibility to support the crowdfunding issuer, while employing innovative approaches to wealth generation and retention on behalf of their crowd investors. We believe many of these ideas are articulated in this paper published by renowned MIT research scientist John Clippinger in the Journal of Computational Law attached as an appendix. The SEC should consider adding additional allowed activities to CFVs, as identified and articulated in this

[attached paper](#) published in the MIT Journal of Computational Law as a “Reflexive Mutual Series Limited Liability Company (RMS-LLC)” stating that an entity could:

*“act in the best interest of all its members to generate goods, services and assets, that singly, or in combination, achieve stable and measurable value exchange within a member network furthering mutually agreed upon outcomes. To raise external capital the RMS-LLC sells appreciation rights to single asset classes - such as energy, housing, 5G, food, and mobility - for a market competitive rate of return, with an option to buy out such investors with a premium at the RMS-LLC’s discretion. The RMS-LLC internally invests such capital in combinations of asset classes, such as ‘housing, energy and mobility’ on a cost plus basis, which in turn, yields higher rates of return, reduces cost and time reduction, and complements value creation.*

*“Members of the RMS-LLC purchase access rights over time to different asset classes and services for a fixed price, which when fully vested, gives members perpetual access to such assets and services. Members can sell such rights to other members, borrow against them to invest in other asset classes and services, or upgrade to other asset/service types. As the RMS-LLC achieves ownership of more and more diverse assets, it is able to collateralize a ‘reserve’ basket of asset ‘tokens’ and thereby, reduce the cost of capital and internally finance its acquisition of new assets. With the increasing value of its reserve tokens, members are able to build financial equity and resilience over time, and at the same time increase appeal to ‘outside appreciation’ investors. By increasing its reserves and precisely calculating member credit risks, the RMS-LLC reduces counter party risks and hence cost of capital.”*

*- Dr. John Clippinger*

Without necessarily expressly allowing these potential activities to be conducted by a CFV, since these types of activities may well be the subject of future consideration and rulemaking or guidance, Raise Green urges the Commission in order to accommodate additional activities for CFVs to add a provision specifying that CFVs are also permitted to engage in ‘other activities to pursue additional wealth generation and retention on behalf of crowd funded investors as legally permitted by the CFV’s managers and as disclosed jointly by the crowdfunding issuer and the CFVs management in the Form C.’, or something to that effect.

***For example, should the rule provide that a crowdfunding vehicle must redeem or offer to repurchase its securities if there is a liquidity event at the crowdfunding issuer?***

No, this degree of specificity should be at the discretion of the crowdfunding issuer and the CFV, and should be properly disclosed in the joint Form C filing conducted by the two entities.

***If so, how should the rule accommodate these activities? Are there other purposes for which the crowdfunding vehicle should be permitted to receive compensation or use offering proceeds?***

If the formation documents or operating agreement stipulate otherwise, or if shareholders subsequently vote to decide for the company's activities to be a different purpose that aligns with the objectives of the issuer, other purposes should be permitted. Raise Green urges the Commission to accommodate additional activities for CFVs by adding a provision specifying that CFVs are also permitted to engage in 'other activities to pursue additional wealth generation and retention on behalf of crowd funded investors as legally permitted by the CFV's managers and as disclosed jointly by the crowdfunding issuer and the CFVs management in the Form C', or something to that effect.

***Should a crowdfunding issuer be required to pay the expenses associated with the formation, operation, or winding up of the crowdfunding vehicle? Should anyone else bear these costs? Should any compensation paid to any person operating the crowdfunding vehicle be paid solely by the crowdfunding issuer?***

No, the issuer should not necessarily be required to pay the cost. A non-profit or philanthropy, or corporate could provide these costs directly as a grant or concessional loan to the CFV itself. Alternatively, if a Funding Portal as the intermediary were able to be involved in the establishment and management of a CFV at the request of an issuer, they could assist with the costs. One potential option is that the intermediary could bear these costs and be able to administer the vehicles on behalf of the crowdfunded investor and the crowdfunded issuer. The intermediary is already aware of the bank and personal identifiable information from the investors and the issuer and are therefore well situated to facilitate the relationship. Inserting an unregistered third party to administer the CFV may open issuer up to being taken advantage of and expose themselves to further liability and fees. The intermediary could also bundle a variety of support services to the issuer alongside management of the CFV to allow the issuer to maintain focus on their purpose as defined in the operating agreement of their entity.

A reasonable fee structure to administer a CFV could be greater than the anticipated or realized revenue generated by a crowdfunding issuer, this creates a cost prohibitive dynamic and would be undesirable. Thus, requiring an outside manager will erode the return profile of the crowdfunded issuer and potentially open the issuer inappropriate liability and vulnerability.

The intermediary has the most interest in making Reg CF offerings succeed because of the reputational risk of them failing. Additionally, intermediaries are intimating familiar with the offerings, as they have reviewed them many times, as well as the general characteristics of their Reg CF offerings. This means they could more easily provide specialized services to the crowdfunded issuers and CSVs.

If the intermediary Funding Portal (rather than an outside investment advisor) is permitted to assist the issuer in managing the CFV, the Commission can accomplish its goal of allowing for professional services to be tapped in the event that an issuer lacks the desire or sophistication to administer it themselves, but avoids a scenario whereby the crowdfunding issuer is subject to

additional burdensome third-party fees, reporting, and coordination. Raise Green supports the statement in the proposed rule as written here:

*“If the crowdfunding vehicle is administered by an external entity on behalf of the issuer, the associated fees might depend on other business between the external administrator and the issuer. On the one hand, administration fees might be reduced in instances where an issuer obtains a bundle of other services related to the offering from the external administrator or where an administrator seeks future business of the issuer related to other offerings.”*

- Page 18029

And in so supporting suggests that intermediaries be allowed and encouraged to offer a ‘bundle of other services related to the offering’ rather than requiring or assigning this responsibility to be conducted by some other type of ‘external administrator.’

***Would legislative changes be necessary or beneficial to permit crowdfunding vehicles to engage in a broader range of activities, pay compensation to any person operating the crowdfunding vehicle, or include any additional restrictions on the operations of the crowdfunding vehicle?***

While Raise Green does not have an opinion on whether legislative changes are unnecessary to permit crowdfunding vehicles to engage in a broader range of activities, we do feel as though enabling additional activities as noted above would be beneficial for furthering the ability of these entities to create and retain local wealth generating activities and further the interest of community-driven project finance and inclusive finance and growth.

## 69. Appropriate disclosures for CPVs

***The proposed rule includes several conditions designed to provide investors in the crowdfunding vehicle the same economic exposure, voting power, and Regulation Crowdfunding disclosures as if the investors had invested directly in the crowdfunding issuers. Are these conditions appropriate?***

Yes. Requirements to have the same fiscal year end; requirements for the CFV to maintain a one-to-one relationship between the number denomination, types and rights of crowdfunding issuer securities it owns and the number, denomination, type and rights of its securities outstanding; and requirements to have the CFV similarly required to seek instructions from its investors with regard to voting and tender or exchange offers or similar transactions all are appropriate. Raise Green does feel as though the profit interests or cashflow waterfall rights of CFVs could also be strengthened and should not be allowed to be deliberately subordinated to effectively lower or otherwise impair the profit interest of CFV investors below that of other holders of securities in the company.

