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# Evidence Matters

Transforming Knowledge Into Housing and Community Development Policy

## PLACE-BASED INCENTIVES



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*Photo courtesy of state of Arkansas*



PD&R





## Message From the Assistant Secretary

HUD Secretary Benjamin Carson serves as chairman of the White House Opportunity and Revitalization Council (Council), which was established to spur public and private investment in economically distressed areas, including designated Opportunity Zones. Its members include senior White House officials and representatives from 17 federal agencies and federal-state partnerships. An important part of the Council's work is to coordinate the efforts of federal agencies and partner with state, local, tribal, and territorial governments and the private sector to maximize the power of the new Opportunity Zone tax benefits, which serve as an incentive to invest private capital in thousands of low-income neighborhoods across the United States. The Council has outlined an implementation plan focused on economic development, entrepreneurship, safe neighborhoods, education and workforce development, and measurement. To date, member agencies

of the Council have taken more than 130 actions designed to benefit residents, communities, and economies. Some of these changes will complement Opportunity Zone investment, some will incentivize Opportunity Zone investment when it might not have happened otherwise, and others will improve outcomes regardless of the amount of investment. At its core, these tax benefits have the potential to transform neighborhoods by encouraging the long-term flow of capital into economically distressed communities, bringing economic growth and job creation to areas that need them most.

Using local and federal tax incentives to bring private investment to distressed communities is not a new idea; a substantial body of research, in general, shows positive effects. This research provides some insights into how we can harness the benefits of Opportunity Zones and minimize uncertainty. To further this effort, HUD, the U.S. Census Bureau, and the White House Council of Economic Advisors are challenging technology developers to create digital tools and resources that will connect investors with community leaders, entrepreneurs, and workers in Opportunity Zones. By enhancing access to consolidated sources of data, technology developers can help overlooked communities better understand and market their resources and potential to Opportunity Zone investors. These tools might also be useful to researchers examining the impact of these tax incentives.

In addition to collaborating with other governmental entities, HUD has also taken direct steps to enhance the Opportunity Zones incentive and ensure that residents benefit from the new investments in their neighborhoods. Among other actions, we have reduced application fees for multifamily mortgage insurance in Opportunity Zones and designated our most senior underwriters to ensure expedited reviews of these applications, added preference points to competitive grants for activities within Opportunity Zones, and are helping our grantees understand how to use our grants in Opportunity Zones. We have also established Opportunity Zones as automatically eligible for mortgage insurance for the new construction or substantial rehabilitation of mixed-use housing projects in urban renewal areas, code enforcement areas, and other areas where local governments have undertaken designated revitalization activities.

Moreover, the Council's Executive Director Scott Turner has been traveling across the country — visiting more than 25 cities so far — to hear from Opportunity Zone stakeholders firsthand and bring their thoughts and ideas back to Washington, DC. During each visit, the executive director meets with community leaders; investors; and state, local, and tribal officials to discuss best practices for Opportunity Zone revitalization.

The Office of Policy Development and Research (PD&R) will support both HUD and the Council in its approach to Opportunity Zones. PD&R has gathered insight from previous place-based initiatives, as summarized in this issue of *Evidence Matters*. PD&R will also continue to coordinate program experts to recommend changes to existing policies and programs. And, although data were imperfectly and infrequently collected in the past, HUD's geospatial analysts will be tracking numerous indicators in real time. One top priority of PD&R is to ensure that adequate data for an evaluation can be collected from the start. We hope that an issue of *Evidence Matters* 10 to 15 years from now will summarize the outstanding work of researchers that was made possible by these early efforts.

This is the first issue of *Evidence Matters* to be published since I was confirmed as assistant secretary of PD&R. I hope you enjoy it as much as I have.

— Seth D. Appleton, *Assistant Secretary for Policy Development and Research*

# Editor's Note

Enacted as part of the 2017 Tax Cuts and Jobs Act, Opportunity Zones represent a potentially transformative effort to incentivize investment in economically distressed areas. This issue of *Evidence Matters* places the new initiative into the context of other place-based tax incentives aimed at fostering community development and examines how state and local governments are positioning themselves to maximize benefits for their jurisdictions.

The lead article, "Place-Based Tax Incentives for Community Development," reviews past and current place-based tax incentives and the evidence of their effectiveness and concludes with an introduction to Opportunity Zones. The Research Spotlight, "Evaluating Place-Based Incentives" by Daniel Marcin, discusses the methodological challenges of evaluations of past place-based tax incentives and suggests methods for evaluating Opportunity Zones. Finally, the In Practice article, "Shaping Investment in Opportunity Zones," discusses how Maryland, Indiana, Michigan, Louisville, and Oklahoma City are attracting investment and spreading the word about Opportunity Zones through partnerships, online portals, and investment prospectuses.

We hope that this edition of *Evidence Matters* provides a helpful overview of this critical topic. Our next issue will focus on factory-built housing. Please provide feedback on any of our issues at [www.huduser.gov/forums](http://www.huduser.gov/forums).

— Eileen Faulkner, *Acting Director of Research Utilization Division*

FEATURE

## Place-Based Tax Incentives for Community Development

Although national measures of economic health indicate that the United States has largely recovered from the Great Recession, the country still exhibits considerable geographic variation in economic vitality. Many areas — rural, urban, and suburban — continue to show signs of economic distress, such as high poverty and unemployment rates. For example, in the lowest-performing quintile of counties in the United States, the unemployment rate is 10.7 percent compared with 5.8 percent in the top quintile, and the median household income is less than half that of the top quintile.<sup>1</sup> Such disparities significantly impact the lives of these residents. Living in economically distressed areas is associated with negative health, education, and other outcomes.<sup>2</sup>

Several different dynamics contribute to these persistent economic disparities, including disinvestment and

underinvestment. For various reasons, investors have not found these markets to be attractive. In response, the federal government has implemented policies and grants, such as the Community Reinvestment Act and HUD's Community Development Block Grant (CDBG) program, to direct more capital into distressed areas and benefit low-income residents. Place-based tax incentives represent an additional policy approach designed to increase the flow of investment capital to distressed areas. The literature evaluating tax incentives offers important context for the design and lessons that can inform the implementation of Opportunity Zones, a new tax incentive aimed at helping low-income communities.

### Past and Current Federal Place-Based Tax Incentives

Unlike people-based policies that provide aid or opportunities to low-income

## HIGHLIGHTS

- Many communities nationwide suffer from disinvestment and underinvestment, resulting in high rates of poverty and unemployment.
- State and federal place-based tax incentives such as Enterprise and Empowerment Zones and New Markets Tax Credits have previously attempted to attract capital investment to economically distressed areas.
- A new federal place-based tax incentive, Opportunity Zones, builds on past experience and research and aims to boost economic development in designated census tracts.

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households or individuals wherever they live and work, place-based strategies provide aid to designated geographic areas that are economically distressed to improve conditions and increase available opportunities for low-income residents.<sup>3</sup>



Photo courtesy of Baltimore Development Corporation

Governors designated Opportunity Zones in their states with strategic considerations. In Maryland, for example, selections aim to leverage proximity to anchor institutions to attract investment.

**Empowerment Zones, Enterprise Communities, and Renewal Communities.**

In the 1980s, many state governments began implementing “enterprise zones” — designated low-income communities eligible for tax credits for hiring local residents, tax abatement, and other credits for economic activity to encourage economic growth.<sup>4</sup> Evidence supporting the efficacy of these programs is mixed, with most studies finding modest or no effects on employment and some finding positive effects on housing prices.<sup>5</sup> Building on these state programs, the federal Omnibus Budget Reconciliation Act of 1993 introduced a series of place-based policies that would eventually include Empowerment Zones (EZs), Enterprise Communities (ECs), and Renewal Communities (RCs). The initial legislation established EZs and ECs, and Congress authorized an additional round of EZs and ECs in 1997 and 1999, respectively. Congress authorized a third round of EZs and established the first RCs in 2000. The

EZ and EC programs awarded grants and tax incentives to promote development in economically distressed communities. State and local governments nominated communities in census tracts with high poverty and unemployment rates, and those communities then developed and submitted strategic plans. In the first round, 6 urban areas (with 2 areas added later) and 3 rural areas became EZs, and another 65 urban areas and 30 rural areas became ECs. Each Round I urban EZ received \$100 million in block grants, and the rural EZs received \$40 million each. Businesses located in the EZs received tax credits for wages paid to employees who lived and worked in the area; tax credits for new hires from groups with high unemployment rates, such as youth ages 18 to 24, who live in the area; an increased expensing deduction for depreciable property; and tax-exempt bonds for loans to qualified businesses for financing eligible property.<sup>6</sup> Congress later added incentives

related to capital gains exclusions. Round I ECs received much smaller grants of \$2.95 million each and were eligible for tax-exempt bond financing.<sup>7</sup> Round I and II EZs and Round III rural EZs and ECs also received grant funding, whereas Round III urban EZs and the RC program were eligible only for tax incentives.<sup>8</sup>

By 2006, Round I EZs and ECs had expended 85 percent of the \$1 billion allocated for grants, but insufficient data existed to determine how much additional funding had been leveraged.<sup>9</sup> Administrators of the urban EZs reported \$643 million in facility bonds associated with 40 projects. From 2002 through 2008, RC administrators reported more than \$1.7 billion in commercial revitalization deductions, approximately half of the total that could have been allocated. Although the Internal Revenue Service (IRS) could not break down use of employment credits by area, in aggregate, EZs and RCs filed for \$675

million in credits on Form 1040 returns for years 1997 through 2008 and \$2.6 billion in credits on Form 1120 (for corporate filers) for the same period.<sup>10</sup>

### **Low-Income Housing Tax Credits.**

Low-income housing tax credits (LIHTCs) were created through the Tax Reform Act of 1986. The LIHTC program awards two types of credits to help finance affordable housing development: 9 percent (awarded competitively and usually reserved for new construction) and 4 percent (awarded noncompetitively and usually used for rehabilitation projects and new construction financed with tax-exempt bonds). The 9 percent credits subsidize 70 percent of a project's qualified costs, and the 4 percent credits subsidize 30 percent.<sup>11</sup> Although the LIHTC program generally is not a place-based policy, the program includes place-based

incentives through which enhanced LIHTCs are available for Difficult Development Areas and Qualified Census Tracts. In those areas, recipients can claim credits for 130 percent of the project cost rather than the usual 100 percent of costs.<sup>12</sup> Qualified projects must pass either the 20-50 test or the 40-60 test. For the first test, at least 20 percent of units must be rent restricted and occupied by households earning incomes at or below 50 percent of the area median income (AMI); in the second, at least 40 percent of units must be rent restricted and occupied by households earning incomes at or below 60 percent of AMI. Since 2018, a third test, the income averaging rule, has been in effect; this test allows a single project to have units at various income levels (defined at 10 percent increments) up to 80 percent of AMI provided that the overall affordability

of the project averages to 60 percent of AMI.<sup>13</sup> Projects are required to meet investment regulations for 15 years and affordable rent requirements for 30 years.<sup>14</sup>

