Washington Examiner PRESENTS
RESTORING AMERICA

Opinion

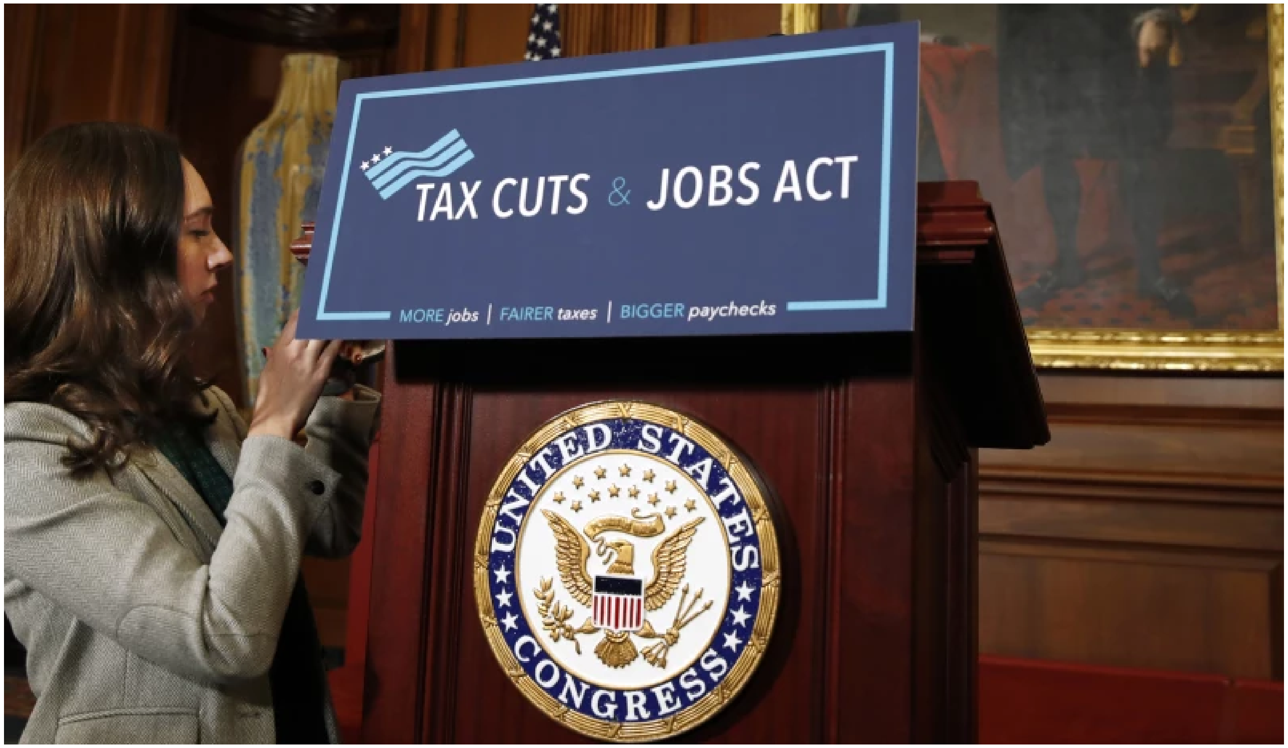
Five years in, Opportunity Zones are boosting communities

By Jill Homan, Emily Lavery, and Shay Hawkins December 26, 2022 05:12 AM

Opinion

Five years in, Opportunity Zones are boosting communities

By Jill Homan, Emily Lavery, and Shay Hawkins
December 26, 2022 05:12 AM



Call it the tax cut that wasn't.

When the Opportunity Zone tax incentive was signed into law under the Tax Cuts and Jobs Act of 2017, critics were quick to label it "just another tax cut for the rich." But on the fifth anniversary of its passage, a different picture has emerged: instead of concentrating benefits on the rich, opportunity zones are attracting investments into low-income communities across the nation.

There are over 8,700 Opportunity Zones across the country, designated by governors both Republican and Democrat, as the most economically distressed areas in their state. Under the legislation, tax benefits were granted to investors funding projects within these designated census tracts.

Since the inception of the program, these low- to moderate–income communities have attracted over an estimated $100 billion in investment capital, bringing forth new real

estate development, small and large businesses, and infrastructure revitalization.

According to Novogradac's Opportunity Zone Resource Center, Qualified Opportunity Funds targeting multiple investment areas, including a mix of residential, hospitality, and commercial, continue to dominate the Opportunity Zone landscape. These have raised more than $20 billion in equity in their tracked qualified opportunity funds. Residential developments alone report nearly a $6 billion increase in equity, the highest total raised by Qualified Opportunity Funds targeting one singular investment area.

Though these designated zones often suffer from above-average poverty rates, the data show that economic revitalization and investment may be changing that.

A recent report from real-estate intelligence firm ATTOM showed that single-family home and condo prices within Opportunity Zones rose from the fourth quarter of 2021 to the first quarter of 2022, showing similar trends to non-Opportunity Zone areas. "Strong price growth has helped homeowners in these economically-challenged areas benefit from higher equity, and should contribute to the ongoing redevelopment of these areas," said Rick Sharga, Executive Vice President of ATTOM.

Take Washington, D.C.'s Ward 7 and 8 neighborhoods, for example. Known to local residents as "east of the river," these areas have been plagued by high poverty rates, violence, and homelessness for decades. However, since receiving an Opportunity Zone designation, Wards 7 and 8 have secured more than $600 million in investments, bringing 700 new jobs and over 1,300 new affordable housing units.

And private markets are not alone in utilizing the Opportunity Zone program — states are doing it, too.

In the fourth quarter of 2022 alone, the New Jersey Economic Development Authority has allocated more than $40 million in grant funding to support projects and businesses located within Opportunity Zones. Their Main Street Lenders Grant Program, which consisted of $11 million distributed between eight lenders and financial institutions, supported minority-owned small businesses within Opportunity Zones.

Similarly, the state of Maryland has targeted Opportunity Zone businesses through its Micro Grant Funding program, which distributed grants ranging from $50,000 to $100,000 to eligible businesses located within Opportunity Zones. They also allocated $103 million in financing to new and expanding small businesses within Opportunity Zones to assist with working capital and real estate acquisitions.

Opportunity Zones are accomplishing what they set out to do: attracting capital where it's needed most. Unfortunately, even the most successful programs can be used for political gain. Earlier this year, in a partisan attempt to downplay the success of the program, an investigation was launched into seven Qualified Opportunity Funds, accusing them of taking advantage of the program for various tax breaks.

Accordingly, as the new Congress sets its legislative priorities in the new year, passing Sens. Tim Scott and Cory Booker's bipartisan, bicameral Opportunity Zone reform bill should be top of mind. This bill, co-sponsored by Reps. Mike Kelly (R-PA) and Ron Kind (D-WI), will expand reporting requirements for Qualified Opportunity Funds, extend the Opportunity Zone program for an additional two years, and make way for smaller-dollar impact investments, among other provisions.

For the last five years, the Opportunity Zone tax incentive has uplifted communities and brought forth job opportunities, business growth, and economic expansion. While initially the subject of scrutiny, the result of Opportunity Zones has been one of empowerment for otherwise struggling communities and should receive a chance to continue.

CLICK HERE TO READ MORE FROM RESTORING AMERICA

Jill Homan owns and operates Javelin 19, which has invested in projects in Opportunity Zones; Emily Lavery formerly served as the tax council and policy adviser on Opportunity Zones to U.S. Sen. Tim Scott (R-SC); Shay Hawkins is president of the Opportunity Funds Association, which advocates greater transparency in Opportunity Zones.

Share your thoughts with friends.