***Should a crowdfunding vehicle be allowed to issue multiple classes of securities in the event that the crowdfunding issuer has multiple classes of securities?***

Yes. In order to provide transparency and egalitarianism in application of the rules to enable non-accredited investors to enjoy many of the same rights and privileges and enhanced opportunities as accredited and institutional investors, the CFVs should be allowed to issue multiple classes of securities. The CFV should be able to mirror the crowdfunding issuer exactly so this flexibility is required in order to meet the proposed rules intent of economic exposure, voting power, and disclosures. This would also enable issuers to avoid many of the challenges associated with non-integration of offerings when conducting concurrent offerings.

***Should the crowdfunding vehicle and the crowdfunding issuer be deemed co- issuers for purposes of the Securities Act, including that Act's antifraud and liability provisions?***

Yes, it is logistically difficult and ambiguous for the crowdfunding intermediary if the vehicle and issuer are not substantially managed by the same entity. The lone exception could be if the Funding Portal was enabled to serve as the co-manager of the CFV as part of a bundle of shared services to manage reporting, repayments and compliance issues thereby reducing the administrative burden imposed on crowdfunding issuers with the setup of CFVs. This may require rework in EDGAR and clarity about the scope and limitations of CFV management and ownership.

## 70. Ensuring investor benefits and rights in a CFV

***Would the proposed requirement that the crowdfunding vehicle maintain a one-to-one relationship between the number, denomination, type and rights of crowdfunding issuer securities it owns and the number, denomination, type and rights of crowdfunding vehicle securities outstanding provide an investor in the crowdfunding vehicle the same economic exposure as if he or she had invested directly in the crowdfunding issuer?***

Not necessarily, depending on the costs of administering the CFV, requiring a 'one-to-one relationship between securities owned by the CFV and securities outstanding, it could lead to lower economic benefit for crowd investors. Under the proposed rule, there are additional layers of costs that must be borne by the CF issuer and there is no express prohibition against the crowdfunding issuer pushing those costs down to the crowd investors. Alternatively, if the CFV is able to engage in additional activities offered above (such as the sale and borrowing and fungibility of security interests, appreciation rights, etc.) then it could enable the CFV to realize additional economic benefits or costs.

***Are there any changes we should make to achieve this objective more effectively or to address the manner in which a crowdfunding vehicle may hold crowdfunding issuer securities?***

One restriction that threatens the downside economic exposure of Reg CF offerings is the lack of liquidity of the securities offered under the exemption. One way to improve the economic exposure upside for crowdfunding investors through CFVs would be to allow for simple, rapid, and digital transfer of securities between the members of the vehicle to increase liquidity for crowdfunded investors in the CFV. This would increase liquidity for the crowdfunding investors by allowing simple exchange from members within the CFV.

## 71. Governance of CFVs decisions on CFI's actions

***The crowdfunding vehicle would be required to seek instructions from its investors with regard to two matters: (i) The voting of the crowdfunding issuer securities it holds; and (ii) participating in tender or exchange offers or similar transactions conducted by the crowdfunding issuer. The crowdfunding vehicle would be required to vote the crowdfunding issuer securities, and participate in tender or exchange offers or similar transactions, only in accordance with instructions from the investors in the crowdfunding vehicle. Would these requirements effectively pass-through any voting rights associated with securities issued by crowdfunding issuers and the ability to participate in tender or exchange offers or similar transactions?***

Yes, it may be helpful to require standardized voting governance for CFVs to enable decisive CFV decision making in the event that there is not 100% participation by the CF investors. These could be done categorically either as 'majority rule' or 'proportional representation' and limit optionality for CFV voting governance so as not to invite additional complexity in the administration of CFVs. Put simply, full shareholder voting should be encouraged, but there needs to be regulatory allowances in place that enable a CFV to proceed clearly if some of the CFV investors are unreachable or do not exercise their voting rights.

***Would these requirements impact an issuer's willingness to use a crowdfunding vehicle, as the issuer would still indirectly be required to obtain consent or approval from numerous investors?***

Almost every prospective issuer on Raise Green (50+) has expressed hesitation and inquiries about the best way to administer a complex capitalization table, especially with regard to repayments. If they could only deal with one entity, and that entity could easily distribute dividends, manage voting rights, and participate in tender, exchange offers or similar transactions then Raise Green has little doubt that more issuers will use Reg CF.

***Operationally, how would crowdfunding vehicles comply with this condition? Should the rule provide that a crowdfunding issuer may obtain proxies or investors' pre-approval with respect to certain (or all) matters?***

Allow a variety of predefined voting/governance mechanisms (e.g. majority rule or proportional representation), and simple digital voting ( e.g. via phone, email, web, or app). Allow the

investors to set voting preferences for multiple years at once. Other types of consensus mechanisms could be effectively explored to provide investor protections and transparency for crowdfunding investors.

***Should the rule provide more flexibility? For example, should the rule permit a crowdfunding vehicle to disclose to its investor at the time of its initial offering that the vehicle will cast all of its votes in accordance with the instructions of a majority of its security holders, rather than using pass-through voting as proposed?***

Yes, the rule should provide flexibility to a degree, but not complete flexibility. Voting rights should be clearly established in the offering documents as part of the Form C (either majority rule or proportional representation) and adhered to regardless of levels of voting participation, i.e. a vote result should still move forward to the crowdfunding issuer if there is not complete participation from CF investors. As long as there is proper disclosure of the voting rights and governance of the CFV, flexibility should be provided as to how the voting can be done.

### 73. CFV and federal and state rights for shareholders

***The crowdfunding vehicle would be required to provide to each investor (i) the right to direct the crowdfunding vehicle to assert the rights under state and federal law that the investor would have if he or she had invested directly in the crowdfunding issuer and (ii) any information that it receives from the crowdfunding issuer as a shareholder of record of the crowdfunding issuer. Would this effectively preserve state and federal law rights for shareholders and provide shareholders with the necessary information to determine whether to direct the crowdfunding vehicle to assert such rights? Is this condition appropriate for crowdfunding vehicles which, unlike collective investment vehicles generally, would serve the specific and limited purpose of functioning solely as conduits to invest in businesses raising capital through the vehicle under Regulation Crowdfunding? Operationally, how would crowdfunding vehicles comply with this condition in practice?***

Having the option of an intermediary maintaining the crowdfunding vehicle would make compliance simple, as the intermediary has contact with the issuer and all of the information related to the investors. Allowing the intermediary to create the CFV on behalf of the issuer could simplify their informational and administrative burden.