LIHTCs are awarded through state governments. States receive an allotment of LIHTCs based on their population; in 2019, this allotment was set at \$2.76 per person with a minimum state allocation of \$3,166,875 (the Consolidated Appropriations Act of 2018 increased allotments by 12.5 percent through 2021). State housing finance agencies allocate credits to rental project developers according to federally required but state-created Qualified Allocation Plans (QAPs). Although federal law mandates only that states prioritize projects that target the lowest-income households and have the longest period of affordability, states



Opportunity Zones are designed to attract long-term investment in communities that have historically suffered from disinvestment.

can use their QAPs to pursue various housing-related policy goals, such as encouraging the development of housing with supportive services or housing for veterans. Awardees either can claim the credit themselves or, more commonly, sell the credits to a corporate investor. The investor claims the majority share of equity but remains a passive actor, allowing the developer to retain control over decisionmaking.<sup>15</sup>

Through 2014, LIHTCs have financed the development and preservation of more than 2.1 million units in more than 28,000 projects. In 2016, the cost to the government in foregone tax revenue was \$7.9 billion. Nearly half of LIHTC households are considered extremely low-income (earning less than 30% of AMI), and another one-third are considered very low-income (earning between 30% and 50% of AMI). The median annual income of a household in a LIHTC-assisted unit is \$17,470; approximately 58 percent of households in LIHTC-assisted units make less than \$20,000 per year. Despite the program's limitations on rents, 37 percent of households in LIHTC units are rent burdened.<sup>16</sup> According to a study by the University

of California–Berkeley's Turner Center for Housing Innovation, however, many of these rent-burdened tenants nevertheless value living in a LIHTC unit because of the stability and quality of the housing.<sup>17</sup> In recent years, LIHTC has helped finance approximately one-third of all new multifamily housing developments.<sup>18</sup>

**New Markets Tax Credits.** The New Markets Tax Credit (NMTC) program, first authorized by the Community Renewal Tax Relief Act of 2000, awards individuals or institutions federal income tax credits for investing equity in Community Development Entities (CDEs). Investors receive a cumulative reduction in their federal income taxes equivalent to 39 percent of the total Qualified Equity Investment amount applied over a seven-year period. The program is administered and regulated by the IRS, and the Community Development Financial Institutions (CDFI) Fund certifies credit-receiving entities and makes the allocations. As with the LIHTC program, these credits are awarded competitively. CDEs function as a financial intermediary, aggregating funds to invest in projects proposed by Qualified Active Low-Income Community

Businesses (QALICBs). QALICBs are similarly certified by their presence in low-income communities. Although qualifying projects must occur in “distressed” census tracts, the CDFI Fund's evaluation criteria for CDEs prioritize “very distressed” census tracts, similar to the way state LIHTC allocating authorities can target LIHTC investments through the scoring criteria in the QAP.

NMTCs have supported the development of affordable housing. Program rules permit financing NMTC projects consisting entirely of residential units for sale; if the units are for lease, rent revenue can represent no more than 80 percent of project revenues, which effectively requires such projects to be mixed use. In the case of for-sale housing, allocatees must sell at least 20 percent of their units to buyers with a debt-to-income ratio of 38 percent or less, and these units must be owner-occupied by households earning incomes at or below 80 percent of AMI.<sup>19</sup> With rental housing, for the duration of the seven-year NMTC compliance period, at least 20 percent of an allocatee's units must have rents that do not exceed 30 percent of the adjusted family income at 80 percent of AMI, and they must be occupied by households earning incomes at or below 80 percent of AMI. Although housing projects make up only 5 percent of all NMTC projects, these projects account for 37 percent of total project dollars because many of the largest NMTC projects involved housing.<sup>20</sup>

For-profit nonfinancial institutions were awarded the highest share of NMTCs until 2006; about 60 percent of recipient QALICBs were for-profit institutions, almost 40 percent were nonprofits, and about 2 percent were government or tribal entities. Between 2002 and 2010, the CDFI Fund issued 664 awards to 350 CDEs, allocating \$12.9 billion in tax credits over 9 allocation rounds. Between 2003 and 2015, the NMTC Coalition reported \$42 billion in NMTCs, generating more than a million jobs, with more than 72 percent of these investments occurring



U.S. Department of Housing and Urban Development

Opportunity Zone investments could potentially be combined with LIHTC investments to fund affordable housing.



U.S. Department of Housing and Urban Development

From left to right, Denise Cleveland-Leggett, Region IV Regional Administrator; Scott Turner, executive director of the White House Opportunity and Revitalization Council; Secretary Ben Carson; and officials from Birmingham, Alabama, participated in a roundtable discussion on Opportunity Zones.

in severely distressed communities.<sup>21</sup> An estimated 30 to 40 percent of projects probably would not have proceeded without NMTCs; approximately 10 percent probably would have proceeded without NMTCs but at a different location or on a delayed schedule. Roughly 20 percent of projects did not demonstrate conclusive evidence of needing NMTCs to proceed, and the evidence was inconclusive for 30 percent of projects.<sup>22</sup>

### Efficacy of Place-Based Tax Incentives

Past place-based tax incentives were designed to foster broad economic development, including job creation, increased incomes, and real estate development. Researchers have attempted to evaluate how successfully these

programs have achieved these outcomes. Overall, the research suggests that the incentives have produced mixed results in each outcome area. In addition, methodological concerns, such as insufficient data and difficulty establishing appropriate comparisons, have made evaluations difficult.

**Employment.** A few studies tied EZs and ECs to increased employment. The 2001 HUD Interim Report on EZs found that total employment grew in five of the original six EZs between 1995 and 2000, and Busso et al. also found that EZs had positive impacts on wage increases and employment.<sup>23</sup> Ham et al. found positive, statistically significant impacts on unemployment rates from EZs (a decrease of 8.7 percent) and ECs (a decrease of about

2.6 percentage points), but this study has been criticized for its selection of comparison areas, which exaggerates the impact of these programs.<sup>24</sup> Overall, however, research on EZs' impact on employment has demonstrated mixed results, with other studies, such as Hanson (2009), finding (depending on the methods used) a positive effect on the employment rate of 2 percentage points or no effect and Hanson and Rohlin (2013) finding that EZs simply reallocate economic activity into the zones from other economically similar areas.<sup>25</sup> NMTCs have also been associated with job growth. The Urban Institute's evaluation of NMTCs found that in 60 percent of NMTC project areas, employment levels increased by 33 percent or more compared with levels before the projects.<sup>26</sup>

**Poverty and income.** As with employment, Ham et al. and Busso et al. found that EZs had a positive impact on poverty and income. For EZs and ECs, Ham et al. found decreases of 8.8 percentage points and 20 percentage points, respectively, in the poverty rate, and increases of 20.6 percent and 12.7 percent, respectively, in average income. Busso et al. also found positive impacts on wages of 8 to 13 percent for zone residents employed within the zone and 3 to 5 percent for zone residents generally, without increases in rents. On this measure, Hanson found (depending on the methods used) a positive effect on the poverty rate of 2 percentage points or a negative effect of 2 percentage

points.<sup>27</sup> The U.S. Government Accountability Office (GAO) found that poverty rates declined in most Round I EZs and ECs but that those changes might be attributable to other factors, and Reynolds and Rohlin (2014) found no effect of EZs on impoverished residents.<sup>28</sup> For the LIHTC program overall (not the QCTs specifically), Diamond and McQuade (2016) found evidence that LIHTCs reduce poverty rates in high-poverty neighborhoods.<sup>29</sup>

**Other neighborhood impacts.** Evaluations of place-based policies have also found evidence of broader neighborhood impacts. For example, LIHTC projects can have a modest positive

impact on increasing neighboring property values and reducing crime rates in distressed neighborhoods and small negative effects on property values (and no impacts on crime) in higher-opportunity neighborhoods. Freedman cautioned, however, that residents of neighboring areas may experience reduced employment and business investment as companies relocate operations to qualified areas.<sup>30</sup>

**Limitations of the evidence.** The divergent findings on place-based tax incentives reflect several methodological and data challenges. As GAO noted, establishing a causal relationship between specific development



Although the areas designated as Opportunity Zones have suffered from underinvestment, they have many assets that will be attractive to investors.



projects and economic growth in a community is difficult.<sup>31</sup> An EZ community may be benefiting from additional economic development grants, incentives, and policies, making it difficult to isolate the impact of the various programs.<sup>32</sup> For example, investors also claimed Community Reinvestment Act credits in 76 percent of NMTC projects between 2002 and 2006.<sup>33</sup> In a similar way, NMTCs can be used in conjunction with historic preservation tax credits.<sup>34</sup> GAO reported that insufficient data on the use of program tax benefits limited researchers' ability to evaluate EZs, ECs, and RCs effectively.<sup>35</sup> The nonrandom selection of zones makes researchers' choice of control areas important but also

difficult. Evidence of new jobs within the zone, for example, could simply represent the movement of jobs from one area to another.<sup>36</sup> Limitations on systemic data have also complicated assessments of LIHTC impacts, as has the wide latitude states have in designing the QAPs, which complicates comparisons. Despite these limitations on the evidence base, research on previous place-based tax incentives and experience have informed the design of the new place-based tax incentive, Opportunity Zones (OZs), and can offer lessons for its implementation.

