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WEBINAR

OPPORTUNITY ZONES: WHAT WE LEARNED AND WHAT COMES NEXT

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COES: Good afternoon, everyone, and thank you for joining us. I am Christopher Coes, executive director of America Forward, and I am pleased to welcome you to today's exciting conversation in partnership with the Brookings Institution.

We're convening at an important moment in time. In less than nine days, states are preparing to submit their final 2026 Opportunity Zone designations. These decisions are being made that will help shape where major capital investment flows and how communities across the country either benefit from this next generation of the tax incentive.

But as we look ahead, we also need to look back. What did we learn from the first generation of opportunity zones? Where did the program generate the most meaningful investment? Where did outcomes vary? And what could we do differently moving forward to ensure that every resident and business in these zones get benefits? At America Forward, we believe these decisions should be grounded in evidence, in local community leaders and elected officials, and in partnership with the private sector to get meaningful results for everyone.

We have to be honest. Opportunity Zone destination is just the starting point. The larger goal is to connect investment with community priorities, strengthen our local economies, and create lasting opportunities for residents and business alike. And that is why our partnership with Dr. Tracy Loh, first with George Washington University, and now with the Brookings Institution, is so important. This research gives us an opportunity to examine the data, draw lessons from Opportunity Zone 1.0, and apply those lessons to decisions that states, local governments, community leaders, and the private sector are making now.

Today, we will hear directly from Dr. Tracy Loh, who will walk us through the report's findings. We will then bring together key perspectives, including Ja'Ron Smith, who's the currently executive director of the Opportunity Fund Association, and also one of the leading Senate staffers, as well as White House advisors on the development and the implementation of Opportunity Zone 1.0. He will be joined by Bo Menkiti, the CEO of the Menkiti Group, a nationally recognized real estate development company specializing in inclusive neighborhood revitalization projects, not only here in the Washington DC area, but across the country, and also a leading voice in Opportunity Zone fund deployment. But last but not least, a dear friend, Sam Gilman, currently Governor Mikie Sherrill's senior strategist on housing and affordability, who is leading the conversation in New Jersey today on how to leverage opportunity zones for the governor's many priorities.

Across these perspectives, they will join together to discuss not only the research, what the research means in practice, but how they plan to use these lessons to shape their practice, their business, and their policies as we develop Opportunity Zone 2.0.

With that, I would like to say thank you. And to Tracy, thank you for your partnership and Brookings for the work that went into this research. And with that, I'll turn it over to you to walk us through what the data now tells us. Tracy?

LOH: Thanks so much for that introduction, Christopher. Okay. Hopefully everyone can see my slides. Thank you all for joining us here today to learn more about this work. I wanna take a moment right up top to thank our co-authors, D.W. Rollins, Rhett Morris, and Rohit Acharya, because without their efforts, we would have no findings, and I wouldn't have a presentation. There was very little public reporting about Opportunity Zones 1.0, and so it

takes extra creativity and collaboration to understand this program, and that's why we have a really long co-author list, and every single one of them was essential.

Let's jump in. Here's what I'm gonna talk about today, just to give you guys a sense of when this is gonna be over and when we can jump into the discussion.

So, let's start with just a little bit of history. In 2017, Congress launched one of the nation's largest ever experiments in using the federal tax code to attract private investment into economically distressed communities. That's the Opportunity Zones incentive. This tax incentive offers tax benefits to investors who direct eligible capital gains into designated low-income census tracts. The underlying proposition is straightforward and consequential. The idea is that patient private capital, encouraged by a federal incentive, will help generate economic activity in communities that conventional markets and public investment have failed to reach

The original program allowed each state's governor to nominate as opportunity zones a number of census tracts equal to either 25% of the state's number of low-income communities as defined in statute or 25 tracts, whichever's greater. So as you can see from this map, the landscape of eligible low-income communities in the United States was vast in 2017 and 2018, perhaps too vast, because Opportunity Zones 2.0 and the subsequent OP3 legislation has narrowed eligibility for the permanent program.

The primary benefit of the OZ designation appears to be new housing, is-- That's what we know from the studies that have been done about this so far. One study conducted by a group of authors that included employees of the US Treasury Department, and thus had access to confidential tax records of opportunity funds, found that half of OZ capital was invested exclusively in housing, and seventy-five percent of investments at least include a residential component. And that's consistent with reporting from industry sources like NovaGrannac.

We know from other studies that designated OZs see on average forty-seven point five additional new housing units per tract between 2019 and 2025, and that effect accelerated over time, right? Not a lot of this was in 2019, but by 2025, there was real momentum.

In addition, designated Opportunity Zones have seen increases in job creation, but researchers have found that's often associated with job decreases in nearby tracts and changes in Opportunity Zone resident employment likely accrue to new movers to the zones, not existing residents.

As implementation proceeded, an early survey of 56 state government officials by the Government Accountability Office found that only 20 respondents felt the program was a net positive. That's likely because that survey was done in kind of early days of the program in terms of momentum, but it also is likely because Opportunity Zone investment has not been geographically evenly spread either between or within states. We know that Opportunity Zone investment tends to flow to low-income tracts in higher income counties, and 60% of Opportunity Zone fund capital went to the top 20% of tracts by preexisting investment history. In other words, the winners are winning more.

