HUD's Approach to Developing a Strategic Plan to Support Opportunity Zones

OPPORTUNITY ZONES and PROMISE ZONE

November 12, 2019

California Go-Biz Webinar

Erich Yost
HUD Los Angeles Field Office
| Number of Designees | Urban, rural, and tribal communities  
|                    | Total 22 Promise Zones  
|                    | Round 1 (2014): 5 (Awarded: Required 1 of 3 Neighborhood Revitalization Initiatives)  
|                    | Round 2 (2015): 8 (Awarded)  
|                    | Round 3 (2016): 9 (Awarded)  
| Designation Duration | 10 Years  
| Qualifying Criteria | Contiguous geography encompassing one or more census tract (exception: Tribal)  
|                     | Population:  
|                     | Urban: 10,000 – 200,000  
|                     | Rural/Tribal: Less than 200,000  
|                     | Overall poverty rate or Extremely Low Income Rate  
|                     | Urban: At or above 33%  
|                     | Rural/Tribal: At or above 20%; PZ must contain one census tract at or above 30%  
|                     | Local leadership (Mayor) must demonstrate support  
| Lead Organizations  | May be local or tribal governments, or housing authorities or nonprofit organizations |
PROMISE ZONES

Create Jobs
Increase Economic Opportunity
Improve Educational Opportunities
Reduce Serious or Violent Crime
Leverage Private Capital
PROMISE ZONES

THEORY OF ACTION

High Need, High Capacity Communities

Federal Promise Zones Support

Increased Opportunity for Residents & Accelerated Community Revitalization
Promise Zones are a designation with benefits overseen by a federal agency and do not receive direct grant funding from any federal agency. Promise Zone designees receive the following benefits.

Engage five AmeriCorps*VISTA members annually

A federal liaison assigned to assist with navigating federal programs

Preference for certain competitive federal programs and federal technical assistance

Promise Zone tax incentives if enacted by Congress
Exciting time for the rapid influx of entrepreneurial capital for community wealth building and the federal government’s entrepreneurial spirit to match the private market with our public investment resource alignment.

Erich Yost
U.S. Department of Housing and Urban Development
One argument for repealing the OZ tax incentive is that other approaches are available to help low-income households obtain safe, affordable housing, generally at less cost to the government.

OZs are not an effective way to help the poor. Most of its benefits flow to developers and investors, instead of the low-income families that are supposed to benefit.

The OZ program is only marginally successful, and we recommend scrapping that program altogether. Thus, history seems to warn against both direct public provision of homes and targeted tax subsidies for developers.

The OZ initiative is poorly administered, but we have every reason to think that this program ends up enriching some developers and leading to many projects that should never have been built.

The OZ program “may partially act as a wealth transfer to recipient developers and project owners, rather than conferring benefits concentrated to low-income families.”
What is being said about Opportunity Zones

- One argument for repealing the **Low Income Housing Tax Credit** is that other approaches are available to help low-income households obtain safe, affordable housing, generally at less cost to the government.
- **Low Income Housing Tax Credits** are not an effective way to help the poor. Most of its benefits flow to developers and investors, instead of the low-income families that are supposed to benefit.
- The **LIHTC** program is only marginally successful, and we recommend scrapping that program altogether. Thus, history seems to warn against both direct public provision of homes and targeted tax subsidies for developers.
- The **LIHTC** is poorly administered, but we have every reason to think that this program ends up enriching some developers and leading to many projects that should never have been built.
- The **LIHTC** program “may partially act as a wealth transfer to recipient developers and project owners, rather than conferring benefits concentrated to low-income families.”
OPPORTUNITY ZONES CONCERNS

- Rural and Suburban OZ
- Community Economic Development
- Federal versus Local
- Draft Regulations
- Impact Driven Investments
- Myths / Misinformation
## COMMUNITY DEVELOPMENT / COMMUNITYWEALTH BUILDING

<table>
<thead>
<tr>
<th>COMMUNITY DEVELOPMENT (OLD SYSTEM)</th>
<th>COMMUNITY WEALTH (NEW SYSTEM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chases one-size-fits-all programs and dollars from Washington and Wall Street</td>
<td>Uncovers the community’s own competitive assets and grows them</td>
</tr>
<tr>
<td>Lacks focus on neighborhood economies, failing to counteract the hollowing-out of commercial corridors</td>
<td>Enhances local business demand and prevents the parasitic economy</td>
</tr>
<tr>
<td>Builds low-income housing in disadvantaged communities, creating affordable rental units</td>
<td>Strengthens neighborhood nodes into mixed-income areas, creating enough wealth for people to own their homes and companies</td>
</tr>
<tr>
<td>Promotes home-ownership as primary policy incentive</td>
<td>Expands networks for entrepreneurs to combat systemic racism and disinvestment</td>
</tr>
<tr>
<td>Follows a two-pocket capital apparatus largely financed by a mix of debt and subsidy</td>
<td>Creates access to one-pocket capital with a blended capital stack</td>
</tr>
<tr>
<td>Lacks ability to swiftly identify and dispose of public and non-profit owned land</td>
<td>Integrates civic assets into a framework that will create wealth for its citizens</td>
</tr>
<tr>
<td>Undercapitalizes compartmentalized, small-scale public and civic organizations and nonprofits</td>
<td>Supports holistic, next-generation public, private, and civic institutions, that are largely local</td>
</tr>
</tbody>
</table>