### **A New Opportunity: Opportunity Zones**

Enacted as part of the 2017 Tax Cuts and Jobs Act, OZs aim to direct some of the estimated \$6.1 trillion in unrealized capital gains into qualified low-income and contiguous census tracts.<sup>37</sup> The Opportunity Zones initiative offers different levels of tax benefits on unrealized capital gains that are reinvested in OZs. Investors can defer taxes on capital gains invested in an OZ until December 31, 2026, or when they dispose of the investment (whichever comes first); reduce their tax liability by 10 percent if they hold the investment for 5 years or by 15 percent if they hold it for 7 years; and exclude from taxation capital gains earned on the appreciation of an OZ investment held for 10 years or longer.<sup>38</sup> Governors and executives of the 50 states, 5 territories, and the District of Columbia nominated OZs in their jurisdictions; from these, the U.S. Department of the Treasury designated 8,764 OZs. Eligible zones had to consist of census tracts with an individual poverty rate of at least 20 percent or a median family income that was less than 80 percent of AMI. Up to 5 percent of the OZ tracts could be contiguous census tracts as long as their median family income did not exceed 125 percent of AMI.<sup>39</sup> An Urban Institute analysis of the designated zones showed that the chosen zones have a median household income of \$33,345 (compared with \$44,446 for eligible nondesignated tracts and \$58,810 for all tracts), a poverty

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rate of 31.75 percent (compared with 21.12% for eligible nondesignated tracts and 16.61% for all tracts), and an unemployment rate of 13.14 percent (compared with 9.26% for eligible nondesignated tracts and 8.12% for all tracts).<sup>40</sup> All OZ investment must flow through an Opportunity Fund, an investment vehicle that pools private capital to invest, with a minimum of 90 percent of assets being held in qualified OZ property.<sup>41</sup>

The development of OZs was informed by past experiences with EZs, ECs, and NMTCs, with which they share certain features. Like these previous incentives, OZs offer preferential tax treatment for investments in low-income neighborhoods. They share the goal of broad-based economic development, aiming to increase employment and income as well as increasing investment in real property. OZs, however, also have some crucial differences from past place-based tax incentives. The OZ incentive has no cap, and Opportunity Funds can "self-certify," eliminating some of the regulatory burden and obligations of the older programs.<sup>42</sup> Unlike EZs, OZs do not combine tax benefits with grants, although localities may target other grants, such as CDBG and CDBG-Disaster Recovery, in OZs. Some of these differences reflect



Art Wager / iStock.com



State and city governments, such as Louisville, Kentucky, have been proactive in marketing the investment potential of their Opportunity Zones.

insights derived from experience. The architects of OZs believed that the EZ and EC employment incentives, for example, were too small or inefficient to effectively increase employment. They also argued that the programs and their regulations were too complex, contributing to underutilization. The regulatory flexibility incorporated into OZs reduces the barriers that OZs' architects felt impeded broader participation in EZs, and the absence of a cap removes an additional barrier that restricts greater investment in NMTCs.<sup>43</sup>

Lessons from previous place-based tax incentives can also shape the implementation of OZs. One such lesson is the critical importance of local governance in determining outcomes. In their analysis of the original urban EZs, Rich and Stoker find that

“the quality of local governance,” including the capacity and capability of local agencies and organizations in marketing, collaboration, and policymaking, “distinguished the performance of the revitalization initiatives....”<sup>44</sup> They found that the city of Baltimore had greater success with EZs than some of its peers due to the quality of its collaborative, capacity-building implementation. One of the six Round I urban EZs, the city established the Empower Baltimore Management Corporation (EBMC) to coordinate EZ implementation. EBMC helped facilitate approximately \$1.2 billion in public and private investment in the Baltimore EZ from 1995 to 2000, creating an estimated 5,700 new jobs, placing 11,000 residents in jobs, reducing crime by 60 percent, and increasing homeownership by 6 percent. EBMC credited these

successes to strategic partnerships with employers, strong marketing of EZ incentives to businesses, and collaboration with other state and city economic development agencies.<sup>45</sup> Localities that emphasize collaborative partnerships and capacity in their OZs may also be more successful at achieving their goals. University of California–Irvine professor David Neumark suggested that policymakers should target place-based tax incentives to ensure that the initiative's benefits go to residents of the designated zones rather than people relocating to the zone and that existing residents are not displaced.<sup>46</sup>

Because OZs are a new tax incentive whose regulations are still being finalized, investors' response to them is largely undetermined. Examining how previous tax incentives have been used,



Photo courtesy of the Louisville Urban League

however, may offer some clues about how OZs will be received. Slightly less than two-thirds of NMTC projects relate to real estate or construction projects, which may portend the types of investments that result from OZs. NMTC investment has been geographically concentrated in distressed areas, which may be similar to the patterns that OZ investments take, although Lester argued that OZs' lack of Opportunity Fund certification by a government entity may encourage a different distribution of investments.<sup>47</sup>

OZs, like EZs and NMTCs, will intersect with other housing and development policies. Michael Novogradac, managing partner at Novogradac, said that LIHTC projects will attract investment from OZ funds under the right circumstances. Although banks, which are the

primary investors in LIHTCs, do not frequently have capital gains to invest, said Novogradac, when they do — for example, after the sale of a subsidiary — they may invest in LIHTCs in OZs.<sup>48</sup> From an affordable housing standpoint, said Kathie Soroka of Nixon Peabody, “the greatest promise of Opportunity Zones is to bring in another kind of funding to low-income housing investment that can increase competition and pricing in LIHTCs and provide an alternative to LIHTC funding for affordable housing.” She noted that some of these potential investors, such as family offices (in-house managers of the investments of wealthy families), initially might need help navigating these markets, which could come from syndicators in the well-established LIHTC investment infrastructure.<sup>49</sup>

Both federal and state governments can take steps to encourage OZ investment in LIHTC projects. HUD has launched a Federal Housing Administration pilot program to encourage investment in OZs by accelerating the financing of LIHTC projects. Novogradac noted that LIHTCs, particularly 4 percent LIHTCs, combined with OZ incentives could work well with HUD's Rental Assistance Demonstration conversions of public housing.<sup>50</sup> State housing finance agencies that award LIHTCs can also encourage OZ investment. For example, the state of Mississippi is committing 12.5 percent of its LIHTC allocations from 2018 to 2021 to award credits to projects in OZs beginning in the 2019 cycle.<sup>51</sup> Policymakers can align various state incentives and allocations with OZ projects without displacing investments associated with other policies such as the Community Reinvestment Act.

Some critics are concerned<sup>47</sup> that investments in OZs will fuel gentrification and drive up rents and other costs that threaten to displace the very low-income residents that the incentives are designed to help. Local governments and other stakeholders can take several steps to mitigate these potential impacts. First, said Kenan Fikri of the Economic

Innovation Group, localities should ensure that their affordable housing toolbox is well stocked before investment begins. Regardless of whether the OZ investment itself is intended to support affordable housing, localities need to be sure that they have a policy framework in place to preserve existing affordable housing and encourage the production of additional affordable options to prevent current residents from being priced out.<sup>52</sup> State and local governments can provide tax abatement for low-income residents so that rising property values and tax assessments do not force them from their homes. Local governments can also reform their zoning and permitting processes to remove barriers to affordable housing construction. (For more on reducing regulatory barriers, see the Spring 2018 issue of *Evidence Matters*.) Fikri also suggested that local actors play a proactive role in advocating for the kinds of development that the community wants and will benefit from, which may include affordable housing.<sup>53</sup>

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The regulatory flexibility incorporated into OZs reduces the barriers that OZs' architects felt impeded broader participation in EZs.

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Some early signals suggest that at least some funds will voluntarily adopt guidelines to commit to community engagement and will approach OZ investing as impact investing, seeking social good from their capital, said Fikri.<sup>54</sup> The U.S. Impact Investing Alliance and the Beek Center, for example, have been convening investors and local leaders to develop a framework for measuring needs and outcomes and for conducting community engagement to

ensure that OZs have a positive impact on communities.<sup>55</sup> Fikri also expected that “local capital is going to move first” — if philanthropies and other local entities, together with locally committed investors, support projects that a community wants and needs, that support may attract additional capital from Opportunity Funds farther afield.<sup>56</sup>

## Making the Most of Opportunity Zones

OZs have the potential for widespread positive economic impacts by incentivizing capital investment in communities experiencing disinvestment and underinvestment. To ensure that these incentives benefit the low-income residents who live and work in OZs, HUD has issued a formal Request for Information for input on how it can optimize its policies and support to maximize their impact. HUD notes that 38 percent of public housing units are located within OZs.<sup>57</sup> Two of the possibilities HUD is considering are prioritizing grants and other assistance for distressed areas and creating an information portal. HUD also requested more open-ended input on how the department should evaluate the impact of OZs and “how HUD can ensure existing residents, businesses, and community organizations in Opportunity Zones benefit from the influx of investment.”<sup>58</sup> HUD support, along with strong, collaborative local partnerships, can make the most of this new opportunity to promote investment and development in low-income communities. **EM**

<sup>1</sup> Ryan Nunn, Jana Parsons, and Jay Shambaugh. 2018. “The Geography of Prosperity,” in *Place-Based Policies for Shared Economic Growth*, Jay Shambaugh and Ryan Nunn eds.; The Hamilton Project, Brookings, 12.

<sup>2</sup> *Ibid.*

<sup>3</sup> George Galster. 2017. “People Versus Place, People and Place, or More? New Directions for Housing Policy,” *Housing Policy Debate* 27:2, 261–5.

<sup>4</sup> Gerry Riposa. 1996. “From Enterprise Zones to Empowerment Zones: The Community Context of Urban Economic Development,” *American Behavioral Scientist* 39:5, 542–3.

<sup>5</sup> David Neumark and Helen Simpson. 2015. “Place-Based Policies,” in *Handbook of Regional and Urban Economics, Volume 5B*, Gilles Duranton, J. Vernon Henderson, and William C. Strange, eds. Oxford: Elsevier, 1230.

<sup>6</sup> U.S. Government Accountability Office. 2006. “Empowerment Zone and Enterprise Community Program: Improvements Occurred in Communities, but the Effect of the Program Is Unclear,” 7–8; Michael J. Rich and Robert P. Stoker. 2014. *Collaborative Governance for Urban Revitalization: Lessons from Empowerment Zones*, Ithaca: Cornell University Press, 33.

<sup>7</sup> U.S. Government Accountability Office.

<sup>8</sup> U.S. Government Accountability Office. 2010. “Information on Empowerment Zone, Enterprise Community, and Renewal Community Programs.”

<sup>9</sup> *Ibid.*, 11.

<sup>10</sup> *Ibid.*, 24–5.

<sup>11</sup> Congressional Research Service. 2019. “An Introduction to the Low-Income Housing Tax Credit,” 1.

<sup>12</sup> *Ibid.*, 2–3.

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<sup>27</sup> Hanson 2009.

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<sup>31</sup> U.S. Government Accountability Office 2010, 27.

<sup>32</sup> Rebecca Lester, Cody Evans, and Hanna Tian. 2018. “Opportunity Zones: An Analysis of the Policy’s Implications,” *State Tax Notes* 90, 226.

<sup>33</sup> Abravanel et al., x.

<sup>34</sup> *Ibid.*, 73.

<sup>35</sup> U.S. Government Accountability Office 2010, 7, 10–1.

<sup>36</sup> Neumark 2018, 85.

<sup>37</sup> Economic Innovation Group. 2018. “Opportunity Zones: Tapping into a \$6 Trillion Market.”

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<sup>39</sup> *Ibid.*, 222.

<sup>40</sup> Brett Theodos, Brady Meixell, and Carl Hedman. 2018. “Did States Maximize Their Opportunity Zone Selections?” Urban Institute, 8. Statistics cited indicate an average or average percentage based on Community Development Financial Institution Fund and Urban Institute analysis of 2012–16 U.S. Census Bureau American Community Survey.

<sup>41</sup> Lester et al., 224.

<sup>42</sup> *Ibid.*, 227.

<sup>43</sup> Jared Bernstein and Kevin A. Hassett. 2015. “Unlocking Private Capital to Facilitate Economic Growth in Distressed Areas,” Economic Innovation Group.

<sup>44</sup> Rich and Stoker, 226–7.

<sup>45</sup> U.S. Department of Housing and Urban Development. 2005. “Capturing Successes in Renewal Communities and Empowerment Zones,” 149–50.

<sup>46</sup> Email correspondence with David Neumark, 12 April 2019.

<sup>47</sup> Lester et al., 228.

