



# Nominating Opportunity Zones

Understanding Governors' Responsibilities  
and Using Enterprise's Opportunity360  
State Mapping Tool

February 28, 2018



# Agenda

- **Program Overview**
  - Background
  - Key Dates and Timeline for Implementation
- **Role of Governors and State CEOs**
  - Nominating Opportunity Zones
  - Considerations for Opportunity Zone Nominations
- **State Mapping Tools**
  - Opportunity Zones: Census Tract Eligibility
  - Demonstration
- **Examples of States' Process for Nominating Zones**
- **Additional Resources and Q&A**

[Rachel Reilly](#) - Creative Capital • [Zack Patton](#) - Opportunity 360

# Background

- Originally introduced in the **Investing in Opportunity Act**
  - Economic Innovation Group developed the Opportunity Zones concept in 2015
  - Introduced in the 114<sup>th</sup> and 115<sup>th</sup> Congress
    - Senators Tim Scott and Cory Booker, Congressmen Pat Tiberi and Ron Kind
- Enacted as part of **2017 tax reform** - Tax Cuts and Jobs Act
- Designed to **address uneven, post-recession economic recovery** by promoting growth through long-term investments in rural and low-income urban communities throughout the nation
- Uses tax incentives to encourage private investment in Opportunity Funds which **connect investors to distressed communities**.
- **Not a tax program**, it's a tax benefit for individuals and corporations

# Opportunity Funds: Background

- New class of investment vehicle authorized to aggregate and deploy private investment to support **Opportunity Zone Property** located in **Opportunity Zones**.
- **Taps \$2 - 6 trillion in unrealized capital gains**
  - Alternative to ~23.8% capital gains tax
  - Solution for investors lacking options to place funds in distressed communities
  - Pooling capital through a fund structure lowers barrier to making investment
  - Equity capital responsive to market demand
    - Market will determine preferred return and risk tolerance, as well as where capital is invested and which asset types are supported.
- **Fund Managers**
  - Private entities - CDFIs, traditional asset managers, etc.
  - Potentially government and quasi-government entities

# Key Dates and Timeline for Implementation

- **Opportunity Zone Nominations:**

- March 21

- Governors must submit Opportunity Zone nominations to Treasury
- 30-day extension may be requested by this date, moving deadline to April 20

- April 20 – May 21

- Treasury will approve Zone nominations
- 30-day extension could be filed through June 18; not anticipated

- **Guidance on Opportunity Funds:** Best Guess, Q3 2018

- Treasury will release guidance on Fund qualifications and process for certification

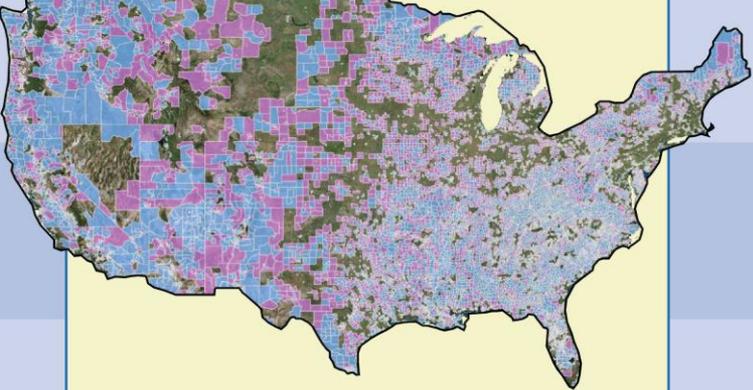
- **Implementation of Law:** Best Guess, Q4 2018 – Q1 2019

- Unclear whether it will be a proposed rule making or interim rule making process

- **Creation of / Investment in Funds:** Best Guess, Q1 – Q2 2019

- Funds can operate once the program rules are released

# Role of Governors & State CEOs



**Understanding  
OPPORTUNITY ZONES**

Congress has created a new tax incentive designed to drive long-term capital to distressed communities.