Many neighborhoods experiencing demographic and economic change that were already on that trajectory before OZ designation are the ones that, the neighborhoods that were already

changing are the ones that ended up getting designated. That's what we learned from an early analysis conducted by the National Community Reinvestment Coalition.

And in fact, when we looked at the designated Opportunity Zones, the data that was crunched in order to determine if they were eligible was based on the 2010 to 2015 American Community Survey five-year estimates. But we found that by the 2014 to 2018 ACS five-year estimates, just a few years later and before implementation of the incentive had even begun, fully 11% of the designated tracts were actually no longer low-income communities according to the statutory definition. They had already changed before the program had even done anything.

Okay, so a little bit more about our methods. The findings from the existing literature raised two key, mostly unanswered research questions that we wanted to explore. First, to what extent do OZ outcomes vary by state? And what states are potential candidates for showing helpful lessons learned on designation and implementation?

And second, to what extent did designated OZs actually see change? And was the change positive or negative? Our analysis is based on a data set of building construction dates by year acquired from Cotality's ListSource database. We geocoded these addresses and calculated per year counts of structures constructed in each designated opportunity zone for the period before designation and after designation.

We also have state-level building totals for the same time period. Now, it's important to keep in mind, as you hear me talking about our findings today, that these per-year building counts represent numbers of structures without regard to the sizes or use types of those structures. So a single-family house is the same as a 100-unit apartment building, which is the same thing as a new factory.

Throughout our analysis, we try to account for the differences in building sizes and associated differences in the significance of what it means to get a new building by dividing opportunity zone tracts into five types based on their built environment. Rural tracts are those as defined in statute under OB3. These tracts tend to be really big, and they contain a variety of land use types, and so it's actually a little unfair for me to even say I'm characterizing them by land use. Our commercial tracts are non-rural tracts containing fewer than one hundred housing units in twenty eighteen, or that had more than twice as many jobs as residents in twenty eighteen.

Now, for the remaining tract types, residential is the dominant land use. The question is just what form it's in. Single family home residential tracts are non-rural, non-commercial tracts that are at least two-thirds single family homes in terms of their unit mix. Mixed residential tracts have between one-third and two-thirds consisting of single family homes. And finally, multi-family home tracts have fewer than one-third of their housing units as single family homes.

The main thing to note that I'm showing on this graph here is that you can see the opportunity zone population is really different from the United States as a whole, in that it has a lot more of the multi-family, the mixed residential and multi-family home tracts, and a lot less of the single family home tracts.

Okay, so what happened inside these tracts? Well, here's what we learned. When the OZ program was created, the construction sector in the United States was coming out of a really rough period, a decade-long recovery from the Great Recession, when the amount of building activity in the United States really took a nosedive. Right around the time of the creation of this program, construction activity had gotten basically back to the 2007 level. And then that growth continued in subsequent years.

Over the course of the OZ one point O lifespan, US building activity per capita increased by twenty-four percent. That's between 2017 and 2021. That's the upward run you see on the left-hand side of this graph. Now, more recently, construction activity has declined from that 2021 peak. That's because of a sharp surge in construction sector inflation in 2022, and that's greatly... you've probably all heard about the extreme consumer inflation that's happening, but the construction section inflation's been even worse.

So by 2024, we see that building activity per capita nationally has fallen back to the 2017 level. So these last few years of gains are gone again. But OZs are an exception. That's that orange line there. Of course, we can see here that building activity in OZs has also declined from the pre-inflationary peak. However, even today, or even with our most recent data, builds per 100K residents remain 28% above the 2017 level in Opportunity Zones as of 2024. That means that the building activity gap between the country as a whole and Opportunity Zones has narrowed by 47%. And that relative performance is especially notable given that I told you guys OZs are single-family tracts are underrepresented, multifamily overrepresented. Well, builds per capita is gonna be structurally lower in dense multifamily areas.

And so that composition should depress the OZ measure rather than improving it. So this effect of narrowing this gap in building activity between the low-income communities designated as Opportunity Zones in the country as a whole, it's probably narrowed even more than our measure is really showing it has.

We found that the average annual rate of building activity in Opportunity Zones over the 2019 to 2024 period increased twenty-six percent relative to baseline. Now, some of that increase represents growth that would have occurred anyway, maybe in other census tracts that weren't designated. Some is probably net new building activity. So in order to explore that, in this graph, we juxtapose the percentage point change in OZ market share within a state to the percentage point change in the state's share of the national market before and during the OZ period.

So if a state gained market share relative to other states, it's on the right side of the Y-axis. If, as a state gained market share, the OZ tracts within that state simply grew at the same rate as all the other tracts in that state, the state's point would remain near the X-axis. So for example, Tennessee. But if as a state gained market share, OZs disproportionately cited that growth, the state's point is located in the upper right quadrant, as with North Carolina, Florida, and Texas.

It's notable that there are basically no cases in which states gained market share, but their OZs lost substantial market share, right? That's the right quadrant of this, which, like, doesn't really have anybody in it. It's also interesting that there are quite a few states that lost market share, but their OZs gained market share. That's the upper left-hand quadrant.