<sup>48</sup> Interview with Michael Novogradac, 28 March 2019.

<sup>49</sup> Interview with Kathie Soroka, 2 April 2019.

<sup>50</sup> Michael Novogradac. 2018. “Three Ideas to Build on RAD’s Success,” *Novogradac Journal of Tax Credits* IX:V.

<sup>51</sup> “Governor Approves Mississippi Home Corporation’s Special Opportunity Zone Cycle for Low Income Tax Credit Program,” NCSHA website ([www.ncsha.org/hfa-news/governor-approves-mississippi-home-corporations-special-opportunity-zone-cycle-for-low-income-tax-credit-program/](http://www.ncsha.org/hfa-news/governor-approves-mississippi-home-corporations-special-opportunity-zone-cycle-for-low-income-tax-credit-program/)). Accessed 8 April 2019.

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<sup>55</sup> Lisa Green Hall, Fran Seegull, Chelsea Amelia Cruz, and Adrian Franco. 2018. “Opportunity Zones: Moving Toward a Shared Impact Framework.”

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# Evaluating Place-Based Incentives

Although the Opportunity Zones initiative is new, place-based incentives are not. In the United Kingdom (UK), Margaret Thatcher's government introduced Enterprise Zones in 1981 to mixed success.<sup>1</sup> Although the UK government phased out the program in 1999, it was revived in 2012 and 2016.<sup>2,3</sup> UK Enterprise Zones were originally formed from "vacant, unoccupied, or deteriorating industrial land."<sup>4</sup> Over the next 10 years, new rules exempted Enterprise Zone properties from property taxes and the Development Land Tax, and developers in Enterprise Zones received a 100 percent tax deduction for spending on buildings and became exempt from some permitting requirements and

data collection.<sup>5</sup> To measure the effect of the UK Enterprise Zones, researchers counted jobs and firms, examined land prices, and surveyed managers.<sup>6</sup> In general, the researchers found that only 25 percent of new jobs in the zones were attributable to the designation; the rest were merely relocations. In addition, researchers estimated the program cost per job at £23,000 to £50,000.<sup>7</sup> In the United States, several states tested the Enterprise Zone concept, and Empowerment Zones were explored at the national level. This article reviews evaluations of the impacts of some of these place-based interventions and discusses findings that could inform the evaluation of Opportunity Zones.

## HIGHLIGHTS

- The nonrandom selection of Empowerment Zones and Enterprise Communities presented evaluation challenges in past studies because isolating the effect of the designation on housing prices and job growth was difficult.
- Evaluations of Opportunity Zones can employ the same indicators for neighborhood change used to evaluate Empowerment Zones and Enterprise Communities such as job and business creation; changes in land prices, home values, and rents; and vacancy and poverty rates.
- Administrative and survey data at the census tract level are widely available and can support the effective evaluation of Opportunity Zones.



A study of Texas Enterprise Zones found positive effects on employment growth.



The Philadelphia-Camden bistate Empowerment Zone was one of the six Round 1 urban zones designated in 1994.

## State Enterprise Zones

Early adopters of state enterprise zones in the United States included Indiana and New Jersey.<sup>8</sup> The state enterprise zones typically offered relief or complete exemption from property taxes along with wage tax credits in return for data reporting.<sup>9</sup> Papke presents results from some studies of these early efforts, finding that the cost per job for most of these programs ranged from \$4,500 to \$13,000 annually; in some cases, the cost reached \$30,000 to more than \$100,000 per zone resident job.<sup>10</sup>

In the case of Texas, Freedman found that enterprise zones had positive effects on employment growth.<sup>11</sup> One important feature of the Texas study design that offers insights to researchers studying Opportunity Zones was

that enterprise zone assignment in Texas was automatic; any area meeting the standards received the designation. This rule allowed researchers to compare nearby census tracts that were nearly identical before designation. For example, researchers could compare a tract with a poverty rate higher than 21 percent, which qualifies for the designation, against a nearby tract with a poverty rate of 19 percent, which does not. Although the difference between poverty rates of 19 and 21 percent may not be economically significant, the assignment of EZ status would be.

Freedman found that housing prices in zones that barely achieved enterprise zone designation increased by 10 percent more than those in zones that barely missed designation, and home

vacancy rates in marginally qualified zones were 4 percent lower than those in zones that marginally did not qualify.

## Empowerment Zones

Jack Kemp, first as a congressman and later as HUD Secretary from 1989 to 1992, strongly advocated for creating a federal program based on the enterprise zones. Although no such program was created under his watch, in 1994 the federal government designated the first Empowerment Zones (EZs), which included significant tax breaks with a large federal block grant to six urban and three rural targeted communities. Unlike enterprise zones, prospective EZs had to compete for the designation. (See “Place-Based Tax Incentives for Community Development,” p. 3, for more information

on EZs, Enterprise Communities, and Renewal Communities.)<sup>12</sup>

Considerable research has examined the effects of EZs on various outcomes. Early HUD-sponsored research compared areas awarded EZ designation with those not awarded EZ designation. It used as metrics job creation by zone employers, business formation and expansion in zones, employment of zone residents by zone businesses, and business ownership by zone residents. The study's findings on the impact of the EZ program were inconclusive. Specifically, the researchers found that job growth in EZs outperformed that in comparison areas and that the number of new resident- and minority-owned businesses increased within the zones, but they could not determine a general trend of economic improvement from these numbers. In addition, job growth was correlated with EZ activity in only three of the six EZs. In the remaining three, job growth could have occurred because of other incentives or trends.<sup>13</sup>

Using mostly decennial census data, Busso, Gregory, and Kline examined the effects of EZs on economic indicators. In particular, the authors studied the estimated changes in rents and home prices in EZs relative to a comparison group of rejected EZ tracts and future applicant EZ tracts.

Using different estimation strategies, the authors found that EZ designation was correlated with an increase in home values of approximately 30 percent between 1990 and 2000, as self-reported in the decennial census, whereas rents increased by only 2 to 3 percent during the same period. The authors found this result striking and looked more closely at new residents or those who had last moved less than five years prior. These residents' responses indicated that in EZs, home prices were 15 to 20 percent higher, and rents 4 to 6 percent higher, than those in comparison tracts. Although these gaps were smaller, a sizable difference still existed between the effect of EZs

on owner-occupied housing and the effect on rental housing. The authors speculated that longtime owners who have not experienced a recent market transaction may greatly overestimate the effect of EZ designation or the resulting neighborhood changes on the value of their house. On the other hand, renters who moved to the EZ more recently saw greater rent increases, suggesting that rents do rise, although only over a longer period.<sup>14</sup>

## **EZ Designation Was Not Random**

EZs and Enterprise Communities (ECs) were not randomly chosen. Their selection was based on applications, which encouraged localities to provide regulatory relief and take additional action. Therefore, any effect of EZs and ECs on the housing market is either indirect or a consequence of an optional state action, which makes isolating the effect of EZ designation difficult. For example, a locality might have chosen to invest in sewer and transportation upgrades in certain areas to win EZ designation. Any housing development occurring there is more likely the result of local government investment rather than

The zones that were designated were probably the ones most likely to show significant improvement without the EZ designation.

Hanson noted that the runner-up applicants for EZ designation were also highly qualified areas. Although they were probably less well positioned for wage growth or poverty reduction, they were more promising in those areas than a random area in the same city as an EZ with similar demographic statistics.

By comparing runner-up areas to the selected areas, Hanson found that EZ designation raised median property values by more than \$100,000, which is both statistically and economically significant. Other studies showed large increases in employment and reductions in poverty in EZs but did not correct for the endogenous, or nonrandom, selection of EZs described above. For example, Busso, Gregory, and Kline found that employment in EZs increased between 12 and 21 percent and wages increased by 8 to 13 percent.<sup>16</sup> An evaluation commissioned by HUD showed similar results.<sup>17</sup> However, this

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The state enterprise zones typically offered relief or complete exemption from property taxes along with wage tax credits in return for data reporting.

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federal tax relief. On the other hand, designation, or the competition for designation, often will spur localities to take actions that may be beneficial and long overdue.

Hanson critiqued previous studies that had assumed that EZ designation was random.<sup>15</sup> Cities submitted applications, and EZ designations were assigned based on the merits of the applications. Many zones qualified for the designation, but few were approved.

study found that, after accounting for the nonrandom selection of EZs, EZs may have had zero effect on employment rates and slightly increased poverty rates.

## **Some EZ Designations Came Later**

Krupka and Noonan estimated a simultaneous equations model based on the different rounds of EZ designations and hedonic analysis of housing markets.<sup>18</sup> Hedonic analysis takes the characteristics

of an item into account when determining its price; for example, hedonic analysis in housing will estimate house prices based on characteristics such as square footage, number of bathrooms, year of construction, school district, and distance to public transportation, among others.

Across six different formulations of the analysis, the authors found that EZs increased home prices between 10 and 40 percent. Because they used the hedonic approach, the authors could note several potential explanations. One possibility is that density decreased in EZ neighborhoods. The authors hypothesize that local governments spent grant money to demolish housing, which would increase the median value of the remaining homes. The authors note, however, that a more likely explanation is that the demand for commercial real estate increased, because commercial real estate in EZs would qualify for tax cuts.

These explanations have radically different implications. If the demolition hypothesis is correct, then median home prices may have increased, but the realities for people living in the remaining homes would not have changed. A national program to demolish vacant houses would increase median home prices in the absence of any tax or regulatory change, but such a program is unlikely to deliver real economic benefits to the country. If the commercial real estate hypothesis is correct, then economic activity may indeed have increased within EZs. Further study is needed to see whether the increased economic activity is primarily the result of existing businesses and business activity relocating to EZs. If the goal of the EZ designation was to improve outcomes for EZ residents, then it would matter whether those relocating firms brought their employees with them or hired locally.

## What About Renters?

Reynolds and Rohlin examined block group data in EZs and ECs.<sup>19</sup> Rather than examining means and medians, the authors plotted the distributions of rents and home values. Although the distribution of rent changed, the mean and median changed little; the percentage of households paying \$600 or more per month in rent greatly increased, and the percentage of households paying \$350 to \$550 per month decreased. Although EZs were intended to benefit residents of low-income communities, this finding appears to show that EZ designation substantially increased their rents. These changes, however, occurred over a 20-year period, and some of this increase may be attributable to inflation. The remainder of the distribution, however, remains stable. In addition, the home value distribution showed that post-EZ home values were much more



Future evaluations of Opportunity Zones could examine neighborhood impact, including changes in home values and rents, using administrative datasets.



heavily concentrated over \$100,000, and even over \$300,000.

## Evaluating Opportunity Zones

As the research above shows, future evaluators of Opportunity Zones have two major tasks:

- **Identify a comparison set of census tracts.** To qualify as an Opportunity Zone, a census tract must be either a low-income community as defined by the Internal Revenue Service or contiguous to a low-income community. However, the governors of each state selected only a subset of census tracts meeting the criteria for a low-income community. Moreover, each governor likely used different criteria in his or her selection. In other words, as with EZs, the selection of Opportunity Zones was not random. Any evaluation will have to carefully consider how to adjust for this nonrandom selection. Based on past methods, techniques such as propensity score matching of nearby tracts or comparing tracts that were narrowly selected for designation with those that were narrowly rejected may be options.

