

Navigating the Opportunity Zones



Community
Partners

A LISC PLAYBOOK

LISC

Navigating the Opportunity Zones

Opportunity Zones promise to drive billions—even trillions—of dollars in long-term investment into low-income urban and rural census tracts across the country. The goal of this new incentive, part of the 2017 Tax Reform and Jobs Act, is to achieve a double bottom line: fueling inclusive local economies in communities that benefit the people who live and work there, and providing a solid return to investors.

But to make that happen, community stakeholders, state and local government leaders, investors and developers must work together to engage responsibly with this powerful but untested tool, and to help create the kinds of communities that benefit residents and the U.S. economy as a whole. For community stakeholders, that engagement demands careful, collaborative and inclusive planning, establishing incentives and guardrails for investment, collecting metrics on community impact, and reporting on outcomes in a transparent and accessible manner.

This playbook, targeted to community partners, is the first in a LISC series that aims to lay out possible trajectories and best practices for the range of Opportunity Zone (OZ) actors.

We are grateful for the support of the Council of Development Finance Agencies ([CDFA](#)), who lent their insight and experience to assembling the playbook.

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Intro

The Potential, The Challenges, The Call to Action

Opportunity Zones present an extraordinary new set of possibilities to the landscape of community development and for those of us working to help catalyze prosperity and access for underserved Americans. They promise to drive billions—even trillions—of dollars in long-term investment into historically impoverished urban and rural census tracts across the country. The goal of this new tax incentive is to achieve a double bottom line: fueling inclusive local economies in targeted neighborhoods that benefit the people who live and work there, and providing a solid return to investors.

The playbook is intended, above all, as a tool for action—to forge projects that will enable the people who live and work in Opportunity Zones to thrive.

To make that happen, however, community stakeholders, state and local government leaders, investors and developers must work together to engage responsibly with this powerful but untested tool, and to create the kinds of communities that benefit residents, investors and the U.S. economy as a whole. This playbook, targeted to community partners, is the first in a LISC series that aims to lay out possible trajectories and best practices for the range of Opportunity Zone (OZ) stakeholders. Forthcoming playbooks will address the issues at stake for impact investors and developers.

Overview

The Opportunity Zones tax incentive was enacted as part of the Tax Cuts and Jobs Act of 2017 to help spur investments in historically underserved communities. It incentivizes investors with capital gains tax liabilities to reinvest their gains in “Opportunity Funds” by: (i) deferring payment of those capital gains taxes through 2026; (ii) reducing those capital gains taxes by as much as 15%, if the investment in the Opportunity Fund is held for at least seven years; and (iii) waiving taxes on capital gains associated with the Opportunity Fund investment, for investments held for at least 10 years.

The Opportunity Funds are required to invest at least 90% of their assets in Opportunity Zones, which are comprised of qualifying low-income census tracts that have been designated by states and certified by the Treasury Department. The Treasury Department has certified approximately 8,700 Opportunity Zone census tracts in all 50 states, as well as the five major U.S. territories and the District of Columbia.

Opportunity Zones are certainly not the first tax incentives for investments in distressed communities. The Empowerment Zone (EZ) program, created in 1993, enabled businesses located in low-income communities selected by HUD and USDA to claim certain tax benefits. In competitions held in 1994 and 1998, HUD selected 30 different urban EZs, and the USDA selected 10 rural EZs. In 2000, Congress created the Renewal Communities (RCs) program to replace the Empowerment Zone program, and in 2001 HUD selected 40 RCs, 28 in urban areas and 12 in rural areas. While HUD and the USDA are no longer designating new EZs and RCs, businesses operating in those communities can continue to claim certain tax benefits.

In 2000, in the same legislation that authorized the Renewal Communities program, Congress enacted the New Markets Tax Credit (NMTC) program. Under this program, investors can claim tax credits for investing in Treasury-certified

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Community Development Entities (CDEs), which in turn provide loans and investments to businesses and real estate projects in low-income communities. The investor may claim tax credits valued at 39% of the total investment in the CDE, phased in over a seven-year holding period. The total tax credit allocation authority is currently capped at \$3.5 billion annually, meaning that CDEs must apply to the Treasury Department for the authority to issue tax credits to their investors.

To date, investors have provided over \$45 billion of investments in businesses, commercial real estate, manufacturing facilities and community facilities in low-income neighborhoods. The program was initially authorized only through 2008, but Congress has extended it on multiple occasions, and it is currently authorized through 2019.

The Opportunity Zones incentive contains elements of these precursor tax incentives. The structure of the investments bears a similarity to the NMTC model, in that investments in low-income community businesses must be made through an intermediary entity and held in that entity for a long period of time.

But unlike NMTCs, not all low-income communities are eligible for investments—only a subset (25%) of the census tracts eligible for NMTC investments may be designated by states as Opportunity Zones. Moreover, NMTC legislation demands specific impacts in a community to be eligible for investment, and is substantial enough to function as a subsidy. In some respects, Opportunity Zones more closely resemble the EZ/RC model, but with a twist: the states, not the federal government, make policy determinations regarding OZs.

The Potential

In some respects, Opportunity Zones have vast potential. Unlike the narrowly-drawn EZ and RC communities, there is geographic coverage in all 50 states, five territories and the District of Columbia. And unlike the NMTC program, the

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investment pool is not capped. As mentioned above, there are theoretically trillions of dollars of capital that could be invested in Opportunity Funds.

Managed appropriately, the incentive will direct capital to places where access has been closed off, and will stoke economic development that benefits residents, businesses and institutions rooted in those communities. Investors, in turn, will reap a tax savings that, ideally, can be employed for further community investment.

That potential may only be realized through a commitment to equity and inclusion. Investments should be made in collaboration with community leaders and organizations, residents and other stakeholders who have an ongoing, vested engagement in neighborhood revitalization. This kind of revitalization includes the creation of fulfilling, family-sustaining jobs, affordable housing, thriving businesses, good transit, quality education and all the other requisites of a healthy community that everyone deserves.

The Challenges

As of this writing, however, Opportunity Zone policy does not provide protections or guardrails to ensure that investments receiving the tax break actually promote the kind of development intended to help residents and create strong, stable communities. The OZ legislation is purposely open-ended to incentivize innovation and a diversity of investors and projects. But that open-endedness can make ensuring positive community outcomes—from the types of real estate developed to the quality of jobs created—especially difficult. For community-minded investors, the lack of clarity on OZ structure and impact reporting may be a disincentive to diving into OZ investment, leaving the door wide open to “finance-first” investors.