“Towards A New System of Community Wealth” / Nowak Metro Finance Lab, BluePrintLocal, Accelerator for America
CHALLENGES & MISCONCEPTIONS WITH OPPORTUNITY ZONES

- OZ Investments Across the Country
- Various States of OZ Readiness Across the Country
- Measuring Community Engagement and Impact
- Investors Experience with Communities
- Deal Match-Making and Pitching
- Ensuring Investments are Community-Centric
## California Opportunity Zones

<table>
<thead>
<tr>
<th>Metric</th>
<th>California</th>
<th>California Opportunity Zones</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minority Population</td>
<td>62%</td>
<td>81%</td>
</tr>
<tr>
<td>Poverty Rate</td>
<td>15%</td>
<td>31%</td>
</tr>
<tr>
<td>Average MFI*</td>
<td>$77,000</td>
<td>$42,100</td>
</tr>
<tr>
<td>Bachelor's Degree+</td>
<td>33%</td>
<td>15%</td>
</tr>
<tr>
<td>Adults Not Working</td>
<td>28%</td>
<td>35%</td>
</tr>
<tr>
<td>Housing Vacancy</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>Rent Burdened</td>
<td>56%</td>
<td>63%</td>
</tr>
</tbody>
</table>
### CALIFORNIA OPPORTUNITY ZONES

#### Designated Qualified Opportunity Zones

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Designated Opportunity Zones</th>
<th>Eligible, nondesignated</th>
<th>All state tracts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total number of tracts</strong></td>
<td>879</td>
<td>3,464</td>
<td>8,057</td>
</tr>
<tr>
<td><strong>Low-income communities</strong></td>
<td>867</td>
<td>2,649</td>
<td>3,516</td>
</tr>
<tr>
<td><strong>Contiguous</strong></td>
<td>9</td>
<td>815</td>
<td>824</td>
</tr>
<tr>
<td><strong>Median household income</strong></td>
<td>$36,134</td>
<td>$50,858</td>
<td>$69,549</td>
</tr>
<tr>
<td><strong>Poverty rate</strong></td>
<td>32.88%</td>
<td>20.69%</td>
<td>16.14%</td>
</tr>
<tr>
<td><strong>Unemployment rate</strong></td>
<td>13.41%</td>
<td>10.28%</td>
<td>9.00%</td>
</tr>
<tr>
<td><strong>Median home value</strong></td>
<td>$263,946</td>
<td>$335,264</td>
<td>$469,890</td>
</tr>
<tr>
<td><strong>Median rent/month</strong></td>
<td>$1,003</td>
<td>$1,214</td>
<td>$1,452</td>
</tr>
<tr>
<td><strong>Median rent/month</strong></td>
<td>32.71%</td>
<td>45.92%</td>
<td>54.03%</td>
</tr>
<tr>
<td><strong>Vacancy rate</strong></td>
<td>8.76%</td>
<td>7.75%</td>
<td>7.38%</td>
</tr>
<tr>
<td><strong>White alone</strong></td>
<td>20.83%</td>
<td>29.73%</td>
<td>39.84%</td>
</tr>
<tr>
<td><strong>Black alone</strong></td>
<td>9.44%</td>
<td>6.66%</td>
<td>5.63%</td>
</tr>
<tr>
<td><strong>Hispanic</strong></td>
<td>58.40%</td>
<td>48.73%</td>
<td>37.55%</td>
</tr>
<tr>
<td><strong>Vietnamese</strong></td>
<td>8.30%</td>
<td>11.88%</td>
<td>13.51%</td>
</tr>
<tr>
<td><strong>Younger than 18</strong></td>
<td>27.33%</td>
<td>23.90%</td>
<td>22.82%</td>
</tr>
<tr>
<td><strong>Older than 64</strong></td>
<td>9.62%</td>
<td>12.11%</td>
<td>13.62%</td>
</tr>
<tr>
<td><strong>Age 25+ with high school degree or less</strong></td>
<td>60.06%</td>
<td>49.83%</td>
<td>39.47%</td>
</tr>
<tr>
<td><strong>Age 25+ with bachelor’s degree or higher</strong></td>
<td>14.14%</td>
<td>20.90%</td>
<td>31.22%</td>
</tr>
<tr>
<td><strong>Non-core-based statistical area (not in a metro nor micro area)</strong></td>
<td>2.39%</td>
<td>0.84%</td>
<td>0.96%</td>
</tr>
</tbody>
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OPPORTUNITY ZONES: TAKE-AWAYS

1. Opportunity Zone Federal, State and Local Activities
2. Public OZ Investments versus Private OZ Investments
3. Real Estate Investments versus Operating Business Investments
4. Community Wealth Building replacing Community Economic Development
“How could you support and nurture minority and women storytellers as well as innovators and creators by driving inclusion, culture and diversity across every facet of its ecosystem through finance, media and tech expertise?”
Ozzie Areu, Founder & CEO of Areu Bros., announced on September 3, 2019 the launch of a Qualified Opportunity Zones platform encompassing entertainment, technology and real estate, becoming the first film and television studio to join this fast-growing socially conscious program. Areu Bros.' mandate is to support and nurture minority and women storytellers as well as innovators and creators by driving inclusion, culture and diversity across every facet of its ecosystem through finance, media and tech expertise.