- **Identify data that can be used to track neighborhood change.** The research on enterprise zones and EZs focused on employment rates among area residents; the creation of jobs and businesses in the area; changes in land prices, home values, and rents; and changes in vacancy and poverty rates. These variables will likely be the same ones examined for Opportunity Zones.

Researchers may want to examine administrative data in addition to American Community Survey data. Administrative data are more available than they have ever been. Administrative data have two big advantages over survey data: they are not subject to sampling error, and the data can generally be obtained and analyzed much more quickly. These data also have two major flaws: they are not being collected for statistical purposes,

so they may be biased, and only a small set of data points are available.

The administrative data points that HUD makes available capture the annual mobility of assisted housing tenants; because these data are constantly updated as tenants move, they can be an early indicator of neighborhood change. In addition, data from the U.S. Postal Service are updated every quarter and can capture changes in long-term vacant addresses, increases in total residential and business addresses (a sign of building permit activity), and changes in active addresses (a sign of residential and business lease-up).

Other administrative datasets that HUD and other researchers have used to measure neighborhood change include Home Mortgage Disclosure Act data, which can show change in mortgage activity, characteristics of those applying for and receiving mortgages as well as the amount borrowed; county records data, which can show property sales transactions, changes in property values, and foreclosure activity at the census tract level; and data on employment from unemployment insurance records.

New sources of data should also be explored, such as “scraping” the Internet to gather information on advertised rents; using posts from social media sites such as Twitter to measure levels of happiness, sadness, and fear at small-area geographies; and collecting credit card company data that could show changes in retail purchasing patterns or even the creation of retailers at the neighborhood level.

One important source of data will be Qualified Opportunity Funds — in particular, the activities in which they are investing and the location of those investments. At the time of publication, final regulations on reporting requirements had not yet been issued. If investment data are made available, they will help researchers understand the impacts of specific types of investments. For example, if research indicates

that the number of residential units in an Opportunity Zone has increased, it would be helpful to know whether Qualified Opportunity Funds were investing in residential property developments in neighborhoods that reflect this impact.

Both survey and administrative data at the census tract level are more available now than in the past. With careful controls to identify comparison neighborhoods and data on investments to help explain any findings (or non-findings) of impact, effectively evaluating the impacts of Opportunity Zones should be possible. **EM**

— Daniel Marcin, *HUD Staff*

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<sup>1</sup> PA Cambridge Economic Consultants Ltd. 1987. *An Evaluation of the Enterprise Zone Experiment*, London: Department of the Environment, HMSO.

<sup>2</sup> Leslie E. Papke. 1993. “What Do We Know about Enterprise Zones?” in *Tax Policy and the Economy* 7, James M. Poterba, ed. Cambridge, MA: MIT Press, 48.

<sup>3</sup> “About Enterprise Zones,” HM Government website ([enterprisezones.communities.gov.uk/about-enterprise-zones/](http://enterprisezones.communities.gov.uk/about-enterprise-zones/)). Accessed 28 May 2019.

<sup>4</sup> Papke, 46.

<sup>5</sup> Papke, 46–7.

<sup>6</sup> Papke, 47.

<sup>7</sup> Papke, 48.

<sup>8</sup> Papke, 50, 61.

<sup>9</sup> Papke, 49.

<sup>10</sup> Papke, 61.

<sup>11</sup> Matthew Freedman. 2013. “Targeted Business Incentives and Local Labor Markets,” *Journal of Human Resources* 48:2, 311–44.

<sup>12</sup> Michael J. Rich and Robert P. Stoker. 2006. “Lessons and Limits: Tax Incentives and Rebuilding the Gulf Coast after Katrina,” Washington, DC: Brookings Institution.

<sup>13</sup> Scott Hebert, Avis Vidal, Greg Mills, Franklin James, and Debbie Gruenstein. 2001. “Interim Assessment of the Empowerment Zones and Enterprise Communities (EZ/EC) Program: A Progress Report,” U.S. Department of Housing and Urban Development, Office of Policy Development and Research.

<sup>14</sup> Matias Busso, Jesse Gregory, and Patrick Kline. 2013. “Assessing the Incidence and Efficiency of a Prominent Place Based Policy,” *American Economic Review* 103:2, 897–947.

<sup>15</sup> Andrew Hanson. 2009. “Local employment, poverty, and property value effects of geographically-targeted tax incentives: An instrumental variables approach,” *Regional Science and Urban Economics* 39:6, 721–31.

<sup>16</sup> Busso et al., 921–2.

<sup>17</sup> Hebert et al.

<sup>18</sup> Douglas J. Krupka and Douglas S. Noonan. 2009. “Empowerment zones, neighborhood change and owner-occupied housing,” *Regional Science and Urban Economics* 39:4, 386–96.

<sup>19</sup> C. Lockwood Reynolds and Shawn M. Rohlin. 2015. “The effects of location-based tax policies on the distribution of household income: Evidence from the federal Empowerment Zone program,” *Journal of Urban Economics* 88, 1–15.

# Shaping Investment in Opportunity Zones

Across the United States, local officials striving to revitalize distressed communities are looking to the Opportunity Zone (OZ) initiative to attract investment. Although OZs are relatively new, some states and cities have already laid the groundwork for the initiative by partnering with various stakeholders, establishing online portals to share project information with potential investors, or creating programs to align OZ incentives with other tax incentives. Maryland, for example, established an Opportunity Zone Leadership Task Force, which offers guidance to local officials and developers, hosts regional summits across the state, and partners with local governments. Indiana developed the first statewide consortium of public-private partners for OZs that maintains an online portal for current development projects and offers workshops on OZs and Qualified Opportunity Funds for local officials and developers. In January 2019, Governor Gretchen Whitmer of Michigan issued an executive directive outlining state support for businesses within OZs. Some cities have also created investment prospectuses to attract investors. Louisville Forward and Oklahoma City's Alliance for Economic Development played critical roles in developing their cities' prospectuses. Other stakeholders can learn from these examples to identify the best practices that are most feasible to implement in their own communities.

## Attracting Investment in Maryland's Opportunity Zones

OZ incentives can boost economic growth, employment, and housing in Maryland communities that have not previously benefited from private-sector investment.<sup>1</sup> According to Sara Luell, director of communications at the Maryland Department of Housing and Community Development (MDHCD), the state estimates that investment in its

OZs will attract more than \$1 billion in capital by the end of 2026 and create between 1,000 and 2,000 jobs per year for the next several years.<sup>2</sup> Within the 149 census tracts designated as OZs in Maryland, the average poverty rate is 22.63 percent, 8 percentage points higher than that in eligible nondesignated tracts. The unemployment rate in designated tracts is 10.86 percent, nearly 2 percentage points higher than that in eligible nondesignated tracts. The median household income in designated tracts is \$47,504 compared with \$80,607 in all state census tracts. A total of 42 of the state's OZs are in the city of Baltimore, and 29 are located within the Capital Beltway. Nearly 30 percent of renter households in designated tracts are severely rent burdened compared with approximately 24 percent in eligible nondesignated tracts. More homeowners reside in eligible nondesignated tracts (56.86%) than in designated tracts (44.04%), and the median home value in designated tracts is about \$178,000 compared with \$298,000 across all state tracts.<sup>3</sup>

### Spreading the Word

In his 2019 State of the State address, Governor Larry Hogan announced that Maryland is striving to create the most competitive OZs in the country.<sup>4</sup> On January 3, 2019, Governor Hogan issued an executive order establishing the Maryland Opportunity Zone Leadership Task Force, chaired by Lieutenant Governor Boyd K. Rutherford and composed of several voting members, including the department secretaries for MDHCD and Commerce as well as officials from the University System of Maryland, the Maryland Economic Development Corporation, and other local associations. The task force is responsible for developing a State Opportunity Plan that will outline broad goals for OZs in keeping with the state's economic conditions and current priorities.<sup>5</sup> One of its major responsibilities,

## HIGHLIGHTS

- Through capacity building, technical assistance, and regional summits, Maryland's Opportunity Zone Leadership Task Force and Indiana's Opportunity Investment Consortium spur investors, developers, and local officials to share resources, identify projects, and market their communities.
- Michigan strives to support new businesses in economically disadvantaged areas through an executive directive that encourages state departments and agencies to increase contracts with businesses in Opportunity Zones.
- Louisville and Oklahoma City were among the first five cities to collaborate with Accelerator for America to use a template to write their investment prospectuses and target projects ready for investment.

according to Luell, is to educate communities, local officials, developers, and other stakeholders about the technical aspects of financing projects in OZs. The task force fields comments and questions daily, and it also hosts regional summits across the state that allow citizens and stakeholders to share resources and identify opportunities for investment.<sup>6</sup> At the first regional summit in March 2019, MDHCD and other task force members learned that community members have different levels of understanding about OZs. As the state's lead agency on OZs, MDHCD strives to explain the benefits of OZs in simple terms and apply lessons learned at future summits.<sup>7</sup> The task force is also charged with devising a community marketing strategy, an economic development policy brief for OZs, and policy recommendations.<sup>8</sup>

MDHCD also manages the Maryland Opportunity Zone Information Exchange (Information Exchange), an interactive online tool for investors, fund managers, property developers, new businesses, and other stakeholders. The tool, considered the "first comprehensive, interactive resource of

its kind in the nation,” shows projects in need of investment as well as those that already have investors.<sup>9</sup> As a virtual meeting place, the Information Exchange offers up-to-date investment activity, a project and business locator, and an accompanying description. Businesses, project developers, and investors can also request to be added to the Information Exchange by completing an online form.<sup>10</sup> An “incentive lookup” geographic information system mapping tool allows users to take advantage of program overlap. Users can select a box on the toolbar to show locations eligible for other state tax credits, grants, or local incentives. The map will then highlight the selections to help users determine whether a particular OZ is located in an area with other incentives.<sup>11</sup> As of May 2019, the Information Exchange lists 96 development projects, including 29,000 housing units and 45 million square feet of commercial development, in Maryland’s OZs. The Information Exchange has helped

market projects to investors, bringing current investments to \$12 billion. Maryland’s Information Exchange beat 40 other nominees from across the nation to win the State IT Innovation of the Year award in May 2019 at the StateScoop 50 Awards.<sup>12</sup>

### Current Initiatives

Several efforts are underway to create state programs to support small businesses and job creation in Maryland’s OZs. “It is really easy to see how real estate deals take advantage of the Opportunity Zone incentives, so a lot of what we are doing is helping small businesses,” Luell stated. The state’s overall strategy is to attract investment in OZs regardless of whether the projects use federal tax incentives.<sup>13</sup> In April 2019, Governor Hogan signed into law the Economic, Housing, and Community Development — Opportunity Zone Incentives Act (Senate Bill 581), which extends the More Jobs for Marylanders Program by two years, offers tax

credits for companies within an OZ, and establishes the Opportunity Zone Enhancement Program within the Department of Commerce.<sup>14</sup> In January 2019, Governor Hogan proposed additional initiatives, including legislation to supplement the Maryland Department of Labor’s Employment Advancement Right Now workforce development grant program with additional funding to establish Opportunity Works, a job training program for businesses located in OZs. The governor’s proposals will also help MDHCD allocate funding for other initiatives in OZs, including Rental Housing Works, a program to build and renovate affordable housing; small business loans through the Neighborhood Business Works program; and the statewide Strategic Demolition Fund, which supports site acquisition and demolition of derelict buildings as well as redevelopment.<sup>15</sup> These initiatives will provide vital gap financing to move projects forward in OZs.



