



# **CDFA OPPORTUNITY ZONES REPORT** **STATE *of the* STATES**

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# CDFA OPPORTUNITY ZONES REPORT

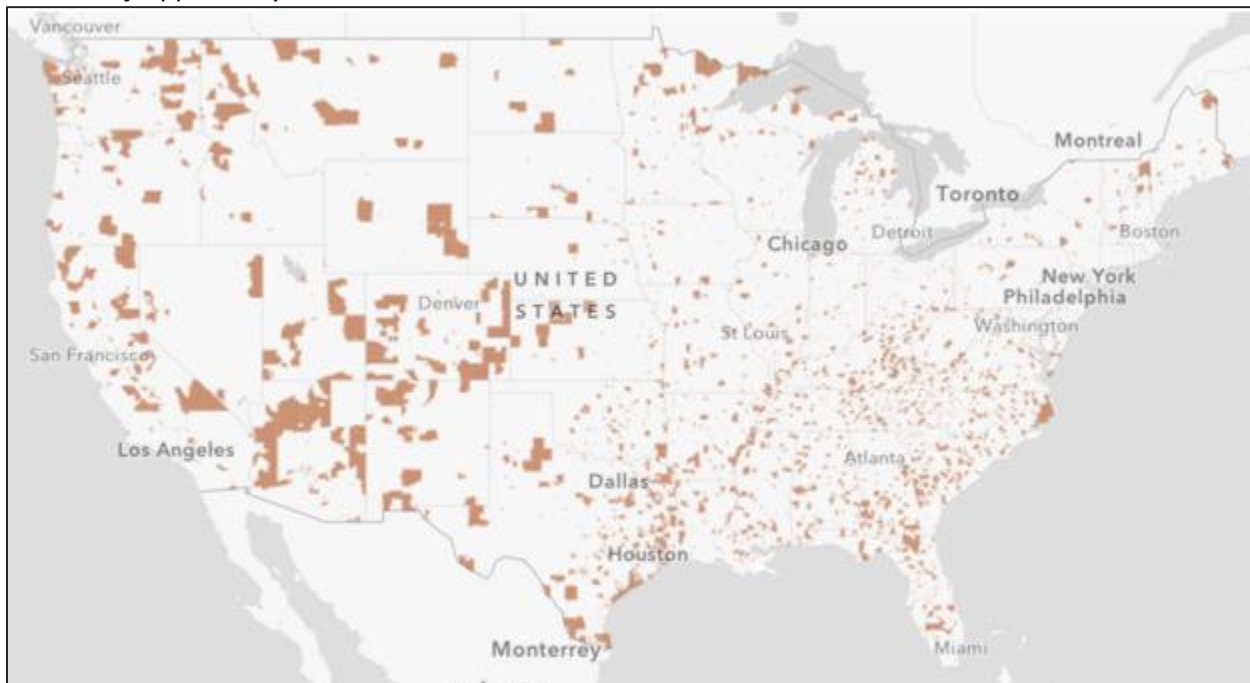
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### What are Opportunity Zones?

Opportunity Zones, created as a result of the passage of the Tax Cuts and Jobs Act, are low-income census tracts eligible to use tax incentives to encourage long-term investments in Opportunity Zones assets and property. Each governor could nominate up to 25% of their qualified low-income census tracts to become Opportunity Zones. This spring the United States Department of the Treasury officially designated more than 8,700 Opportunity Zones, located in every state and territory and the District of Columbia.

### Location of Opportunity Zones



Source: Economic Innovation Group (EIG)

### Investing in Opportunity Zones

All designated Opportunity Zones are now eligible to receive investments from Qualified Opportunity Funds, which are investment vehicles that deploy capital into Opportunity Zones. Opportunity Funds are required to hold at least 90 percent of their assets in Opportunity Zones, and can invest equity into businesses or real estate projects located in Opportunity Zones. These investments come with tax advantages to the investor. First, the capital gains invested in a Qualified Opportunity Fund are eligible for partial tax forgiveness if the investment is held in a Qualified Opportunity Fund for at least 5 years. After 5 years, only 90 percent of the original gain is taxed. If the investment is held for 7 years, only 85 percent of the original gain is taxed. Second, if an investment in a Qualified Opportunity Fund is held for 10 years, any tax on the appreciation of that investment is forgiven.