The fully-integrated entertainment platform anticipates a footprint in Qualified Opportunity Zones in Atlanta, Puerto Rico, Miami, and Los Angeles and will focus on three core verticals - Entertainment, Ventures and Real Estate. Entertainment will consist mostly of Motion Pictures, Television, Short Form Content, Music, as well as ancillary efforts in Gaming, Stage Plays, Publishing and Merchandise. Ventures will focus on Technology companies. Lastly, its Real Estate vertical will be investing in properties that allow the company to aggressively support creative communities by providing physical infrastructure for creators and collaborators to work alongside one another.
“How can Opportunity Zones Help Artificial Intelligence Startups Thrive in Low-Income Communities?”
WIF AX (Women’s Innovation Fund Accelerator) is a Qualified Opportunity Fund building women-balanced and environmentally-sustainable organizations within QOZ’s nationwide. They plan to use a mix of incubation, shared workspace, and business finance while requiring participants to have a C-suite made up of at least 50% women, and operational plans which contain environmental sustainability considerations. WIF AX was founded in 2019 and based in Los Angeles, CA.

Their focus is in the US markets that are underserved and underrepresented such as in Los Angeles, California.
Is your ___ (city, neighborhood, community) prepared for entrepreneurial capital absorption into the community capital stack for community wealth building?

Erich Yost
U.S. Department of Housing and Urban Development
Investing in Opportunity Act Sponsors

Senator Cory Booker (D-NJ)
Senator Tim Scott (R-SC)
Congressman Kind (D-WA)
Congressman Tiberi (R-OH)

100 Co-Sponsors
OPPORTUNITY ZONES

PURPOSE

Investment
Encourage long-term investment in economically distressed communities

Job Growth
Spur economic development and job creation in these communities

Tax Relief
Offer capital gains tax relief to investors
OPPORTUNITY ZONES AND WHORC

Jobs and Tax Act of 2017

Executive Order establishing White House Opportunity and Revitalization Council (WHORC) – 13 Federal Agencies

WHORC Purpose and Mission Statement

WHORC Implementation Plan

WHORC Five Work Streams – Focus Areas

HUD Strategic Plan 2018-2022

HUD Departmental Goals

Program Office Corresponding Goals

Program Office Supporting Activities & Implementation

Agency Strategic Plan for OZs

Departmental Strategic Plan to Support OZs

Program Office Training Needs & Products

Stakeholder Resources & Tools

State/Local Opportunity Zone Strategies

HUD’s strategy to direct resources & establish goals (Currently Pending: In Planning Stage)
Advance Economic Opportunity

Bolster Growth in Opportunity Zones

Optimize current HUD programs, policies and grants to bolster Opportunity Zone investments, where program objectives align.

STRATEGIES

• Integrate support for Opportunity Zone investment into HUD programs.

• Integrate Opportunity Zone investment into HUD rules, regulations, and guidance.
Established the White House Opportunity and Revitalization Council chaired by HUD Secretary Ben Carson

Scott Turner is the Executive Director of the Council

Sets Mission and Function of the Council

Requires Assistant to the President for Domestic Policy, on behalf of Council to report to the President:

1) Within 90 a detailed work plan (Implementation Plan Released 4/17/19)
2) Within 210 days a list of recommendations to encourage public and private investment
3) Within 1 year a list that would help state, local and tribal governments to better utilize Federal resources
4) Within 1 year a list of best practices that could be integrated into public and private investments

White House Opportunity and Revitalization Council Meeting Remarks (April 4, 2019)
White House Opportunity Zone Conference (4/17/19)
WHITE HOUSE OPPORTUNITY AND REVITALIZATION COUNCIL

Guidance
Provide Guidance on How to Target Investments

Coordination
Coordinate with Other Federal Agencies in Administering Programs

Measure
Measure Investment Outcomes
<table>
<thead>
<tr>
<th>WHITE HOUSE OPPORTUNITY AND REVITALIZATION COUNCIL</th>
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<tr>
<td>Education &amp; Workforce Development</td>
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<td>Measurement &amp; Analysis</td>
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HUD’S ROLE

Coordinate Federal Programs and Investments from Other Agencies

Lead Local Efforts to Attract Private Investment

Collect Data to Assess Effectiveness of Investments
**Qualified Opportunity Zone**
A QOZ is a Qualified Opportunity Zone that has been designated by the Treasury Secretary.

**Qualified Opportunity Fund**
A QOF is a Qualified Opportunity Fund that invests its assets in QOZs and is eligible for tax incentives.
Taxpayer Incentives

Maximum Benefit is Achieved by Holding the QOZ Investment for at Least 10 Years

- 5 years: 10% Step up in basis of QOZ investment
- 7 years: Additional 5% Step up in basis of QOZ investment
- 10 years: Taxes paid on deferred capital gain
- Permanent Exclusion of gains accrued in the QOZ through 2047
OPPORTUNITY ZONES

**Low-Income**
Population census tracts that meet statutory definition of “low-income community” i.e. 20% min poverty rate or <80% AMI.

**Nominated**
Governors could nominate up to 25% of eligible tracts, with a minimum of 25. Could nominate contiguous tracts if nominating both, and tract <125% AMI, no more than 5%

**Private Investments**
Private investments in OZs are eligible for capital gains tax relief. May invest in stock, partnership interest, business property, or businesses. No “sin” businesses.

**Public Investments**
Public investments from the federal government include OZ benefits for federal grants and programs. Cities and states also offering benefits.

