

# Opportunity Zones

June 8, 2018



# State of Play

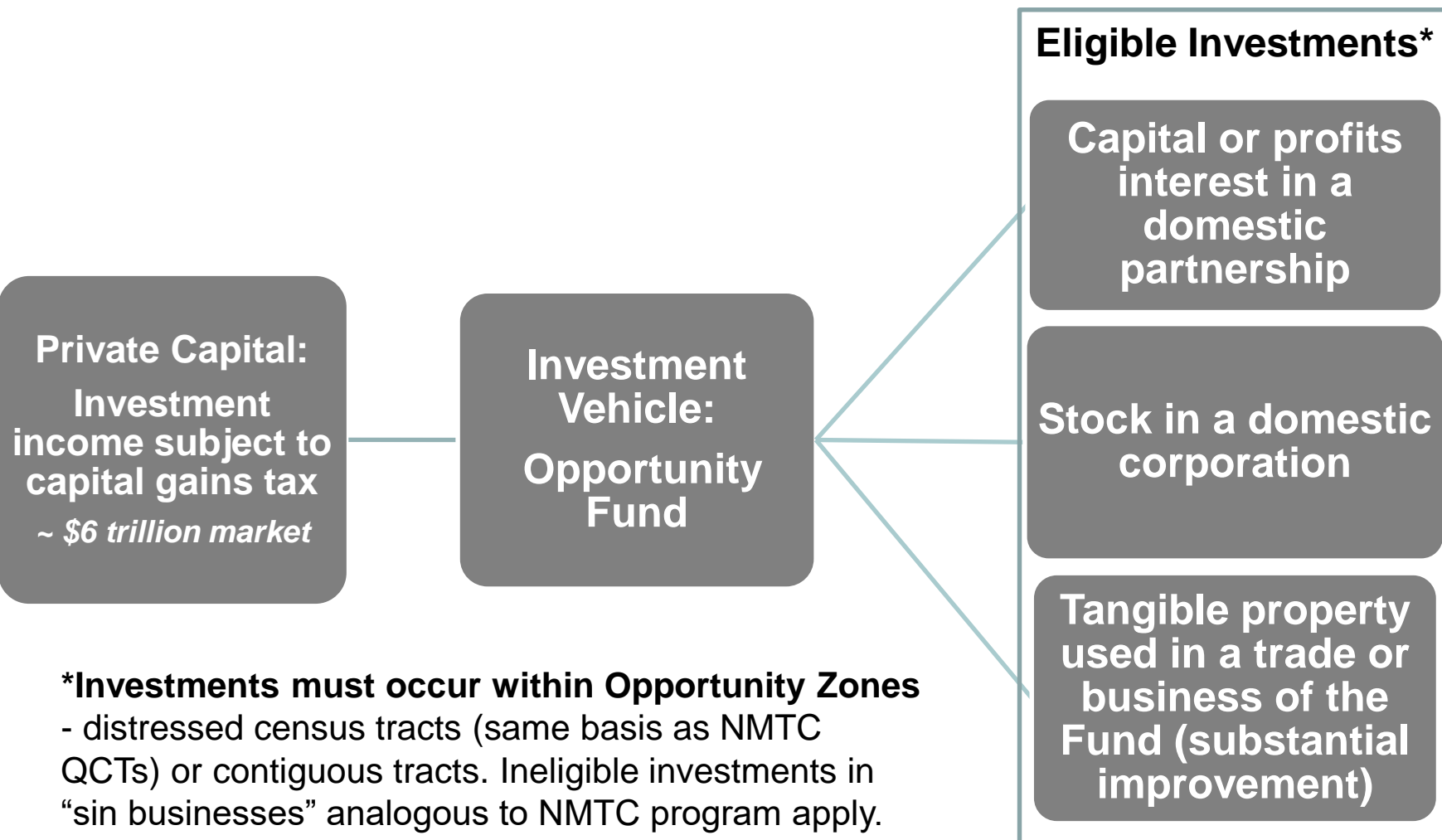
## • Finalizing Opportunity Zone Designations

- All eligible nominations received by 4/20 deadline
- Nomination processes - including local engagement and input - varied widely
- Treasury has approved nominations for 46 states, 5 territories, Washington, D.C.
  - Pending: Florida, Nevada, Pennsylvania, and Utah (6/18 deadline)
  - All approved tracts listed on [CDFI Website](#), available on [Enterprise's Mapping Tool](#)

## • Guidance on Implementation of Law

- Opportunity Funds, Self-Certification: 4/25 IRS [Q&A](#) states that no IRS approval is needed to create an Opportunity Fund and additional legal guidance is forthcoming.
- Need for IRS and Treasury guidance and legislative tweaks, including:
  - Amount of time Opportunity Funds have to deploy capital into the zones,
  - Ability to recycle capital returned to a fund back into Opportunity Zones without penalty to its investors,
  - Manner in which certain definitions are applied in the statute (ex. gain vs capital gain)
- If addressed, timing is unclear. Efforts to move forward before year-end.

