



# HUD'S OFFICE OF NATIVE AMERICAN PROGRAMS

# Opportunity Zones Webinar Series

## Webinar 2: Opportunity Zones and Resources for Tribes

Opportunity Zones and other financial mechanisms that Native communities can leverage as gap financing when developing their sources and uses on a development project.

### What's the purpose of a Qualified Opportunity Zone?

Qualified Opportunity Zones, created by the 2017 Tax Cuts and Jobs Act, are designed to spur economic development and job creation in distressed communities by providing tax benefits to investors who invest eligible capital into these communities.

Source: <https://opportunityzones.hud.gov/>

### Where do Opportunity Zones exist on Tribal Land?

There are 8,764 Opportunity Zones in the United States. Forty percent of Opportunity Zones are in rural America. Of which 362 overlap with Indian Tribal lands.

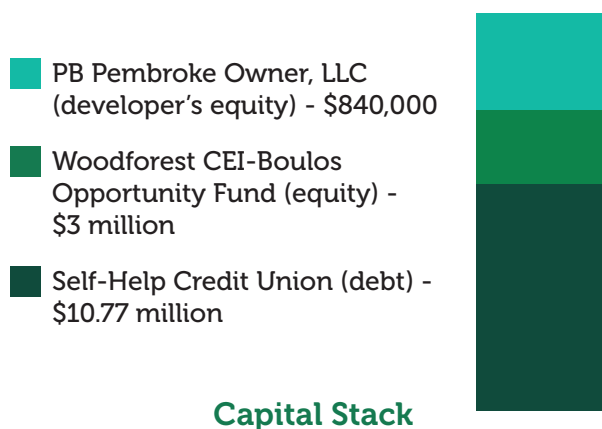
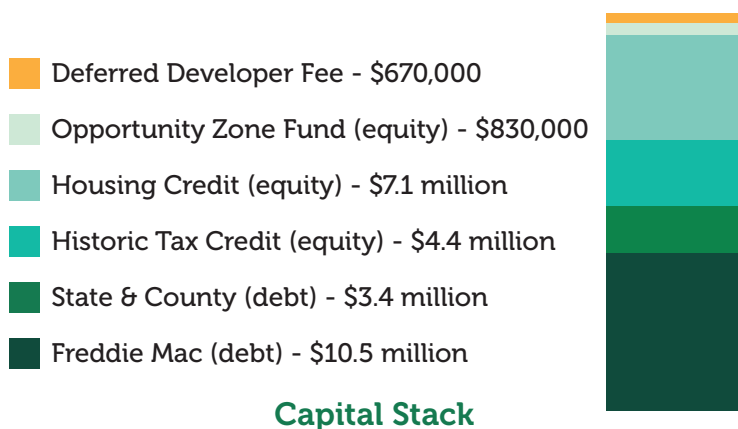
Source: <https://www.enterprisecommunity.org/opportunity360/opportunity-zone-eligibility-tool>

### How other entities are utilizing Opportunity Zones

Source: Economic Innovation Group [www.eig.org](http://www.eig.org)

**Ox Fibre Apartments:** This is an adaptive reuse of a historic paintbrush factory in Frederick, MD, that was converted into 83 affordable apartments for families between 40-60 percent of the Area Median Income with rent as much as \$500 less than local market rates.

**698 Prospect Phase I:** A student housing, commercial and retail development adjacent to the University of North Carolina Pembroke, a Native American founded university focused on serving students with low incomes.



## Qualified Opportunity Fund

A Qualified Opportunity Fund (QOF) is an investment vehicle that is specifically designed to invest in a Qualified Opportunity Zone across the US. In the capital stack, it takes place as preferred equity. Tracked by Novogradac and as of April 12, 2021:

- Total equity raised as of April 12, 2021 is \$16.34 billion.
- 1,002 QOFs
- 708 have reported a dollar amount of equity raised
- 114 are fully subscribed and are no longer raising funds
- QOFs focusing on residential properties account for \$12.86 billion in equity investments (78.7% of the total)
- Commercial focused QOFs account for \$9.99 billion (6/1% of the total)

Source: <https://www.novoco.com/resource-centers/opportunity-zone-resource-center/opportunity-funds-listing>

### What to look out for when putting a deal together

- ✓ Project readiness / pre-development friction
- ✓ Market limitations / development cost curve
- ✓ Misalignment stakeholder / community priorities
- ✓ Asset class trends / static market

## Opportunity Zone Fund Directories

- Novogradac Opportunity Fund List  
<https://www.novoco.com/resource-centers/opportunity-zone-resource-center/opportunity-funds-listing>
- Native American Finance Officers Association Opportunity Zone Resource Network  
[https://nafoa.org/opportunity\\_zones](https://nafoa.org/opportunity_zones)
- National Council of State Housing Agencies (NCSHA) Opportunity Zone Fund Directory  
<https://www.ncsha.org/resource/opportunity-zone-fund-directory/>

