

Opportunity Zones

State of the Marketplace

Hutchins Center on Fiscal and Monetary Policy at Brookings

Conference on Opportunity Zones: The Early Evidence

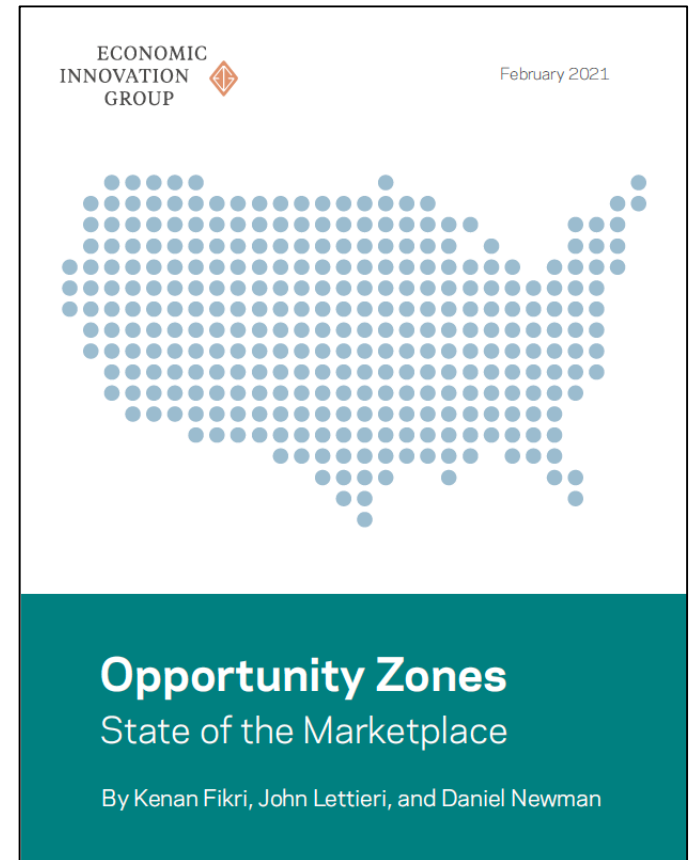
Kenan Fikri

Research Director

Economic Innovation Group

kenan@eig.org | @kenanfikri

February 24, 2021



Reintroductions

The New York Times

Amazon's New York Home Qualifies as 'Distressed' Under Federal Tax Law

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Amazon officially announced that it will put a major corporate outpost in the neighborhood of Long Island City. Here is what the Queens enclave has to offer. Joshua Bright for The New York Times

Musk, Bezos Space Race Gets a Boost From Anti-Poverty Tax Break

Rocket projects aren't the only thing the world's two richest people have in common. Their facilities are in areas designated as opportunity zones, giving them a path to low tax expansion.



PROPUBLICA Graphics & Data Newsletter



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50 BLACK ENTERPRISE EST. 1970

BE EXTRAS

THIS INVESTOR HAS RAISED \$165 MILLION TO HOUSE BLACK AND HISPANICS IN OPPORTUNITY ZONES

by Jeffrey McKinney December 3, 2019 9050

GOERIE

Sports Entertainment Lifestyle Opinion USA TODAY Obituaries E-Edition Legals

BUSINESS

Opportunity Zone promise becomes reality in Erie

Jim Martin jmartin@timesnews.com
Published 12:02 a.m. ET Jul. 10, 2020

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INSIDE INDIANA BUSINESS WITH GERRY DICK

HOME NEWS VIDEO GERRY DICK

Opportunity Zone Provides Incentives for Renovation of Historic Hotel

Monday, November 23rd 2020, 4:11 PM EST
Updated: Tuesday, November 24th 2020, 9:10 AM EST
By Wes Mills, Content Manager



Sunderland Foundation invests \$1M in Equity2 impact investment fund



BROOKVILLE - The tiny southeast Indiana town of Brookville is seeing an economic resurgence, thanks in part to a federal tax incentive awarded to new redevelopment in distressed areas. The initial includes an \$11 million renovation of the Village House.

So how do OZs work?

