Opportunity Zones Under Tax Reform

Presentation to:
Association of Baltimore Area Grantmakers

June 2018
Combined Baltimore City & County Opportunity Zones
On May 17, 2018, Enterprise CEO Terri Ludwig testified before the Joint Economic Committee on Opportunity Zones and shared some of the excitement and concerns we’re hearing on the ground.

Our recommendations:
- Promote the transparency of Opportunity Fund activities by collecting transaction-level data so that the public and Congress can evaluate the program’s effectiveness; and
- Ensure accountability and prevent abuse, specifically by issuing federal guidance to prevent investments that would disproportionately harm low-income residents and local businesses.

Guidance needed to answer the follow questions:
- What exactly can Opportunity Funds invest in? What’s prohibited?
- What data will fund managers be required to submit?
- What happens when an investor exits a deal?
- Can Opportunity Funds be paired with other investment dollars?
What’s Next for States and Communities

- Engagement with governors, mayors, county executives, local leaders, and other important community stakeholders

- Policies, programs, and planning that ensure equitable and inclusive economic development and expand access to opportunity for existing residents and local businesses

- Create strategies that:
  - Protect residents and business owners from displacement
  - Attract investment in Zones where private capital would otherwise not flow
  - Incent investments geared toward high social benefit
Local Leadership

- Key moment for public sector leaders and local stakeholders to get involved. Ensure that investments will:
  - Foster equitable and inclusive economic development
  - Expand access to opportunity for existing residents, local businesses

- Harness existing tools and create new tools and strategies to:
  - Protect residents and business owners from displacement
  - Attract investment aligned with local priorities and community needs
  - Ensure transparency and monitoring of investments

- Balancing need to prevent displacement and attract the right type of investment
Policies and tools that help prevent displacement of residents and businesses:

- Inclusionary zoning
- Linkage fees
- Local hiring requirements
- Property tax relief
- Preservation – specifically buying unregulated, rent-stabilized (i.e. naturally occurring) affordable housing
- Prevention –
  - tenant protections: eviction prevention, rent controls and tenant first-right-of-refusal policies
  - Rapid re-housing
- Community land trusts; land banks
- Housing trust funds
- Homebuyer (down payment) assistance
- Foreclosure mitigation
### Strategies to Prevent or Mitigate Displacement

**Strategies:**

- Can states certify Opportunity Funds created in their state?
- Can governments create state- or city-run Opportunity Funds?
- Can they require investments to stay in the locality or state?

- How can states leverage the role of CDFIs and other local community intermediaries to promote financial literacy, increase homeownership, develop project pipelines, manage, underwrite, etc.?
- How can states align Opportunity Funds with proven development programs such as LIHTC or NMTC deals?
- How can states build tax incentives or create tax or regulatory relief for social impact projects and other equitable growth investments?
- What specific business considerations should inform policy, such as land use, planning and social impact?
Strategies to Attract Investments

Getting Started:

- Think regionally, you can benefit (jobs, investment) from an Opportunity Zone within commuting distance
- Understand the investor motives
  - Temporary Deferral
  - Step Up In Basis
  - Permanent Exclusion
- Profile (mock up) a potential investor scenario to present to your clients and the investor

Begin Engagement:

- Raise awareness of Opportunity Zones with your networks (banks, developers, property owners, business networks)
- Raise awareness with local entrepreneurs and growth companies
- Develop relationship with local universities, trade schools, business incubators for longer term investment strategy
- Discuss with local planners and developers how these investments might fit into ongoing pipelines of their work
Preparation Activities:
- Inventory your local assets, i.e. land, shovel ready sites, infrastructure, buildings, etc.
- Have your demographics/numbers down pat
  - Elevator speech, written material, website, social media
  - Investor day in your area (shark tank pitches)

Pair Incentives:
- Discuss and promote add on incentives from the local, regional, state partners
  - Reduced/abated taxes, waivers of fees, tax increment financing, workforce development training
  - Stay informed and stay connected with your peers in region/state. Benefits may not be direct to you immediately but think long term
Examples:

- California – **AB3030** would add projects financed by Opportunity Funds to list of those exempt from the California Environmental Quality Act.

- 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).

- Missouri **SB590** modifies state Historic Preservation Tax Credit to set aside credits for projects redeveloped inside Opportunity Zones.
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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www.OpportunityZonesInfo.org