8,764 OZ CENSUS TRACTS
FEDERAL POLICY FOR ECONOMICALLY DISTRESSED COMMUNITIES

Qualified Opportunity Zone Census Tracts

Opportunity Zone Investments

Economically Distressed Communities (Including Opportunity Zones)

Federal Public Policy

Federal Grant and Program Priorities

Philanthropy

Local Government OZ Incentives

State Government OZ Incentives

Federal Government OZ Incentives

Community Partners & Stakeholders

Assisting Disadvantaged and Economically Distressed Communities in OZ Census Tracts
OPPORTUNITY ZONES: FEDERAL LEGISLATION

• “Collect Data and Issue a Report on the Opportunity Zone Tax Incentives” / H.R. 2593 and S. 1344
  ▪ Would reinstate reporting requirements and expand transparency.
  ▪ Latest Action: H.R. 5/8/19 Referred to the house Committee on Ways and Means / S. 6/7/19 Read twice and referred to the Committee on Finance

• “Disaster Opportunity Zones Act” / S. 1000
  ▪ Allow the designation of opportunity zones for population census tracts affected by Hurricane Florence, Hurricane Michael, and the Mendocino, Carr, Camp, Woolsey, and Hill wildfires.
  ▪ Latest Action: S. 4/3/19 Read twice and referred to the Committee on Finance

• “Disaster Recovery and Opportunity Act of 2019” / H.R. 1851
  ▪ Allow certain Federally declared disaster areas to be designated as opportunity zones for purposes of economic development and recovery.
  ▪ Latest Action: H.R. 3/21/19 Referred to the House Committee on Ways and Means

• “Incentivizing Investment and Job Creation in Opportunity Zones Act of 2019” / H.R. 3390
  ▪ To incentivize manufacturers to relocate production to Opportunity Zones in the United States, and for other purposes.
  ▪ Latest Action: 6/20/19 Referred to the House Committee on Ways and Means
• “CAPITAL Act of 2019” / H.R. 1852
  ▪ To amend the Internal Revenue Code of 1986 to provide for designation of qualified opportunity zones every 10 years.
  ▪ Latest Action: 3/21/19 Referred to the House Committee on Ways and Means

• “Opportunity Zone Lead Remediation Impact Act of 2019” / H.R. 4011
  ▪ To amend the Internal Revenue Code of 1986 to require lead remediation for qualified opportunity zone property originally constructed before January 1, 1978.
  ▪ Latest Action: 7/25/19 Referred to the House Committee on Ways and Means

• “Unlocking Opportunities in Emerging Markets Act of 2019” / S. 2360
  ▪ To establish an Office of Emerging Markets within the Small Business Administration that will strengthen the development of small business concerns in emerging markets, including those owned by women, minorities, veterans, and those located in rural areas, and for other purposes.
  ▪ Latest Action: 7/31/19 Introduced in Senate

• “Closing the Credit Gap Act” / S. 2361
  ▪ To amend the Small Business Act to increase lending to underserved borrowers through the largest loan program of the Small Business Administration, and for other purposes.
  ▪ Latest Action: 7/31/19 Introduced in Senate
OPPORTUNITY ZONES: FEDERAL LEGISLATION

• “Transit to Trails Act of 2019” / H.R. 4273 and S. 2467
  ▪ To establish a program to award grants to entities that provide transportation connectors from critically underserved urban communities and rural communities to green spaces.
  ▪ Latest Actions: H.R. 9/10/19 Introduced in House and S. 9/11/19 Introduced in Senate

• “Opportunity Zone Reporting and Reform Act” / S. 2787
  ▪ To amend the Internal Revenue Code of 1986 to require reporting for Qualified Opportunity Funds, to make modifications to Opportunity Zones, and for other purposes.
  ▪ Latest Action: 11/6/19 Introduced in Senate

• “To Amend the Internal Revenue Code of 1986 to Require Fairness and Diversity in Opportunity Zone Investment” / H.R. 4999
  ▪ Latest Action: 11/8/19 Introduced in House

• “Opportunity Zone Accountability and Transparency Act” / H.R.
  ▪ To establish a reporting framework, disclosure requirements and a penalty structure for Qualified Opportunity Funds (QOFs) and to mandate that QOFs annually report assets; their aggregate amount of qualified OZ stock, OZ partnership interests and OZ business property; and details about the types of OZ businesses for which the QOF holds business property.
  ▪ Latest Action: Draft of Bill Released
• “Anticipated proposed legislation to provide a one year extension of deferral date through end of 2027"
WHORC IMPLEMENTATION PLAN: WORK STREAMS

**Economic Development**
- **Lead Agency**
  - Department of Commerce (DOC)
- **Supporting Agencies**
  - Small Business Administration (SBA)
  - Department of Housing and Urban Development (HUD)
  - Department of Agriculture (USDA)
  - Treasury Department (Treasury)
  - Department of Transportation (DOT)
  - Department of Health and Human Services (HHS)
  - Council on Environmental Quality (CEQ)
  - Environmental Protection Agency (EPA)

**Entrepreneurship**
- **Lead Agency**
  - Small Business Administration (SBA)
- **Supporting Agencies**
  - Department of Commerce (DOC)
  - Department of Energy (DOE)
  - Department of Agriculture (USDA)
  - Department of the Interior (DOI)

**Safe Neighborhoods**
- **Lead Agency**
  - Department of Justice (DOJ)
- **Supporting Agencies**
  - Department of Health and Human Services (HHS)
  - Environmental Protection Agency (EPA)
  - Department of the Interior (DOI)

**Education and Workforce Development**
- **Lead Agencies**
  - Department of Education (ED)
  - Department of Labor (DOL)
- **Supporting Agencies**
  - Department of Health and Human Services (HHS)
  - Department of Agriculture (USDA)
  - Department of Commerce (DOC)
  - Department of Energy (DOE)
**Economic Development**

- **Action Items**
  - Leverage federal grants and loans in a more integrated way to develop dilapidated properties and provide basic infrastructure and financial tools to attract private investment.