Qualifying capital must be invested through **qualified intermediaries** into **qualifying activities** in **qualified census tracts**.

- **Qualifying capital**: Recently realized capital gains reinvested as equity
- **Qualified intermediaries**: Registered Opportunity Funds
- **Qualifying activities**: Building or substantially improving structures; new shares of a qualifying business
- **Qualified census tracts**: 7,826 census tracts in the 50 states plus DC; over 8,600 including the territories

If all these criteria are met and a number of standards maintained, investors enjoy generous reductions in their future capital gains taxes.

What makes OZs unique?

- ✓ A specific focus on **equity** capital
- ✓ A design to change **behavior**
- ✓ An embrace of **flexibility**

The difference between

“The federal government will pay you to invest here” and

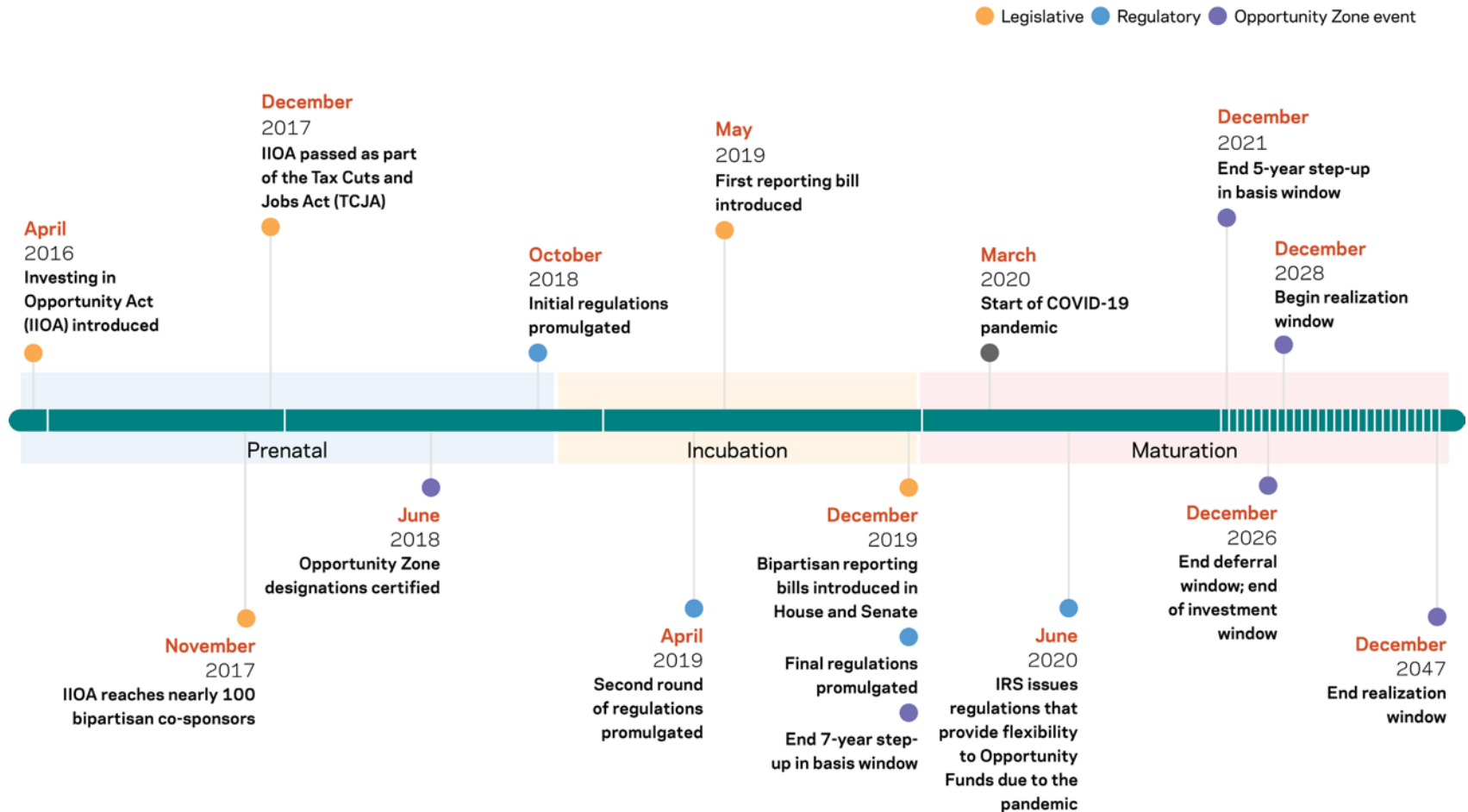
“The federal government will reward you extra if you make a good investment here”