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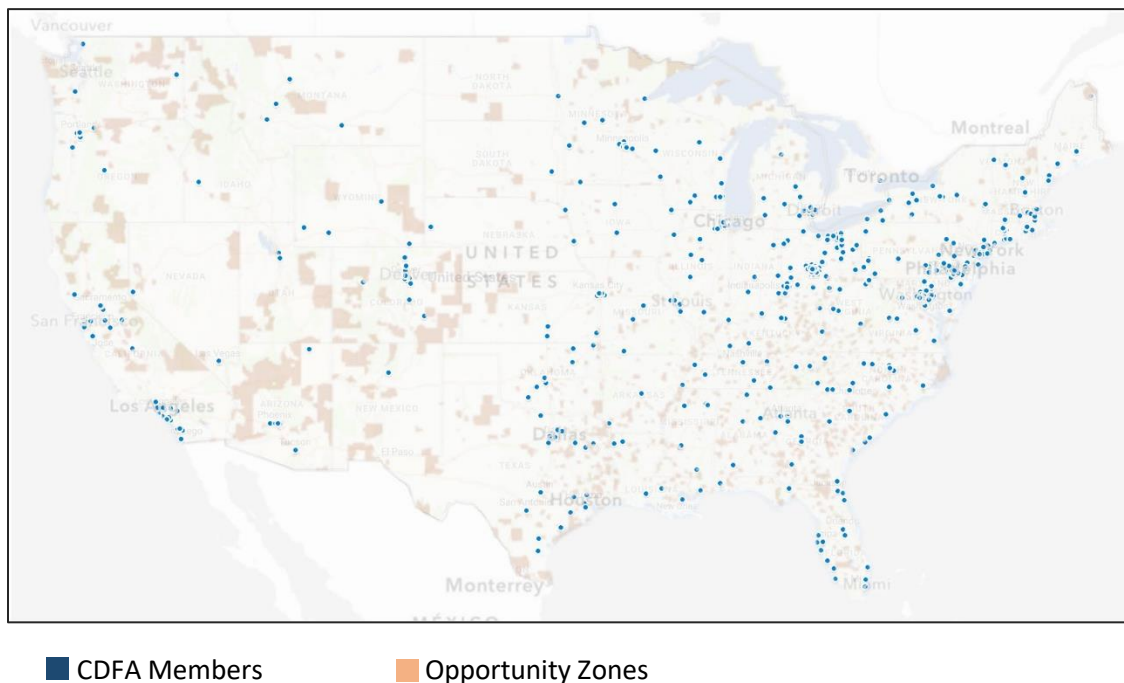
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### CDFA Members at Work in Opportunity Zones

Since January 2018, CDFA has worked closely with state and local agencies around the country to ensure the successful implementation of the Opportunity Zones incentive. CDFA has hosted both in-person events and online webinars for key decision-makers in an effort to foster a set of usable best practices that every state can adopt. In addition, CDFA has created an online Opportunity Zones Resource Center that houses information about each state's Opportunity Zones along with recent headlines and information related to Opportunity Zones strategies and deployment.

*CDFA Members in the United States*



Recognizing that Opportunity Zones have the potential to be a transformative economic development tool in distressed areas around the country, CDFA members are actively developing Opportunity Zones strategies to attract investment, identify additional development finance tools to work alongside Opportunity Fund investments, and to align local economic development priorities with their financing capacity. It is essential that state and local agencies recognize that not every Opportunity Zone will receive investment without their leadership. Every state, district, and territory should be engaging their local stakeholders to provide consistent information and clear education about Opportunity Zones.