## Community Example

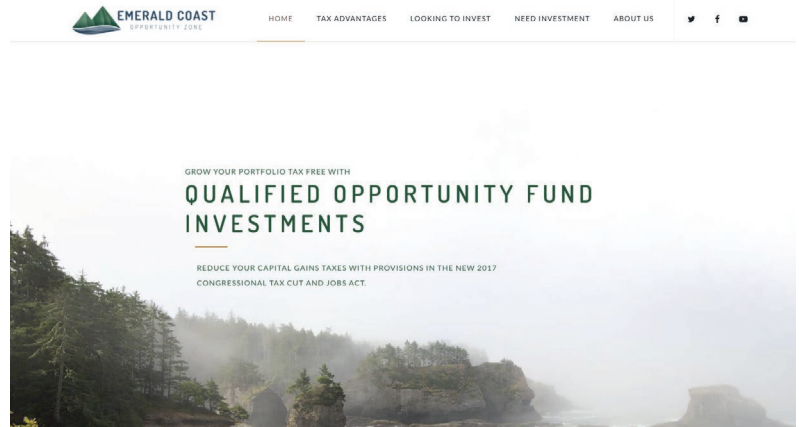
**Emerald Coast Opportunity Zone:** This is a unique example, not of a project but of a collaboration between two county governments, six tribal nations, four cities, two port authorities, and more than a dozen non-profit organizations working in the realm of economic development comprising of 14 OZ census tracts in the North Olympic Peninsula.

1. Port Townsend
2. Hoh (Tribe)
3. Hadlock Marrowstone
4. Quilcene (Tribe)
5. Makah (Tribe)
6. Jamestown S'Klallam (Tribe)



7. Sequim
8. Lower Elwha Klallam (*Tribe*)
9. Port Angeles III
10. Port Angeles II
11. Port Angeles I
12. Quileute (*Tribe*)
13. Forks
14. Sekiu Clallam Bay

Source: <https://www.emerald funds.org/>



## What are some financial mechanisms that can be leveraged in the OZ capital stack?

With over 8,700 OZs, there are no such thing as a typical deal. There are different capital mechanisms used for a diverse mix of projects. Two such mechanisms are Low-Income Tax Credits (LITCs) and New Market Tax Credits (NMTCs).

### LIHTC

Created to promote the construction and rehabilitation of housing for low-income individuals and to encourage private investment into affordable housing. The LIHTC is allocated to specific state agencies that determine which projects are eligible for the credit through a competitive process.

#### Highlights:

- Subsidizes the acquisition, construction, and rehabilitation of affordable rental housing for low- and moderate-income tenants.
- Operates as “soft equity”. This means that projects that meet the program requirements for 15 years do not repay the funding.
- Unit composition can meet any of the three requirements for rents:
- At least 20% of units are affordable at 50% Area Median Income (AMI)
- At least 40% of units are affordable at 60% AMI
- At least 40% of units are affordable at an average of 60% AMI (all under 80%)

### New Markets

Pairing well with Opportunity Fund investments, NMTCs were created to generate capital for projects located in low-income communities and help borrowers and projects achieve lower interest rates and potential equity stakes, which enhances the project and encourages more investment.

#### Highlights:

- Real estate financing can purchase or rehab retail, manufacturing, agriculture, rental or for-sale housing, or community facilities (ex: health services, museums, charter schools)
- Investment can cover up to 39% of a project’s budget
- CDEs provide NMTC investments in “Qualified active low-income community businesses” (QALICBs) – for-profit or nonprofit are both eligible



## How can Tribes ready themselves for LIHTCs and NMTCs?

- ✓ Review state qualified action plan (LIHTC)
- ✓ Opportunities for partnerships:
  - Developers with IHTC experience with LIHTC and NMTC
  - CDFIs with a NMTC allocation from treasury
- ✓ Tribal community potential roles: land owner/lessor, development partner, funding partner
- ✓ Develop or tie to a strategy that describes:
  - How these tools benefit your project and
  - Address tribal needs on housing and economic development

### Additional Resources

- Webinar 1: Opportunity Zones 101, February 13, 2020  
[https://www.youtube.com/watch?v=BCqO9Bmb-\\_w](https://www.youtube.com/watch?v=BCqO9Bmb-_w)
- Opportunity Zones in Indian Country – US Department of the Interior  
[https://www.bia.gov/sites/bia.gov/files/assets/as-ia/ieed/ieed/pdf/Opportunity\\_Zones\\_Primer.pdf](https://www.bia.gov/sites/bia.gov/files/assets/as-ia/ieed/ieed/pdf/Opportunity_Zones_Primer.pdf)
- Opportunity Zone Toolkit Volume 1 – HUD  
[https://opportunityzones.hud.gov/sites/opportunityzones.hud.gov/files/documents/Opportunity\\_Zones\\_Toolkit\\_Roadmap\\_FINAL\\_Edited\\_092319.pdf?utm\\_content=&utm\\_medium=email&utm\\_name=&utm\\_source=govdelivery&utm\\_term=](https://opportunityzones.hud.gov/sites/opportunityzones.hud.gov/files/documents/Opportunity_Zones_Toolkit_Roadmap_FINAL_Edited_092319.pdf?utm_content=&utm_medium=email&utm_name=&utm_source=govdelivery&utm_term=)
- Economic Innovation Group Opportunity Zones Activity Map  
<https://eig.org/oz-activity-map>
- Leveraging Development Finance Tools to Attract Opportunity Zone Investment  
[https://www.cclr.org/sites/default/files/TASC\\_TO68OEJ\\_OCR\\_%20Development\\_Finance\\_Tools%20Guide\\_508.pdf](https://www.cclr.org/sites/default/files/TASC_TO68OEJ_OCR_%20Development_Finance_Tools%20Guide_508.pdf)