Community organizations and other stakeholders—LISC included—know that without careful planning and the right incentives and supervision, the initiative could lead to accelerated gentrification and displacement, benefit mostly investors with capital

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gains, and generate little meaningful economic activity in the communities where we work. And it may also be difficult to attract the kinds of investors who are committed to positive impact. To make the most of the incentive, and to mitigate the possibility of displacement, development bubbles and so-called “impact washing” (billing investments as socially beneficial when they’re actually not), community stakeholders need reliable information and guidance.

The Call to Action

The Opportunity Zones incentive requires the right kind of management, community engagement, partnership-building and oversight to establish projects in OZs that are a boon to residents and local businesspeople as well as to investors. Promoting shared prosperity is at the heart of LISC’s mission and we’re committed to helping OZ investments achieve that.

That’s where this playbook comes in.

This guide for community partners incorporates input and insight from a range of policy, finance and community development experts—including many members of our staff and those of our affiliates, the New Markets Support Company and National Equity Fund—as well as from the executive directors of our local offices, the Council of Development Finance Agencies (CDFA), and local government and community leaders. Generous funding for this project was made available by the Ford Foundation.

The playbook is intended, above all, as **a tool for action**—for envisioning, designing and implementing Opportunity Zone projects that will enable the people who live and work in OZs to thrive and prosper. It will be a living document, linked to a continually updated library of digital content and resources on the LISC Opportunity Zones website. It will grow and evolve over time as communities use

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the Opportunity Zones incentive, as we gather new knowledge, and as the federal government adjusts the policy that shapes OZ investing.

Who Should Use This Playbook?

We have geared this playbook for leaders of local community development corporations (CDCs), local community development financial institutions (CDFIs), local and state government officials, and non-governmental organizations that work on economic development and revitalization in communities. The information assembled here addresses how to organize, plan and assess OZ projects in a transparent manner that ensures local communities reap the benefits of the incentive, just as investors will.

Why LISC?

Because while the Opportunity Zones incentive is new, we are experts in the terrain it covers.

As a leader in social impact investing, and with a 40-year track record of trusted, on-the-ground partnerships in hundreds of historically under-resourced places, LISC is uniquely positioned to guide local stakeholders, investors and developers through OZ projects. We already are deeply engaged in 924 of the designated OZs, where we have invested \$2.3 billion.

STEP

1

Hold a Stakeholder Meeting

Get the lay of the land, educate partners about Opportunity Zone policy and engage key players

In most cases, the first move in navigating the Opportunity Zones tax incentive and embarking on projects is to hold a convening that helps everyone begin to get the lay of the land. This is a forum for bringing in local and national experts to share practical information about the initiative, answering questions, airing concerns and ideas, and soliciting feedback about the kind of development stakeholders would like to see in their communities.

Many organizations and municipal governments have already hosted such meetings, each of them adapted to local contexts. The CDFA sponsored a convening in partnership with the Arizona Commerce Authority where public and private officials from banks, cities and investment firms fielded questions about such topics as 1) what draws investors to OZs, 2) how to leverage OZs for projects that benefit communities, and 3) how OZ investments can support rural communities.



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Participants discussed strategies for how Opportunity Zones could support transit corridors, tribal land, airports, industry and start-up businesses. The event culminated in a discussion of how to develop a regional plan for Opportunity Zones, the need to strengthen partnerships with local and national financial institutions and to develop a unified marketing strategy to drive investors to the region's most needed and important Opportunity Zone projects.

Initial stakeholder meetings also serve as a means to begin identifying local organizations that may potentially play the “quarterback” role for a community's OZ efforts. These organization will represent the community in its discussions with government officials, developers and investors, and help to organize and direct the community's OZ development agenda. This role is developed further in **Step Two**.

Identifying and engaging all the stakeholders who populate a community is, of course, vital to organizing a successful meeting. Each possesses different skills, tools and relationships that will be key to planning and implementing successful projects.

Key Players in the Opportunity Zones

Community Development Corporations, aka CDCs, are champions of community development efforts at the local level. A CDC is a 501(c)(3) non-profit, community-based organization that serves the needs of low-income and underserved populations, often located in places that have experienced extreme levels of disinvestment. They pursue economic development, education or social services, community organizing and neighborhood planning. There are approximately 4,600 CDCs across the U.S. that create 96,000 housing units and 75,000 jobs on an annual basis.¹ (As a starting point to identify CDCs in your community, visit the [National Alliance of Community Economic Development Associations](#).)

Community Organizations are formal or informal entities whose leadership represents neighborhood interests, provides valuable services to the community,

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and promotes resident voice. In many cases, community organizations form organically, eventually becoming more structured and taking on broader roles in a neighborhood, and many have incorporated as CDCs. As network-builders and advocates, community organizations work to ensure that community change is reflected and shaped by the will of the people who live in the places they serve.

Involving community organizations and CDCs in Opportunity Zones strategy will greatly increase the likelihood of investments that are equitable and supportive of a zone's existing population.

Community Development Financial Institutions (CDFIs) are key financial providers for supporting community development efforts. A CDFI may be an intermediary such as LISC, a bank, credit union, loan/microloan fund, or venture capital fund. CDFIs are focused on various efforts such as health care, education and community development. Although in existence since the 1880s, the Riegle Community Development and Regulatory Improvement Act of 1994 required that CDFIs be certified at the federal level by the CDFI Fund. Today there are more than 1,000 CDFIs operating in the U.S. Many CDFIs also manage a Community Development Entity, which makes them eligible to apply for and receive an allocation of New Markets Tax Credits (NMTC). Involving CDFIs will allow for Opportunity Zone projects to be supported by additional finance tools that could support types of investments not suited for Opportunity Funds. Some CDFIs may also create or participate in Opportunity Funds themselves. To find CDFIs in your community, visit the Opportunity Finance Network's [CDFI Fund Locator](#).

Development Finance Agencies (DFA) lead the charge in financing economic and community development efforts across the U.S. A DFA can be a public or quasi-public/private authority that provides or supports economic and community development through financing programs. Common financial tools used by DFAs include tax-exempt and taxable bonds, credit enhancement programs, direct lending, equity investments, special assessments and tax increment financing. The

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vast financing capacity provided by DFAs makes them a crucial partner for financing infrastructure, small business development and more that will be critical to the success of a greater Opportunity Zone strategy.

State and local governments are responsible for creating a regulatory framework for community development and often participate by creating attractive financing tools or incentives, favorable policies and capacity building programs. Currently, 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. In addition, both state and local governments are beginning to map and identify investable assets and sharing those resources on a dedicated state Opportunity Zones website. Government entities 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.