Here's another way to think about this shift. Opportunity Zones are nine point nine percent of all census tracts. So parity would be if that nine point nine percent of tracts got nine point nine percent of builds. So we can make that a ratio of OZ building market share to OZ coverage. So parity is one, nine point nine percent of builds, nine, divided by nine point nine percent of tracts.

Okay, obviously, that's not how the world works. We wouldn't expect that. Even, that wouldn't even arguably be ideal. But let's think of this as a metric to understand the trend, the dynamic. It's quite notable that during the designation time period, OZs shifted from a point six to a point seven build-to-coverage ratio, closer to the parity ratio of one.

Twelve states outperformed the national parity measure. So this is, if we treat all OZs as a national pool, they move to point seven, but there are twelve states where OZs moved even closer to one, and there are two states that outperformed parity itself. That is, had ratios greater than one. That's the District of Columbia and New Mexico.

But the main takeaway here is actually that even with the generous OZ incentive, most zones in most states remain below market share parity, and that's consistent with their economic circumstances. For example, even though Texas had more builds in OZs per capita than any other state, OZs there still saw a lower build market share than they would have if building activity was just distributed evenly. And that illustrates how challenging it is for economic development policy to move the needle or even hold the line in contexts with higher concentrations of poverty or macroeconomic contraction, such as the state as a whole losing market share.

Okay, figure, that last figure I showed presented a build gap between OZs and the country as a whole, or that's what was on the first graph, the two lines. But we know that OZs have different land uses than the country as a whole. So now I show you that same graph broken down by the different types of OZs. So what's really interesting to see here is that over the designated designation time period, the build gap closed completely for rural and single-family designated OZs. It narrowed for residential mix zones, and it widened for commercial and multifamily zones.

So here's another way to think about this. Commercial and multifamily opportunity zones tend to be located in and around the very center of metropolitan areas, so in other words, downtowns. And the OZ designation time period overlaps with the COVID-19 pandemic time period, which collapsed demand for central business districts with a surge in remote work. So it's maybe unsurprising to see a decline in building activity in these types of zones, even with the availability of a generous tax incentive. But I think that speaks to how tricky it's going to be to address the economic development needs of these zones as we look forward to OZ 2.0 and beyond.

So when looking at this chart, what I want you to take away is that the first bar tells you that one-third of designated OZs saw that decline in builds per year after designation. The designation's not a silver bullet for accelerated or even stable growth in the context of low-income communities. But on this graph, you can also see that another one-third of designated zones outperformed the US as a whole. The country had a 9% increase in builds per year, but if you combine the last two bars of this graph, you'll see they topped that.

The Opportunity Zone glass is half empty and half full. The state-level experience is even more variable. In 18 states, the median OZ saw no change in the rate of building activity. In three states, building activity in the median OZ slowed down, and in another 21 states, the median OZ building rate grew more than in the nation as a whole. And that wide range of outcomes for these OZs themselves, both within and across states, I think also helps explain the mixed feelings about the program reported in the GAO survey.

Lastly, we looked at displacement, and we found that it's a common dynamic in OZs, but it's not unique to designated OZs. The University of Minnesota Institute on Metropolitan Opportunity's American Neighborhood Change Project looked at these same types of low-income communities and found that about 30% of all tracts in metropolitan areas are experiencing strong neighborhood change, and that the most common trajectories involve population loss of some kind. In other words, displacement. It's most commonly higher-income households leaving, but low-income displacement does also happen.

We found displacement in 45% of designated OZs, so that's what you see in this graphic here if you add the right-hand side of this matrix together, 20% plus 25%. Now, given that these zones are almost all drawn from the smaller pool of low-income tracts and include substantial rural areas, it's not surprising that we're finding population loss of one kind or another even more common than the University of Minnesota's analysis.

At the national level, we found that displacement is actually more common in OZs that did not experience substantial accelerated growth in their building rate. In addition, we found that accelerated growth without displacement is more common than with. We also cross-tabulated these same dynamics for every state, and you can find those in the appendix of our paper. And the District of Columbia in particular stands out as a jurisdiction that did have very high rates of displacement in the context of accelerated growth. But in all other states and land use contexts, we did not find a connection between acceleration and displacement.

So what does it all mean? You know, from that last point, I think we need to have a conversation that states should recognize that accelerating housing construction in neighborhoods experiencing falling poverty rates can actually reduce displacement. As an area becomes more desirable, there's ultimately no way to prevent new residents from wanting to move in. Policies can increase homeownership, strengthen residents' ability to remain in place, reduce involuntary displacement, but existing residents can still be outbid when demand for housing rises. New housing provides a way to absorb some of that additional demand without requiring as much turnover of the existing housing stock. And so housing production itself can be an important anti-displacement tool, and that's often missing from discussions about place-based anti-poverty policy.

But also, let's note that capital inflow and construction activity are not the same as community benefit. New development may represent meaningful economic activity, but it does not automatically produce outcomes that locals might want, like affordability, ownership, stronger businesses, wealth creation. Those outcomes depend on other policies and partnerships.

And finally, this paper evaluates opportunity zones by measuring quantity, but quality is not the same as quantity. And so this paper doesn't have all the answers, and it's important to take a look at what's going on in each state in order to understand what it's going to take to make the most of OZ 2.0, and I'm looking forward to getting into that with the panel. So with

that, I'm gonna stop PowerPointing you guys to death, and I'm gonna ask our panel to turn their cameras on and join me in discussion.