is subtle but important.

It shifts the narrative from community liabilities to community assets, and it uses investor expectations as the mechanism that unlocks new sources of capital.

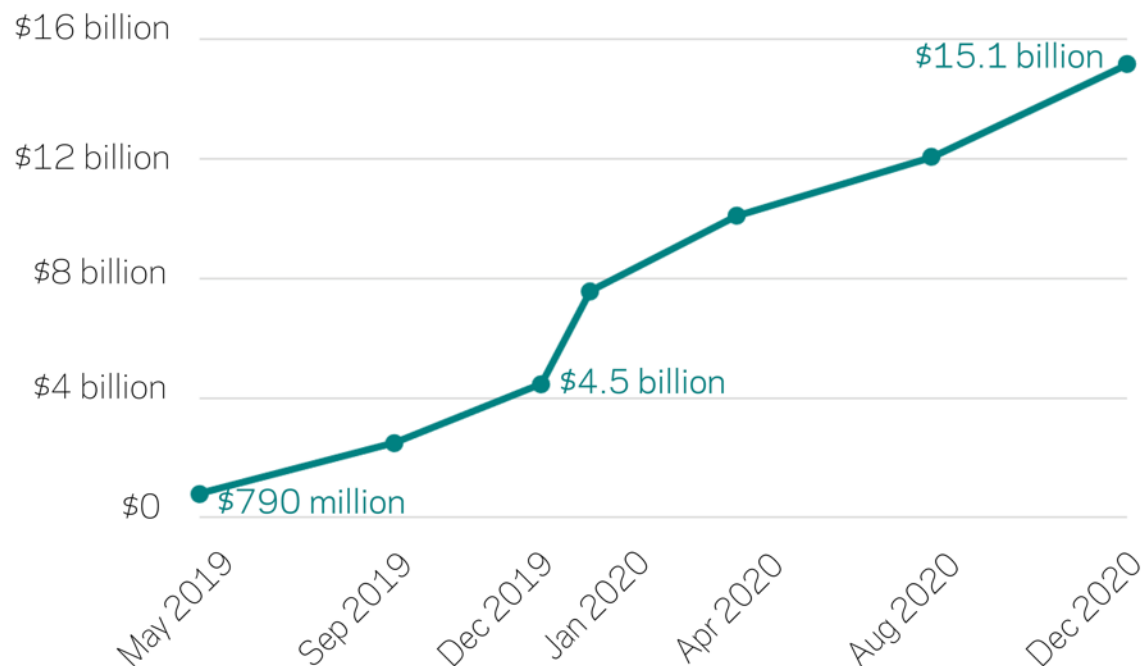
The OZ market is only beginning to mature

