Opportunity Zones
October 1, 2018
Enterprise Community Partners’ Engagement

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

Engagement with Opportunity Zones:

• Early supporter of the Investing in Opportunity Act

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

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

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

• Finance capabilities - Leveraging our impact-driven investment platform to create and support Opportunity Funds
Opportunity Zones: Structure

Private Capital: Investment income subject to capital gains tax

Investment Vehicle: Opportunity Fund

Eligible Investments*
- Capital or profits interest in a domestic partnership
- Stock in a domestic corporation
- Tangible property used in a trade or business of the Fund (substantial improvement)

*Investments must occur within Opportunity Zones - distressed census tracts (same basis as NMTC QCTs) or contiguous tracts. Ineligible investments in “sin businesses” analogous to NMTC program apply.
Steps Toward Implementation (as of September 2018)

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

- **Guidance on Opportunity Funds:**
    - Certifying as an Opportunity Fund; clarity for investors
    - Submitting comments on Opportunity Zones law

- **Full Implementation of Law:**
  - Treasury submitted proposed rules to OMB for review (September 2018)
  - 10 – 45 days for review before release for public comments

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

- **Creation of / Investment in Opportunity Funds:** Ongoing
Emerging Uses for Investment

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

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

- **Energy Infrastructure**

- **Brownfields Redevelopment**

- **Innovation Districts**
Activities in States, Cities, Regions

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

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

- **Incentives and Additional Funding:**
  - State treatment of capital gains
  - Alignment with existing funding sources (debt, tax credits, grants)
  - New incentives and funding
    - Ohio state tax credit
    - Missouri set aside of state Historic Tax Credits (SB 773)
    - Colorado repurposing CDBG program income for eligible TA and planning
Recommendations for States, Cities, Regions

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

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

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

- Create certainty through adopted strategy or established office
  - Investors are looking for certainty
  - Example: 36 gubernatorial elections in 2018
CDFA: State and Local Engagement

- Council of Development Finance Agencies
  - State of the States - Opportunity Zones Report

- Local leadership is key:
  - Develop a strategy to identify potential investments and make those opportunities known to investors.
  - Identify projects and local economic development strategies and clearly communicate how with investors can engage.

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

*How States Can Maximize Opportunity Zones* – The Governance Project