

Opportunity Zones are helping to solve America's housing crisis

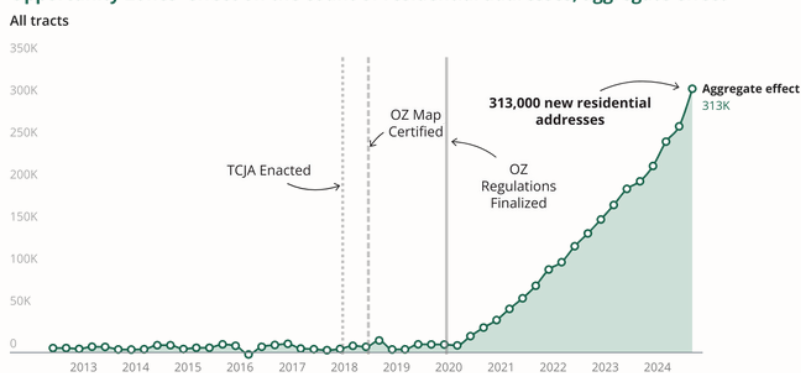


ECONOMIC
INNOVATION
GROUP

The Opportunity Zones (OZ) tax incentive is helping tackle the nation's housing crisis by driving major increases in housing supply at an extremely low fiscal cost to taxpayers. These new dwellings are keeping housing costs in check while bringing new residents and economic activity to targeted communities.

- According to research from the Economic Innovation Group, the OZ incentive caused an increase of 313,000 new residential addresses in designated communities over five years — roughly doubling the total amount of new housing added to these communities over that period. The effects are rising over time, meaning the latest data does not yet capture the full impact of the policy.

Opportunity Zones' effect on the count of residential addresses, aggregate effect



The data uses 2020 standardized Census tracts which maintained consistent treatment assignment from 2010 to 2020. Effect estimates are from the Callaway and Sant'Anna difference-in-differences (CSDID) approach. The comparison group are census tracts defined as "Low Income Communities." The results include conditional parallel trends accounting for the tract's poverty rate, median household income, unemployment rate, and share of the population who are of prime-age (25 to 54) in the fourth quarter of 2016, before OZ's were enacted.

Source: HUD Aggregated USPS Administrative Data On Address Vacancies



- An average of 36 new residential addresses were added per OZ census tract. The largest effects were seen in mid-sized urban OZ tracts where an average of 59 new residential addresses were added per tract.
- Nationally, the OZ incentive was responsible for 4.3 percent of the total increase in housing stock over the period studied. This likely makes Opportunity Zones the largest driver of new housing supply of any federal policy on the books.

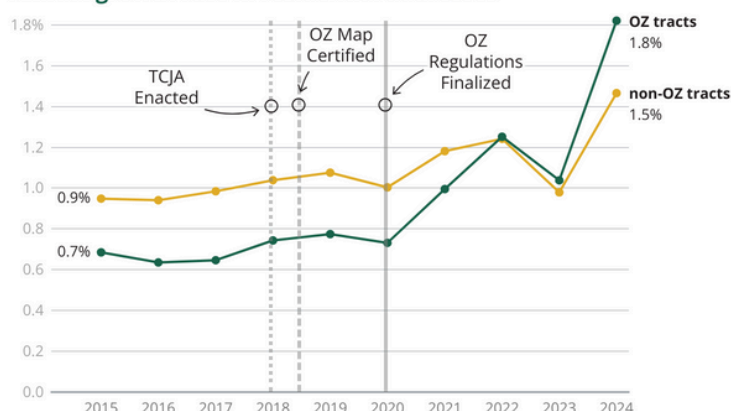
OZs are reversing the downward trajectory of designated communities.

- OZ communities are now seeing their share of all U.S. residential addresses grow for the first time in over a decade. Meanwhile, low-income communities that were not designated as Opportunity Zones are continuing to shrink relative to the rest of the country.
- OZ communities accounted for 8.9 percent of the 7.3 million new residential addresses nationwide from Q3 2019 to Q3 2024. But for the OZ incentive, designated communities would have accounted for merely 4.9 percent of new residential addresses nationwide.

OZ communities are now producing new housing faster than non-OZ communities.

- According to research from the Economic Innovation Group, the OZ incentive caused an increase of 313,000 new residential addresses in designated communities over five years — roughly doubling the total amount of new housing added to these communities over that period. The effects are rising over time, meaning the latest data does not yet capture the full impact of the policy.

Annual growth rate in residential addresses



The OZ incentive is extremely cost-efficient.

- The fiscal cost of each new housing unit generated by the OZ incentive was estimated to be roughly \$26,000 per residential address.

Supply increases are revaluing neighborhoods while keeping rents in check.

- OZ designation caused home values to increase by 3.4 percent from 2017 to 2020 relative to similar, non-OZ neighborhoods. Critically, this revaluing of distressed areas came with no observed increase in rents.¹
- Residents of OZs are disproportionately rent-burdened: 53.5 percent of renting households in the typical OZ spend more than 30 percent of their income on housing.² New housing supply puts downward pressure on rents and helps keep neighborhoods accessible as they revitalize by reducing the displacement of vulnerable residents.³

Positive economic impacts are spreading to neighboring communities, too.

- Following OZ designation, the amount of development activity near OZs increased by 6 percent; on a city-wide scale, it increased by 2.7 percent.¹
- Such positive local spillovers are also observable in both new jobs and new businesses.⁴

For more information on Opportunity Zones, visit eig.org/opportunity-zones/