

Innovation and Responsiveness: Opportunity Zones

Jeanne Milliken Bonds, Federal Reserve Bank of Richmond

Jeanne.Bonds@rich.frb.org

Montgomery County, Maryland

February 5, 2019



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Opportunity Zones

- Responsive
- Created as part of the Tax Cuts and Jobs Act of 2017
- Opportunity Zones are low-income census tracts
- The same definition of a “low-income community” that is used by Treasury CDFI Fund’s New Markets Tax Credit (NMTC) program is the basis for defining eligible Opportunity Zone census tracts.
- States designated up to 25% of low income census tracts as “Opportunity Zones” (A list of all zones, as well as a mapping tool, is available: [CDFI Fund](#))

The Policy Goals

The policy goal of the Opportunity Zone tax incentive

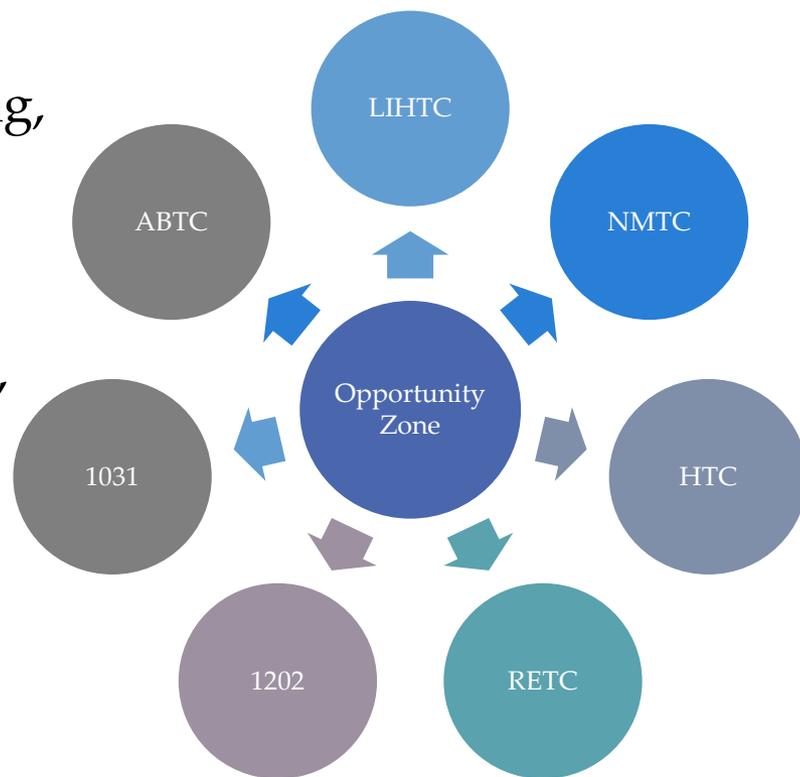
- **Drive long-term private sector investments**
- **Channel equity capital into overlooked and underserved markets**
- **Reinvest realized capital gains into distressed communities**
- **First new national community investment in more than 15 years**
- **May scale to the largest economic development program in the country**

Investment Types

- Commercial Real Estate Development, Renovation and Improvement
- New Businesses
- Expansion of Existing Business into Opportunity Zones
- Large Expansions of Businesses in Opportunity Zones

Community Development Finance

- Pair with other funding streams that support stronger and more resilient communities.
- New opportunities--affordable housing, small businesses, and jobs--that specifically benefit low-income neighborhoods and people.
- Collaborate with financial institutions, CDCs, CDFIs to help meet the credit, housing, and economic development needs of communities.
- Use with other State, Federal tax incentives
- Use with Local tax incentives



Community Reinvestment Act

- Banks could create Qualified OZ Funds - individual investor capital, unrealized capital gains
- Qualified OZ Funds make equity investments; CRA is primarily debt-driven.
- Banks may couple debt and equity investments to achieve impact.
- CRA Guidance → Will OZs be eligible as “areas targeted for redevelopment by federal, state, local, or tribal government?”

Economic Conditions and Impact

- Massive influx in capital and ability of community to absorb
- Few guardrails
- No “owner”
- Gentrification and Displacement
- Hot spots and Deserts
- Concentration in high-cost cities
- Unwelcome or harmful investments in communities
- Displacement of existing Community Development investments
- Lack of reporting requirements and metrics
- Incentives race
- Stakeholder engagement

OZ Strategies for Local Communities

Many local community stakeholders have begun conversations to both capitalize on the potential of the Qualified OZ Fund and develop strategies to mitigate possible harm i.e. S.C.

- Partnerships to raise and deploy funds (HBCU QOZ, Knight Foundation West End Charlotte)
- National vs local vs regional Qualified Opportunity Funds
- Mission-oriented institutions' sponsorship of Qualified OZ Funds (Enterprise, Foundations)
- Qualified OZ Funds paired with other impact investing products
- Pairing Qualified OZ funds with existing tools and credits
- Local government-driven funds
- Zoning Overlays
- Community vision and the capacity to plan



Guiding Principles for Investors and Communities

- Synergy and Balance
- Social Equity
- Impact Investing
- Collaborative Partnership
- Transparency

Next Steps

- The law authorizes U.S. Treasury to define and **certify** Qualified Opportunity Funds designed to deploy equity investment capital in Opportunity Zones for eligible purposes.
- Treasury Guidance Request in late November requests additional guidance in several areas not covered by the Proposed Regulations and Revenue Ruling issued in October. **Pending**
- Additional comments regarding information that was covered in the Proposed Regulations and Revenue Ruling issued in October.

Resources

- Urban Institute [Opportunity Zones Investment Score Dataset](#)
- Urban Institute [Community Development Financial Flows](#)
- Council of Development Finance Agencies [Opportunity Zones page](#)
- Novogradac Company [Resource Center](#) (Opportunity Funds)
- Federal Reserve [Webinar](#)