### 74. Joint Form C

***Should we, as proposed, require crowdfunding issuers and crowdfunding vehicles to jointly file a Form C?***

Yes, provided that the Commission eases the creation and management of the crowdfunding vehicle by allowing Funding Portals to facilitate their management in concert with the

crowdfunding issuer. Under the proposed rule, it seems like a crowdfunded issuer would simply have to create and manage two companies instead of one. This can have the unintended result of forcing the issuer to do additional administrative work and deter their willingness to use this structure and form of inclusive capital formation. Alternatively they could use a third party service (such as an investment advisor as suggested in the proposed rule), but these additional costs could outweigh the annual revenue on a small business, or especially a small project finance offering, if the management costs of a CFV are in line with current mandated accountant review of financials (we have received estimates for accounting services at approximately \$10k). Therefore, if the SEC opts to enable jointly filed Form Cs for crowdfunding issuers and crowdfunding vehicles they should also allow (where desirable) Funding Portals to administer these CFVs on behalf of the crowdfunding issuer.

***Alternatively, should we require that each file a separate Form C or only require the crowdfunding vehicle to file a Form C?***

If CFVs are permitted, any filing should be done jointly by both the CFV and the issuer, alternatively the issuer should still be allowed to file the Form C alone. The investors will not be able to effectively distinguish the difference, and functionally there will be almost no difference for the investor under the proposed rules. Many crowdfunding investors will think they are investing in the company directly, rather than through an CFV. This will be the educational responsibility of the intermediary and the issuing company. However, multiple Form Cs would be exceptionally confusing to small or first-time investors. Which should they buy? Are there two offerings? Two listings? Does the CFV speak for the issuer? Does the issuer speak for the CFV? In the filing, does the CFV attest to the entire Form C written by the issuer or only a portion? These questions should be avoided by prohibiting separate filings from issuers and CFVs.

***What would be the advantages and disadvantages of requiring separate Forms C to be filed?***

The disadvantages strongly outweigh the advantages of requiring separate Forms C to be filed for a single offering.

Disadvantages: confusion from crowdfunding investors with twice as many offering documents to read. Issuers would be required to prepare two complete Form Cs to do an offering. Information across two forms would be subject to more errors and omissions than if these are included in the same document. It is more important to have the investors read the Issuer's Form C since the CFV is standardized by the proposed rule.

Advantages: The issuer could separate their corporate conditions from the CFV offering statement which may enable the investors to better separate their prospective investment security from those of the corporate entity. However this may also lead to greater confusion for the crowdfunding investor.

***Should the application of the Regulation Crowdfunding offering limit be revised in light of the requirement to jointly file a Form C?***

Reg CF offering limits should be revised in order to account for the startup costs, operations, and wind-up costs for the CFV. An experienced financial manager for a CFV could easily cost over \$100k per year in salary. In addition, if the Funding Portal is empowered to serve as the CFV manager at the request of the crowdfunding issuer, these costs could be more easily managed. A higher offering limit will make these economies of scale more efficient and will make the joint filing requirement less of a deterrent for CFV offerings.

**75. Same Form C**

***The proposed rule would require a crowdfunding issuer that is offering securities through a crowdfunding vehicle to file a separate Form C if it wanted to also directly offer its securities to investors. Should we instead permit such a crowdfunding issuer to offer its securities directly to investors on the same Form C the crowdfunding vehicle uses to offer its securities?***

No. This makes the offering more complicated to administer. We do not see an advantage for the investor having the option to purchase from one or the other. CF issuers should decide whether to sell their securities through a CFV or directly, and for clarity should not be permitted to offer both at once.

***If so, are there any restrictions or disclosure obligations we should implement to avoid investor confusion?***

CF issuers should decide whether to sell their securities through a CFV or directly, and for clarity should not be permitted to offer both at once.

***What issues could arise if crowdfunding issuers were allowed to simultaneously offer on Form C in this way?***

It should be the option of having either a direct issue, or into the CFV, not both simultaneously. Simultaneous concurrent offers of securities in a CFV and a direct issue into a crowdfunding issuer will be confusing to investors, and will overcomplicate and unnecessarily burden the preparation, compliance, and related administrative responsibilities of both the issuer and the intermediary alike.

**76. 12(g) treatment**

***A crowdfunding vehicle may constitute a single record holder for purposes of Section 12(g), rather than treating each of the crowdfunding vehicle's investors as record holders***

***as would be the case if they had invested in the crowdfunding issuer directly. Is this treatment appropriate?***

Yes. This means that the crowdfunding issuer will only have one entity on its capitalization table representing all crowd investors in a given offering. This seems consistent and desirable with the intent and current legislative and regulatory intent of Section 12(g).

***Should each investor in the crowdfunding vehicle be treated as a separate record holder for purposes of Section 12(g)?***

No. By allowing a CFV to be treated as a single record holder for the purposes of Section 12(g), this simplifies the operations for the issuer and thus increases the probability of them using the exemption.

## 77. Section 3(a)(5)

***Should the Commission further address the status of a crowdfunding vehicle complying with the proposed rule for purposes of the definition of broker under Section 3(a)(4) of the Exchange Act or dealer under Section 3(a)(5) of the Exchange Act, and persons operating such crowdfunding vehicle?***

Yes. Clarity is essential for use of the newly created entity. There needs to be a safe harbor to assure a crowdfunded issuer and for the intermediary that neither would trigger registration as a broker under Section 15(a) of the Exchange Act. An issuer from a marginalized community raising capital for a solar array to reduce their electricity rates should not be a broker for inviting their community to invest in the asset. Those without access or knowledge should not be penalized. Intermediaries offer an opportunity to connect communities without ready access to capital formation for their enterprises and connect them with a variety of skilled partners. This functionality should not be impeded by the fear of triggering unintended definitions or regulatory burden.

## 78. CF / A Harmonization.

***Should we harmonize the limitations on the types of eligible securities issuable under Regulation Crowdfunding with Regulation A as proposed?***

No. We believe that Reg CF should not be aligned with the securities restrictions of Regulation A. Keeping the options open for Reg CF allows for a living laboratory where the SEC could study small deployments of emerging security types documented by SEC Finhub in a supervisory environment. The limit of \$5M on Reg CF allows for reduced risk of novel security offerings as compared to Reg A limits of up to \$50M. Certain types of securities such as revenue sharing notes may be simple to administer, reducing administrative burden for the crowdfunded issuer.

A variety of crowdfunding issuers often express desires for securities such as certificates or revenue sharing notes. These can often perform better than traditional structures by aligning to the flow of revenues from a small business. Some securities types may not even be defined or discovered, as there may be more efficient security types for the social or environmental impact demanded by the crowdfunded investors (e.g. linking payment to investors to outcomes for environmental metrics or social outcomes). In addition, novel securities or esoteric asset classes can be offered under Reg CF to explore more creative, inclusive and accessible financing mechanisms, and this innovation should be rightly allowed to continue.

Limiting security types may stifle innovation and deter potential issuers, thus reducing the flow of capital and economic growth from Reg CF. Restricting these security types may also add complexity and operational burdens if they are forced to use a structure that operates most effectively with a well-equipped legal team and back office support services. The simpler the securities can be for the small businesses seeking capital, the more effective the Reg CF exemption will be for inclusive capital formation.