Maryland Department of Housing and Community Development Secretary Kenneth C. Holt (left) and Lieutenant Governor Boyd K. Rutherford (right) answer audience questions at the regional meeting of Maryland’s Opportunity Zone Task Force in Salisbury.

Maryland Governor’s Office / Anthony DePanise



The Platform

The Opportunity Zones initiative can help revitalize buildings such as Chroma in Detroit, Michigan.

## Establishing an Investment Consortium in Indiana

From the outset, Indiana's state government has taken a collaborative approach to OZs, bringing local officials and citizens to the table. Governor Eric J. Holcomb convened an external advisory group composed of representatives from nonprofit organizations and municipal governments to designate 156 census tracts in Indiana as OZs. During the nomination process,

stakeholders weighed communities' potential opportunity for investment and demonstrated need.<sup>16</sup> Designated tracts in Indiana struggle with poverty and unemployment. The poverty rate is nearly 30 percent in designated tracts compared with approximately 23 percent in eligible nondesignated tracts. The unemployment rate is also higher within designated tracts (10.96%) than in eligible nondesignated tracts (9.82%) and in all state tracts (7.85%).

Roughly one-quarter of renters in the designated tracts are severely cost burdened. Approximately 46 percent of residents in the designated tracts are homeowners compared with approximately 58 percent in eligible non-designated tracts and about 67 percent in all state tracts.<sup>17</sup> The designation of OZs and the development and implementation of Qualified Opportunity Funds provide distressed neighborhoods in Indiana with a financing tool to complete social impact projects, according to Samantha Spergel, director of real estate production at the Indiana Housing and Community Development Authority (IHCDA).<sup>18</sup>

### Forging Partnerships

In late fall 2018, representatives from Local Initiatives Support Corporation (LISC) Indianapolis and Cinnaire, a nonprofit community development financial institution, met with IHCDA to discuss creating an online portal for investors and developers to locate and post projects in OZs.<sup>19</sup> The portal offers a virtual space for developers to pitch their project ideas for affordable housing, commercial, industrial, or small business projects.<sup>20</sup> Investors, who must pay to access the portal, have exclusive rights to review potential projects and contact developers to determine whether a project would be lucrative with Qualified Opportunity Funds.<sup>21</sup> LISC manages the portal, and the Fifth Third Foundation contributed \$100,000 to fund the portal and support information sharing, capacity building, and technical assistance.<sup>22</sup> Following discussions with LISC and Cinnaire, IHCDA collaborated with other state agencies, including the Indiana Economic Development Corporation, the Indiana Bond Bank, and the offices of the governor and lieutenant governor, to form the Opportunity Investment Consortium of Indiana and identify ways to support the portal.<sup>23</sup> The consortium serves as a platform for stakeholders such as investors, developers, and local officials to learn more about identifying potential projects and marketing their communities.<sup>24</sup> In addition to LISC, Cinnaire, and IHCDA, the consortium's



John Amrhein, Michigan State University Extension

OZ workshop attendees in Grayling, Michigan, learned the basics of OZs, how to market attributes of their community to investors, and potential impacts of OZ incentives.

primary partners include the state’s Office of Community and Rural Affairs; Prosperity Indiana, a statewide membership organization that promotes comprehensive community development; the Indiana Economic Development Association; and other economic development agencies, foundations, and associations.<sup>25</sup> The consortium’s partners also include law and accounting firms that help investors navigate the transaction process.<sup>26</sup>

After the portal went live in November 2018, consortium membership grew, as did the number of interested investors, resulting in more deals, Spergel noted.<sup>27</sup> This strong public-private partnership is vital to establishing a standardized platform that provides guidance to communities.<sup>28</sup> Spergel emphasized that Qualified Opportunity Funds are not a tool that will “make a bad deal better.” Instead, they can offer a project the “final allocation of funding”

vital to its success. As of February 2019, users have submitted 14 potential deals through the portal. Of these 14, 3 are in Indianapolis, and the rest are in smaller communities. “We are seeing a wide range of not just types of projects, but [a] wide range of where the projects are coming from, which is indicative of how we have been able to utilize the consortium in our education on what this is and how this can be used,” said Spergel.<sup>29</sup>

In addition to the portal, the consortium is focusing on statewide capacity building by training local government and development officials in using Qualified Opportunity Funds, offering workshops to learn about OZs and their possible impacts, and providing resources on how to write an investment prospectus and attract investors. Networking events are gaining momentum in the state as venues for investors and developers to meet in person.

Partnerships with nonprofit organizations, including Prosperity Indiana, that have their own networks across the state have also been critical for spreading the word about the benefits of OZs, especially in rural areas. According to Spergel, one of the key outcomes of OZs, aside from the potential for development, is that they spur discussion and information sharing among developers, investors, local officials, and community organizations that might not otherwise have occurred.<sup>30</sup>

Often, disparate stakeholders attend trainings, each seeking different types of information on OZs depending on their role. Some organizations are more familiar with how these incentives work than others, whereas other organizations need to gain a basic understanding of OZs and Qualified Opportunity Funds. Those who conduct trainings must understand their audience to tailor information to needs

and experiences. Spergel indicated that the consortium is well situated to know particular audiences and convey information effectively.<sup>31</sup>

### Future Plans

The consortium, along with Indiana's Office of Community and Rural Affairs, is analyzing demographics in OZs, especially in rural areas, to customize training sessions to particular audiences. The consortium is also considering a symposium or one-day workshop to give mayors and economic development officials the tools to better market their cities for social impact investments.<sup>32</sup> In January 2019, Prosperity Indiana and the consortium hosted a one-day workshop that presented an overview of OZs, strategies to locate potential deals, and information on how to pair OZ investments with other financing tools.<sup>33</sup> The workshop also included city officials from South Bend, Indiana, who

explained how they developed the city's investment prospectus and marketing strategies. Spergel noted that these types of workshops are gaining momentum, and the state expects to see more of them in the coming months.<sup>34</sup>

### Michigan Partnerships Move Opportunity Zones Forward

Michigan has a robust network of state and local actors involved in boosting economic development and social outcomes for disadvantaged communities in the state. As the state begins implementing the OZ initiative, it is drawing heavily on this preexisting "structural ecosystem," according to Karen Gagnon, policy advisor for the Michigan State Housing Development Authority (MSHDA). MSHDA is the agency in charge of promoting and overseeing OZs in Michigan.<sup>35</sup> Michigan has 288 census tracts designated as OZs, which

have a median household income of approximately \$32,000 compared with approximately \$52,000 for the state as a whole. Poverty and unemployment are major concerns for residents living in designated tracts; the poverty rate in these tracts is nearly 32 percent, and nearly 15 percent of their residents are unemployed. Poverty and unemployment rates in eligible nondesignated tracts fare slightly better, at approximately 26 percent and 13 percent, respectively. Nearly 29 percent of renter households in designated tracts spend more than 50 percent of their income on rent. Half of the residents in designated census tracts own their homes compared with approximately 63 percent of those in eligible nondesignated tracts. The median home value in designated tracts is approximately \$77,000 compared with a little more than \$128,000 statewide.<sup>36</sup> Roughly 23 percent of Michigan's OZs are in rural



In May 2018, representatives from Larson Realty Group broke ground on a mixed-use development that will increase housing, jobs, and spur economic development in a Detroit Opportunity Zone.

Brittney Hoszkiv, Michigan Economic Development Corporation



Roberto Galan / Shutterstock.com

Louisville's investment prospectus has helped the city attract investors and establish goals for future development.

areas, and Michigan's extensive partnerships and local networks will be vital to attracting more investment opportunities to these areas.<sup>37</sup>

### Leveraging Existing Networks

Michigan's considerable network of partnerships among state agencies, agency field teams, colleges and universities, and local governments has facilitated the implementation of the OZ initiative. The state has a service delivery network through the Regional Prosperity Initiative and its consortia.<sup>38</sup> Structuring Michigan into 10 Prosperity Regions has helped formalize collaboration among local agencies, nonprofit organizations, and private entities to streamline services and responsibilities.<sup>39</sup> Gagnon emphasized that cross-agency collaboration occurs regularly in Michigan through a group of nine state departments including the departments of Transportation;

Treasury; Environment, Great Lakes and Energy; and Talent and Economic Development. These departments created an organized field team for each of the Prosperity Regions. The group also meets for an annual summit and shares resources throughout the year.<sup>40</sup> MSHDA, along with the Michigan Municipal League, founded and chairs the Sense of Place Council to employ placemaking as an economic development tool throughout the state.<sup>41</sup> Created in 2006, the Sense of Place Council consists of 41 public-private partners who meet monthly.<sup>42</sup> To spur economic development activities and rejuvenate communities, the council spearheaded the development of a statewide Placemaking Curriculum and the MIplace Partnership Initiative.<sup>43</sup> As Gagnon explained, this "ecosystem" of partnerships forms the foundation for spreading the word about OZs.<sup>44</sup>

Through expansive networks, MSHDA uses several strategies to share resources with interested stakeholders. MSHDA, in partnership with the Michigan Economic Development Corporation, contracted with Michigan State University Extension to sponsor a training called "Opportunity Zones (OZ): There's No Place Like Home!" In spring 2019, Michigan State University Extension held five free workshops where local leaders, real estate developers, tax accountants, and attorneys learned strategies to attract OZ investment and maximize the benefits of OZs to their communities.<sup>45</sup> In addition to workshops, MSHDA also maintains a referral form to connect representatives from real estate, local government, investment firms, anchor institutions, philanthropic organizations, and development firms with state resources. The form requires interested parties to indicate the type of project

they would like to construct or invest in and the expected benefits, such as job creation, business expansion, or the creation of new businesses.<sup>46</sup> Gagnon indicated that the referral form helps the state collect information and build a contact list of interested parties so it can target its resources efficiently. Gagnon and MSHDA's acting executive director, Gary Heidel, review the forms, respond to inquiries, and connect interested parties to further resources, such as toolkits available on the Michigan Economic Development Corporation's website and the Redevelopment Ready Communities Program, which helps communities take the necessary steps to promote redevelopment. Thus far, MSHDA has received referral forms primarily from investors. As funds continue to amass, said Gagnon, matching these investors with appropriate projects will be increasingly important.<sup>47</sup>

### **Promoting Opportunity Zone Businesses**

Many of Michigan's communities are dealing with population decline and disinvestment, which make it difficult for businesses to thrive. On January 2, 2019, Governor Whitmer issued an executive directive that expands the state government's role in spurring business opportunities in low-income communities. The directive supports "Geographically-Disadvantaged Business Enterprises" by increasing state purchases from and contracts with businesses for supplies and services. It directs the Department of Technology, Management, and Budget (the Department) to collaborate with other state departments, agencies, and organizations that represent businesses to determine barriers to economic growth for Geographically-Disadvantaged Business Enterprises.<sup>48</sup> According to Gagnon, the directive "build[s] bridges between the entrepreneurs and state government" to enhance opportunities for small businesses.<sup>49</sup> Among some of the requirements, the directive states that Geographically-Disadvantaged Business Enterprises must be located within a designated OZ. Most employees

must either work within an OZ or have a primary residence within an OZ.<sup>50</sup> The directive requires Geographically-Disadvantaged Business Enterprises to notify the Department if they relocate their operations outside of an OZ or if most of their employees no longer work within or have a primary residence in an OZ. This directive is one strategy to expand opportunities for small businesses that will also help reduce unemployment and improve incomes among residents working and living in OZs.