**Entrepreneurship**

- **Action Items**
  - Leverage governmental lending and grants to stimulate access to private capital, and promote programs that assist entrepreneurs.

**Safe Neighborhoods**

- **Action Items**
  - Combat drug addiction and the opioid crises, reduce crime/enhance public safety, and address environmental contamination obstacles to development.

**Education and Workforce Development**

- **Action Items**
  - Improve the efficacy of K-12 and community college career and technical education and workforce development programs to better prepare workers in distressed communities for jobs.
Economic Development
- Target and streamline infrastructure programs to Opportunity Zones and other economically distressed communities;
- Leverage Federal grants and loans in a more integrated way;
- Improve and increase coordination between Federal, State, local, and tribal capital investment;
- Provide increased flexibility in existing Federal programs that operate within Opportunity Zones;
- Spur private investment through public-private partnerships.

Entrepreneurship
- Assist Opportunity Zones and other economically distressed communities and investors with entrepreneurial engagement;
- Provide targeted assistance and toolkits to Opportunity Zone entrepreneurs;
- Integrate Opportunity Zones into existing Federal programs;
- Leverage governmental lending and grants to address the unique challenges of minority, female, rural entrepreneurs; and
- Promote available Federal resources and programs to entrepreneurs in Opportunity Zones.

Safe Neighborhoods
- Target Federal crime reduction and public safety programs in Opportunity Zones and other distressed communities;
- Assist communities in combatting drug addiction and the opioid crises;
- Assist communities in addressing environmental contamination to development; and
- Help communities expand rehabilitation programs to improve reentry to society.

Education and Workforce Development
- Target education and workforce development resources to Opportunity Zones and other economically distressed communities;
- Focus existing and new public and private investment in high-return, value-added workforce development activities through improved programmatic flexibility;
- Better connect communities with existing economic and employer networks;
- Modernize existing talent development pipelines;
- Incentivize expansion of and investment in high-quality educational opportunities, especially charter schools, to serve students in Opportunity Zones; and
- Help communities “rethink” the complete pipeline of education and workforce development including an improved emphasis on program outcomes.
Measurement and Analysis

• **Lead Agency**
  Council on Economic Advisors

• **Supporting Agencies**
  Treasury Department (Treasury)
  Department of Housing and Urban Development (HUD)
  Department of Commerce (DOC)

• **Action Items**
  Develop robust reporting and analytics to measure impact of Opportunity Zones
Local Leaders

The White House Opportunity and Revitalization Council has identified in excess of 180 Federal programs whereby targeting, preference, or additional support can be provided to Opportunity Zones.

opportunityzones.hud.gov
The Council

 Investors
 Establishing a Qualified Opportunity Fund

 Local Leaders
 Community Toolkit

 Entrepreneurs
 Opportunity Zones

 Objectives of the Council
 Taxpayer Incentives

 Completed Action Items
 Are you planning to start or expand a small business in an OZ?

 Work Streams
 Investment Example

 State’s or Territory’s Strategy

 Implementation Plan
 Proposed OZ IRS Rules

 Completed Action Items
 Relevant Tax Forms

 SEC Guidance

 Resources

 Join Mailing List

 Executive Order Establishing the Council

 Proposed Opportunity Zone IRS Rules

 Opportunity Zone Legislation

 FAQs

 Map of Opportunity Zones

 Government Contracting Opportunities

 Relevant Tax Forms

 Tax Cuts and Jobs Act

 CDFI Fund Opportunity Zones Resources
An Opportunity Zone is a powerful new tool intended to stimulate investment in distressed communities. Harnessing this tool to support short- and long-term community objectives requires careful and thoughtful planning. This document provides a roadmap to help communities plan for potential investments in Opportunity Zones by understanding local needs, aligning community assets, establishing regulatory tools and financing incentives to support investments and forming partnerships toward equitable and inclusive community development. This roadmap serves as an introductory guide for local jurisdictions to plan for economic development within Opportunity Zones. It summarizes core components of a comprehensive, forthcoming Opportunity Zone toolkit as well as resources on OpportunityZones.gov that explore these components in greater detail.
# Summary – Preparing for Potential Investments

## Housing needs and market conditions
- What are the current housing needs and market trends?
- How do needs and trends differ within Opportunity Zones?
- What residential development is currently planned in Opportunity Zones?

## Economic drivers and growth sectors
- What are the needs and opportunities within key sectors?
- What strategies or tools could support their growth?
- What specific tools or incentives can encourage start-ups and small businesses?

## Existing plans and initiatives
- How do existing plans or initiatives intersect with Opportunity Zones?
- Are there existing initiatives that can be aligned with needs in Opportunity Zones?
- What have key stakeholders identified as priorities for Opportunity Zones?

## Delivery systems
- How do housing and economic delivery systems support specific needs in Opportunity Zones?
- What adjustments are necessary to facilitate better connections at the systems level?

## Ecosystem for partnership
- How do existing partnerships currently support needs in Opportunity Zones?
- What gaps exist?
- What new partners should be engaged to address cross-sector needs?

## Internal capacity
- How are public agencies and partners positioned to support activity in Opportunity Zones?
- What are key capacity gaps (functional and technical)?

