



Opportunity Zones

The New Tax Incentive and What's Next for State and Local Governments

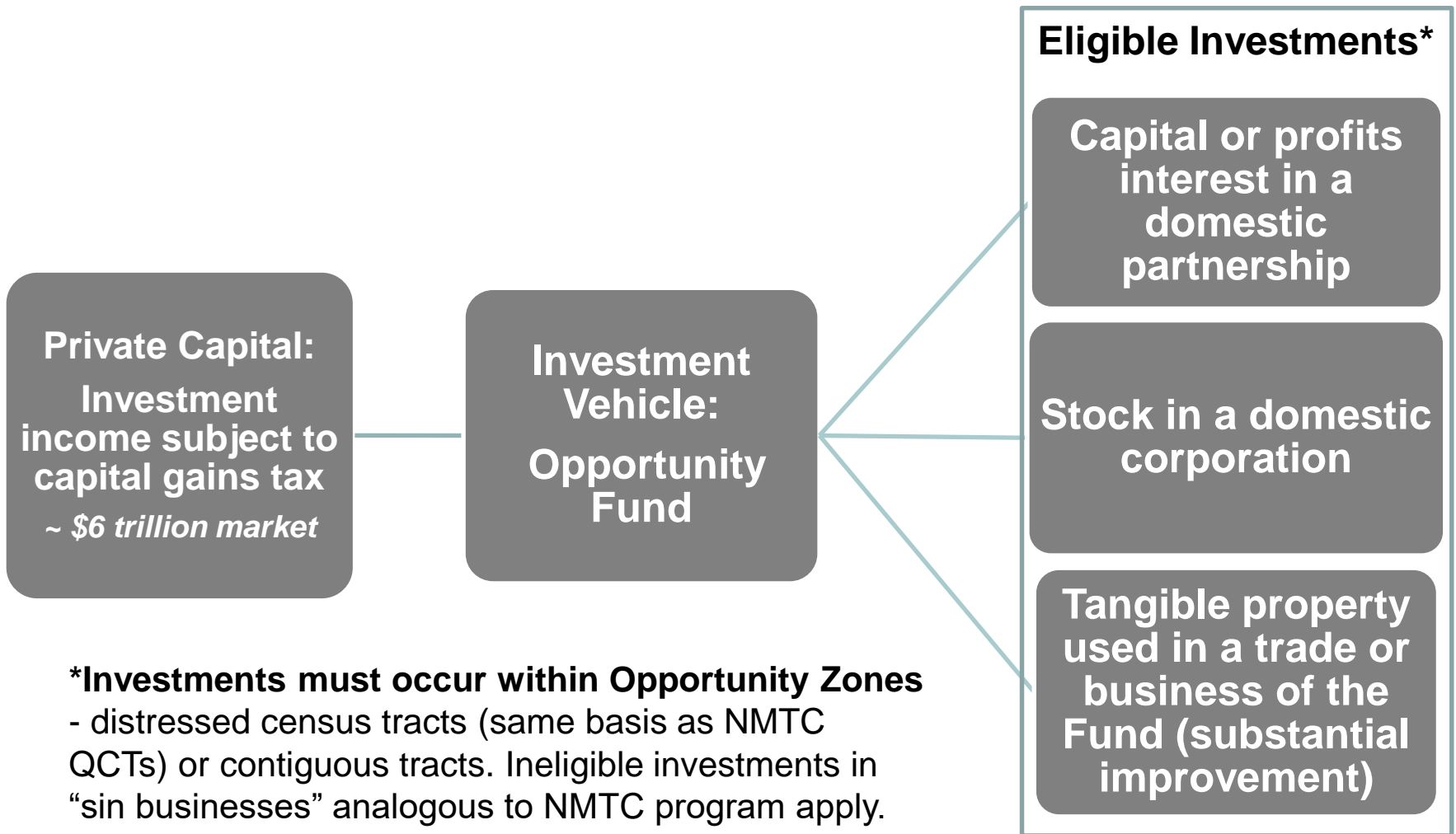
June 6, 2018



Agenda

- **Opportunity Zones: What We Know So Far**
 - Overview of structure – how it works
 - Timeline
 - Status of Opportunity Zone designations
 - Treasury guidance on Opportunity Funds
- **What's Next for States and Communities**
 - Strategies to prevent or mitigate displacement
 - Strategies to attract investment
 - Emerging examples
- **Additional Resources**

Overview of Structure



Timeline

- **Opportunity Zone Nominations:** 90 - 120 days post-enactment (tax reform)
 - **3/21:** First deadline for nominations/extensions - 100% response
 - **4/09:** Announced - 15 states, 3 territories approved
 - **4/18:** Announced - 5 states, 1 territory approved
 - **4/20:** Final deadline for nominations
 - **5/21:** All Opportunity Zones approved with the exceptions of Florida, Nevada, Pennsylvania, and Utah (All approved tracts listed on [CDFI website](#))
- **Guidance on Self-Certification**
 - **4/25:** Treasury released a [Q&A](#) indicating that Qualified Opportunity Funds will be able to self certify: *“To self-certify, a taxpayer merely completes a form and attaches that form to the taxpayer’s federal income tax return.”*
- **Guidance on Opportunity Funds:** Q2 - Q3 2018
 - Treasury expected to release additional guidance
- **Implementation of Law:** Q3 2018 - Q4 2018
 - Unclear whether it will be a proposed rule making or interim rule making process
- **Creation of / Investment in Funds:** Q4 2018 - Q1 2019

Treasury Guidance on Opportunity Funds

- 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

Strategies to Prevent or Mitigate Displacement

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 regional, 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

Strategies to Attract Investments

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

Emerging Examples

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



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