Philanthropic and community foundations are key players in community development and primarily participate through grant funding and capacity building programs. There is a growing trend for foundations to make impact investments in communities that, unlike a grant, create a financial return, but more importantly are focused on creating a sustainable source of capital with the mission of developing social improvements.

It also behooves community partners to identify **attorneys and bankers** active in the community, as they may be able to provide legal guidance, additional financing and critical advice necessary to completing a successful project.

Developers and investors can operate their own Opportunity Funds, which may make investments in any of the 8,700 designated Opportunity Zones across the U.S. It's important to involve developers and investors in your community's Opportunity Zone strategy early on, as they will be the primary source of

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Opportunity Zone investments and will play a substantial role in determining the projects that will be completed. Of course, the steps of this playbook suggest ways to help communities partner around selection.

Leaders of anchor institutions such as hospitals, universities and museums in or adjacent to Opportunity Zones are another vital set of players. They wield considerable economic and political power in localities and ideally have a shared stake in the wellbeing and growth of the local community, where their physical plant is sited, and where many of their employees live. They may be particularly invested in workforce and small business development for procurement strategies. They may also be a source of rich data on the area (e.g. in the case of hospitals that keep local health data).

Leaders of faith-based organizations may also be key stakeholders in the community. Their congregants are often residents of local OZ neighborhoods, and their mission will very likely dovetail with the goal of equity and inclusion inherent in authentic OZ development.

Other organizations, especially in the case of Opportunity Zones not be served by a CDC or other community organization, may work in partnership with a designated tract to support community-serving projects. These might include business leadership organizations such as Chambers of Commerce.

STEP 2

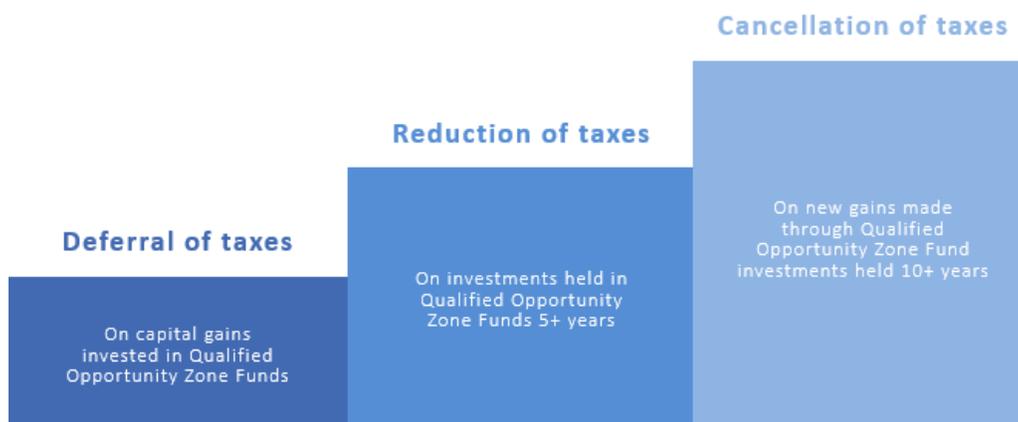
Embarking on a Plan for Work in the Opportunity Zones

Assess the terrain, map and support community planning

Ensuring that the Opportunity Zones incentive stimulates equitable economic development and growth in local communities requires careful, long-term planning. Federal legislation required state governments to identify census tracts to designate as OZ, and that process varied from state to state. In some cases, states incorporated feedback from local communities. But given the time pressure to designate tracts, not all states gathered significant input from communities in designating tracts.

The planning phase, therefore, is a critical opportunity to bring a range of community stakeholders to the table, to safeguard an equitable and inclusive process, and to elevate the community's voice. Again, for Opportunity Zones to fulfill their intended purpose, this aspect of the process is crucial.

Another linchpin issue is making sure that in addition to spurring real estate development, OZ plans provide quality employment opportunities for residents in the designated census tracts. This entails gauging the existing resources and potentials for workforce development, financial stability coaching (as with LISC's [Financial Opportunity Centers](#)) and various supports that help people participate in the 21st-century economy. Business investing, for its part, creates more demand



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for real estate investment. The two sectors can have a mutually beneficial relationship that provides a bulwark against gentrification and displacement. These factors, therefore, should remain on the front burner as the planning process unfolds.

While the planning steps below mirror standard community development planning techniques, the incentive introduces new issues that also affect planning, such as timing and type of allowable investments. The planning guidelines in the **appendix** that follows consist of proven community engagement strategies, as well as new considerations specific to Opportunity Zone investments in a local community.

Take stock and map Opportunity Zone tracts in your market

A first step in planning for Opportunity Zone investments is determining the location of designated tracts in or near your community. The Department of Treasury has made [all tracts publicly available](#), and the [Economic Innovation Group](#), an architect of the OZ incentive, has also created [resources to identify tracts](#), including state-by-state OZ maps and tract profiles.

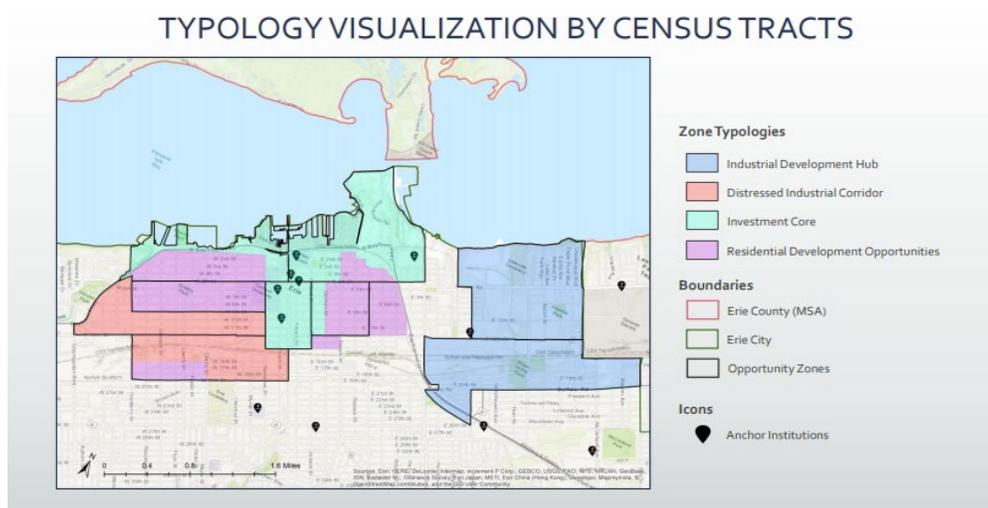
Create a clear, visually compelling map that illustrates how designated tracts overlay local neighborhoods or your specific community. This will be an indispensable tool to use throughout the planning process.