## Existing toolbox and assets
- What new or revised tools are needed to support strategies and investments in Opportunity Zones?
- What assets are in Opportunity Zones and how can they be leveraged?

## Decision-making authority
- What authority do local governments have to enable new or revised tools and incentives?
- How are local resources currently allocated?
- How can processes be changed to support investments in Opportunity Zones?
The White House Opportunity and Revitalization Council

Completed Program Targeting Actions

The Opportunity Zone tax incentive is a powerful new tool meant to bring private capital to underserved communities. However, economically distressed communities require more than private capital alone. Many of these communities are in need of public-sector support and regulatory streamlining to ensure they develop the foundations necessary to support a thriving private sector. Public investment in economic development, entrepreneurship, education and workforce training, and safe neighborhoods — along with guidance for engaging with investors and entrepreneurs — will help communities unlock private capital to create sustainable growth. This public-sector investment serves as a means by which to attract and continue the flow of private capital-investment into Opportunity Zones.

Acknowledging this need, President Donald J. Trump signed Executive Order 13853 on December 12, 2018. This Order established the White House Opportunity and Revitalization Council to carry out the Administration’s plan to target, streamline, and coordinate Federal resources to be used in Opportunity Zones and other economically distressed communities. This public-sector commitment overlays the Opportunity Zone tax incentive in the Tax Cuts and Jobs Act. Together, private capital and public investment will stimulate economic opportunity, encourage entrepreneurship, expand educational opportunities, develop and rehabilitate quality housing stock, promote workforce development, and promote safety and prevent crime in economically distressed communities. State, local, and tribal leaders have an opportunity to leverage the work of the Council and to also conduct similar reviews of their own programs and regulations.

The White House Opportunity and Revitalization Council members have identified over one-hundred and sixty Federal programs where targeting, preference, or additional support could be granted to Opportunity Zones. As of October 1, 2019, the Council has already taken action on 160 grants or programs:
### OZ FEDERAL PROGRAM ALIGNMENT

Federal Agency Opportunity Zone Alignment

As of November 1, 2019

- **16** Federal Agencies have aligned **171** grants or programs to Opportunity Zones
- **Total of 145 Grants: 21 Currently Open**
- **Total of 26 Programs**

<table>
<thead>
<tr>
<th>Agency</th>
<th>Agency Name</th>
<th># of Unique Grants</th>
<th># of Programs</th>
<th>Total #</th>
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<td>Small Business Administration</td>
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<tr>
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<td>Environmental Protection Agency</td>
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<td>Northern Border Regional Commission</td>
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<td><strong>Totals</strong></td>
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<td><strong>145</strong></td>
<td><strong>26</strong></td>
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OZ FEDERAL PROGRAM ALIGNMENT: HUD

HUD GRANTS WITH OPPORTUNITY ZONE PREFERENCE

Choice Neighborhoods Planning Grants
Choice Neighborhoods Implementation Grant Program
Comprehensive Housing Counseling Grant Program
Healthy Homes Production Grant Program for Tribal Housing
HOPE VI Main Street Grant Program
Indian Housing Block Grant (IHBG) Program-Competitive Grants
Jobs Plus Initiative
Lead Hazard Reduction Grant Program
Project Rental Assistance Program of Section 811 Supportive Housing for Persons with Disabilities
Rural Capacity Building for Community Development and Affordable Housing Grants (RCB)
Resident Opportunity & Self-Sufficiency Program
Section 202 Supportive Housing for the Elderly Program
Section 811 Supportive Housing for Persons with Disabilities (Capital Advance)
Self-Help Homeownership Opportunity Program
Veterans Housing Rehabilitation and Modification Pilot Program
HUD PROGRAMS WITH OPPORTUNITY ZONE PREFERENCE

- Distressed Cities Technical Assistance
- Guidance on Submitting Consolidated Plans and Annual Action Plans
- Incentives for FHA Mortgage Insurance for Properties Located in Opportunity Zones (Multifamily)
- Incentives for FHA Mortgage Insurance for Properties Located in Opportunity Zones (Residential Care / Nursing Homes)
- Neighborhood Stabilization Program
- Office of Housing "New Pilot"
- OpportunityZones Website
- Opportunity Zone Toolkit Volume 1
- Rental Assistance Demonstration – Final Implementation, Revision 4
- Request for Information - Opportunity Zones
- Section 220 (Mortgage Insurance for Rental Housing)
Underwriting FHA Insured Deals in Opportunity Zones

Ballard Spahr LLP
PNC
Dougherty Mortgage LLC
HUD Office of Multifamily Production

July 11, 2019

Here is a link to the webcast: https://www.youtube.com/watch?v=FhJe_GsaqHc&feature=youtu.be
“While the federal government will ultimately write the basic rules, the evolution of the Opportunity Zone tax incentive will also take place via market norms and policy and practice innovations that are invented in one city and then replicated or adapted in rapid fashion across multiple communities.”

LORI BAMBERGER AND BRUCE KATZ
OPPORTUNITY ZONES AND URBAN REVITALIZATION
a place-based approach to the emerging market

Bruce Katz & Colin Higgins
Find us on Twitter: @Bruce_Katz @ColinHiggins | @ChelaLab @The_Gov_Project @ABACoalition
• The conversation a year ago focused on the translation of what the incentive is—that it is not a federal "program," but a tax incentive.

• Investors early on focused on shovel ready deals in the right tracts with the right returns.

• Now the conversation is maturing on both sides of the aisle. Both sides of the equation—cities and investors—are immersed in learning the language of communities and their development pipelines, on the one hand, and the vernacular of private equity, impact and venture capital, and family offices, and their operations and needs, on the other.