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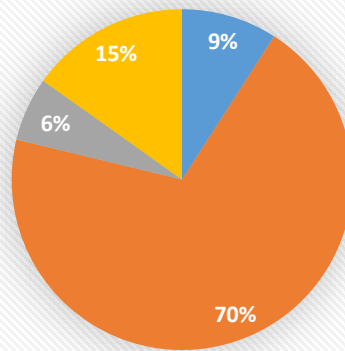
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### State of the States

This report details a survey of 41 states completed in July 2018 as part of a coordinated technical assistance webinar provided to state agencies from CDFA and the Economic Innovation Group. It also includes several examples of state Opportunity Zones strategies actively in development.

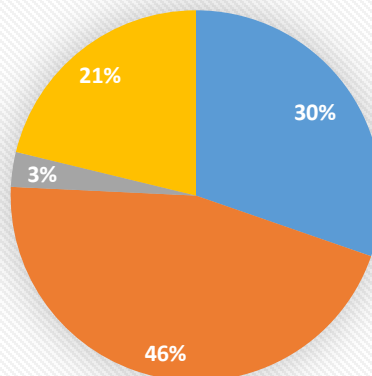
#### *The Pulse on Opportunity Zones*

### How Would You Rate Your Understanding of Opportunity Zones?



■ Expert ■ Intermediate ■ Novice ■ Unsure/Other

### How are Opportunity Zones Viewed in Your State?

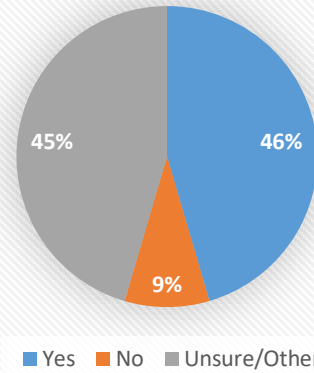


■ Positive ■ Mixed Feelings ■ Negative ■ Unsure/Other

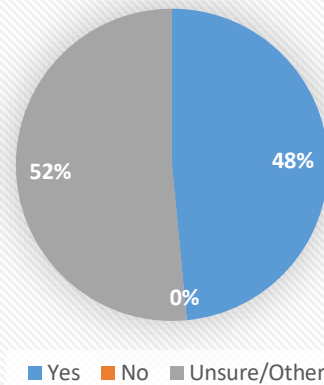
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### State Agency Structures

#### Is Your State Coordinating Locally to Support Opportunity Zones in Small Communities?



#### Will Your State Be Hosting an Educational Event for Communities to Learn About Opportunity Zones?

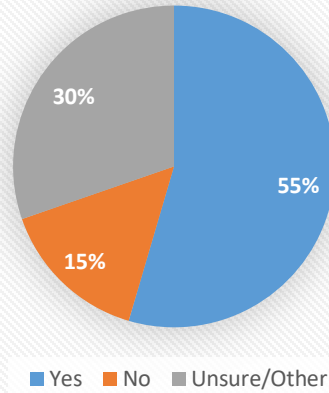


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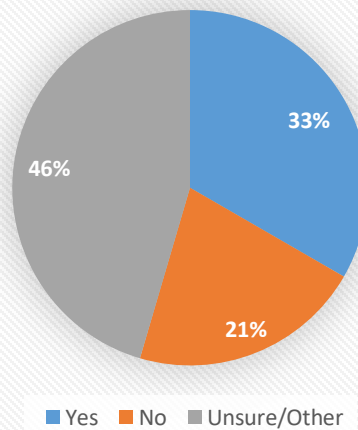
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### Does Your State Have Dedicated Staff Working on Opportunity Zones?

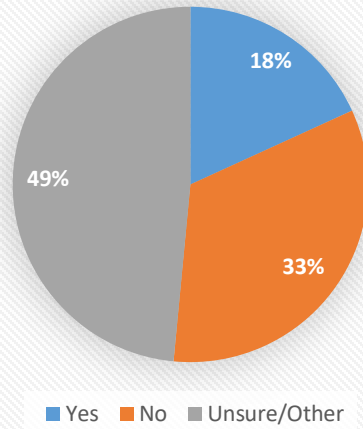


### *Opportunity Zone Investment Strategies*

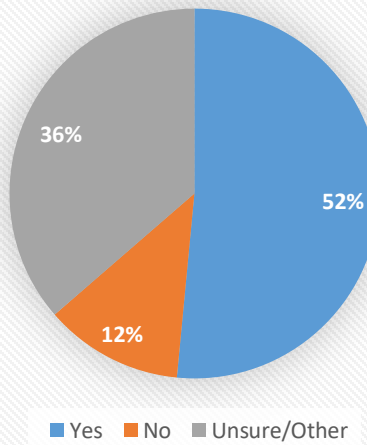
### Is Your State Considering the Creation of Incentives for Opportunity Fund Investments?