Healthy neighborhoods have access to housing, schools, commercial and retail facilities, employment, parks, health and day care, and people who live and work there feel safe. As part of the planning process, then, partners should examine current neighborhood assets that contribute to these outcomes, and assess the gaps that need to be filled through additional investment.

For example, does the community have access to public transportation, but lack a nearby grocery store? These are the types of question that community partners will grapple with in developing the map. For some additional discussion questions to

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help the planning committee determine the neighborhood's current resources, as well as areas for improvement, see Chicago LISC's [Planning Handbook](#). Mapping these assets and needs will help the task force identify specific projects and strategies that will become part of the community plan. This mapping can form an additional layer on the maps of tracts created earlier in the process, and eventually, certain projects can be flagged for potential opportunity zone investors.



Taking inventory of recent land or property purchases can help inform an assessment of the community's socioeconomic and physical needs. This will also provide a view into potential pipeline opportunities in the tracts, as well as purchases that might risk causing gentrification or displacement in your market. In that case, [anti-displacement strategies](#) should be incorporated into the community's plan.

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Identify Existing Community Plans

Next, it's important to determine whether any existing community plans are already in use in those areas, such as what are known as [Quality of Life Plans](#). LISC has worked extensively with communities to develop Quality of Life Plans in many communities across the country (see **Step Two, Appendix**), but there are many other approaches to community plans. Local CDCs, as well as your municipality's website, are a good place to look for existing community plans. These may include: municipal master plans, economic development or housing plans, consolidated plans for the purposes of HUD's Office of Community Planning and Development work, and urban renewal plans.



If such a plan is in place, it will help inform how OZ investments are directed into previously identified projects for the community. In other cases, there may be an existing plan that is outdated. An older plan can inform a new community planning process, so as to avoid duplication of efforts, but it might not be determinative, and many steps of the community planning process will need to be considered.

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Finally, in the case where a community has never conducted a plan, preparing to do projects in OZ tracts should ideally follow a community-centered planning process.

The Heart and Goal of Community Planning

A solid plan enables a community to build consensus around investments to improve access to housing, education, commercial and retail facilities, employment, parks, health and day care, and neighborhood safety.

The steps outlined in the following appendix (Step 2A) detail how to develop a community-informed plan that drives equitable and inclusive development and economic growth. It's critical to note here that community planning processes, however vital, are time-consuming and, whenever possible, it behooves stakeholders to make use of existing plans that document residents' current desires and needs to inform OZ projects.

STEP
2A**Embarking on a Plan for Work
in the Opportunity Zones****Unrolling a community planning process**

The process outlined below requires significant time and may conflict somewhat with the Opportunity Zone structure, which incentivizes early investment. It's crucial to be mindful of the fact that OZ investments can and will be made beyond 2019. Nevertheless, for communities without a plan in place, this process is critical for defining a vision of what OZ investments should look like and creating conditions for investment that benefits residents.

Gathering Community Data

After identifying information about the Opportunity Zone tracts themselves, and while still in the beginning stages of the community planning process, partners need to assemble general socioeconomic information about the communities where tracts are located. This should include area median income (AMI), education levels, population health, available services, etc., to layer into OZ tract maps.

You should also include local zoning regulations and rules that may impact the types of projects that can be developed within the tracts, and where.

It is also useful to gather any land-use maps that might already exist about the community of focus. Local CDCs and community organizations, as well as municipal, regional, or state agencies, are good sources of such data.

Gathering Potential Project Data

Planners should also collect information on potential projects in the development pipeline of community organizations that have been deemed consistent with the demands of local community members. LISC's Phoenix office, for example, developed a survey to share with local nonprofits to determine whether they have any projects that may qualify for an OZ investment.

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The survey requests information on the geography, type, estimated cost and specs for any of their potential projects, as well as for their current stage of completion.

To establish whether housing projects would fill the needs of the community, the survey also requested information about what types of housing are being developed and the intended AMI bands to be served. These projects could be included on an initial Opportunity Zone map.

Identify Impact Investors in the Planning Process

One of the potential benefits of the OZ incentive is the potential of attracting new players to the community planning process—in particular, impact investors. Investors in Opportunity Zone projects will need to have capital gains to invest in projects, so you will identify them and determine the right conduits to pull them into the planning process. These entities may include community foundations, banks and insurance companies.

When identifying new equity investors for OZ projects, it's imperative to understand the rules and regulations associated with the tax incentive, which include specifications about the timeline for projects to achieve the full benefit as well as the type of financing permitted as noted earlier in this section.

Determine a Lead Organization or “Quarterback” to Anchor the Effort

After identifying and engaging some of the key players in the community, including new partners related to the OZ incentive specifically, it is important to identify one or more of these players to take the helm of the overall planning effort (as mentioned in **Step One**). The organization/s chosen must be able to devote considerable time to the planning process and be highly respected by other community stakeholders. LISC, for example, is playing this role for communities in Indianapolis, Duluth, Phoenix and other locations.

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The lead organization/s, usually in tandem with a consultant, will draft a project scope, define the boundaries of the planning process, set a timetable and schedule the task force meetings and establish a deadline for the process. It will manage the task force. Based on interviews with key players, the lead organization/s will determine who from this group should join the task force to develop strategy. At a minimum, the group should include community residents and business owners.

Set a Planning Task Force in Motion

Once the groundwork has been laid to establish tracts, gather information on local policies and regulations, and identify potential projects in the pipeline, this information can be used to develop a comprehensive plan that ensures the community's goals are achieved. To develop the plan, convene a task force made up of local residents, leaders in the community, policymakers, and potential developers and investors.

Chicago LISC, in its [planning handbook](#), notes that these task forces should be comprised of approximately 20 to 30 people who will meet five or six meetings for the full group throughout the year, or whatever timeline the group decides on. Subcommittees can also be formed to focus on specific elements of the planning, and may meet in between the meetings of the larger group.

The task force will discuss the elements of a vibrant community, and should be prepared to discuss questions about how to make improvements to existing infrastructure with this in mind. The task force is responsible for developing a vision for the community plan and the strategies needed to realize that vision.

