

OPPORTUNITY ZONES

OVERVIEW FACTSHEET

WHAT ARE OPPORTUNITY ZONES?

Opportunity Zones (OZs) are low-income census tracts nominated by governors and certified by the U.S. Department of the Treasury into which investors can make qualifying investments into new projects and enterprises in exchange for certain federal capital gains tax reductions. OZs are an economic development tool to finance opportunities in struggling parts of the country left behind by uneven economic growth.

HOW DO OPPORTUNITY ZONES WORK?

U.S. investors currently hold trillions of dollars in unrealized capital gains in stocks and mutual funds alone. OZs offer investors specific incentives to put their capital gains to work financing the economic development of lower-income communities.

OPPORTUNITY ZONES CHARACTERISTICS

The country now has over 8,700 Opportunity Zones in every state and territory.

OZ tracts are more distressed and more diverse than national averages.

- The average poverty rate in an OZ is 26.4%, nearly twice as high as the national average of 13.4%.
- 59% of OZ residents identify as a minority, compared to 39% nationally.
- OZs have a nearly 40% higher rate of joblessness among adult residents than the national average.
- Prior to the pandemic, the life expectancy in the average Opportunity Zone was more than three years shorter than the national figure.

WHAT GUARDRAILS EXIST TO GUIDE PRODUCTIVE INVESTMENTS AND PREVENT ABUSE?

The OZ policy is designed to encourage new, productive economic activity in underserved communities. The OZ statute and regulations include guardrails to both shape those investments and prevent abuses, including but not limited to:

- Twice-yearly tests conducted by Treasury to ensure Opportunity Funds maintain at least 90% of their assets in qualified property; penalties are levied for violations.
- Standard related party restrictions applicable to all zone and fund transactions.
- Tangible property and active conduct tests to help ensure OZ investments create new economic opportunities in communities and prevent zones from being used as patent boxes.
- Prohibition of investment into “sin businesses” such as liquor stores, casinos, and massage parlors, as well as into entities whose assets are primarily financial.

HOW ARE OPPORTUNITY ZONES DOING?

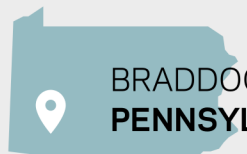
With strong oversight and legislative improvements, OZs are positioned to continue to be a driving force behind equitable growth in struggling places.

PROJECT EXAMPLES



DURANGO, COLORADO

Aerospace startup Agile Space Industries (Agile) designs, manufactures, and tests integrated aerospace propulsion systems. OZ financing has been key to its growth in 2020 despite the pandemic, and they expect to double its staff to 65 employees in 2021.



BRADDOCK, PENNSYLVANIA

Fifth Season—a solar-powered, fully-automated, vertical farming operation—is expanding access to fresh food in a food desert and creating a bridge to jobs for a community that experienced an 80% population loss due to the contraction of the steel industry.



CINCINNATI, OHIO

A \$51 million infill development combined OZ financing with New Markets Tax Credits, Low Income Housing Tax Credits, state and federal Historic Tax Credits, and city programs to revitalize 16 historic buildings and build four more.



ALBERT LEA, MINNESOTA

CapZone and 18 Squared launched an Opportunity Fund to invest in U.S. Department of Veterans Affairs clinics and hospitals. The investment in a Veterans Affairs Outpatient Clinic in Albert Lea expanded primary care and mental health services for local veterans.

WHAT DOES THE DATA SAY?

A 2021 study from the University of California-Berkeley gave a first look into partial official data on OZ investments in 2019, finding significant investment activity spurred by the policy in its first year:

- Nearly 2,800 Opportunity Funds were created, which together deployed \$18.9 billion in investments.
- At least 1,362 designated census tracts—16% of all OZ tracts— received at least some OZ investment and most, if not all, states and commuting zones saw OZ investment activity in the first year.
- OZ tracts that received investment had an average poverty rate of 28% (compared to 15% for all census tracts) and median family income of \$47,500 (compared to \$72,100 for all census tracts). Nationally, those numbers rank in the 84th and 23rd percentiles for poverty and income, respectively.

WHAT'S NEXT?

In April 2022, the Opportunity Zones Transparency, Extension, and Improvement Act was introduced on a bipartisan, bicameral basis to strengthen the Opportunity Zones policy and establish robust transparency and reporting requirements. The bill would:

- **Establish reporting and community measurement requirements**
- **Early sunset OZs with high median family income**
- **Extend the deadline for OZ investment**
- **Allow fund-of-fund investments**
- **Designate certain formerly industrial brownfield tracts**
- **Create a federal fund for state and local community resources**