Ja'Ron, that's your cue.

SMITH: For some reason you guys have disabled my ability to go on camera. I'm trying to-

LOH: We're gonna bring in tech to help us rescue Ja'Ron.

SMITH: Okay, there we go.

LOH: There we go. Okay, guys. So let's start off with a super general question. What did you think of what we learned in this evaluation? What findings resonated with you, and what could you take or leave?

Ja'Ron, since you're off mute, can we start with you?

SMITH: Oh, okay. Well, I would say generally... Well, first of all thank you all for having me on the panel. It's a pleasure to kinda be a part of this illustrious team. And thank you, Brookings and America Forward for your research and the work that you've done on this work.

I would say it's not surprising to me because the diversity in how the OZs were picked, it speaks to you know, some states having a strategy for OZs and others not. In many cases, I found that developers who knew about OZs sometimes gamed the system in a way that benefited them. And so you see that in many metropolitans where it just accelerated projects that were already gonna happen.

And then you see other places where you know, mayors and governors were a lot more strategic in what they designated and they used it as a tool in combination with other tools in order to make it workable. And so that's my initial kind of reaction, is it... i'm not surprised at all, just kind of knowing adoption of OZs and how, you know, different states went about strategizing. And it's not shocking that some did a lot better than others, and then others, you know, kinda missed the boat.

LOH: Bo, how about you?

MENKITI: Yeah. So, again, thanks for having me. Really excited to participate in this dialogue. I think as Ja'Ron said, you know, there's a lot of diversity in what the OZ-designated areas were. And so I think it's not surprising that we see a wide array of different findings.

I think one thing that is important for us to sort of remember and think about in this is that the Opportunity Zoning program is actually an investor program. It's not a developer program. It's not a project program. It's an incentive for investors. And so it still relies on an investor making an investment decision. It does not actually just drive investment. So it's an incentive to move a private market.

And I think that's important because what we see is that OZs don't actually translate into a significant economic advantage at the project level. Maybe it's 100 or 200 basis points in terms of the cost of capital, so they're not enough to move or fill a subsidy gap. What they are able to do is draw investor attention to places where it didn't go before. So, so the Opportunity Zone program becomes an opportunity to get the eyeballs of private capital to look in places and at projects that potentially they wouldn't have looked at before.

And then the second thing that I think it does is it changes the timeframe. It extends the timeframe of investment, which is really important from an economic development standpoint, where munici- where municipalities and states and a lot of work is going on that has a much longer timeframe than a typical investment.

So I think those two things of sort of bringing attention of dollars and extending the investment timeframe become really critical. And as folks have said, that really depends on what else is happening around them. What is the context of the tools and the incentives and the other policy environments that are driving economic development in those locations?

LOH: So I find that fascinating 'cause there was a big rush to evaluate OZs, you know, just a couple years in, and I wonder how much of all this was just much too soon.

Sam, I see you nodding. Is this resonating?

GILMAN: Yeah. No, it definitely is. And I'll echo the thanks first, Tracy, Christopher, thank you for having us.

You know, the thing that resonated with me most about your paper was how focused it was on place. And, you know, of course, you have to survey the country, but as, as you, you say, you know, this is a serious addition and abstraction exercise away from 50 different strategies. And as we, in the state of New Jersey, are trying to think about what our 2.0 looks like it becomes so exceedingly clear how place-based each zone is, much less each, each state strategy.

And so as I reread the report this morning thinking about today's conversation, I think one of the things that jumped out was, you know, the series of examples from Colorado as how different strategies and different places with the same incentive within the same state, within similar strategies kind of drive different outcomes. And as we think about phase two, and specifically think about some of the displacement risks around it, that's really core to our analysis

LOH: That's fascinating, Sam. Let's dig into that a little more. I kind of wrapped up my presentation by talking about how, you know, I went through this evaluation exercise, you know, defining success as quantity, but that maybe a more meaningful way to think about it is quality.

And so, without waiting for my next research project, I wonder if I could hear from each of you, as you think about how states should be approaching OZ 2.0, how do you think states should be defining success? Sam, what are you thinking about in New Jersey? And then Bo and Ja'Ron, what advice do you have for states?

Sam, let's just stick with you for a minute here.

GILMAN: Yeah. Well, I think the governor came into office with you know, clear priorities on housing and economic development and a desire to go around the state and listen community by community to what community needs are. And as you'll see in our strategy, and of course we haven't submitted our nominations yet, but what you'll see in the strategy, and many thanks to Christopher for some of the advice here, is a combination between that deep research at a macro level statewide into the places, the eligible tracts that could generate more housing and economic development opportunity in an inclusive way.

I should say I'm a housing attorney by background. I've spent a lot of my career on displacement prevention, so these, these conversations are really at the forefront. And one of the things that the governor asked us to do, building on a really successful 1.0, was ask each community where they wanted tracts and how they prioritized economic and housing development. And so, you know, we have tons and tons of input community by community that we're sifting through to make those final designations.

But I think there's no substitute for that because communities of course know better than we can even at our, you know, 20,000-foot view ,compared to the national 30,000-foot view, of where tracts should go.