In some cases, especially in a community without an existing plan, the Opportunity Zones incentive could be a catalyst to create this type of task force. For example, in Pine Bluff, Arkansas, the city council recently [adopted a resolution](#) to create a task force that will provide guidance for the creation of an OZ website, provide

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information to potential investors, recommend new state, local and federal policies and incentives to boost funds returns and increase development in the zones.²

Prioritize Strategies & Projects, Determine Roles, Get Feedback

After mapping assets and needs and thinking through potential strategies, the task force should consider which of these strategies and projects take priority. The criteria for making these determinations varies, but the task force should consider the feasibility of each strategy, and whether a given strategy or initiative has a clear champion who can be responsible for driving the work forward. For example, during the planning stages, residents may raise the issue of education options in the community, and discuss what improvements could be made to local schools. A local school board could then be engaged as a champion, if it supports the project, regardless of whether the board was involved in the planning stage.

Ideally, community outreach takes place throughout the planning process to ensure the work meets the demands of local community members and that the plan doesn't include projects that lack local support or undermine community wishes. The plan also will need to be workshopped with community members before publication. While the community perspective will be represented on the task force, it may not reflect all community members' perspectives, which is why gathering feedback before publishing the plans is critical.

One effective way to do this is by hosting a community charrette. This process of garnering community feedback on any proposed strategies is particularly important in the context of a plan conducted around OZ, as the community might not be aware which tracts were selected and will need to provide their own perspective on what investments would be most impactful. The charrettes will also serve as an opportunity to fine-tune plans to ensure that they will have the greatest positive impact on the community, and will meet needs.³

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After receiving feedback through charrettes and other mechanisms, the task force can make any adjustments to the plan to reflect these points of view before publication.

Publish and Publicize Your Plan

Many community planning processes culminate with an event to publicize the results of the effort. Hosting such an event can ensure that everyone is aware of the community's recommendations. It also bolsters accountability for following through with the plan. It is imperative to publish the plan online and via any media that are easily accessible to new partners who might not be as familiar with the traditional methods of accessing community information. Creating more visibility for the plan will also be a mechanism for holding investors and other partners accountable as they layer OZ investments into projects.

LISC Indianapolis, for example, has developed an [online portal](#) to connect potential investors and developers with projects. The portal is a good example of how to effectively and efficiently share information on the pipeline of eligible projects, as well as about the needs of the community. (**Step Four** describes the portal in depth.) On the "About" page of the portal, the team has included information on the intended outcomes of these investments: to support jobs, transform places, support businesses and drive system innovation.

Your task force could develop similar online tools to share the final community plan more widely. This will help ensure that investors and developers can understand the outcomes of the community planning process and that the final plan can be referenced and used.

STEP
3

Incentives and Guardrails in the Opportunity Zones

Tapping policies and public programs that can help bolster success—and minimize risks—for communities

As we said at the outset, the mission of this playbook is to offer tools that help ensure OZ investments catalyze economic development and prosperity for people who live and work in historically underinvested census tracts.

But the wide geographic and socioeconomic variation of Opportunity Zones around the country means that some OZs will be especially appealing to investors driven mainly by financial return on investment, while others may not be. If Community A and Community B both have OZs, but Community A's zone is in a gentrifying area which could more easily yield investment returns, while Community B's zone is in a rural area with an aging population, some fund managers will opt first to invest in Community A.

Local and state government can help incentivize equitable and inclusive development in OZs. They can enhance existing development policies to account for the varying appeal of Opportunity Zones for investors, and work to direct them to projects benefitting communities.

In **Step Three** we will discuss the many financing tools that policymakers and other stakeholders already have at their disposal to improve the attractiveness of their OZs to potential impact investors. These include tax increment financing, bonds, tax abatements, and much more.

Incentives

Before creating new tools specifically geared to OZ projects, policymakers should update their economic development strategic plans to highlight the compatibility of existing debt finance tools with Opportunity Fund equity investments. Similarly, any long-term strategic plan should highlight the need for infrastructure upgrades

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—including roads, water, sewage, and broadband—in and around designated Opportunity Zones.

In many cases, however, adjustments to economic or community development strategies and the investment of public resources into OZs may be both too costly and time intensive. The benefits of the program to OZ investors begins to diminish after 2019 (providing, at that point, a 10% reduction in the capital gains tax to be paid in 2026 vs. 15%). That is still an attractive reduction that will attract investors. The structure of the program, however, provides for a greater loss of benefits for funds established after 2021, after which there is no reduction in capital gains taxes and the deferral is only for 4 years. So to maximize investor incentives, projects need to achieve construction closing prior to December 2021, which gives the public sectors a short time frame in which to implement and approve new strategies.

In that case, state and local policymakers should consider additional incentives to generate investor interest in their OZs, with a special focus on making sure the project is beneficial to the community. Outlined below are a few examples of add-on incentives that state and local governments could consider. The examples are based on actions already being taken by states around the country.

- **Eliminate or defer state capital gains tax when investments are made in Qualified Opportunity Funds for community-benefitting projects.** Investors who place realized capital gains into a Qualified Opportunity Fund (QOF) are eligible to defer their federal capital gains tax until the date on which the investment is sold, or December 31, 2026—whichever comes first. In a majority of states, however, investments in QOF remain subject to a state capital gains tax.

By eliminating their own capital gains tax on investments made in a QOF, states will gain a competitive advantage in attracting Opportunity Fund capital directed to projects that serve community needs over states that retain a

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capital gains tax.⁴ Similarly, a given state may choose to eliminate its capital gains tax for all investments made in Opportunity Funds that then invest in certain predetermined Opportunity Zones. Such Zones should be selected on the basis of local need and/or geographic location.

Tapping Public Programs to Spur Financing

Many public entities already have a robust infrastructure for financing community and economic development projects, and this infrastructure can be directed to support Opportunity Zone investments.

It's important to note, however, that many of these would require legislative approvals, which can take time. Lawmakers must be aware of the time sensitivity of Opportunity Zones work so that new initiatives, such as state credits or Tax Increment Finance plans (described below), are considered via an expedited approval process.

Moreover, it is imperative to avoid diverting resources from non-OZ communities, and to ensure that projects benefit the communities where they are located.

The following are some of the principal financing tools that can be harnessed for launching Opportunity Zone projects:

Tax Increment Finance

Tax Increment Finance (TIF) is a mechanism for capturing the future tax benefits of real estate improvements to cover the present costs of those improvements. This tool is used by 49 states (all but Arizona) to pay for infrastructure, land acquisitions, demolition and planning on sites where development would not otherwise occur.

