Opportunity Zones
An Update from Across the Nation
August 28, 2018
Agenda

- Enterprise’s Engagement with Opportunity Zones
- Steps Towards Implementation
  - Transparency and Guardrails
  - Reinstating Reporting Requirements
  - IRS Guidance Needed to Spur Investment
- Who is Creating Opportunity Funds and Emerging Uses for Investment
- Activities in States, Cities, and Regions
- State of the States Report Findings with CDFA Vice President Katie Kramer
- Opportunity Zone Characteristics and the Opportunity Zone Explorer
- Additional Information
- Q & A
Enterprise Community Partners’ Engagement

We bring together expertise in both the public and private sectors across a range of areas to deliver capital, develop programs, and advocate for policies that strengthen distressed communities.

Engagement with Opportunity Zones:

• Early supporter of the Investing in Opportunity Act

• Working with key stakeholders on implementation at national and local levels
  • Congressional testimony to Joint Economic Committee (May 2018)

• National resource – Mapping tool, Opportunity Zones guide, webinars, blogs, etc.

• Local expertise – Technical assistance presence, existing relationships, and measurable impact in approximately one third of Opportunity Zones nationwide

• Finance capabilities - Leveraging our impact-driven investment platform to create and support Opportunity Funds
Steps Toward Implementation (as of August 2018)

• **Opportunity Zone Nominations:**
  • Approved in 50 states, 5 territories, Washington, D.C. as of 6/15/2018

• **Guidance on Opportunity Funds:**
  • [IRS published FAQS](#) (April and June 2018)
    Certifying as an Opportunity Fund; clarity for investors
    Submitting comments on Opportunity Zones law

• **Full Implementation of Law:** Q3 2018 - Q4 2018
  • Unclear whether it will be a proposed rule making or interim rule making process
    or issuance of revenue procedures

• **State and Local Efforts:** Ongoing
  • Convenings, community engagement and investor engagement, est. frameworks
  • Alignment with other capital programs, incentives

• **Creation of / Investment in Opportunity Funds:** Ongoing
Implementation: Transparency and “Guardrails”

“With the right regulations and guardrails in place, Opportunity Zones has the potential to bring catalytic change to some of the nation’s most distressed neighborhoods.”

– Terri Ludwig May 17, 2018 Testimony

Underscored that the original intent of the policy was to foster inclusive economic growth, as well as the importance of aligning with local priorities and community needs.

• **Recommendations:**
  • Additional guidance to provide clarity,
  • Promote the transparency of Opportunity Fund activities, and
  • Ensure accountability and prevent abuse.

• **Letters to Treasury:**
  • Enterprise, National Housing Conference, and LISC
  • King County in Washington and City of Austin
  • Policy Link
Implementation: Reinstating Reporting Requirements

• Included in IIOA and TCJA Conference Report. Stripped from enacting legislation because of Byrd Rule.
  • Annual reports to Congress beginning at year-five (more information on page 4)
  • Required:
    • investments nationally and at the state level,
    • impacts and outcomes of the investments on economic indicators
  • In addition:
    • number of opportunity funds, the amount of assets held, the composition of investments by asset class, and the percentage of investments.

• Support for transparency, yet uncertainty on how to implement
  Recommendation: leverage certification and semiannual deployment test

• Efforts to Facilitate Transparency and Impact Measurement
  • Local Requirements: Tie disclosures to local funding and incentives
  • Stakeholder Commitment: Federal Reserve Bank of NY, Beeck Center, and U.S. Impact Investing Alliance
Implementation: Guidance Needed to Spur Investment

“I think you’ll be able to see regulations soon.”
– Secretary Mnuchin, July 12, 2018 Testimony

Advocacy efforts from different parties on key consensus issues (examples):

Clarity on certain definitions and terms
• Gains vs. capital gains
• Definition of Qualified Opportunity Zones Business

Revolving nature of funds and how tax benefit is accrued
• Interim gains issue
• Asset-level vs. fund-level