The benefit would be a supervised environment for the SEC to evaluate the investor interest and capital formulation properties of emerging security types identified by SEC Finhub. Preventing this flexibility would inhibit the financial innovation in digital securities that are currently being implemented in some states (e.g. Wyoming) and other nations (e.g. Switzerland).

***If so, what would be the effect on issuers, investors, and the market of limiting these categories of securities?***

Limiting these categories will stymie innovation. This lack of innovation could prevent better forms of capital formation from being developed, deployed, and refined. If innovation is instead allowed to continue to flourish under the Reg CF exemption, new financing models and security types for more effective, inclusive and efficient capital formation can be explored and if successful can be slowly rolled up into other regulations or purposes.

### 93. General Solicitations

***Should we prescribe a definition of general solicitation that either narrows or broadens the scope of that term? If so, how should we define the term, and what would be the economic effects of adopting such a definition?***

Advertising a project, presenting its financials, and social benefits should not be considered a general solicitation. Crowdfunded investors want to know “how much money” they will make. This is difficult without telling them the terms of the offering, the payment period, and illustrated financial projections with proper disclosures indicating the risk of loss.

We agree and endorse the alternative presented in the Federal Register on Page 18012 “As another alternative, we could simplify the existing framework for all exempt offerings by deregulating offers, thus eliminating general solicitation restrictions, and focusing the requirements on sales. This alternative would significantly expand the options for pre-offering and offering- related communications, giving issuers greater flexibility and reducing costs compared to the proposed amendments, some of which expand pre-offering communications but impose additional conditions (such as filing and legending).”

The communication restrictions are a major inhibiting factor for organizations and individuals to not participate in Reg CF issuings. First-time issuers such as Individuals and entities are afraid of accidentally violating the complex communication restrictions (e.g. the separation of tombstone from non-terms offerings) or accidentally becoming an unregistered broker by speaking to community members about their project.

Focusing on the sale side allows for a concentrated point of enforcement. However, if these restrictions are removed, additional educational material would be required on the intermediary’s education page explaining to potential investors the need to compare the advertisements with the actual offerings as they may diverge.

## 94. Test-the-waters

***Would extending the option to test-the-waters about a contemplated Regulation Crowdfunding offering, as proposed, benefit issuers? If so, how? Would it impose costs on investors? If so, which costs? How could such costs be mitigated?***

Yes, extending the testing-the-waters provisions to Regulation CF offerings as provided for under proposed Rule 206 would be of great benefit to issuers and would not impose costs on investors. Many issuers we speak with are concerned about having to publicize and attract sufficient attention to their offering during the Reg CF raise period. Many potential issuers also express concerns over whether they will be able to raise the amount of money that they will need using a Reg CF offering. Allowing a raise to be advertised as a potential project, so that investors could indicate how much capital they commit, would provide more certainty of the efficacy of Reg CF for potential issuers.

Investors need to be able to not only indicate interest, but identify the amount of capital they are interested in investing, so that an issuer can determine if using Reg CF would be sufficient for their capital requirements. We see no manner in which allowing for Reg CF offerings to run testing-the-waters campaigns would impose any additional costs on investors, in fact, it would likely have the opposite effect by allowing the issuer to properly price their securities prior to conducting the live offering hence making the sale and issuance of securities more efficient.

## 98. Oral Reg CF

***Would issuers benefit from the proposed amendments specifying that oral communications are permitted in Regulation Crowdfunding offerings once the Form C is filed? What would be the costs and benefits of the alternative of expanding the scope of permissible advertising or not limiting the scope of permissible advertising?***

Yes, issuers will benefit from the proposed amendments specifying that oral communications are permitted in Reg CF offerings once the Form C is filed. Issuers need to publicize their offering to the community in which they operate. Issuers have the chief responsibility to promote and evangelize their offering in order to make their raise successful, and it can be very difficult to talk to someone and not mention the terms of the offering, or otherwise run afoul of current restrictions on communication. Specifically, interested investors repeatedly and frequently will ask issuers to share the terms of the offering, as would anyone genuinely interested in understanding the terms of any investment opportunity. For example, while raising for NHCS the number one question, after “how much money will I make?”, was “how much can I invest?”. This is a term of the offering, and in being cautious to remain fully compliant with the nuances of solicitations and ambiguities in the communications for Reg CF offerings, we had to resort to having to pull up the issuer page from the website on our phones and show them the offering page. This created many awkward situations in an attempt to avoid any potential concerns about communicating terms and non-terms of the offering. Expanding the scope of permissible advertising will make issuing securities with Reg CF much more human and natural, thereby easing the ability of early-stage entrepreneurs to access capital and create economic growth and benefit.

## 112. Financial Statement Thresholds

***What would be the costs and benefits of the alternative of scaling up financial statement thresholds in Regulation Crowdfunding in proportion to the proposed change in the offering limit (from \$107,000, \$535,000, and \$1.07 million to \$500,000, \$2.5 million, and \$5 million, respectively)?***

Raise Green and New Haven Community Solar are aware of an earlier comment submission made by Mainvest, Inc. on May 7, 2020, and we agree with the comments stated in that letter with regard to question 112. Specifically, we associate ourselves and endorse the comments encapsulated here:

*“Scaling up the financial statement threshold would have tremendous benefits to small issuers, while displaying little to no downside to investor protection. Under the current framework, a business seeking to conduct an offering in excess of \$107,000 in compliance with Regulation Crowdfunding is required to undergo the expense of a full review of its financials by an independent accountant (the “CPA Review”) before*

*receiving any capital. New businesses often do not have historic records to review, but nevertheless look to spend thousands of dollars on the financial review, and so will look to other, less restrictive funding sources in order to conserve the capital they would expend or in some cases give up on their project altogether or start it undercapitalized. MainVest has on several occasions worked with potential issuers wanting to raise above the \$107,000 threshold for the CPA Review, but either experienced significant downsides because of the requirement or else found it cost-prohibitive, and ultimately decided to seek funding elsewhere.”*

- Mainvest

In fact, New Haven Community Solar, which has issued securities using Mainvest, itself was deterred from attempting to raise more than the CPA threshold of \$107,000 due to this threshold and therefore wound up conducting smaller raises and thus spending more time preparing and marketing two separate sequential raises to achieve its capital needs.

### 113. Streamlined Disclosures

***What would be the costs and benefits of the alternative of waiving certain disclosure requirements (e.g., review and/or audit of financial statements, progress updates, and periodic reports) for issuers in the smallest Regulation Crowdfunding offerings (e.g., up to \$1 million)?***

The benefit of waiving certain disclosure requirements for issuers in the smallest Regulation Crowdfunding offerings would be significant by making it easier for smaller businesses to access capital without additional costs (e.g. \$10k for an audit from an accountant). Additionally, project finance companies that issue Reg CF have no expenses or revenue from the outset, so it doesn't make sense to have them use an accountant.

Raise Green and New Haven Community Solar are aware of an earlier comment submission made by Mainvest, Inc. on May 7, 2020, and we agree with the comments stated in that letter with regard to question 113.