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Generally, upfront costs are paid for by bonds, which are then repaid through the taxes collected, as the assessed value of a property rises. It's important to note that the tax rate does not increase in a TIF deal.

TIF districts, which extend from 10 to 40 years, depending on jurisdiction, could be created in or around Opportunity Zones to support key infrastructure. For example, a TIF district might bolster infrastructure along a corridor that connects an Opportunity Zone to other parts of the community. This could be a particular boon to areas that might not otherwise receive investment, such as in rural areas. Moreover, Opportunity Zones that are approached as part of broader community revitalization plans have an increased likelihood of success.

Private Activity Bonds

Private Activity Bonds are issued by a state or local authority on behalf of a non-governmental project, such as the expansion of a small manufacturer or hospital. When these bonds are “qualified,” by being issued for one of several defined purposes, they are exempt from federal income taxes. The tax exemption enables the project to access capital at a lower interest rate than could otherwise be achieved, thereby facilitating a larger or more secure project. More than \$24.86 billion of Private Activity Bonds were issued in 2017.⁵

Various types of Private Activity Bonds could be utilized in an Opportunity Zone. For example, Industrial Development Bonds (IDBs, aka Industrial Revenue Bonds or IRBs) could incentivize entrepreneurs and small businesses to locate within an Opportunity Zone, supporting the development of new production facilities and the purchase of new machinery and equipment. Total IDB issuance is limited to \$10 million per issue, and \$20 million over a six-year period for a given jurisdiction.

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Access to Capital Tools

Initial Opportunity Zone investments are expected to focus on real estate assets, with a more limited appetite for investments in entrepreneurs, startups and small businesses. However, small businesses make up 99.7% of all firms, employ half of all private-sector workers and represent 45% of total payroll in the U.S.⁶ They often have a difficult time accessing capital, as they may not have the credit or sufficient business history to qualify for conventional financing. This presents an opportunity for state and local entities to create new financing tools or target existing ones to these types of businesses in Opportunity Zones, including

- A Revolving Loan Fund (RLF) can be capitalized by local, state or federal sources and make loans to support healthcare, minority business development, and environmental cleanup. Most RLF programs can be designed by local leaders to support the purchase of property or equipment, working capital, and/or property improvements.
- Micro-Loan Funds operate like an RLF but specifically target small businesses and entrepreneurs, primarily making loans under \$35,000. They can provide essential financing tools for supporting the small businesses in Opportunity Zones.
- Loan guarantees shift risk from a private lender to a third party, usually a government entity, which covers the costs of loans that go bad. A state or local loan guarantee program could attract private capital to Opportunity Zones and prove their investibility.
- Certified Development Companies (CDCs) are nonprofit corporations certified by the SBA to offer the SBA 504 loans—below-market-rate financing for small businesses to purchase fixed assets like machinery and real estate. Many CDCs also operate state lending programs or their own loan funds, which can further support an Opportunity Zone strategy.

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Property Assessed Clean Energy (PACE)

Property Assessed Clean Energy (PACE) is an innovative tool that allows property owners to access affordable financing for energy efficiency improvements on their homes or businesses—and could encourage investments in older, less efficient buildings that may otherwise sit vacant.

PACE loans are repaid through assessments collected during regular property tax payments. Depending on the project, owners can realize a net savings as utility costs may decrease more than the cost of the property tax assessment. Over 30 states have PACE legislation and could make modifications, where needed, to ensure this tool is available in its Opportunity Zones.

Tax Incentives and Abatements

State and local incentives, primarily in the form of tax abatements, are one of the most popular and efficient forms of direct development assistance. They can offer relief from sales, income or other tax liabilities, typically with strict performance-based award requirements and due diligence measures to ensure the abatement creates the desired effect.

Tax abatement programs could attract investors and developers to Opportunity Zones. For example, an existing property tax abatement program could carve out a percentage of its annual allocation for use in Opportunity Zones. Seattle, for instance, offers a tax exemption program for which developers are eligible provided that 20% to 30% of units are maintained at 80% AMI. New abatement programs specifically for Opportunity Zone projects could also be developed.

Bear in mind that these strategies should be tailored for different types of communities. For example, a tax abatement might be enacted for an OZ that may have a harder time attracting investors, while a higher linkage fee could be imposed on another OZ with greater investor interest, and the fees could then be dedicated to fund workforce development and other community needs.

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Federal Financing Tools

There are more than 100 different federal programs that support economic development. Many provide funding to state or local governments, while others directly finance a business, industry or intermediary. Knowing the landscape of federal programs will help state and local practitioners take advantage of opportunities that may apply to Opportunity Zone projects.

- The Low-Income Housing Tax Credit (LIHTC) program has a nearly \$8 billion annual budget to support affordable housing development. It may dovetail with Opportunity Fund investments, as the investment length is generally the same and the tool is suited to supporting the development of new real estate.

At this stage in the OZ process, however, we should note that coupling LIHTC with OZ projects may have a limited investor base. Not all LIHTC investors have capital gains to allow them to utilize OZ benefits. We would encourage states and developers seeking to pursue this arrangement to speak directly to LIHTC syndicators and investors to assess the feasibility of such an approach in their local markets.



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Many Opportunity Zones contain brownfields—properties whose expansion, redevelopment, or reuse may be complicated by pollutants or hazardous substances.⁷ These sites are often difficult to develop because of cleanup costs. The EPA provides several grant programs that can help fund assessment and cleanup. Such assistance could help prepare often-overlooked sites in Opportunity Zones for development.

- **Make economic development and workforce grants available to projects in Opportunity Zones.** Opportunity Zones located in historically disinvested areas with an unskilled workforce face an uphill climb in attracting Opportunity Fund capital. With the exception of Opportunity Funds operated by mission-focused investors, investors will look to put their equity in zones with shovel-ready projects and positive socioeconomic markers.

To level the playing field, state and local governments should consider offering grant funds to community groups and/or projects located in the Zones that are least likely to receive Opportunity Fund investments. As each designated Opportunity Zone was required to be located in an area with a poverty rate of at least 20 percent, or with median family incomes not exceeding 80 percent of area median income, state and local governments could set grant funds aside for projects in OZs with a poverty rate greater than 25 percent, or with median family incomes not exceeding 75 percent of area median income.⁸ Grant conditions, however, need to be structured to achieve public policy efforts while but not discouraging investor interest because of restrictions that make it difficult to exit after year 10 and obtain expected returns.