LORI BAMBERGER AND BRUCE KATZ
“VOICES FROM THE FIELD”
OVER 400 FUNDS HAVE BEEN ANNOUNCED

OVER $70 BILLION

AND GROWING
OVER 400 FUNDS HAVE BEEN ANNOUNCED

OVER $70 BILLION

AND GROWING

Includes over 120 Funds with over $33 Billion Wanting to Invest in Housing
LIHTC is about $8 Billion Annually
OPPORTUNITY ZONES: NATIONAL TRANSACTIONS

- The investor base is **broad**.
- OZs genuinely **changes the economics** of many types of investment.
- OZ equity often serves as the **deal closer**.
- **Local capital** will move first.
- Operating **business side** of the market is mostly frozen pending regulations.
- Local **leadership** is key. Philanthropies, non-profits, other want to know how they can help. They are looking to you for an answer.
- Local leaders should **chart that vision** and **build in community impact** along the way.
- **Indirect impacts** and opportunities for entrepreneurship and wealth-building will be significant.
OPPORTUNITY ZONES: FUNDS

• While more than 370 OZ Funds formed Novogradac is tracking 136 OZ Funds
• Their OZ Funds listing illustrate more than $29 billion
• Preliminary results of their survey from 40 responses
  • Raised $790 million
  • > 60% Raised more than $3 million
  • Average raise was more than $31.5 million, median of $5 million
• 50% plan to use OZ Fund in addition to other tax incentives
• 33% of OZ Funds plan to invest in operating businesses
• 8% of OZ Funds focused solely on operating businesses
• 92% of OZ Funds plan to invest in real estate
• 69% of OZ Funds focused solely on real estate
• 79% of OZ Funds plan to invest in housing
• 41% of OZ Funds plan to invest solely in housing
• Of the 17 OZ Funds that plan to invest in affordable housing, 9 plan to use LIHTC

NOVOGRADAC (JUNE 2019)
OPPORTUNITY ZONES: EARLY NATIONAL TRANSACTIONS

100s of OZ Projects Already Being Funded and Developed Across the County

- Mixed-income apartments: Downtown Duluth, MN
- Major brownfield remediation: East Chicago, IN
- Affordable mixed use + small business: Charlottesville, VA
- Senior care center: Heflin, AL
- Sawmill conversion: Vicksburg, MS
- Affordable housing: Orlando, FL
- Hotel: Oakland, CA
- Mixed-Use Project: San Jose, CA
- Main Street refurb: Augusta, ME
- Brownfield to mixed use: Baltimore, MD
OPPORTUNITY ZONES: NATIONAL HOUSING TRANSACTIONS

• **Charlottesville, VA:** Habitat for Humanity (HFH) purchased a mobile home park several years ago, and with the help of Opportunity Zones funding, are now planning to build 800 units of housing, half of which will be affordable and offered first to current residents, as well as commercial space that will be available to park residents rent free if they are interested in starting a business.

• **Newark, NJ:** Newark developer Ron Beit is launching a $40 million Opportunity Fund focused on building housing for teachers and other social impact-related projects in cities across the U.S.

• **Cleveland, OH:** Local healthcare system Metro Health announced a $60 million direct investment into a 250-unit affordable apartment complex in its Clark-Fulton neighborhood utilizing Opportunity Zone capital.

• **Chicago, IL:** The $100 million Solar Chicago Fund, managed by Chicago-based 548 Capital, acquired its first capital infusion in June. The fund aims to renovate, retrofit, and preserve 3,300 low-income units on Chicago’s South and West sides through energy efficiency mechanisms.

• **Kansas City, MO:** Kansas City-based CDFI AltCap has launched Equity2, a Qualified Opportunity Fund, to invest in OZs. “We’re interested in real estate projects that address real issues, like affordable housing that focuses on home ownership as a tool for building wealth.

• **Los Angeles, CA:** SoLa Impact, a developer of affordable and workforce housing in distressed neighborhoods of South Los Angeles, raised a $100 million Opportunity Fund - its largest fund to date. Martin Muoto, founder of SoLa Impact, plans to build between 1,500 and 2,500 units in the neighborhood, and also construct commercial space for new businesses to locate and potentially take advantage of Opportunity Zones financing.

• **Los Angeles, CA:** Housing Authority of the City of Los Angeles is utilizing an Opportunity Zone fund to invest in the Rental Assistance Demonstration for the Jordan Downs public housing conversion and construction.
OPPORTUNITY ZONES: SOCIALLY MOTIVATED FUNDS

• Newark developer RBH Group has launched a fund to build housing for teachers and other social impact-related projects in cities around the country. RBH has had success with a similar project in Newark called Teachers Village.

• An opportunity-zone fund, which includes East Chicago Gateway Partnership as a lead investor, plans to develop 225 acres of a 440-acre brownfield between Chicago and Gary, Ind., that has been listed as a hazardous-waste site since 1997 into a logistics and distribution hub.

• Hypothesis Ventures, a Los Angeles-based venture capital firm, has an opportunity-zone fund to invest in early-stage technology start-ups around the country. The possibilities include financial technology, health-care technology, agricultural technology, artificial intelligence and enterprise software.