 Enterprise®

- Submitting Opportunity Zone nominations is the only formal role of governors, state CEOs
  - Includes District of Columbia and U.S. territories
- If deadline is missed, the state will be ineligible to receive qualified investment over the next decade
- 10-year Designation Period.
- Strategic and transparent decision-making at this moment is critical

# Considerations for Opportunity Zone Nominations

## Census tracts at the nexus of need and opportunity

Poised to absorb private equity capital in a way that promotes positive economic growth

## Intentional Investment

- Alignment with mutually reinforcing state resources or federal programs as well as local economic development initiatives
- How does this align with long term priorities or infrastructure investments?
  - Workforce retainment and preserving affordable homes
  - Attracting human capital and talent to rural campuses
  - Regional expansion of public transportation
  - Brownfield redevelopment

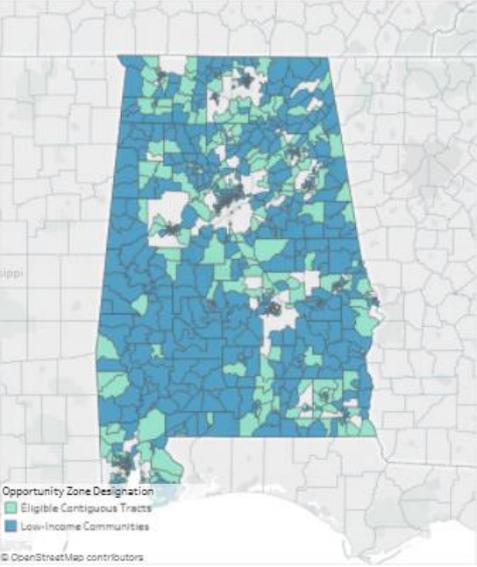
## Equitable Development and Economic Growth

Planning now to ensure that the proper policies and resources are in place to steward responsible economic development and community revitalization.

- *Promoting Opportunity through Equitable Transit-Oriented Development ([here](#))*
- *Public Benefit from Publicly Owned Parcels ([here](#))*

# Considerations for Governors & Local Officials

## Opportunity Zone Eligibility Tool



Opportunity Zone Designation  
■ Eligible Contiguous Tracts  
■ Low-Income Communities

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Maximum Tract Designations, Based on CDFI Fund Determination:  
**ALABAMA 157**

Filtered Eligible Tracts:  
 Low-Income Communities 675      Eligible Contiguous Tracts 231

Select State:       County:

Rural or Urban:       Opportunity Zone Designation:

Intersects Tribal Tract(s):       Safe Harbor Status:

**Federal Place-Based Program Filters**

Includes NMTC Investment(s):       Includes Empowerment Zones(s):

Intersects Promise Zones(s):       Qualified Census Tract:

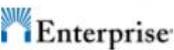
Includes Section 538 project(s):       Intersects Choice Neighborhoods(...):

Includes CDBG Project(s):       Includes Sect. 514 or 515 project(s):



**Enterprise Community Partners - Opportunity360 Filters**

Housing Stability Score	0.0 <input type="text"/>	100.0 <input type="text"/>	Economic Security Score	0.0 <input type="text"/>	100.0 <input type="text"/>
Education Score	0.0 <input type="text"/>	100.0 <input type="text"/>	Health Score	0.0 <input type="text"/>	100.0 <input type="text"/>
Mobility Score	0.0 <input type="text"/>	100.0 <input type="text"/>			




- How do you prevent displacement and keep wealth in communities where the market is responsive and a large amount of capital is invested?
- In communities where the market has not been responsive, how do you incent investment?
- What tools can be used to encourage the types of investment reflective of local priorities and desired societal outcomes?

# Role of Governors & State CEOs

- EIG has [developed guidance](#) on Opportunity Zone nominations.
- **Immediately:**
  - Establish a process for nominating Opportunity Zones, and
  - Actively solicit input from mayors, county commissioners, local economic development organizations, and other stakeholders to ensure that nominations align with local priorities.
- EIG also recommends **assigning a point person or agency** to lead state efforts including Opportunity Zone nomination, investor outreach, and public support.
- We urge governors to **request 30-day extension** given [new census tract guidance](#) released by Treasury yesterday (February 27).