**Has Your State Considered Creating its Own Opportunity Fund?**



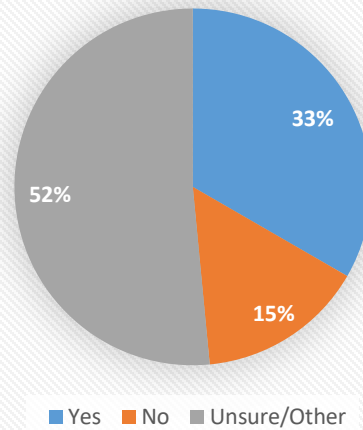
**Is Your State Communicating with Potential Opportunity Fund Managers and Investors?**





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### Is Your State Considering Policies to Support a Pipeline of Investable Projects?



### Opportunity Zones Best Practices

As CDFA has worked with state agencies across the country, several best practices have emerged as it relates to Opportunity Zones strategies. First, states have an important role to play in convening stakeholders in their local Opportunity Zones and providing consistent and clear education about Opportunity Zones and Opportunity Funds. Beyond acting as a support structure for their communities, states should also begin mapping and identifying investable assets and sharing those resources on a dedicated Opportunity Zones website. States can also undertake the process of incorporating Opportunity Zones into their strategic planning and coordinate with other development finance programs and tools at the state and local levels that can be used alongside Opportunity Fund investments.

Because the federal Opportunity Zones legislation provides little reporting requirements, states can lead by encouraging funds to report at the local levels. For instances, states could offer a state Opportunity Zones companion incentive, provide access to additional financing sources through state programs, or provide special scoring for projects in Opportunity Zones to access other state incentives. However, these additional incentives or access to capital strategies should only be offered when Opportunity Funds commit to coordinating with local governments, and providing data around when, where, and how investments are being made. Collecting this data will allow states to better report and track the impact of Opportunity Zones investments and be able to demonstrate how their strategies have resulted in both economic and social prosperity for citizens living in Opportunity Zones.

### Select State Approaches

#### Arizona

Originally charged with assisting the Office of Governor Doug Ducey in the selection of Qualified Opportunity Zones, the Arizona Commerce Authority (ACA) is now working directly with communities around the state to ensure the program's success. ACA held its first statewide Opportunity Zones event in May. Arizona will also be hosting a statewide Opportunity Zones event in September for community leaders, fund managers, and members of the philanthropic and business communities to discuss how best to maximize Opportunity Zones located around the state.

ACA is working with partners in both its urban and rural areas to understand the unique needs confronting each community and how to provide an appropriate level of support. The State of Arizona offers a number of valuable incentives to businesses and investors who come to the state, and ACA is considering ways that they can layer those incentives onto more highly-distressed Opportunity Zones to draw in Opportunity Fund capital. In June, ACA released an interactive tool called Arizona Assets which identifies infrastructure, land ownership, educational resources, and more in relation to the location of the State's Opportunity Zones. ACA has also designated a dedicated staff person for handling Opportunity Zones related work.

#### Colorado

The State of Colorado's Opportunity Zones nomination process was led by the Colorado Office of Economic Development and International Trade (OEDIT), in coordination with the Office of Governor John Hickenlooper. OEDIT evaluated potential Opportunity Zones in a comprehensive manner that considered eligible Opportunity Zones on the basis of economic indicators, the recommendations of the State's regional economic development partners, and input from the general public. Following the official U.S. Treasury designation of Colorado's Opportunity Zones, OEDIT began a thorough process of engaging communities around the state in an effort to educate local economic developers on how the incentive works.