• The HBCU (historically black college and university) Community Development Action Coalition and Renaissance Equity Partners, a community economic development advisory firm in the District, have formed a joint venture. The Renaissance HBCU Opportunity Fund, which is expected to raise $50 million, hopes to finance development of mixed-use projects on or near HBCU campuses.
State OZ Innovations and News

- Arkansas SB 196, to provide state tax incentives related to investments in OZs
- California AB 742, would enact the Place-Based Economic Strategies Act for Ozs (and Promise Zones)
- Florida HB 481, Amends Florida Enterprise Act as Florida Opportunity Act
- Kentucky HB 203, An act creating the Kentucky Rural and Opportunity Zones Jobs Act
- Maryland S.B. 581, an act concerning Economic, Housing, and Community Development Tax Credits – Opportunity Zone Enhancement Program Incentives
- Mississippi HB 1704, Income tax; revise certain provisions to address investment in federally designated qualified opportunity zones
- Nebraska L.B. 87, bill would make OZs a priority in allocating affordable housing trust fund money; Also makes OZs preferred locations for state’s Enterprise Zones Act
- Ohio SB 8, Authorize Tax Credit for Investment in Opportunity Zones
- Rhode Island SB 668, Rhode Island Opportunity Zone Tax Credit And Tax Exemption Act

Federal OZ Innovations and News

- Department of Education Proposes Rule to Encourage Charter Schools in Ozs
- HUD Federal Register
OPPORTUNITY ZONES: NATIONAL EMERGING LANDSCAPE

Initiatives
• Ecosystem building by third-party entities (Opportunity Alabama)
• Creating a “Prospectus” (Accelerator for America Template and City/Metro Prospectuses)
• Local legal service provider as an “OZ Quarterback” (Legal Services of Greater Miami)
• Technology platforms to connect investors and opportunities (OppSites)
• Impact frameworks (OZFramework)

Capital Solutions
• Locally-funded technical assistance to support community efforts (Colorado)
• Fund Manager Incubator (Kresge and Calvert Impact Capital)

Policies
• City and state OZ taskforces (Maryland, Pine Bluff, Arkansas)
• State tax credits and conforming with IRC (Novogradac website for reference)
• Exemption of income taxes for QOZ businesses (West Virginia)
• Set-aside for tax credit-financed housing and state historic tax credits (Mississippi, Missouri)
• Aligning state resources and programs with OZs (Maryland)
• Regulatory relief (California)

ECONOMIC INNOVATION GROUP
Overarching Principles

1. **Engage in Systems Thinking**: One off infrastructure improvements tied to any OZ project will impact the entire system, whether it’s traffic flow, wastewater management, transit service, or anything else. When designing projects, mandates, or incentives, cities must examine and address the way new investments will alter the demand on existing systems.

2. **Ensure that Equity is Part of the Decision-Making Process**: While an essential component of America’s economic success, major urban infrastructure investments are haunted by a legacy of divided cities and disparate impacts on minority and low-income communities. Neighborhood level input must be an essential part of the way infrastructure resources are allocated to OZ specific projects, as well as a top consideration before breaking ground.

3. **Link Investments to Human Capital**: Infrastructure related jobs are disproportionately well paid compared to similar professions in other fields, particularly for workers with lower educational attainment levels. By tying infrastructure improvements to job training programs or deliberately supporting minority and women owned businesses, cities can leverage OZ capital to create inclusive economic opportunities for all of their residents.
Organizing for Success: IMMEDIATE ACTIONS

• Get Started
• Be an Open Front Door for Investors
• Designate a Lead
• Keep Score
• Engage the Community
OPPORTUNITY ZONES: ARTICLES AND RESEARCH

- Smart Growth Investment Potential Rankings
- Social Equity + Smart Growth Investment Potential Rankings
- Product Type Rankings
- Sample Investment and Policy Framework
- Opportunity Zone Snapshots (Policy + Investment Strategy Scenarios)
- Recommendations for Major Stakeholders
  - Federal Government
  - State and Local Government
  - Philanthropy
  - Investors
- Conclusions and Future Study
### HUD REGION IX STATE NON-CONFORMITY

<table>
<thead>
<tr>
<th>State</th>
<th>IRC Conformity Status</th>
<th>Authority</th>
<th>Maximum Tax Rate - 2018</th>
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<tbody>
<tr>
<td><strong>Arizona</strong></td>
<td>Conforming</td>
<td><strong>Arizona H.B. 2757</strong></td>
<td>4.90 percent</td>
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<tr>
<td><strong>California</strong></td>
<td>Nonconformity</td>
<td><strong>Cal. Rev. &amp; Tax. Cd. § 17024.5(a)(1)</strong></td>
<td>8.84 percent</td>
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<td><strong>Hawaii</strong></td>
<td>Conforming / Governor Signed Bill in June 2019</td>
<td><strong>Haw. Rev. Stat. § 235-2.3</strong></td>
<td>6.40 percent</td>
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**Legend**
- **Conforming - Rolling**: The state automatically conforms to the current IRC as it is amended.
- **Conforming - Fixed Date**: The state conforms to the IRC as of a specific date that is after the enactment of the Opportunity Zones legislation.
- **Partially Conforming**: The state specifically conforms with Section 1400Z-2 of the IRC.
- **No Capital Gains Tax**: The state has no state income tax or generally does not tax capital gains.
- **Nonconforming**: The state conforms to the IRC as of specific date prior to the enactment of the Opportunity Zones legislation or the state has specifically decoupled from the Opportunity Zones provisions of the IRC.
Erich Yost
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HUD Region IX Opportunity Zone Point-of-Contact
U.S. Department of Housing and Urban Development
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Email: erich.m.yost@hud.gov