# Opportunity Zones: Census Tract Eligibility

- **Low-Income Communities**
  - Section 45D(e) - New Market Tax Credit program
  - Poverty Rate
  - Median Family Income Comparison
    - Metropolitan Area?
    - High Migration Rural County?\*
  - Low Population Tract? \*\*
- **Tracts Contiguous with Low-Income Communities**
  - Contiguity
  - Median Family Income Comparison

# Opportunity Zones: Census Tract Eligibility

- Each state can designate up to 25% of eligible census tracts
  - Based on Low-Income Community definition
  - Exception for states with less than 100 tracts
- Exemption: Up to 5% of the tracts designated could be contiguous instead of Low-Income Community tracts

## **Example:**

- A state has 400 Low-Income Community tracts
- This state can designate up to 100 Opportunity Zones
- As many as 5 of these could be eligible due to contiguity; the other 95 would have to be Low-Income Community tracts

# Opportunity Zones: Census Tract Eligibility

## **CDFI Fund February 27<sup>th</sup> Update**

- high migration rural & low population tracts
- Changed contiguity analysis
- Fixed some problems

## **Implications**

- 168 new LIC's
- 1,007 new eligible contiguous tracts
- 72 formerly eligible contiguous tracts removed

# Opportunity Zones: Census Tract Eligibility

## CDFI Fund February 27<sup>th</sup> Update

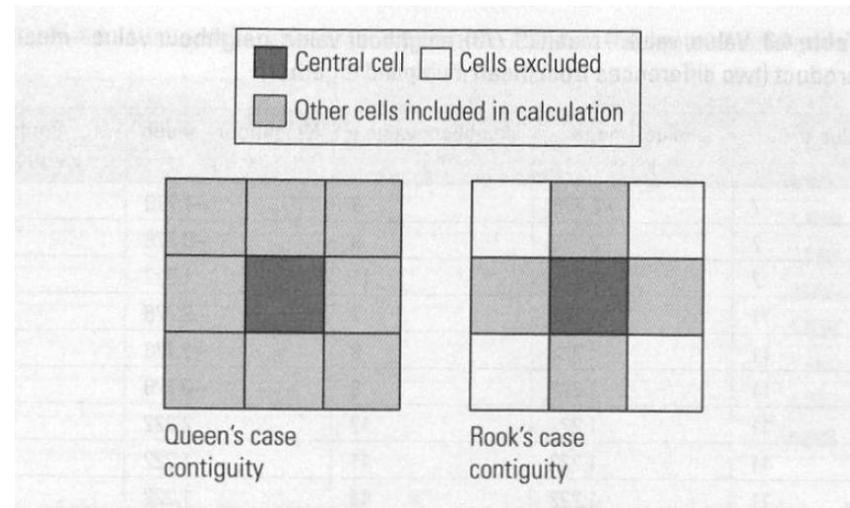
- 24 states can designate additional tracts
  - AL, CA, CO, FL, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MO, NE, NY, OH, OK, PA, SC, TX, VA
- Eligibility landscape in other states has changed as well

# Opportunity Zones: Census Tract Eligibility

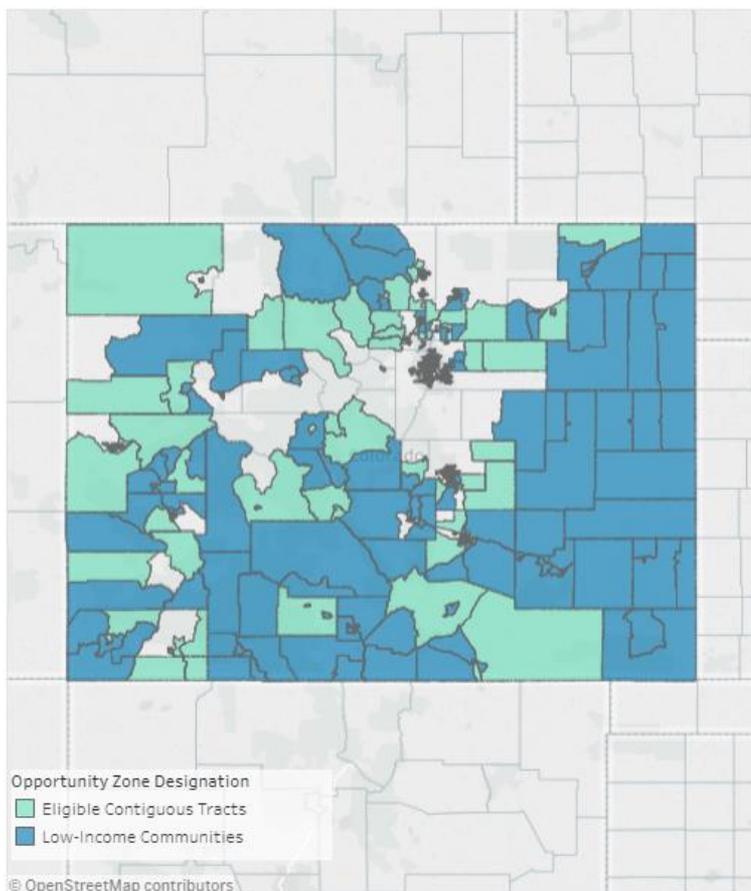
- **Of the 74,000 census tracts nationwide:**
  - Over 34,000 are Low-Income Community tracts
  - An additional 11,000 are eligible contiguous tracts
- **Applying 25% Cap**
  - 8,135 tracts could be designated as Opportunity Zones
  - About 11% of all census tracts nationwide