Length of time allowed for deployment of capital
• Runway issue
• When Opportunity Funds must invest capital, trigger for deployment test

Guidance from the IRS Needed to Spur Investment in Opportunity Zones
Emerging Funds: Early Movers Will Make the Market

Opportunity Fund Announcements:

- Enterprise Community Partners
- Beekman Advisors/Rivermont Capital/Enterprise Community Partners
- Fundrise
- Virtua Partners
- RXR Realty
- Bridge Housing
- PNC
- North Coast Partners
- Revolution
- LISC/Access Ventures/Village Capital
- LIIF
- TPP Capital Management
- Impact Finance Center/LegacyWorks
- Rural Colorado Opportunity Zone Fund
- Obsidian Opportunity Funds

Projects:

- **Augusta, ME** – redevelopment of 31,500 sq. ft. commercial building downtown
- **Washington, D.C.** – redevelopment of historic building into apartments and retail

Supporting Early Movers and Building Ecosystems:

- **Rockefeller and Kresge** - $25 million in total support for impact Opportunity Funds
- **LaunchTN** – capital, market access, commercialization, talent, policy
- **Community Lift** – CDFI working with stakeholders and evaluating position
Enterprise Community Partners’ Platform of Funds

Commitment to improving the well-being of residents and stimulate inclusive economic development; impact reporting and measurement.

- **Platform of Opportunity Funds:**
  - National Opportunity Fund
  - Regional Opportunity Funds
  - Provision of services for others:
    - fund structuring, fund management, fund administration, asset management, advisory services to the public sector, and reporting/evaluation of investments

- Leveraging local expertise, network of partners and 30-years of experience investing in distressed neighborhoods throughout the nation to finance multifamily housing, commercial and industrial/manufacturing centers, and health care facilities.

- Estimated $1 billion in aggregated impact over the next decade
Emerging Uses for Investment

• Supporting Entrepreneurs and Growing Businesses
  • Start ups
  • Growth stage business expansion
  • Franchising

• Real Estate
  • Redevelopment of commercial property
  • Incubator space for entrepreneurs
  • Mixed-use properties
  • Housing – both market-rate and affordable

• Energy Infrastructure

• Brownfields Redevelopment

• Innovation Districts
Activities in States, Cities, Regions

• **Convenings and Information Dissemination:**
  • Select examples: Maryland, Colorado, Washington, Arizona
  • Joint events: Federal Reserve Bank, Enterprise, PolicyLink event ([Recording](#))
  • Norfolk, VA - Opportunity Zones day with tour of key sites
  • Lorain, OH - Publicly-owned parcels, incentives, brownfield redevelopment
  • Eerie, PA - website for future city prospectus; estimated $600M investable assets

• **Fund Creation:**
  • Joint venture in Birmingham

• **Incentives and Additional Funding:**
  • State treatment of capital gains
    • Conform with IRC; further enhancement to keep investment local
  • Alignment with existing funding sources (debt, tax credits, grants)
  • New incentives and funding
    • Missouri set aside of state Historic Tax Credits (SB 773)
    • Colorado repurposing CDBG program income for eligible TA and planning
Recommendations for States, Cities, Regions

• Data-driven approach to policy making, community planning, provision of incentives and resources
  • Memphis 3.0 Strategic Plan
  • Get to Know Your Zones

• Leverage existing assets to attract investors
  • Providing market data and information about community plans
  • Highlighting investable deals

• Tie incentives to activities beyond year-10
  • Preserving incentives beyond the 10-year tax benefit
  • Responsible exits

• Create certainty through adopted strategy or established office
  • Investors are looking for certainty
  • Example: 36 gubernatorial elections in 2018

How States Can Maximize Opportunity Zones – The Governance Project
CDFA Vice President, Katie Kramer

CDFA Opportunity Zones Report: State of the States

Download in the CDFA Resource Center at www.CDFA.net
CDFA represents the leaders and dealmakers in the development finance industry.
CDFA Members and Opportunity Zones Overlap
Pulse on Opportunity Zones

How Would You Rate Your Understanding of Opportunity Zones?