LOH: Then that dialogue between locals and the state, you know, around, like, "Hey, who wants to do this?" Like, who, who wants to grow and produce housing, I think, is so critical. My friend, Linnea Richardson, who is a real estate developer who lives in New Jersey, is always telling me "Go where you are celebrated, not just tolerated." So maybe that's some OZ advice too. Ja'Ron, what about you? Advice for states?

SMITH: I would, yeah. Well, I wanna echo some of the words that Bo mentioned. This is an investor program, and it's competitive. And I think states need to kind of think of this as a way to kind of compete for that capital that's on the sidelines, but it's not a singular solution. You also have to sweeten the deal in that competition by adding other tools that the state has, especially if you're talking about displacement. You know, there's a lot of issues and local issues that may pertain to displacement. And so I think local and state leaders need to be intentional about what are their particular needs for their community, and what's the history that kind of may have created the dynamic for displacement or dynamic for job loss or loss of economic dynamism.

Ultimately Opportunity Zones was intended to be more than just real estate investment. In its actual implementation, it's focused most on real estate. But I think when you're thinking about ecosystem building, you wanna figure out how you use this tool amongst many tools in order to create economic prosperity in a location. In which housing is one of them, you know, but as you're trying to also drive jobs and innovation into your local economy, I think you wanna kind of look at Opportunity Zone as a tool that can help drive that type of progress.

So that strategy is gonna be important. Many times when I worked in the White House and we were on the road with Scott Turner, what we were pushing local communities do was kind of develop a prospectus, you know, in order to kind of create a strategy or roadmap for what is the art of possible in these different locations. We also created the White House Opportunity and Revitalization Council which was chaired by Scott Turner. And the reason why we did that was to push localities to also offer up their tools in more of a holistic

response that kind of looked at other parts of the ecosystem, like entrepreneurship, community safety, as well as things around workforce development.

LOH: You know, Bo, I feel like our audience could understand better what Ja'Ron's saying with an example, and I feel like your experience in Massachusetts in 1.0 really illustrates a lot of the points he's making. Can you share with everyone about that?

MENKITI: Yeah, I'm actually gonna share two-- I'll share quickly two quick examples.

But I think it relates to this idea that I think Ja'Ron's getting at, that, one, you have to think about, as a state, think about the Opportunity Zone program as a piece of a puzzle, and how does it fit into community priorities and state priorities, and the resources and tools that are there to support them. I would think of it both from a economic tools, what sort of incentives, what sort of tools are there? What product do you need in terms of an actual... You know, is it housing? Is it retail? Is it something else that's really gonna add up that economic development? And then lastly, what social supports and tools are there to both to add in that community building and that ecosystem, and to address the issues that come around it.

So for us, an example in Massachusetts is we've done a number of projects in Worcester, Massachusetts, in downtown Worcester, Massachusetts, in, in that census tract. And there the state has a real focus on housing production with a specific emphasis on gateway cities. And so Worcester is one of the gateway cities in Massachusetts, where the goal is really to drive market rate housing production in these communities to sort of balance their housing stock and help them drive their tax base.

And so there we're doing a number of conversions, converting old historic underutilized properties, often office buildings downtown into residential. And there, that's really driven by a combination of leveraging the Opportunity Zone program to drive the equity investment, but it's paired with historic tax credits at the federal level and the state level, and it's paired with the HDIP program, which is the governor of Massachusetts program to really drive housing production across the state.

So this is an example of where a state tax incentive program paired with a federal tax incentive program of historics, then paired with the Opportunity Zone, enables an opportunity to build housing in a space that otherwise wouldn't have been there. And so when you think about that, the ability to draw the Opportunity Zone investor in is a long-term belief in the community of Worcester that it has long-term potential, but it wouldn't have happened and would not be able to get a project to work without these other tools that are there.

I wanna quickly just mention on the other end of the spectrum, in Washington DC, where the administration really focused on a Neighborhood Prosperity Program, which was designed to drive retail. And we did a lot of work in the Anacostia submarket in Washington DC, and a number of those projects were able to work closely with retailers to leverage substantive improvements, substantive capital to come into their businesses to allow them to open sit-down restaurants and other neighborhood serving retail, which was a community priority in that neighborhood. But the Opportunity Zone incentive alone would not have driven that. It required this additional focus and resource from the municipality to make that happen.

LOH: Thanks for that, Bo. Sam, Ja'Ron, are there any examples that you'd like to highlight from New Jersey or other states that illustrate this from 1.0, of like additional state policies that were complementary and aligned?

SMITH: Yeah. Well, go ahead, Sam.

GILMAN: No, go ahead, Ja'Ron.

SMITH: I always like the city of Birmingham. I think they end up kind of creating their own Opportunity Zone program that, like Bo mentioned, kind of worked in concert with the federal program. And so you had state incentives and city incentives that allow for them to build workforce housing. And then they also worked side by side with HUD to get the appropriate designation and grant programs in order to kinda implement their program there on the ground.

But again, they were able to you know, compete for a lot of investment that normally would go to New York. And people brought it into Alabama because they had local incentives that made a good project greater. Also we did a lot of work in Pennsylvania. They've done things that like also were similar to Alabama in kinda having those local incentives. And so, those are some of the projects that come top of mind for me.

LOH: Sam, what about New Jersey?