Opportunity Zone legislative, regulatory, and structural timeline



Market development has been accelerating rapidly

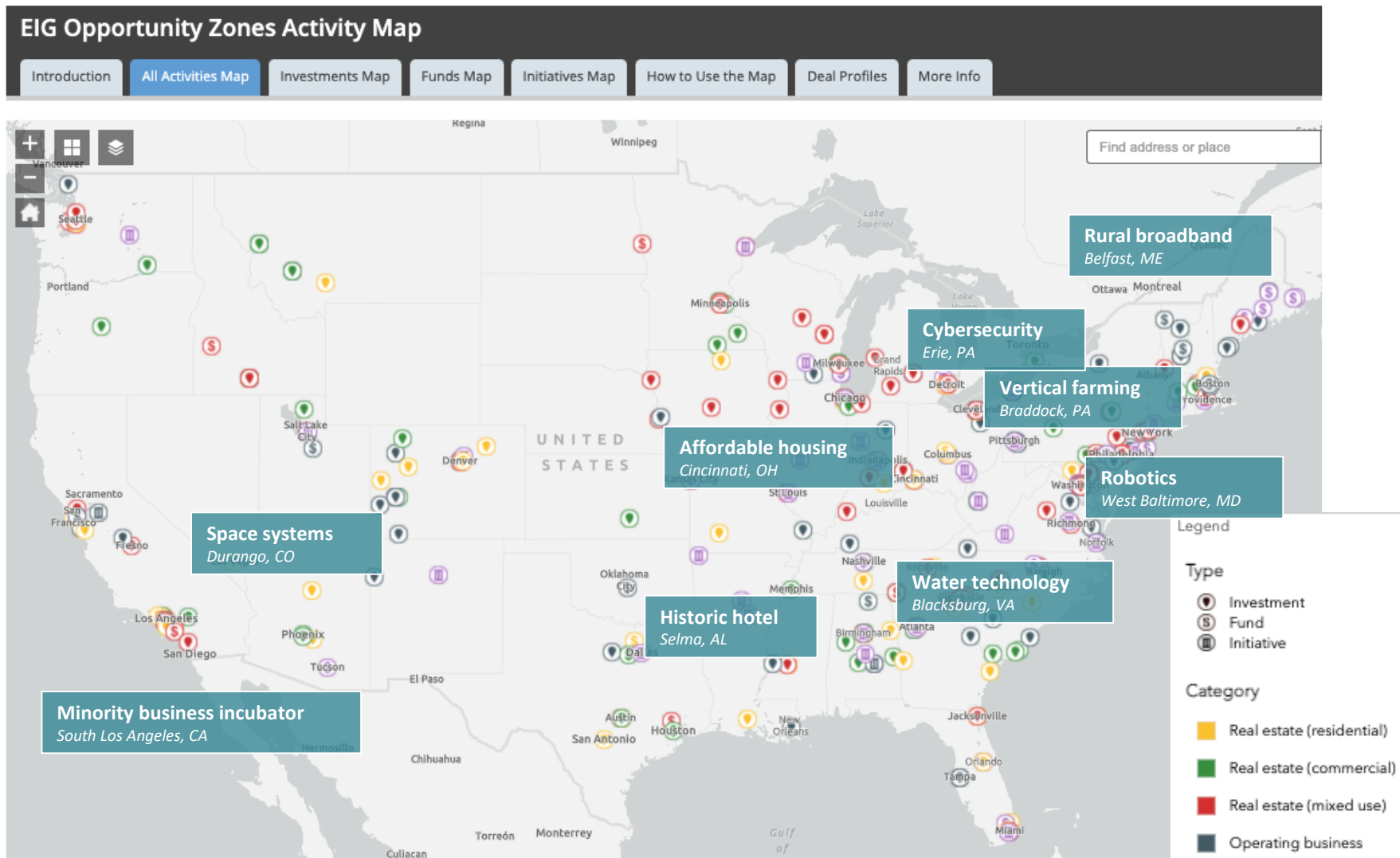
OZ equity reported raised on Novogradac's survey of select Opportunity Fund managers



According to the **Council of Economic Advisers**, OZs had moved **\$75 billion** by the end of 2019, **70 percent** of which was new, induced investment that would not have happened without the incentive.