- Expert: 70%
- Intermediate: 15%
- Novice: 6%
- Unsure/Other: 9%

How are Opportunity Zones Viewed in Your State?

- Positive: 46%
- Mixed Feelings: 21%
- Negative: 30%
- Unsure/Other: 3%
State Agency Structures

Is Your State Coordinating Locally to Support Opportunity Zones in Small Communities?

- Yes: 45%
- No: 9%
- Unsure/Other: 46%

Will Your State Be Hosting an Educational Event for Communities to Learn About Opportunity Zones?

- Yes: 52%
- No: 0%
- Unsure/Other: 48%
State Agency Structures

Does Your State Have Dedicated Staff Working on Opportunity Zones?

- Yes: 55%
- No: 30%
- Unsure/Other: 15%

[Diagram showing the breakdown of responses]

[Logo: cdfa - Council of Development Finance Agencies]
Opportunity Zones Investment Strategies

**Is Your State Considering the Creation of Incentives for Opportunity Fund Investments?**
- Yes: 33%
- No: 46%
- Unsure/Other: 21%

**Is Your State Considering Policies to Support a Pipeline of Investable Projects?**
- Yes: 33%
- No: 52%
- Unsure/Other: 15%
Opportunity Zones Investment Strategies

Has Your State Considered Creating its Own Opportunity Fund?

- Yes: 18%
- No: 49%
- Unsure/Other: 33%

Is Your State Communicating with Potential Opportunity Fund Managers and Investors?

- Yes: 52%
- No: 12%
- Unsure/Other: 36%
State and Local Engagement

- Not every Opportunity Zone will receive investment without local leadership.

- Develop a strategy to identify potential investments and make those opportunities known to investors.

- Early research is showing that Opportunity Fund capital will meet about 5-30% of capital needed for a project.
  - Identify local programs available for debt financing or other incentives now and make those resources known.

- Identify projects and local economic development strategies and clearly communicate how with investors can engage.
Upcoming Opportunity Zone Conversations

CDFA & Beeck Center Opportunity Zones Conference
Washington, DC
September 5-6

CDFA California Conference
Los Angeles, CA
September 18

Arizona Opportunity Zones & Opportunity Funds Conference
Tempe, AZ
September 27

CDFA National Development Finance Summit
Dallas, TX
November 7-9
Opportunity Zone Characteristics

- 35 million people live in Opportunity Zones (11% of the total population of the US and territories)

- Over three-quarters of Opportunity Zones are within metropolitan areas

- Opportunity Zones are nearly evenly split between high density (urban) zip codes and low density (rural) ones, with the remaining 22 percent in medium density (suburban) communities.

- 294 Opportunity Zones contain Native American lands—proportional to their share of all eligible low-income communities.
Who lives in Opportunity Zones?

- Households in Opportunity Zones have lower home values, lower homeownership rates, and higher levels of renter cost burden.

- Opportunity Zones tend to have larger-than-average populations of African American and Hispanic/Latino residents and smaller populations of Non-Hispanic White and Asian residents.
Overlap with Federal Programs

- There is a significant overlap of Opportunity Zones with the affordable, subsidized housing stock – more than a quarter of all units are located in Opportunity Zones.

- Opportunity Zones are more likely to be target areas for other federal place-based programs compared to tracts in general and compared to other low-income communities that could have been designated.
Announcing Updated Mapping Resource

The **Opportunity Zone Eligibility Tool** will soon be...
Additional Information

Enterprise Community Partners - www.OpportunityZonesInfo.org
  - New Opportunity Zones Guide (August 2018)
  - Updated Mapping Resource (Opportunity Zone Explorer)
  - Blogs, Archived Webinars, Announcements, and More

CDFI Fund, Treasury - Opportunity Zones Resource Page

Economic Innovation Group - Opportunity Zones Landing Page

Council of Development Finance Agencies – Resource Page

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