# Overview of Structure



# What's Next for States, Cities and Communities

- Key moment for local stakeholders—mayors, county executives, community leaders—to get involved to ensure that Opportunity Zone investments will:
  - Foster equitable and inclusive economic development and
  - Expand access to opportunity for existing residents and local businesses
- Harness existing tools and create new tools and strategies to:
  - Protect residents and business owners from displacement and ensure that investments are aligned with local priorities and community needs
  - Attract investment in Zones where private capital would otherwise not flow
  - Ensure transparency and monitoring of investments

# Prevent Displacement, Ensure Inclusive Benefit

- Engage existing residents and businesses in planning
- Proactive approach to protecting and creating affordable homes and commercial space
  - 27% of residents in Opportunity Zones pay more than half of their income on housing. How can states and mayors begin planning and direct resources to ensure the affordable housing stock is preserved?
- Strategies:
  - Zoning laws and regulations
  - Linkage fees
  - Local hiring requirements, local tax incentives
  - Property tax relief tied to community benefits
  - Preservation – targeted to unregulated, rent-stabilized affordable housing
  - Prevention – tenant protections: eviction prevention, rent controls and tenant first-right-of-refusal policies
  - Community land trusts; land banks
  - Housing trust funds
  - Homebuyer (down payment) assistance
  - Foreclosure mitigation

# Attracting Opportunity Zone Investments

- Make data available and engage with potential investors and Opportunity Fund managers
- Inventory local assets in Zones: land, shovel ready sites, infrastructure, buildings
- Raise awareness with local entrepreneurs and growth companies, universities, business incubators
- Discuss opportunities with local developers
- Convene local philanthropy and corporations
- Promote add-on incentives from local, regional, state partners
  - Reduced/abated taxes, waivers of fees, tax increment financing, workforce development training
- Leverage CDFIs and other local financial intermediaries to manage a local Fund, develop project pipeline and underwrite investments
- Leverage state and local programs for economic development, small business, housing and community development for gap financing, risk mitigation

# Examples of Emerging Strategies

- California – [AB3030](#) would add certain projects (namely affordable housing) financed by Opportunity Funds to list of those exempt from certain requirements under the California Environmental Quality Act
- Missouri - [SB590](#) modifies state Historic Preservation Tax Credit to set aside credits for projects redeveloped inside Opportunity Zones
- Several states currently considering preferential treatment of state capital gains in Opportunity Zones (no legislation proposed as of yet, but discussions ongoing for 2019 legislative sessions)
  - Encourages investment in Opportunity Funds
  - Incentivizes investors to keep capital local / where they have tax liability.

# Transparency and Monitoring

- Uncertain what reporting requirements will be mandated at federal level, and whether that data will be made available to public
- Advocacy efforts to implement the framework suggested by Congress for tracking and evaluating investment activity and its impact in local communities
  - Joint Economic Committee hearing - [The Promise of Opportunity Zones](#)
- States and local jurisdictions should collect transaction-level data so that the public and Congress can evaluate the program's effectiveness
  - Did communities benefit? How?
  - Were there unintended consequences?
  - Potential abuses?
  - Can tie disclosure requirements to state-level resources. "Has this property or business received investments through an Opportunity Fund?"



# Additional Resources

**CDFI Fund, Treasury** - [Opportunity Zones Resource Page](#)

**Economic Innovation Group** - [Opportunity Zones Landing Page](#)

**Council of Development Finance Agencies** – [Resource Page](#)

**Enterprise Community Partners** - [Opportunity Zones Information Page](#)

Letter to Treasury on Opportunity Zones Implementation

Updated Opportunity360 Maps

New Podcast: Opportunity Zones – Promises and Pitfalls

Blog Posts: tax benefits for investors, letter to Treasury, etc.

Additional Information and Reading

Sign-up for Breaking News!

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