In June OEDIT held a conference for Opportunity Zones stakeholders featuring speakers from across the country. OEDIT plans to host additional Opportunity Zones conferences and events around the state, with the next event scheduled to take place in Aurora.

In addition to hosting informational events, OEDIT is actively considering the creation of additional state incentives for Opportunity Fund investments made in Opportunity Zones. By layering additional incentives onto Opportunity Zones investments, OEDIT aims to give more highly distressed Opportunity Zones a better chance at competing for Opportunity Fund investments with Opportunity Zones located in established economic centers. OEDIT has also designated a dedicated staff person for handling all Opportunity Zones related work.

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### **Illinois**

The Illinois Department of Commerce and Economic Opportunity (DCEO) was enlisted by the Office of Governor Bruce Rauner to evaluate and select potential Opportunity Zones. Following the designation of 327 Opportunity Zones around the state, DCEO began working with regional members of both the Governor's Office and DCEO to establish lines of communication and serve as a support structure for Illinois' rural and urban communities.

Although hesitant to start formally engaging relevant Opportunity Zones stakeholders until the U.S. Treasury releases formal rules and guidance, DCEO plans to host forums and informational meetings throughout Illinois that are tailored to the needs of communities, with the first events planned for Fall 2018. The meetings will serve as tools to both educate communities and introduce them to potential investors and Opportunity Fund managers.

Currently, DCEO is preparing plans to include the Opportunity Zones incentive as part of Illinois' larger incentive package, while additional Opportunity Zones-specific incentives are under consideration by the Illinois General Assembly. DCEO has also discussed the creation of a state-operated Opportunity Fund with other branches of the Illinois State Government, but no formal legislative proposals have been drafted. DCEO has designated a dedicated staff person for handling all Opportunity Zones related work.

### **Kentucky**

The Kentucky Cabinet for Economic Development (KCED) assisted the Office of Governor Matt Bevin in the evaluation and nomination of the commonwealth's Opportunity Zones, resulting in the selection of 144 Opportunity Zones in 84 counties. Pending the release of U.S. Treasury rules and guidance on the Opportunity Zones incentive, KCED plans to begin a coordinated, regional tour to provide communities with the information and resources necessary to capitalize on their Opportunity Zones. Currently KCED officials are speaking at a variety of events throughout the commonwealth to ensure that all Opportunity Zones stakeholders are able to access up-to-date information. To that end KCED has launched KYOZ, a website that will act as a central clearinghouse for all information related to Opportunity Zones in Kentucky, including a map of available industrial sites and buildings located in Opportunity Zones.

KCED and other departments of the commonwealth government are also actively considering the creation of additional incentives for Opportunity Fund investments, as well as programs and initiatives that can generate a pipeline of investment-ready projects. KCED has been actively engaging potential investors and Opportunity Fund managers, and maintains a dedicated staff person for handling all Opportunity Zones related work.

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### Michigan

The Michigan State Housing Development Authority (MSHDA) and the Michigan Economic Development Corporation (MEDC) assisted Governor Rick Snyder's office in the evaluation and nomination of 288 eligible Opportunity Zones. Following the official designation of the 288 Opportunity Zones, several state agencies assigned field staff to each of Michigan's 10 Prosperity Regions to begin coordinating with communities and local development authorities on ways to leverage their Opportunity Zones. Alongside the groundwork being laid in each Prosperity Region, MSHDA hosted an informational webinar in June for all Opportunity Zones stakeholders.

Senior state government officials are engaged in ongoing discussions regarding the creation of additional incentives for Opportunity Fund investments, and to that end MSHDA will begin adding a point system to their Qualified Allocation Plan for certain Opportunity Zones investments to receive Low Income Housing Tax Credits (LIHTC). Although other state agencies are involved in Opportunity Zones discussions, MSHDA has become the most visible state organization for coordinating Opportunity Zones information and policy. MSHDA currently has a dedicated staff person for handling Opportunity Zones related work.