*“Onerous requirements on smaller issuers can be prohibitively expensive, particularly for businesses with limited or no operating history. An exemption of the disclosure requirements for the smallest of Regulation Crowdfunding offerings would thereby eliminate compliance expenses that do add value for smaller offerings. As we discussed above, when an investor is evaluating debt securities, past financials are often a secondary consideration to projected financial information. Further, given that many businesses looking to conduct offerings under Regulation Crowdfunding are new entities with either a limited or non-existent operating history, the value added by a CPA Review for smaller offerings is not outweighed by the cost of that review and can require the expenditure of significant capital that could otherwise be put directly to the businesses. Operating a business today, and especially in the wake of the COVID-19 pandemic,*

*requires the careful allocation of resources, and when faced with the prospect of an expensive CPA Review, a business will by necessity look elsewhere, and forgo the inclusion of community fundraising. Moreover, the significant expenditure is not justified for newer businesses and debt securities, as the potential value it provides does not offset the significant up-front costs. MainVest has provided a more detailed description of this issue above, and requests that the Commission will take steps to alleviate the costs of the CPA Review for smaller offerings. Specifically, we recommend modifying the CPA Review requirement to be required for all Regulation Crowdfunding raising above \$500,000, rather than the current threshold at \$107,000.”*

*- Mainvest*

via electronic submission (email)  
cc: matt@raisegreen.com

May 22, 2019

Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C.  
20220

RE: Responses to [Document Number](#): 2019-08076  
Consolidated Comments on Treasury Department Request for Information  
Raise Green, Inc., MIT Media Lab - City Science

To whom it may concern:

This comment letter is in response to the Department of the Treasury (Treasury Department) published notice and request for information to seek public input on the development of public information collection and tracking related to investment in qualified opportunity funds (QOFs). Thank you for the opportunity to comment and consideration of our request for real-time metrics that combine public and private datasets to measure whether OZs are having their intended effect. Example metrics are provided in Question 8 - Appendix 1.

We the undersigned, agree with the sentiments of this letter.

1. Matthew Moroney, COO and Co-founder, Raise Green
2. Franz Hochstrasser, CEO and Co-founder, Raise Green
3. Cristian Jara-Figueroa, Research Assistant, City Science Group, MIT Media Lab
4. Markus ElKatsha, Researcher, City Science Group, MIT Media Lab
5. John Henry Clippinger Jr., Research Affiliate, City Science Group, MIT Media Lab
6. Marcia Kadanoff, CEO & Cofounder, Maker City Project, Inc.
7. Luis Alberto Alonso Pastor, Research Scientist, and PI of the Andorra Living Lab project, City Science Group, MIT Media Lab
8. Martin E. Wainstein, PhD, Innovator in Residence and OpenLab director, Yale Tsai CITY
9. Ronan Doorley, PhD, Researcher, City Science Group, MIT Media Lab
10. Suleiman Alhadidi, Researcher, City Science Group, MIT Media Lab
11. Kent Larson, Director, City Science Group, MIT Media Lab
12. John Brandt, Independent Data Consultant
13. Peter Darche, Data Scientist

Specifically, this response provides comment on Section 13823 of the Tax Cuts and Jobs Act, Pub. L. 115-97, 131 Stat. 2054, 2184 (2017) (TCJA), amended the Internal Revenue Code to add sections 1400Z-1 and 1400Z-2. Sections 1400Z-1 and 1400Z-2 seek to encourage economic growth and investment in designated distressed communities (qualified opportunity zones) by providing Federal income tax benefits to taxpayers who invest in businesses located within these zones through a QOF. This letter provides comments on information collection and tracking to measure the effectiveness of the policy in achieving its stated goals to enhance economic development and local wealth and well-being in distressed communities, and ensure that this investment opportunity remains an attractive option for investors to use.

A QOF is required to file Form 8996 as part of its annual Federal income tax return. On this form, the QOF reports the amount of assets in the QOF and what portion of those assets are qualified opportunity zone property (as defined in section 1400Z-2(d)(2)(A)). Based on annual data provided in Form 8996, with a lag of approximately two years following the taxable year, the Treasury Department could determine and report publicly on (i) the number of QOFs, (ii) the aggregate amount of investment in QOFs, and (iii) the portion of that investment reported by QOFs as qualified opportunity zone property. However, the information reported on the current version of Form 8996 lacks sufficient granularity for the Treasury Department to determine the amount and type of investment that flows into an individual qualified opportunity zone through a QOF. This type of information would be valuable for evaluating the success of the qualified opportunity zone tax incentive on increasing investment and economic activity within qualified opportunity zones, as well as the degree to which such investment and economic activity enhances economic development, job creation, and local wealth and well-being in those distressed communities.

### **1. What data would be useful for tracking the effectiveness of providing tax incentives for investment in qualified opportunity zones to bring economic development and job creation to distressed communities?**

Suggested measures that would signal improved economic development in local target markets as well as spillover to neighboring areas

If Opportunity Zones (OZ) are to be an economic development tool to spur job creation and improvements to local-wealth and well-being in distressed communities, policymakers need to shift the discussion from a forensic analysis, based on a time-delayed annual snapshot, to a real-time analysis that dynamically infers the evolution of an OZ and the surrounding region. This shift requires metrics and data sources that can empower policymakers to better assess and track the effects of the development proposals in terms of changes in income, reinvestment, inflow and outflow of population and of capital, and access to social services and amenities. The required metrics should also be able to assess the second order social and economic impacts of the developments, or social and economic externalities. Gentrification and land speculation, for example, are two potential negative outcomes of the proposed tax incentives. To mitigate these outcomes, real-time data can support more

comprehensive understanding of a project's impact; we need to know that displacement and gentrification are occurring instead of economic development as they are happening, rather than five years down the road.

We propose the use of four different data types to create metrics to measure social and economic development. These data types which combine privately gathered data with public data, should be used in conjunction with already available census data.

1. Mobility patterns (e.g. mobile phone data)
2. Financial data (e.g. credit card transactions, banking data, tax returns)
3. Labor force data (e.g. social media, employment search engines)
4. Land use data (e.g. Assessor's offices, real estate companies).

It is important to understand that the raw data for these four data types does not need to be made available. In fact, due to privacy concerns, it would be better if the data stayed in the hands of the companies that already archive it. Where the value can be created is by engaging the companies that have the data to make it easier for policymakers and researchers to access the desired metrics (aggregated indicators) based on the data, not the data itself. For example, commuting times can be easily calculated from mobility patterns without the need to access individuals' mobility information.

First, mobility pattern data such as telcom data can be used to answer questions such as: how many people have left the OZ since the tax incentive was put in place? Where are these people moving? How are commute times changing? On top of location data, call detail records can help answer questions about social capital such as, how far away are people's contacts? Second, financial data such as transactions recorded by credit card companies can be used to answer questions such as: is the income of OZ residents rising? Where do people that spend their money in the OZ live? Third, labor force data such as employment-related social media (e.g. LinkedIn) can be used to measure job creation at a monthly level. What are the skills of the jobs offered in the OZ? How many new postings appear every month? How are these changing relative to the demographics of the neighborhood? Fourth, given the importance of land use for evaluating the OZ tax incentives, it is necessary to aggregate parcel data to trace pricing history before and after designation as an OZ as well as assess the capacity of local political institutions to adapt to community and developer needs.