# Opportunity Zones: Technical Notes on Eligibility

- Can use 2015, 2016 ACS data or a combination
- Contiguity can occur across state lines
  - States would need to coordinate
- Contiguity determined using Queen's case (this is new)



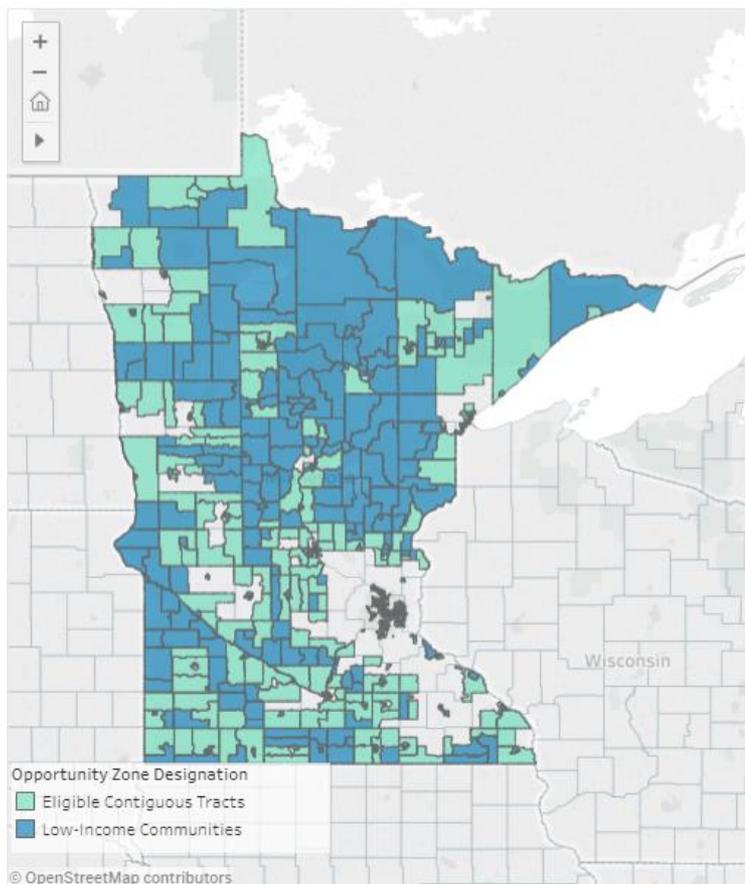
# State Example: Colorado



- Engagement with local stakeholders like **Enterprise Zone Administrators**
- **Public Input Process and Portal**
  - POC for investors and fund manager, created template LOIs
  - Outlined the state's priorities for Zones
- **Index for Need** - Areas that have experienced economic distress and have impediments to investment that might be overcome
- **Index for Opportunity** - Main Street Communities, Creative Districts, Enterprise Zones, higher education institutions, federal labs, major hospitals, significant rural airports, business and labor density, presence of advanced industry and exporting businesses.