Gagnon explained that the overarching focus of OZs is to spur economic development and job creation in distressed communities. In addition to real estate development, a Qualified Opportunity Fund can help grow businesses and establish new ones.<sup>51</sup> Gagnon indicated that Michigan has both "Great Lakes and great opportunities," and part of the state's marketing strategy involves capitalizing on the fact that Michigan has the longest freshwater coastline in the world. The eastern, western, and southern coastlines already have numerous investment deals, but the northern coastline is "prime for development, and [there are] OZs on the water and around water," noted Gagnon.<sup>52</sup> Furthermore, Michigan is one of several states bordering the Great Lakes that conforms its tax code to the federal tax code. Aligning definitions and policies with the federal tax code can reduce complexity for individuals and businesses.<sup>53</sup> Gagnon indicated that tax conformity can help leverage investment, especially along Michigan's northern coast. Michigan is rich in resources as well as anchor institutions such as large universities, and these will be critical assets for marketing the state in the future.<sup>54</sup>

### **Cities Develop Investment Prospectuses**

To help cities establish their goals for OZs, Accelerator for America and New Localism Advisors collaborated to create an investment prospectus guide to assist officials in marketing their cities, provide important data, explain key

assets, and describe their OZs.<sup>55</sup> An investment prospectus incorporates three documents: a community marketing strategy, a policy brief for economic development, and a private investment memorandum.<sup>56</sup> Developing an investment prospectus can mobilize public, private, and civic officials and organizations to collaborate and ensure that communities benefit fully from the OZ initiative.<sup>57</sup> The guide also suggests sources for data and offers links to current examples of published prospectuses.<sup>58</sup> Louisville, Kentucky, and Oklahoma City were among the first five cities to work with Accelerator for America to develop their prospectuses using a common template and standard format that could be easily replicated in other cities.<sup>59</sup> According to Eric Burnette, senior policy advisor at Louisville Forward, Louisville was the "guinea pig" for developing the template and helped Accelerator for America create it.<sup>60</sup> As of July 2019, more than 30 cities have used the template to write their prospectuses, which help these cities spur partnerships and identify social impact projects that are ready for investment.<sup>61</sup>

### **Marketing Projects in Louisville**

Burnette emphasized that developing the prospectus is "the first step" toward completing a project.<sup>62</sup> In developing Louisville's investment prospectus, Accelerator for America helped Louisville Forward identify and highlight statistics that might interest investors.<sup>63</sup> The prospectus has helped Louisville introduce itself to potential investors while allowing the city to outline development goals.<sup>64</sup>

Although several hotel and multifamily housing projects are underway in Louisville that are using Qualified Opportunity Funds, Burnette indicated that these projects likely would have been developed regardless of OZ designation. OZs, however, may add a critical source of capital for projects that would not otherwise be financed. Several projects have already raised philanthropic and city funding, and Qualified Opportunity Funds can help fill any remaining gaps



in financing. Burnette indicated that there are currently more investors than developers, stating that “there is a gap between the supply of available capital and the bandwidth of developers in local communities that can do something with it.” In Louisville, real estate developments constitute the bulk of the projects in OZs that are currently underway. Launching real estate projects is easier than starting new businesses, because developers are already familiar with real estate tax incentives, Burnette said. The city hopes to attract more technology startups to OZs when the U.S. Department of the Treasury and the Internal

Revenue Service (IRS) finalize the regulations. Louisville is committed to using the full toolbox, including other tax incentives and tax increment financing, to help economic development projects get off the ground.<sup>65</sup>

### **Fostering Sustainable Wealth in Oklahoma City**

The Alliance for Economic Development of Oklahoma City (The Alliance) is the lead agency in Oklahoma City for OZs, managing land use, incentives, and economic strategies to make the city attractive to companies and developers.<sup>66</sup> In developing Oklahoma City’s

prospectus, The Alliance collaborated closely with the Greater Oklahoma City Chamber and the city’s Planning Department to ensure the quality of the information and the accuracy of the data. Cathy O’Connor, president and chief executive officer of The Alliance, noted that the agency worked to educate local and national investors about the characteristics of Oklahoma City. The Alliance was deliberate in considering what data national investors would find important, but it also hopes to boost interest in projects among local investors so that capital is not coming solely from outside the state.<sup>67</sup>

O’Connor considers OZs a tool to direct investment toward commonly overlooked areas. She noted, however, that OZ incentives will not address every problem in a zone; one considerable challenge will be to pair them with other incentives and funds to ensure the development of projects that have a truly positive social impact. The Alliance is creating a mapping tool to overlay the city’s tax increment financing districts with OZ boundaries to locate areas where local officials and developers can capitalize on existing incentives. According to O’Connor, OZs can allow marginalized communities to build “sustainable wealth” for residents through increases in homeownership, household income, and access to well-paying jobs and amenities.<sup>68</sup>

### **Conclusion**

While states and localities await the final regulations from the IRS, they are laying the foundation for OZs to revitalize distressed neighborhoods. The work of Maryland’s Opportunity Zone Leadership Task Force allows MDHCD to get input from local communities about where to target resources.<sup>69</sup> OZs in Indiana have catalyzed new partnerships and conversations across different sectors.<sup>70</sup> Through its executive directive, Michigan hopes that supporting businesses in OZs will increase residents’ median household income.<sup>71</sup> The prospectuses in Louisville and Oklahoma City are already gaining attention from



Word about OZ incentives is spreading throughout Oklahoma City, and several projects are already seeking investors.

investors. OZ incentives may be critical for completing projects in Louisville that might not be developed otherwise, and plans for an online mapping tool will help investors identify potential projects in Oklahoma City.<sup>72</sup> As these examples show, community engagement, cross-sector partnerships, resource sharing, and marketing tools are vital for OZs to have a positive impact. **EM**

<sup>1</sup> Maryland Department of Housing and Community Development. 2018. "Maryland Announces Selection of State's New Opportunity Zones."

<sup>2</sup> Interview with Sara Luell, 27 March 2019.

<sup>3</sup> "Opportunity Zones in Maryland," OpportunityDb website ([opportunitydb.com/location/maryland/](http://opportunitydb.com/location/maryland/)). Accessed 6 March 2019; Email correspondence with Sara Luell, 29 May 2019.

<sup>4</sup> Office of Governor Larry Hogan. 2019. *State of the State Address: "A State of Opportunity,"* 30 January.

<sup>5</sup> The State of Maryland Executive Department. 2019. *Maryland Opportunity Zone Leadership Task Force; "Opportunity Zone Membership List."* n.d. Document provided by Sara Luell; Task Force Members include: Department of Housing and Community Development; Department of Commerce; Department of Labor, Licensing, and Regulation; Department of Planning; Maryland Department of Transportation; Maryland Department of Human Services; Maryland State Department of Education; Maryland Higher Education Commission; Maryland Stadium Authority; University System of Maryland; Maryland Association of Counties; Maryland Municipal League; Maryland Economic Development Corporation; Maryland Technology Development Corporation; Maryland Association of Community Colleges.

<sup>6</sup> The State of Maryland Executive Department 2019; Interview with Sara Luell.

<sup>7</sup> Interview with Sara Luell.

<sup>8</sup> The State of Maryland Executive Department 2019.

<sup>9</sup> Interview with Sara Luell; "Maryland Opportunity Zones," Maryland Department of Housing and Community Development website ([dhcd.maryland.gov/Pages/OZ/OpportunityZones.aspx](http://dhcd.maryland.gov/Pages/OZ/OpportunityZones.aspx)). Accessed 28 March 2019.

<sup>10</sup> "Maryland Opportunity Zones"; Maryland Department of Housing and Community Development. n.d. "MD OZ Information Exchange."

<sup>11</sup> "Incentive Lookup," Maryland Department of Housing and Community Development website ([maryland.maps.arcgis.com/apps/webappviewer/index.html?id=1cc479d2dc3948239f0c47bda8b6967e](http://maryland.maps.arcgis.com/apps/webappviewer/index.html?id=1cc479d2dc3948239f0c47bda8b6967e)). Accessed 15 May 2019.

<sup>12</sup> "Maryland Opportunity Zone Information Exchange Wins National StateScoop50 Award," Maryland Department of Housing and Community Development website ([news.maryland.gov/dhcd/2019/05/07/maryland-opportunity-zone-information-exchange-wins-national-statescoop50-award/](http://news.maryland.gov/dhcd/2019/05/07/maryland-opportunity-zone-information-exchange-wins-national-statescoop50-award/)). Accessed 15 May 2019.

<sup>13</sup> Interview with Sara Luell.

<sup>14</sup> Maryland General Assembly. 2019. *An Act concerning Economic, Housing, and Community Development – Opportunity Zone Incentives*, Senate Bill 0581, 2019 Reg. Session (30 April); Maryland General Assembly. Fiscal and Policy Note. 2019. *An Act concerning Economic, Housing, and Community Development – Opportunity Zone Incentives*, Senate Bill 0581, 2019 Reg. Session

(30 April); Office of Governor Larry Hogan. 2019. "Governor Hogan Signs Major Expansion of Opportunity Zone Initiative," 30 April press release.

<sup>15</sup> Office of Governor Larry Hogan. 2019. "Governor Larry Hogan Announces Maryland Opportunity Zone Expansion."

<sup>16</sup> Stephanie Wilson. 2018. "Governor Holcomb Nominates 156 Opportunity Zones."

<sup>17</sup> "Opportunity Zones in Indiana," OpportunityDb website ([opportunitydb.com/location/indiana/](http://opportunitydb.com/location/indiana/)). Accessed 6 March 2019.