If we make available these four data sources for evaluating the impact of OZ, researchers will quickly react by generating new metrics and insights. One example is the [MIT Media Lab's Cityscope](#) applied research line that provides urban planning simulations to maximize economic and social prosperity through real-time feedback for collaboration and communication. This work has provided important insights to selected communities about what is missing to build an economically and socially vibrant neighborhood. **The goal of our submission is to inform policymakers and incentivize OZ developers and businesses to respond to individual needs of each OZ by identifying "win-win" scenarios where all stakeholders can benefit.**

There are multiple paths to achieve similar IRRs for OZ fund managers and developers. The most robust neighborhood in terms of density, diversity, and proximity provides the most likelihood of long-term value appreciation economically and socially. The three pillars of a vibrant neighborhood can be understood in terms of 1) density, 2) diversity, and 3) proximity.

1. Density: Cities can be understood as a ratio between housing, commercial space, retail venues, cultural institutions, and other amenities. This ratio must be optimized for positive outcomes resulting from increased density (e.g. greater exchange of ideas, higher wages, more employment options, better amenities), against negative outcomes such as traffic congestion, stress, loss of contact with nature, pollution, and crime.
2. Diversity: Well-balanced neighborhoods require a diversity of social, economic and spatial characteristics to ensure high levels of urban performance and resilience. An urban diversity index modifies the Shannon-Weaver biodiversity index for quantitative measurement that reflects how many different types of buildings (species) there are in an opportunity zone (ecosystem), and simultaneously takes into account how evenly the basic entities (individuals) are distributed among those buildings.
3. Proximity: Urban proximity is used to assess the accessibility and closeness indexes between social, economic and physical activities and characteristics of urban environments. Higher performing future cities will likely resemble networks of compact urban districts where resources and amenities of daily life are in close proximity to one another in walkable and egalitarian communities.

#### Measures of job creation specific to the distressed community

Metrics specific to job creation should best match the skills and education level of the current population at the time of OZ designation. Tracking the wage growth rates for these jobs is an essential component of measuring the effectiveness of economic development in the local target markets. This data can be inferred from analysis of aggregated tax returns of individuals within OZs compared to regional, state, and national trends. However, it is important to understanding whether an individual works in an opportunity zone business and whether they live within the opportunity zone or commutes from a different area.

#### The frequency of data to be collected

The proposed data streams need to be reported on a regular, synchronized interval for robust and meaningful statistical analysis. We suggest beginning with regular, synchronized intervals between the four different sources on a monthly basis and increasing frequency over time as appropriate. Traditional data used to study socioeconomic impact of tax incentives has relied on financial reporting and on survey-based methods, usually reported on an annual basis. Annual release of data creates delays in measuring systemic effects and can miss unintended consequences before it is too late.

The government should adopt the model of the most successful companies in our country's history by providing increasingly granular data to guide its strategic decision making. Recently,

the availability of new data sources has lead researchers and innovators to think about using digital traces (or “digital breadcrumbs”) to infer characteristics of the community based on the behavior of its individuals. For example, measuring real-time traffic congestion by using mobile phone data. This granular data, however, is usually collected and used by private companies and policymakers and researchers struggle to access and generate insights from it. For example, while Google knows exactly how many people commuted by bike last week, most local transit authorities still rely on months-old survey data. Finding the right way of opening up real-time data will create an enormous value for researchers and policymakers and is crucial for appropriate evaluation of OZs as well as evaluation of urban interventions in general.

#### Sources from which to collect data

1. Mobility Patterns - mobile phone data (e.g. AT&T, Verizon, T-Mobile),
2. Financial Data - credit card transaction data (e.g. Mastercard, Visa),
3. Labor force data - social media (e.g. LinkedIn), employment search (e.g. Indeed), payment processors (e.g. ADP), and banking (e.g. Bank of America)
4. Land use data - The Federal Government needs to aggregate data for *every parcel in each OZ* overlayed on the American Community Survey data. Parcel data is currently not standardized between cities, counties, and states to allow for analysis in land use changes, building quality, and building function.

**2. In addition to the anticipated revisions to Form 8996 discussed in the Summary of this Notice and Request for Information, is there other information that could appropriately be collected on a tax form that would be helpful in measuring the effectiveness of the opportunity zone incentives. For example, should qualified opportunity zone businesses be required to report on a tax form the location by census tract of (1) owned and leased tangible property or (2) employees of a qualified opportunity zone business?**

Specific to OZ Funds, Form 8996 should be require reporting of

1. The percent of local ownership broken down by percentage of ownership within each of the seven income federal tax brackets. “Local ownership” is defined as within the OZ census tract and adjacent tracts.
2. The number of times property has been sold and the location of the reinvestment of that capital (e.g. was it in the same OZ?)
3. Environmental, Social, and Government Metrics (e.g. metrics endorsed by the Task Force for Climate Related Risk Disclosure and the Sustainability Accounting Standards Board).
4. The geographic dispersion of the fund’s capital contributors

Specific to OZ Businesses, Form 8996 should require reporting of

1. The percent of local ownership in business, broken down by percentage of ownership within each of the seven income federal tax brackets.
2. The number of employees that live within the OZ and the length of time those residents have lived in the OZ.

3. Wages provided to staff and contractors (e.g. number of salaries and amount of compensation provided to individuals broken down by the seven income federal tax brackets)

#### The cost of data reporting

The cost should be passed on to the beneficiary of the OZ Fund. Developers should be required to finance data collection to obtain the tax benefits from their OZ investments. Any information collected as part of this process should be open source and available for anyone to download at Data.gov.

#### **3. What data would be useful for measuring how much would have been invested in qualified opportunity zones in the absence of the opportunity zone incentives?**

The evaluation of the counterfactual scenario requires the identification of a set of census tracts that are similar to the ones designated as OZs. The IRS could help with this by disclosing all the census tracts that were proposed as OZs by Governors but were not eventually designated as OZ. Studying the evolution of these candidate census tracts forms a natural experiment and could be used to infer how much would have been invested in OZs in the absence of the OZ incentives.

#### **4. What data would be useful for ensuring that the investment opportunity remains an attractive option for investors?**

OZ tax benefits incentivize long-term deployment of capital to achieve maximum benefits. To increase the probability of success within OZ developments and businesses, investors need to create neighborhoods known to lead to social and economic vibrancy and desirability. The closer the developer gives an OZ what it is lacking (e.g. affordable housing, offices, recreation, broadband), increases the probability of successful long term economic development. Socioeconomic data must be combined with assessor data to pair demographic and parcel data.