Source: [Novogradac & Company](#)

EIG's OZ Activity Map tracks the market's diversification



Local institutions are shaping outcomes



COLORADO
Office of Economic Development
& International Trade

Durango, CO

Selma, AL



EDDC
ERIE DOWNTOWN
DEVELOPMENT
CORPORATION



Erie, PA



Indiana demonstrates the flexibility of the tool in action

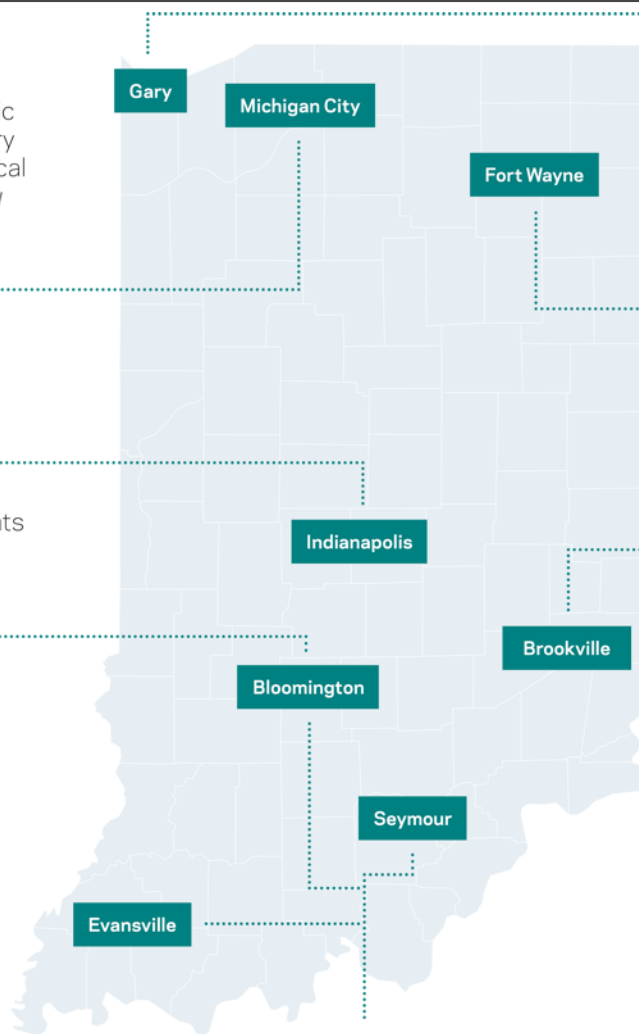
In **Michigan City**, OZ capital is engaged in placemaking: simultaneously preserving historic structures in the city's old brewery district as it creates space for local entrepreneurs to house their new locally-serving businesses.

OZ capital is helping to finance the conversion of a notorious old brownfield industrial site near **Gary** into a logistics hub, as well as the expansion of a cleantech manufacturing firm in **Fort Wayne**.

Market-rate housing developments are utilizing the incentives in **Indianapolis** and **Bloomington**.

In rural Brookville, local OZ investors used proceeds from the sale of a business to revitalize main street, build new housing in the small-town center, preserve the local newspaper, and finance a hotel to boost the nascent local tourism industry.

Affordable housing investments are incorporating OZs into their capital stacks alongside other sources of public, private, and philanthropic financing in **Evansville**, rural **Seymour**, and **Indianapolis**.



Challenges in evaluating OZs

The **open-ended nature** of the tool combined with the **lack of any centralized data** collection and provision presents unusual challenges for researchers.

- ✓ **Timing and sequencing:**
 - Investment did not start to flow significantly until 2020.
 - The pandemic has extended the 180 day investment window.
 - The first wave of projects will likely not hit the market until 2021.
- ✓ **Heterogeneity in units:** OZs are an incredibly diverse class with a wide variety of predominant land uses.
- ✓ **Heterogeneity in treatment:** Many OZs have received no investment; others have received investments of wildly different natures, from housing to infrastructure.
 - Different investments may have radically different scales of impact (spillovers).
- ✓ **Institutional context:** Some investments and outcomes will have been intermediated by local policies or organizations.
 - This will be essential for policy analysis.

Taking stock three years into the life of OZs

The OZ model shows considerable promise:

- In the range of use cases
- In the range of communities reached

Yet there's still unfinished business:

- Pass the IMPACT Act or equivalent
- Sunset high-income OZ census tracts
- Simplify utilization of the incentive
- Improve alignment with affordable housing tools
- Consider further steps to bolster local capacity

Data is essential to learn from this uniquely open-ended experiment in order to inform future iterations of OZs and future generations of place-based policies.