- **Incorporate Opportunity Zones into existing state tax credit programs.** Whether authorized by a federal or state statute, tax credit programs are frequently used to incentivize investment in economically distressed regions. States could attract additional investments into OZs by including the incentive into their scoring rubrics for existing tax credit programs. In such a scenario, applications for certain tax credit programs could be weighted more heavily

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if the project is located in an OZ than a similar project not located in an OZ. States may also consider setting aside a pre-designated amount of tax credits annually for community-benefitting projects taking place in Opportunity Zones.

- **Advocate for new state tax incentives.** Some states are proposing tax credit bills that require socially-motivated economic development investments in OZs. In California, for example, a [new bill](#), if passed, would ensure that OZ investments in the state support the growth of green technology and the preservation and creation of affordable housing.

Guardrails

While offering further incentives to projects located in Opportunity Zones could help attract investments, communities also need to develop clear policies and directives to make sure the right types of developments are occurring. Many low-income communities are fearful that new Opportunity Zone developments will drive displacement through rising prices and housing costs. There are also myriad concerns that investments will only be made in the most profitable projects, many of which may not have a significant community and social impact. Being proactive in the following spaces can help limit these negative effects and direct investments towards impactful projects capable of supporting existing populations.

- **Adhere to existing comprehensive plans.** As we emphasized in **Step Two** on community planning, OZ stakeholders should adhere to existing comprehensive plans and not allow for projects that would inhibit their implementation. The planning process we outlined is one that prioritizes a community's desires for the future, which are crafted with input from various key stakeholders such as residents, business owners and political leaders

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- **Create impact standards required to receive additional state and local incentives.** Cities and states should create impact standards that must be met in order to receive additional incentives for OZ projects. This could encourage developers and investors to pursue projects that will maximize community impact and are targeted to supporting existing populations and minimizing displacement. Metrics should be created alongside the development of any new incentives, or the revision of existing incentive programs, to make the rules clear to investors and developers right out of the starting gates.
- **Find private partners dedicated to creating impact.** Finding the right private partners will be key to achieving impact. Cities and states should carefully select partners that have a demonstrated commitment to community residents. This includes but is not limited to bankers, attorneys, financial advisors, developers and the Opportunity Zone investors themselves.
- **Review and revise existing zoning ordinances.** Zoning officials, permitting offices and community development planners should review ordinances and processes to be certain they will incentivize the desired development and discourage undesired development. This can be accomplished in two ways. First, zoning and other policies may be altered in Opportunity Zones to be more restrictive of the types of development that can occur.

Second, communities may implement such policies as expedited review or other “zoning bonuses” for projects with high potential to create community impact. Zoning and public approval processes are critical to the timeline and success of a project, and communities should leverage this power to encourage developers and investors to pursue those projects that maximize community and social impact. It’s important to note, however, that this can be a lengthy and controversial process, and zoning changes require substantial political support.

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Variance between communities that are more or less attractive to investors may also be addressed through zoning strategies. Zoning in a weak market, for example, might be used to make a tract more appealing for investment, as with an expedited zoning change that would allow, say, the development of light manufacturing to energize the local economy. In a hot market, on the other hand, a higher inclusionary zoning requirement could serve to safeguard affordability in a gentrifying neighborhood. Or zoning might be used to limit development of enterprises that drive profit but are of little use to the community, such as self-storage facilities and car washes.

- **Clearly articulate types of projects desired in an Opportunity Zone Investment Prospectus.** As we will discuss in **Step Five**, cities and states across the U.S. are currently developing investment prospectuses to pitch potential Opportunity Zone projects. These documents will likely be one of the first things seen by Opportunity Zone investors and should make clear the types of projects as well as the social and community impact goals that have been set for a community's Opportunity Zones.

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- 4 New York State has taken this step, as the state's economic development office has declared that "both the deferral and exclusion of the capital gains from federal income will flow through to New York State. <https://esd.ny.gov/opportunity-zones>
 - 6 Practitioner's Guide to Economic Development 2nd Edition, CDFA
 - 8 The State of Maryland is making \$20 million available for building or renovating affordable housing in Opportunity Zones, as well as \$8 million for small business lending, \$3.5 million for site acquisition and demolition of derelict buildings, and \$3 million for workforce development.

STEP
4

Collaborating to Build Pipeline & Leverage Local Expertise

By forging a consortium or grant programs, or by modeling the financial feasibility of projects, community partners can begin to kindle Opportunity Zone projects.

A few localities have already begun to form consortiums to organize and facilitate mission-driven Opportunity Zone activity in their local markets. One is Indiana, where leaders from state and local government, philanthropies, prominent NGOs and community development organizations—including the Indianapolis office of LISC—have joined to create the [Opportunity Investment Consortium Indiana](#). The objective of this consortium, according to its organizers, is “to encourage the transformation of Opportunity Zone neighborhoods into vibrant places that are profoundly attractive and sustainable for both residents and businesses.”

The Indiana Consortium has three principal goals:

- To encourage long-term private capital investment in low-income urban and rural communities of Indiana
- To transform distressed communities, support businesses and jobs and drive system innovation through smart collaboration and deployment, and
- To broker complementary supports such as technical assistance, workforce training and placement and infrastructure improvements (as of this writing, deals submitted to the portal include mixed-use, mutli-family, hotel, small business equity and brownfield redevelopment opportunities).

The Consortium has already taken a number of steps to achieve these outcomes—steps which are replicable in other localities where community stakeholders are navigating the Opportunity Zones. The group:

- generated support from local banks and philanthropies to fund its work.

4 | Collaborating to Build Pipeline & Leverage Local Expertise

- developed a [website](#) that serves as a deal portal. Businesses can submit proposals for capital, and prospective investors can express their interest in joining the consortium to provide financing. The website also provides information about professional services firms that support Opportunity Zone investment activity, as well as other training and resource partners.
- LISC and the collaborating partners have provided training and individualized technical assistance to over 700 individuals, corporations, local governments, developers, foundations and communities



*Encouraging investment in
Indiana communities*

ABOUT POST AN OPPORTUNITY INVESTORS PROFESSIONAL SERVICES TRAINING AND RESOURCE PARTNERS



While the Consortium is a relatively new entity, it has already provided a robust framework that other communities can draw on and adapt for their local markets. A number of states and cities, such as [Minnesota](#), [Detroit](#), and Cleveland have taken cues from the Indiana statewide portal and built the lessons learned into their collaboratives and online platforms.