#### Information on the quantity and location of investment

Investors seek certainty and risk reduction when purchasing illiquid assets. Given the requirements of OZ funds to maximize tax benefits, investors need information about the viability of their investment. For example, if local government is reluctant to change zoning or flexibility adapt to unique developments, then the OZ could be less attractive to invest. Metrics to assess the investment appeal for OZ fund managers and developers can include the viability of zoning changes (e.g. reform, variances), as well as the date and number of times parcel zoning has been changed since designation as an OZ.

#### The type of property or businesses generating investment interest

Proposed modifications to IRS Form 8996 and additional metrics should quantify the effectiveness that a newly created OZ businesses and developments works toward filling existing gaps of a community towards a recognized optimum benchmark ratio identified by MIT Cityscope.

Investment opportunities can remain attractive to investors through a collective effort from cities and community based organizations to identify their local needs as shovel ready projects, as demonstrated by prospectuses provided by cities through [Accelerator for America](#).

### **5. What are the costs and benefits of various methods of information collection? Who should perform this data collection?**

Costs associated with each method, including time burden and other cost considerations

Adding responsibility to governments can be burdensome and ineffective without appropriate resources. OZ funds should be required to share the financial burden of data collection and aggregation as part of their responsibilities to obtain the tax benefits from their OZ investments.

### **6. What considerations should government officials take into account when considering data to analyze the effectiveness of the qualified opportunity zone incentives to promote economic development to distressed areas? Over what time period should this analysis occur?**

Specific concerns of investing in distressed areas

Key concerns being raised around OZ investments are gentrification and displacement. We believe government officials should take this into account and design systems to resist the displacement of economically distressed communities the OZ program is attempting to benefit. The challenge, is that when gentrification becomes evident, it is often too late to stop it. This is why researchers have started designing and implementing [“early warning” systems for gentrification](#) (Chapple and Zuk, 2016. Cityscope. US HUD) based on survey data. However, recognized gaps in these methodologies exist for “real-time data on neighborhood change or crowd-sourced data” with “the private sector not engaged in neighborhood change debates”. This response letter attempts to fill in those recognized gaps in existing methodologies. In considering metrics, we caution government officials against metrics that explain why gentrification and displacement occurred happened after it happened. If OZ developments are failing to provide economic benefit to those distressed, we want to do something about it as it is happening.

If the four sources of data are available to OZ fund managers, OZ business management, and researchers, (1) mobility patterns (e.g. mobile phone data), 2) financial data (e.g. credit card transactions, banking data, tax returns) , 3) labor force data (e.g. social media, employment search engines), and 4) land use data (e.g. Assessor’s offices, real estate companies) are

accessible, then government officials could design and implement indicators to track gentrification and displacement in real-time for policy intervention (e.g. modification of existing zoning, adjustments to number of business licenses).

#### The ability of job creation to match local labor force skills

Job creation metrics need a combined dataset of publicly available demographics (e.g. Bureau of Labor Statistics) and privately created job postings (e.g. LinkedIn). This can assess the degree of match of the skills available from those living in an OZ to those being requested by employers within an OZ. This real-time assessment of degree of match and mismatch, should be compared to what jobs were previously offered in an OZ to compared with current job offerings (e.g. the primary job offering was warehouse jobs before OZ designation and now the primary job offering is software engineers). This blend of public labor statistics with private job listings can also help assess how a community has evolved (e.g. as education increases over the ten years, as economic development occurs from OZ fund investment).

Beyond having the requisite skills, job creation must match the local force capacity to attend the jobs as well as live near their employment. Job creation should avoid inducing additional commuting to vulnerable populations because of the high time and financial cost of owning a vehicle, purchasing public transit plans, or walking if neither are available.

### **7. How do you view the role of the Federal Government, and Tribal, State and local governments in the ongoing maintenance and administration of opportunity zones?**

#### Monitoring, tracking, facilitation, or any other role government could serve to improve the effectiveness of the opportunity zone incentives.

Federal, Tribal, State, and Local governments must serve as a data aggregator to collect OZ metrics derived from public and private datasets and make them publicly available to OZ fund managers, business operators, and researchers. This form of public private partnership is becoming increasingly popular as evidenced by Data Philanthropy by publicly traded companies, coalitions such as the Data-Pop Alliance, programs such as the United Nations Data for Climate Action, and the Open Data movements in cities across the United States.

There should also be consideration of limits to total capital that could be invested in each OZ. At what point could a limit be constructed based on other alarming triggers within the oz (e.g. turnover of population, rapid demographic shifts).

### **8. Is there any additional information regarding data collection and tracking for opportunity zones not already addressed that you would like to provide?**

Equity Crowdfunding (CF) is a tool for inclusive finance that is well-suited to serve the economic development goals of opportunity zones. CF allows non-accredited investors to purchase

ownership of private companies through registered crowdfunded intermediary portals under section 4(a)(6) of the Securities and Exchange Act.

CF allows community members to invest OZ funds and businesses — even if it just a few percent — to increase local income and wealth generation. Increased income captured by OZ residents (at the time of designation rather than those who move in afterwards with a different income and demographic profile) serves as a systemic intervention that can provide resistance against gentrification and displacement through increasing the residence time of local capital.

Raise Green has constructed a business model around using a new asset class - green crowdfunded equity - for community-led and inclusively-financed climate solutions projects to empower new climate entrepreneurs and investors. CF presents a regulated environment for testing system mechanics (e.g. feedback loops and emergent properties) of small-scale impact investing, community ownership, and fractionalized assets (e.g. water treatment, broadband, renewable energy). This model enables non-accredited investors access to the same tax benefits as accredited investors. More importantly, if policy makers strongly suggest the use of equity crowdfunding as part of the capital development stack in OZ developments and businesses, OZ funds can build inclusive finance for increased community buy-in, benefit, and resilience.

Raise Green proposes the tracking of crowdfunded ownership for OZ effectiveness tracking that assess the following parameters:

#### Inputs

1. Volume & Speed. Number of crowdfunded investors and projects.
2. Ownership. Local ownership fraction & CF fraction in the capital stack.
3. Financials. Revenue streams from the projects adjusting population income.

#### Outputs

1. Local wealth. Tracking residence time of local capital.
2. Displacement Resistance. Estimating retention capacity for current residents
3. Neighborhood Inequality. Economic & environmental indices (e.g. Gini coefficients for income as well as environmental burdens and benefits)

Analyzing the effect of equity crowdfunding in OZ development can facilitate and incentivize the inclusion of crowdfunded equity into a project or developer's capital stack, as well as inform disclosure fields on IRS Form 8996 to track 1) effectiveness of community ownership in building local wealth and 2) attractiveness of the investment from institutions and non-accredited crowdfunded investors.

Increasingly granular data can provide precise locations for economic and policy interventions. The Urban Environmental and Social Inclusion Index that provides neighborhood level data analyzing socioeconomic distributions of environmental burdens and benefits in over global

cities. These can serve as motivation to invest and create community-owned green infrastructure. These data can be complemented with governance models inviting local participation. An innovative application of community ownership is currently being tested in Boston, the Ujima Fund, community-controlled investment fund that allows for democratized voting of how those funds are allocated. Funds created similar principles and governance structures should be deployed rapidly using equity crowdfunding to achieve the goals of OZ.