GILMAN: Yeah, I'll go ground up. So the borough of Flemington in New Jersey really took advantage of community interest in Opportunity Zones. They pulled together-- you know, this is on the smaller scale compared to the city of Birmingham-- but they pulled together 100-plus developers, showed off what Flemington had to offer, spent a very little bit of money on this, call it a demo day, and attracted a really meaningful and outsized amount of investment to the borough. So it speaks to the point of Opportunity Zones being an intentional tool.

And, you know, our architect of 1.0, Dr. Chris Wheeler, has pulled in some, some really New Jersey-focused research on this and found that the municipalities that were able to promote their Opportunity Zone designation and sort of use that as a way of promoting the municipality, saw outside investment. And that is true on the large scale, of course, but it's also true on the smaller scale. And so I think that lesson is quite interesting across the country.

LOH: Yeah. We had a question from one of our members of the audience on the webinar that I'm actually just gonna bump up to now 'cause it fits really good in the flow, which is like, if each of you had to choose one lesson that practitioners should carry forward from 1.0, and one thing that should be done differently in 2.0, what advice do you have for colleagues out there right now?

SMITH: I mean, I think it's very critical that governors work closely with local leaders on having a strategy jointly on how they designate their zones. I mean, that's kind of a key piece, you know. And they've got plenty of time to kind of figure that out this time around. And I think it's important to kinda have that coordination and also them coordinating with kind of the private sector to talk about the art of the possible and figuring out what those local incentives or state incentives that may make them more competitive with the Opportunity Zone financing.

LOH: Bo, what about you?

MENKITI: Yeah. Yeah, I was gonna say, I think one of the, this is both maybe a shortcoming, a lesson learned, and maybe advice for how we could, thoughts on how we can look forward.

You know, I think a lot of the 1.0 designations were made based on projects. You know, states had projects that were happening in areas, specific things they wanted to happen and they wanted to try and move them forward, and they thought that the Opportunity Zone program was a way to help advance these critical projects. Not a bad thought, but from a longer term perspective, I think this alignment of, you know, private sector, what is the development community, where is there the opportunity to actually just have a little bit of a bump to get something over? What are community needs that you're seeing on the ground in communities? And what is the, not just the policy framework, but the sort of incentive and the broader framework around economic development that can support those projects?

I think if we think about aligning where is there community will and desire for this type of work, and where are the resources and the broader policy framework directing it with the Opportunity Zone designations we'll be in a better position to see sustained growth. Because I think economic development's not a one project, one moment time. This is a longitudinal thing that takes a concerted effort over time, and I think we have an opportunity to do that as we look out with a little longer horizon.

SMITH: I mean, it-

LOH: Yeah, I think that really speaks to strategy. Ja'Ron?

SMITH: I just wanted to add that a big difference is that there's permanence with the program now that didn't exist before. And so you can have a longer term outlook on some of these things. And that's gonna be different.

But I think just to echo the point that Bo talking about, is talking about it's real strategy. You know, it's being very intentional about how to leverage the tool.

LOH: Yeah. Sam, do you wanna say any more about how New Jersey is strategizing looking forward?

GILMAN: Yeah, happy to, but I'll say, you know, having the opportunity to have this conversation with Brookings, with America Forward, I think one of the key questions as you think about economic development in the long term, no plan survives contact with reality. And so the question is, how do we get better data on what reality is in real time? That's a, you know, a displacement prevention imperative. It's an investment imperative.

It's something that's really important to our administration, is not only to have this thesis of where we should be placing Opportunity Zone tracts in partnership with community and in alignment with the state plan and the governor's economic development and housing objectives, but actually, you know, what are we seeing? Are we actually seeing that advance in real time, and where is it, you know, really hot and we need to be extra attentive. Where is

it, where does it need that extra push? As this is not as much of a fixed conversation as the 10-year window might imply and the data reflections afterward.

LOH: 100%, Sam. You're not gonna get any argument from the research nerd on the webinar about the need for better data.

GILMAN: A little bit of a softball back to you, but-

LOH: I couldn't agree more ... very important to hear.

All right. I'd like to surface some more questions that we have from our audience, and thank all the members of the audience who wrote in with really thoughtful questions in advance.

From Aldo Svaldi with The Denver Post, we have a question, "Will any changes in OZ 2.0 result in more business formation rather than real estate investment?"

SMITH: Well, it's an open question. There's been a lot of work on interpretation of the law particularly as it relates to interim gains. There's actually a public comment period that's open at Treasury that many should weigh in because in allowing for interim gains could really change the way you use the Opportunity Zone development tool because it would open up different pockets of money with institutional investors and possibly create a vehicle to fund more small business creation.

I think that originally that was the intent of the law from legislators and it kinda speaks to what I mentioned earlier about the tool being more real estate heavy. And so if that perhaps becomes a thing at Treasury and they're able to kind of, do a reinterpretation around that rule certainly I can see more small business creation in the ecosystem. However, if it doesn't it's still I think a priority of the Congress to maybe be more explicit about that with the legislation. There's certainly bipartisan support for it.

LOH: Yeah. That absolutely is something that could happen in the future. Anyone else wanna weigh in on that, or did Ja'Ron pretty much put the baby to bed?