[Colorado Opportunity Zone Website](#)

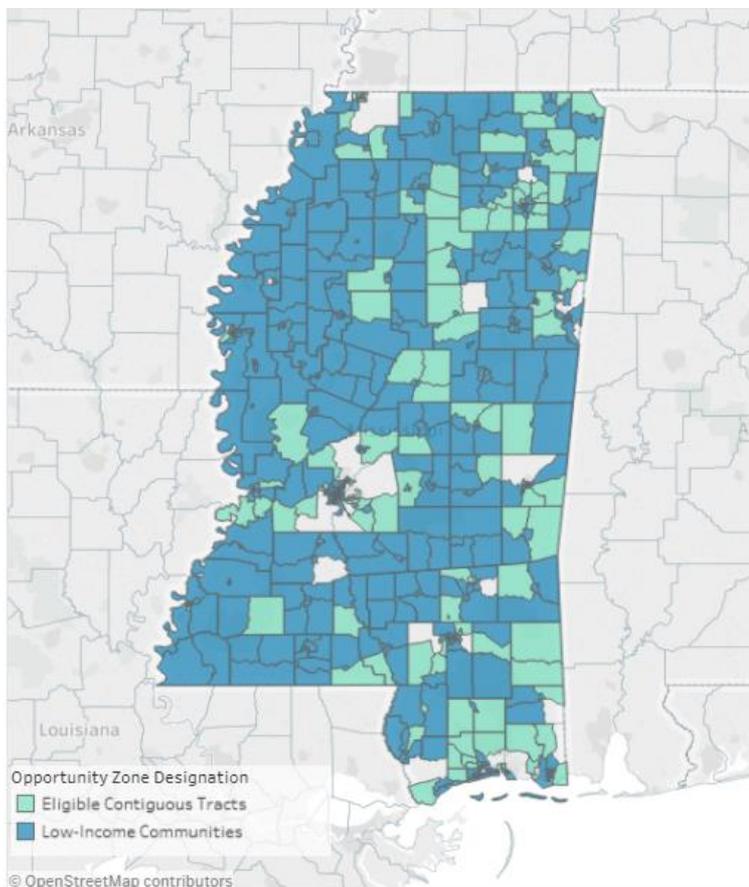
# State Example: Minnesota



- Identifies **how public is being engaged**; encourages collaboration
  - Major cities, Tribal Nations, Counties
  - Initiative Foundations agreed to convene
- POCs at **both DEED and Minnesota Housing**
- Principles to **Prioritize and Rank Zones**
  - Needs of low-income community partners serving zone,
  - Potential for positive impact to further equity, inclusion,
  - Commitment(s) to support the zone by industry, education, nonprofits and governments,
  - 5-year development including affordable and workforce housing and economic development,
  - Engagement with potential Opportunity Fund managers,
  - Businesses and emerging businesses with investment potential in the zone,
  - Potential positive impact on most distressed communities

[Minnesota Opportunity Zone Website](#)

# State Example: Mississippi



[Mississippi Opportunity Zone Website](#)

- **Public Input Process and Portal**
  - March 5 deadline
  - Provides an e-mail as POC for inquiries
- Provides an **evaluation framework for Zones**, which is reinforced in its nomination application
  - “submissions evaluated based on factors such as population, population change, per capita income, availability of potential sites for industrial development, and proximity to institutions of higher learning, in addition to regional distribution.”
- Potential **alignment with neighboring states** to boost economic growth
  - DeSoto County, MS = part of Memphis MSA

# Additional Resources

- CDFI Fund, Treasury - [Opportunity Zones Resource Page](#)
- Enterprise Community Partners - [Opportunity Zones Information Page](#)
- Economic Innovation Group - [Opportunity Zones Landing Page](#)
- Council of Development Financing Agencies – [Resource Page with Webinar](#)

## More State Websites for Opportunity Zones:

- [Connecticut Department of Economic and Community Development](#)
- [Idaho Department of Commerce](#)
- [Indiana, Governor's Office](#)
- [Kansas Department of Commerce](#)
- [Kentucky Cabinet for Economic Development](#)
- [Missouri Department of Economic Development](#)
- [North Carolina Department of Commerce](#)
- [Ohio Development Services Agency](#)
- [South Carolina Department of Commerce](#)
- [Tennessee Department of Economic and Community Development](#)
- [West Virginia Department of Commerce](#)

Know of others? E-mail [Rachel Reilly](#)

## For More Direct Assistance

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