<sup>18</sup> Interview with Samantha Spergel, 20 March 2019.

<sup>19</sup> Ibid; "The Why of Cinnare," Cinnare website ([cinnare.com/the-why-of-cinnare/](http://cinnare.com/the-why-of-cinnare/)). Accessed 22 March 2019.

<sup>20</sup> Interview with Samantha Spergel; Christine Serlin. 2019. "A New Tool for Housing: Industry players embrace Opportunity Zone incentive."

<sup>21</sup> Ibid; "About the Consortium," Opportunity Investment Consortium of Indiana website ([www.opportunityinvestmentconsortium.com/about](http://www.opportunityinvestmentconsortium.com/about)). Accessed 22 March 2019.

<sup>22</sup> Interview with Samantha Spergel; Local Initiatives Support Corporation of Indianapolis. 2018. "Opportunity Investment Consortium of Indiana Launches to Support Projects in Newly-Named Opportunity Zones."

<sup>23</sup> Interview with Samantha Spergel.

<sup>24</sup> Ibid.

<sup>25</sup> "Opportunity Investment Consortium" Prosperity Indiana website ([www.prosperityindiana.org/OIC](http://www.prosperityindiana.org/OIC)). Accessed 22 March 2019; Primary partners of the Investment Consortium are: State of Indiana, Local Initiatives Support Corporation, Cinnare, Indy Chamber, Indiana Bond Bank, Indiana Economic Development Corporation, Office of Community and Rural Affairs and Indiana Housing & Community Development Authority, Accelerate Indiana Municipalities, Indiana Economic Development Association, Vectren Foundation, and Prosperity Indiana.

<sup>26</sup> Interview with Samantha Spergel.

<sup>27</sup> Ibid; Local Initiatives Support Corporation of Indianapolis 2018.

<sup>28</sup> Interview with Samantha Spergel.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> Ibid.

<sup>33</sup> "About Us," Prosperity Indiana website ([www.prosperityindiana.org/About](http://www.prosperityindiana.org/About)). Accessed 22 March 2019; "Opportunity Zones Workshop," Prosperity Indiana website ([prosperityindiana.org/event-3167658](http://prosperityindiana.org/event-3167658)). Accessed 22 March 2019.

<sup>34</sup> Interview with Samantha Spergel.

<sup>35</sup> Interview with Karen Gagnon, 25 March 2019.

<sup>36</sup> "Opportunity Zones in Michigan," OpportunityDb website ([opportunitydb.com/location/michigan/](http://opportunitydb.com/location/michigan/)). Accessed 6 March 2019.

<sup>37</sup> Interview with Karen Gagnon.

<sup>38</sup> Brian Mills. 2018. "MSHDA Opportunity Zone Update."

<sup>39</sup> "The Basics," State of Michigan, Department of Technology, Management and Budget website ([www.michigan.gov/dtmb/0,5552,7-358-82547\\_56345\\_66155-310319-,00.html](http://www.michigan.gov/dtmb/0,5552,7-358-82547_56345_66155-310319-,00.html)). Accessed 26 March 2019; "Regional Prosperity Initiative," State of Michigan, Department of Technology, Management and Budget website ([www.michigan.gov/dtmb/0,5552,7-358-82547\\_56345\\_66155-,00.html](http://www.michigan.gov/dtmb/0,5552,7-358-82547_56345_66155-,00.html)). Accessed 26 March 2019.

<sup>40</sup> Interview with Karen Gagnon; State agencies include: The Department of Treasury; MSHDA; Michigan

Economic Development Corporation; Michigan Land Bank Authority; Michigan Department of Agriculture and Rural Development; Talent Investment Agency and its Workforce Development Agency; Department of Environment, Great Lakes and Energy (formerly the Department of the Environmental Quality), and the Department of Transportation.

<sup>41</sup> "Service on Sense of Place Council," Michigan State University website ([www.canr.msu.edu/landpolicy/program/service\\_on\\_sense\\_of\\_place\\_council/index](http://www.canr.msu.edu/landpolicy/program/service_on_sense_of_place_council/index)). Accessed 26 March 2019.

<sup>42</sup> Interview with Karen Gagnon.

<sup>43</sup> "Service on Sense of Place Council"; "MIPlace Partnership Initiative," Michigan State University website ([www.canr.msu.edu/landpolicy/program/miplace\\_partnership\\_initiative/index](http://www.canr.msu.edu/landpolicy/program/miplace_partnership_initiative/index)). Accessed 27 March 2019.

<sup>44</sup> Interview with Karen Gagnon.

<sup>45</sup> Michigan State University Extension. n.d. "Opportunity Zones (OZ): There's No Place Like Home"; Interview with Karen Gagnon.

<sup>46</sup> "Michigan Opportunity Zones Referral Form," Michigan State Housing Development Authority website ([www.michigan.gov/mshda/0,4641,7-141-5587\\_85624-479029-,00.html](http://www.michigan.gov/mshda/0,4641,7-141-5587_85624-479029-,00.html)). Accessed 6 March 2019.

<sup>47</sup> Interview with Karen Gagnon.

<sup>48</sup> Office of Governor Gretchen Whitmer. 2019. *Executive Directive* 2019-08.

<sup>49</sup> Interview with Karen Gagnon.

<sup>50</sup> Office of Governor Gretchen Whitmer 2019.

<sup>51</sup> Interview with Karen Gagnon.

<sup>52</sup> Interview with Karen Gagnon.

<sup>53</sup> Ibid; Nicole Kaeding. 2017. "Does Your State's Individual Income Tax Code Conform with the Federal Tax Code?"

<sup>54</sup> Interview with Karen Gagnon.

<sup>55</sup> Bruce Katz and Ken Gross. 2018a. "Key Elements of the Investment Prospectus & How to Use This Guide."

<sup>56</sup> Bruce Katz and Ken Gross. 2018b. "Background and Purpose."

<sup>57</sup> Bruce Katz, Rick Jacobs, and Aaron Thomas. 2018. "The Opportunity Zone Investment Prospectus: Early Observations & Next Steps," 3-4.

<sup>58</sup> Bruce Katz and Ken Gross. 2018c. "Resources for Creating the Investment Prospectus."

<sup>59</sup> Katz, Jacobs, and Thomas 2018.

<sup>60</sup> Interview with Eric Burnette, 27 March 2019.

<sup>61</sup> Katz, Jacobs, and Thomas 2018.

<sup>62</sup> Interview with Eric Burnette.

<sup>63</sup> New Localism Advisors. 2018. "Louisville Opportunity Zone Prospectus: A Platform for Action"; Interview with Eric Burnette.

<sup>64</sup> Interview with Eric Burnette.

<sup>65</sup> Ibid.

<sup>66</sup> "Why Invest in Oklahoma City," Oklahoma City Opportunity Zones website ([www.greateroklahomacity.com/index.php?src=directory&view=stories&category=Opportunity%20Zones](http://www.greateroklahomacity.com/index.php?src=directory&view=stories&category=Opportunity%20Zones)). Accessed 26 February 2019.

<sup>67</sup> Ibid.

<sup>68</sup> Interview with Cathy O'Connor, 22 March 2019.

<sup>69</sup> Interview with Sara Luell.

<sup>70</sup> Interview with Samantha Spergel.

<sup>71</sup> Interview with Karen Gagnon.

<sup>72</sup> Interview with Eric Burnette; Interview with Cathy O'Connor.

# Additional Resources

- HUD's ArcGIS website, "Opportunity Zones and Affordable Housing," maps Opportunity Zones with the option to layer affordable housing including HUD public housing, housing choice vouchers, multifamily developments, HUD healthcare facilities, U.S. Department of Agriculture Rural Development properties, and low-income housing tax credit developments. [hud.maps.arcgis.com/apps/View/index.html?appid=cc05a273151d40a7b2eff47dc70bd745](http://hud.maps.arcgis.com/apps/View/index.html?appid=cc05a273151d40a7b2eff47dc70bd745).
- The U.S. Department of the Treasury Community Development Financial Institutions Fund's website, "Opportunity Zones Resources," contains links to regulations, frequently asked questions, maps, and other relevant resources. [www.cdfifund.gov/Pages/Opportunity-Zones.aspx](http://www.cdfifund.gov/Pages/Opportunity-Zones.aspx).
- Enterprise Community Partners' "Opportunity Zones" website hosts an interactive mapping tool, data platform, commentary, and guidance useful for local officials, potential investors, researchers, and other interested parties. [www.enterprisecommunity.org/financing-and-development/opportunity-zones-program](http://www.enterprisecommunity.org/financing-and-development/opportunity-zones-program).
- "Do enterprise zones create jobs? Evidence from California's enterprise zone program," (2010), by David Neumark and Jed Kolko, evaluates the efficacy of one of the several state-level, place-based tax incentive programs created in the 1990s. [www.sciencedirect.com/science/article/pii/S0094119010000033](http://www.sciencedirect.com/science/article/pii/S0094119010000033).
- "Do Capital Tax Incentives Attract New Businesses? Evidence across Industries from the New Markets Tax Credit," (2016), by Kaitlyn Harger and Amanda Ross, examines the geographic sorting of industries in relation to NMTC eligibility. [onlinelibrary.wiley.com/doi/abs/10.1111/jors.12286](http://onlinelibrary.wiley.com/doi/abs/10.1111/jors.12286).
- The LOCUS "National Opportunity Zone Ranking Report" (2018), by Christopher A. Coes and Tracy Hadden Loh, helps investors and policymakers rank Opportunity Zones based on "Smart Growth Potential" and a "Social Equity + Vulnerability Index" score. [smartgrowthamerica.org/resources/locus-opportunity-zones-national-ranking-report/](http://smartgrowthamerica.org/resources/locus-opportunity-zones-national-ranking-report/).
- The Council of Development Finance Agencies' "Opportunity Zones Report: State of the States" (2018), by Toby Rittner, Katie Kramer, and Tim Fisher, offers survey results from 41 states to gauge understanding of Opportunity Zones, and it highlights current state-level strategies to implement Opportunity Zones. [www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=201808\\_OZSoS.html](http://www.cdfa.net/cdfa/cdfaweb.nsf/ordredirect.html?open&id=201808_OZSoS.html).
- "How States Can Maximize Opportunity Zones" (2018), by Bruce Katz, Jeremy Nowak, Jamie Rubin, and Dan Berkovits, offers state policymakers principles for action and recommendations for creating an Opportunity Plan and an investment prospectus. [www.thenewlocalism.com/wp-content/uploads/2018/06/OpportunityZonesStateAction-Plan\\_TheNewLocalism\\_June222018.pdf](http://www.thenewlocalism.com/wp-content/uploads/2018/06/OpportunityZonesStateAction-Plan_TheNewLocalism_June222018.pdf).

For additional resources archive, go to [www.huduser.gov/portal/periodicals/em/additional\\_resources\\_2019.html](http://www.huduser.gov/portal/periodicals/em/additional_resources_2019.html).

## Evidence Matters

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