MENKITI: I think he hit it. Just the program is not as... It is a lot harder to comply with the program from a business standpoint than it is from a real estate standpoint, so the program design has resulted in a heavy bias towards real estate.

LOH: Yeah. Well, on the topic of heavy bias, Sam already mentioned that in the paper we tell a story of three different Opportunity Zones in Colorado, and one of them is the town of Buena Vista. It's a rural Opportunity Zone that saw a lot of investment. Michael Carroll from the Rural Community Assistance Corporation wrote in, and he wants to know, do you guys have a favorite example of a successful rural Opportunity Zone that he should take a look at?

SMITH: You know, that that's a really good question. I don't have really big projects that honestly come to mind. I feel as though with the best practices around that piece it was part of the reason why there was a overemphasis on rural communities in 2.0, so that they can maybe drive better results and more progress in those zones.

LOH: Sam, what about you? Little known fact, New Jersey does have rural areas.

GILMAN: Well, Tracy, I was actually gonna pass it over to you. I mean, you've looked at these across the country. I'd be curious what examples come out to you, if I can pass the mic.

LOH: That's extremely fair, and so here's what I'll say.

One of the cool things about this research project is that we have extremely granular data now about, like, literally every single, almost every single, over 7,000 out of approximately 8,000 designated Opportunity Zones. We have this incredibly granular data. And so if there's any state or technical assistance provider that wants to sit down with us and answer particular questions we have the ability to for example, like, Sam, if you wanna sit down and do this in New Jersey, we can do it. You know, or if the questioner who wrote in wants to do this, Christopher and I would love to hear from anyone in the audience here. Just shoot us an email. If you have a super granular question that we didn't answer in our original analysis but that you're curious about, because it's it's like all of my research projects, a lot more data than I actually end up being able to talk about in one sitting.

Okay. Brian Darmody of the Association of University Research Parks wrote in to point out that the governor of Massachusetts has already submitted several higher education campuses as proposed designations for 2.0. Are you guys hearing about this as a trend that other states might also be looking at? Why is this kind of designation compelling, and how should anchor institutions think about the opportunity and prepare?

SMITH: I would say actually in 1.0 there were a lot of higher education institutions designated as Opportunity Zones. There are also the examples of, like, zones that were already kinda doing development and it just further kind of made them, those projects, kind of come to fruition. I would say with the way that they went around 2.0 was kinda to prevent some of the gaming around that. Because, you know, student populations obviously are in college, so you are gaming the whole piece about unemployment.

LOH: I see. They're not working. They're low income.

SMITH: Correct. Correct. And so, so I think it, it depends on what type of, you know, schools you're talking about. 'Cause obviously there are some schools that are in very low-income areas that probably could benefit from Opportunity Zones, but there are others that are kinda doing quite well you know, but despite being in the Opportunity Zone.

LOH: Bo, you want to weigh in?

MENKITI: I'd sort of just add, yeah, I'd speak to it just from like maybe adding to that at slightly other angle, which is that if you think about the fact that our universities and schools are some of the largest landholding organizations in many parts of our states, and they also are non-tax paying, the opportunity to take pieces of their campus to have them partner with private organizations to deliver amenities, I think is a trend that you're seeing in higher education, as sort of the amenitization and the student housing booms sorta create.

So in some ways I could see a broader strategy around trying to move stuff back onto tax rolls that could be part of an economic development strategy in certain areas that are starved for tax revenue. And oftentimes-- we see this in Worcester, Massachusetts-- the prevalence of universities is actually a significant drag on the tax base of the municipality. And so if you come at this from a dual-pronged approach, I could see a place where you have some of these universities that have land in lower income areas. So that's, that could be a way that this could work together in terms of an economic strategy.

LOH: So thinking of it as kind of like a triple win, like the university gets placemaking, the local government gets fiscal revitalization, and then the project developer gets the, you know, the actual like internal iron of the project.

That's interesting. Sam, has New Jersey thought about anchor institutions at all in its OZ strategy?

GILMAN: We have. I'd say we're still pre-designation, so this is one of those, one of those questions that I'll have to kind of be high level about. But I think, you know, place making, thinking about anchor institutions is a real part of the conversation. And of course, we did a meaningful amount of stakeholder outreach, and lots of those stakeholders were also highlighting the importance of what you've called the triple win.

LOH: So Sam, I think that's really interesting because I think that also highlights just how early we are in that, like, sure, OZ 1.0 already happened, so now many more people have heard of this program. There's more time to prepare this time around, but I think that does- your response speaks to how early days this still is. And it is by no means too late for any anchor institution in any state to go to their state and say, "Here's an opportunity to partner."

SMITH: And look, the truth is, with 1.0, that strategy's been used, and so you can kinda look at what localities did that in 1.0 and which ones kind of had the right results and which ones had the bad results.

LOH: I see. So there could be some opportunities for peer learning among... that, you know, maybe Brian Dermody himself could be well-positioned to facilitate. I'll be sure to follow up with him about that.

Okay. Audience members from as far apart as Port Townsend on the Olympic Peninsula and Fairfax County in Virginia want to know, what might OZ 2.0 mean for affordable housing? Do you anticipate any interaction with other federal policies or legislation?

Oh, Ja'Ron first.