### Missouri

Former Missouri Governor Eric Greitens directed the Missouri Department of Economic Development (MDED) to identify the eligible census tracts most deserving of Opportunity Zones designations, and following the designation of Missouri's Opportunity Zones, MDED continues to serve as a resource for local governments around the state. MDED has built a webpage dedicated to explaining how the Opportunity Zones incentive works. MDED also hosted an informational webinar on Opportunity Zones for all interested Missouri stakeholders to view, and MDED maintains an open line of communication with communities around the state. MDED is awaiting the release of formal guidance and regulations from the U.S. Treasury before it engages in additional educational outreach, but MDED has begun communicating with potential Opportunity Fund managers and Missouri's philanthropic community. MDED also has a dedicated staff person for handling all Opportunity Zones related work.

The Missouri Legislature is also supplementing the work of MDED, and recently took a major step forward by becoming the first state to pass Opportunity Zones-specific legislation. S.B. 773, signed into law by Missouri's new governor Mike Parson earlier this summer, reserves \$30 million of the state's annual Historic Preservation Tax Credits allocation for eligible projects in Opportunity Zones.

### New Jersey

The Office of Governor Phil Murphy, in coordination with several departments and agencies in the New Jersey state government, evaluated potential Opportunity Zones throughout the state based on a combination of economic indicators, their geographic location – both in terms of distribution and access to transit infrastructure – and their potential eligibility for additional incentives. 169 officially designated Opportunity Zones are now eligible for Opportunity Fund investments, and the state is now developing a strategic report for economic development that incorporates the Opportunity Zones incentive into their long-term planning. Following the planned October 2018 release of the strategic plan, the state will begin a major educational outreach project with municipalities around the state to aid in community efforts to attract Opportunity Fund investments.

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### **Oregon**

Business Oregon, the state's economic development agency, acted on behalf of Governor Kate Brown to solicit and evaluate eligible census tracts for Opportunity Zones nominations. The Oregon Legislature, the Association of Oregon Counties, the League of Oregon Cities, and each of Oregon's nine Tribal Governments all supported Business Oregon in the nomination of the state's 86 eligible Opportunity Zones. Business Oregon communicated frequently with cities and smaller communities around the state during its Opportunity Zones evaluation process, and that open line of communication remains as communities consider next steps in their effort to maximize Opportunity Zones designations.

Business Oregon and other departments of the state government are also actively considering the creation of additional incentives for Opportunity Fund investments, as well as programs and initiatives that can generate a pipeline of investment-ready projects. Upon the release of guidance and regulations from the U.S. Treasury, Business Oregon will begin coordinating with Opportunity Fund managers to match their objectives with investable projects in Opportunity Zones communities. Business Oregon maintains a dedicated staff person for handling all Opportunity Zones related work.

### Opportunity Zones Resources

#### **Council of Development Finance Agencies**

[www.cdfa.net](http://www.cdfa.net)

[www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/OZ.html](http://www.cdfa.net/cdfa/cdfaweb.nsf/resourcecenters/OZ.html)

#### **Economic Innovation Group**

[www.eig.org](http://www.eig.org)

[www.eig.org/opportunityzones](http://www.eig.org/opportunityzones)

#### **Enterprise Community Partners**

[www.enterprisecommunity.org](http://www.enterprisecommunity.org)

[www.enterprisecommunity.org/policy-and-advocacy/policy-priorities/opportunity-zones-program](http://www.enterprisecommunity.org/policy-and-advocacy/policy-priorities/opportunity-zones-program)

[www.enterprisecommunity.org/opportunity360/opportunity-zone-eligibility-tool](http://www.enterprisecommunity.org/opportunity360/opportunity-zone-eligibility-tool)

#### **LISC**

[www.lisc.org](http://www.lisc.org)

[www.lisc.org/new-markets-support-company](http://www.lisc.org/new-markets-support-company)

[www.lisc.org/new-markets-support-company/opportunity-zones/](http://www.lisc.org/new-markets-support-company/opportunity-zones/)

#### **U.S. Department of the Treasury, CDFI Fund**

[www.cdfifund.gov](http://www.cdfifund.gov)

[www.cdfifund.gov/pages/opportunity-zones.aspx](http://www.cdfifund.gov/pages/opportunity-zones.aspx)





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