### **Appendix 1 - Example Metrics**

Example Equity metrics include, but are not limited to:

1. Local ownership. Fraction of locals that own land in the place. Locals defined as people who are residents for more than 10 years.
2. Stay-in-place rate: how many of the people that were residents before the designation stayed in the OZ.
3. Cost of living - median cost of rents, rate of increase of median cost of rents
4. Community GDP
5. Wages - median
6. Average income of people living in the OZ (or in the vicinity of the OZ)
7. Average income of people working in the OZ (or in the vicinity of the OZ)
8. GINI coefficient of income of people living in the OZ (or in the vicinity of the OZ)
9. GINI coefficient of income of people working in the OZ (or in the vicinity of the OZ)
10. Changes to income tax returns and the length an individual has lived in the OZ (or in the vicinity of the OZ)

Example Density metrics are counts of building types that include, but are not limited to:

1. Hotels: hotels and single night or short-term rental units
2. Restaurants: public venues for breakfast, lunch, and/or dinner
3. Nightlife: nightclub, bars, music and other entertainment venues, including clubs in restaurants
4. Wellness: pharmacies, dental, eyecare, gyms, spas, clinic, daycare, hospital, nursery.
5. Culture: libraries, museum, cinemas, bookstores, art-galleries
6. Fashion shops: clothing only
7. Luxury shops: jewelry, perfume, tobacco
8. Shopping centers: any branded cluster of multiple shops, restaurants, malls
9. Technology shops: vehicle, car sales, electronics, hardware store, computer stores
10. Supermarkets: supermarkets, smaller markets, convenience stores
11. Banks: banks, ATMs.
12. Educational: All grades K-24, schools, universities, kindergarten, professional training
13. Post offices: post offices Including FedEx, UPS stores but not mailboxes
14. Working places: accelerators, co-working, fab labs, maker spaces
15. Number of parks: green spaces that are publically accessible and distinct from building and sidewalk landscape.
16. Number of public transport stops: distinct lines at each stop, bus stops, bus lines, train stops, train lines, tram, tram stops, ferries

17. Intersection density: All street crossings, both car, bike, and pedestrian
18. Number of police and security elements: Both station and emergency alarm boxes
19. Number of Healthy food shops: Distinguish from the more general number above, vegetarian restaurant, natural food stores, co-operative grocery stores
20. Number of sports facilities: gyms, sport facilities, gyms, sport shops
21. Access to Healthcare: hospitals, clinics, pharmacies, daycare, nursery

Example Diversity metrics include, but are not limited to:

1. Residential diversity:
  - a. Public rental housing (# of units, median cost, monthly change)
  - b. Subsidised home ownership housing (# of units, median cost, monthly change)
  - c. Private permanent housing (# of units, median cost, monthly change)
  - d. Non-domestic housing (# of units, median cost, monthly change)
  - e. Temporary housing (# of units, median cost, monthly change)
  - f. Others (# of units, median cost, monthly change)
2. Employment diversity:
  - a. Managers and administrators (# of open positions, # of workers, monthly change)
  - b. Professionals (# of open positions, # of workers, monthly change)
  - c. Associate professionals (# of open positions, # of workers, monthly change)
  - d. Clerical support workers (# of open positions, # of workers, monthly change)
  - e. Service and sales workers (# of open positions, # of workers, monthly change)
  - f. Craft and related workers (# of open positions, # of workers, monthly change)
  - g. Plant and machine operators and assemblers (# of open positions, # of workers, monthly change)
  - h. Elementary occupations (# of open positions, # of workers, monthly change)
  - i. Skilled agricultural and fishery workers; and occupations not classifiable (# of open positions, # of workers, monthly change)
  - j. Others (# of open positions, # of workers, monthly change)
3. Cultural diversity:
  - a. Libraries (#, #/sq mi)
  - b. Museum (#, #/sq mi)
  - c. Cinemas (#, #/sq mi)
  - d. Bookstore (#, #/sq mi)
  - e. Art-gallery (#, #/sq mi)
4. Educational diversity:
  - a. Schools (#, #/sq mi)
  - b. Universities (#, #/sq mi)
  - c. Kindergarten (#, #/sq mi)
  - d. Professional training (#, #/sq mi)
5. Gender Diversity:
  - a. Male (%)
  - b. Female (%)

- c. Female
  - d. Male
  - e. Non-binary/third gender
  - f. Prefer to self-describe
  - g. Prefer not to say
  - h. Transgender
6. Example diversity outputs:
- a. Residential
  - b. Employment
  - c. Employment /Residential (Ratio)
  - d. 3rd Places
  - e. Cultural
  - f. Educational
  - g. Gender
  - h. 3rd places - Day
  - i. 3rd places - Night
  - j. Total number Amenities

Example Proximity metrics measure distance to building types that include, but are not limited to:

1. Green spaces
2. Commuting time of people living in the OZ (or in the vicinity of the OZ)
3. Commuting time of people working in the OZ (or in the vicinity of the OZ)
4. Hotels: hotels and single night or short-term rental units
5. Restaurants: public venues for breakfast, lunch, and/or dinner
6. Nightlife: nightclub, bars, music and other entertainment venues, including clubs in restaurants
7. Wellness: pharmacies, dental, eyecare, gyms, spas, clinic, daycare, hospital, nursery.
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14. Banks: banks, ATMs.
15. Educational: All grades K-24, schools, universities, kindergarten, professional training
16. Post offices: post offices Including FedEx, UPS stores but not mailboxes
17. Working places: accelerators, co-working, fab labs, maker spaces
18. Number of parks: green spaces that are publicly accessible and distinct from building and sidewalk landscape.
19. Number of public transport stops: distinct lines at each stop, bus stops, bus lines, train stops, train lines, tram, tram stops, ferries

20. Intersection density: All street crossings, both car, bike, and pedestrian
21. Number of police and security elements: Both station and emergency alarm boxes
22. Number of Healthy food shops: Distinguish from the more general number above, vegetarian restaurant, natural food stores, co-operative grocery stores
23. Number of sports facilities: gyms, sport facilities, gyms, sport shops
24. Access to Healthcare: hospitals, clinics, pharmacies, daycare, nursery

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If we used computational law and were able to redesign a business entity based on new technologies and biologic design principles, would it look like the entities we have now? The RMS-LLC explores how technology, law, and design can help solve for value in new ways.

by John Clippinger

last released  
6 months ago

*Zero Carbon, Resilience, Affordability, and  
Evolvability through Generative Design and  
Autocatalysis*

## From Inanimate to Animate Mechanisms for Autonomous Value Generation and Retention

The Industrial Revolution and Capitalism were remarkable in reducing poverty and transforming mankind's relationship to Nature. However, the success of the extractive machines of industrialization transformed Nature from an adversary to be conquered to ally that must be cultivated. We have discovered that we are of Nature, and that its diminishment is our