SMITH: Oh, sorry. I'm, like, repeatedly not on mute, so I, like, jumped the gun. No, I think certainly there's, you know, participating in federal negotiations right now, there's a lot of talk around the art of the possible. You also have the Road to Housing Bill which just became law from Senator Scott and Elizabeth Warren's leadership with French Hill. And they've often said that they hope to design that program so it can work in concert with Opportunity Zones, and that's certainly Congress' effort to kind of help with the affordability crisis around housing.

And so that's certainly happening not just with that legislation, but also some copycat legislation that's being discussed for the new Congress.

LOH: So what should affordable housing developers be looking for? What should they be watching for in terms of topics, timing, opportunities?

MENKITI: I was just gonna say, I think that what I see the affordable housing community looking for, waiting for, watching for, outside of opportunities to work within the current framework, is the same level of coordination that we're talking about at a state level has not happened at the federal level around programs around housing.

So I think that is a conversation that needs to advance about the same way we're saying this needs to be part of an ecosystem that helps deliver upon policy goals. It's pretty clear today that the tools we have at the federal level have not-- that conversation is active, but has not been implemented any way into those e-regs that aligns yet.

Although there are many discussions about it it's not-- It's my understanding that we're not there yet, and that's a active conversation. And I think that's what folks like myself are sitting there looking at. We have an understanding of the current tools that are out there; how could Opportunity Zones align at the federal level with that, and how would that trickle down into the states?

LOH: Thanks for that, Bo. Christopher, thanks for joining us for our... This is our final five minutes. And so I think what we're realizing is that as interesting as this conversation has been today, there is still so much work left to do. Sam, New Jersey is still totally allowed to designate its zones. But Christopher, what's next?

COES: Well, there's two observations here particularly as it relates to the conversation about how affordable housing developers should think about this. But I actually wanna bring in not just affordable housing, but even those who are interested in economic development, job creation, energy production.

One of the things that Ja'Ron mentioned, there's a lot of conversation in, on Capitol Hill, but equally there's a conversation happening in state capitals today. Just a reminder, there are over 36 governor's races happening in this November, and one of the lessons that OZ 1 revealed to us, which is gonna repeat itself, is that many governors and legislators who are part of the process of designating oftentimes are not part of the process for implementing.

And so one of the first things I would say here that affordable housing developers, job creators, and private sectors, while you're engaging a current governor... Now granted, not Governor Sherrill in New Jersey doesn't have this problem, but some of her colleagues around the country may. I highly recommend that affordable housing developers, job creators, and private sector continue to educate not only the current staff, but also the future staff that would be sitting in positions at the state and local level. That's number one. Because oftentimes people will take more months to, to get up to speed, and they're gonna need this understanding of why decisions were made, but also the projects that are there and the new cases. So that's number one.

Number two, because of this moment, because we're in a change environment, both at the federal and state level, this is actually a great time for us to think about how do we actually

make this work holistically. There are gonna be a lot of proposals being introduced. Now is the time to actually connect, do more research, and also at the end of the day, get your talking points ready because there's gonna be a fertile ground as state legislatures and local governments and the like.

And the last piece I'll note here is, again, to Ja'Ron and Bo's point, and something that Sam has seen time and time again, this program has been designed and has been in many ways focused around real estate. But there is, now there was permanency, we can actually have a conversation around other categories. What about rural housing? Rural housing and healthcare. We know that there is there was a lot of interest in OZs using medical facilities as a way of leveraging OZ in 1.0. How do we bring that now into rural context, given the fact that there is a increased benefit for rural projects? Is there a model for around rural healthcare providers? Clean energy or energy generation. Back in 2017, 2018, energy was not necessarily, the clean energy movement was not necessarily a mature market. Over the last 15 years, we've seen states really provide, and local governments, along with the federal government, provide significant funds, grant dollars, financing tools. Now with this new incentive, with the idea of housing, community facilities, and even with the recent conversation around how do we create data-- implement and build data centers in a way that's equitable and inclusive, it creates more fertile ground.

And so I'm hoping that as folks are thinking about this, they do not stick their head in the sand and say, like I think a lot of people did at OZ 1.0, but actually go and pull on the tree branch and bend the opportunity towards many of the great projects and many things.

So I'll just leave with this, Tracy. As something I have said time and time again, the idea of Opportunity Zones to me is a roadmap for us to end disinvested and disadvantaged communities. When we come back 10 years from now, the question I have is, do we have fewer opportunity zones than more? And to get that, you actually have a plan, you have to have a strategy, you have to have the right ecosystem, you have to have the right incentive to... And turns out, that has nothing to do with Opportunity Zones. It's actually having a national strategy, a state strategy, a local strategy, and a corporate strategy that is filing for the first time, recognizing that for America to remain a global superpower, and a place, a beacon for hope, it cannot allow communities to sit on the sidelines.

And so in many ways, that is my my closing thought about why I'm excited about this work and how appreciative I am to work with you, Tracy, and many of the folks on this call 'cause that's a mission of our time today.

LOH: Thanks for that, Christopher. And let's conclude with appreciation. It's 3:00 PM. I wanna thank each of our panelists for taking the time to share your expertise and insights with us today. Thank you so much, and thank you to everyone who joined us online.

GILMAN: We did it.

LOH: All right.

GILMAN: Thanks everyone