4 | Collaborating to Build Pipeline & Leverage Local Expertise

A statewide group of partners, in fact, recently launched the [Minnesota Opportunity Collaborative](#), a joint effort to market Minnesota's opportunity zones to investors and educate stakeholders about the federal incentive. The Collaborative's [web home](#) is a resource for opportunity zone information, including a directory of projects and sites. It also aims to build awareness and facilitates events to train stakeholders, market investment opportunities, and bring projects to reality. The Collaborative was developed after a pilot project sponsored by Duluth LISC showed the need to bring more groups to the table and take the initiative statewide.

Financial Feasibility Modeling

Another approach to advance the process is to “model” the financial feasibility for particular asset class priorities that emerge early in the planning process. By projecting preliminary development budgets and operating pro-formas, community stakeholders can begin to identify the likelihood of and obstacles to implementing particular investments.

By doing a preliminary analysis of development costs and sources of capital (including OZ proceeds) and reconciling these sources and uses with operating projections, stakeholders can sharpen what strategies and resources they will need to create critical neighborhood assets such as affordable housing, day care centers, health centers, commercial and other community facilities.

For some groups of community partners, depending on capacity and resources at their disposal, this modeling strategy may be more accessible and cost effective than developing a portal along the lines of the Indiana example.

Opportunity Zone Impact Grants

LISC Boston has taken another tack to support CDCs in Massachusetts to market their OZs and help communities prepare for investment. Through their [Opportunity](#)

4 | Collaborating to Build Pipeline & Leverage Local Expertise

Zones Impact Grant program, CDCs are eligible for capacity building support grants to drive inclusive investments. Funds will be awarded under the Federal Section 4 Capacity Building program for Community Development and Affordable Housing. The objective is to incentivize CDCs to proactively drive a strategy for their communities, in conjunction with local municipalities. Proposals submitted have described efforts ranging from running community engagement processes to implementing existing community plans to marketing the OZs to investors. The grantees may also collaborate in a consortium-like group going forward.

STEP
5

Ramp Up Your Investor Marketing

Creating a prospectus, marketing your zone and other strategies for connecting with investors

The Prospectus

Once there's a plan in place, local officials must cultivate strategies to attract Opportunity Zone investors. A prospectus is a key way to highlight the potential for investment, describe the types of financing needed, emphasize work that has already been done to develop neighborhoods, and define a vision for the future.

The city of Erie, PA, for example, has [issued a prospectus](#) that includes a brief history of the city and a narrative describing how its leaders and residents would like Erie to evolve. It includes the number, geography and demographics of the Opportunity Zones in Erie, building a convincing argument that the city is well-positioned to manage the infusion of money and talent connected to Opportunity Zone investments.

WHY INVEST IN ERIE?



NEARLY \$750 MILLION IN PRIVATE, PUBLIC AND PHILANTHROPIC INVESTMENT

470 ACRES OF BAYFRONT PROPERTY – 176 ACRES PRIME FOR DEVELOPMENT

23,000+ UNIVERSITY STUDENTS

SECURE SMART CITY

1,000,000+ SQUARE FEET OF COMMERCIAL & RESIDENTIAL PROPERTY READY FOR REDEVELOPMENT

ONLY ONE OF TWO 1,000 FOOT DRY DOCKS AND THE LARGEST CRANE ON THE ENTIRE GREAT LAKES

Photo by Paul Gibbens of Gibbens Creative

5 | Ramp Up Your Investor Marketing

It also lists anchor institutions that have already made significant investments in Erie, highlights the diversity of the city's economy, describes its natural resources, and details various private and philanthropic organizations that have contributed to the city's development. Finally, and perhaps most importantly, the prospectus describes the steps that Erie is taking in order to ensure that all of its citizens benefit from the Opportunity Zone incentive.

Other cities, including [Louisville, KY](#), [South Bend, IN](#), and [Oklahoma City, OK](#), have also released prospectuses, and still others are working to develop them.

A report from Drexel University's Center Lindy Institute for Urban Innovation, [From Transactions to Transformation: How Cities Can Maximize Opportunity Zones](#), describes how a prospectus can "showcase the distinctive assets and investable projects" in a city's zones. The authors, Bruce Katz and Evan Weiss, suggest that local officials "set the context of the regional market, offer detail on local organizations and projects, and the advantages of individual opportunity zones through a marketing tool with a strong, cohesive message." They also offer other actions that cities and city leaders can take to ensure their communities benefit from Opportunity Zone investments.

Other Marketing Tools and Strategies

A new LISC-funded publication, [Opportunity Zones: An Impact Investing Perspective](#), takes a close look at how impact investors currently view the Opportunity Zones incentive and what affects their appetite for participating. Promoting investor confidence was the overarching recommendation of the report, which took Minneapolis-St. Paul and Duluth, MN, as its case studies. That is, in order for OZ projects to get capitalized, investors need to be assured that they will be able to comply with tax benefits requirements as they continue to evolve.

5 | Ramp Up Your Investor Marketing

Moreover, community partners can leverage the interest in Opportunity Zones to attract attention to their tracts. Presenting at OZ forums beyond your community can generate interest. And stakeholders should urge state or other converters to create a forum for highlighting communities that have developed a vision for how to use the OZ incentive and are ready for investment.

State and local officials, meanwhile, could create interactive websites to help investors identify the various Opportunity Zones within a particular jurisdiction and assess the resources, incentives and development possibilities that exist. A task force or consortium website, like the Indiana Consortium model described in **Step Four**, could also send a strong signal to investors and developers that stakeholders are working together to develop their Opportunity Zones.

In addition, public agencies may take advantage of other strategies that incentivize investing and development in the Opportunity Zones, such as leveraging a municipality's eminent domain rights and adjusting zoning to enable developments agreed upon by community stakeholders. They might also develop the means to fast-track Opportunity Zones projects so that the community sees the impact sooner rather than later.

STEP
6

Develop Impact Metrics & Encourage Transparency

Rigorous evaluation and accessible reporting are keys to inclusive and equitable success in the Opportunity Zones

One of the chief concerns about Opportunity Zones, especially for community leaders and government officials, is that some investments will prioritize profit over the needs and desires of communities. Currently, Opportunity Funds are not required to demonstrate that they are providing tangible benefits to communities. As Fran Seegull of the U.S. Impact Investing Alliance [told Barron's](#), “this policy will only meet its objective of achieving positive economic and social outcomes for these communities if we understand where funds are flowing and how that capital is helping drive positive social and economic change.”

A number of organizations have begun to craft metrics that promote equity and transparency. Among these are LISC, [PolicyLink](#), Georgetown University's [Beeck Center for Social Impact & Innovation](#), and the [Federal Reserve Bank of New York](#), which have all issued policy briefs for stakeholders in Opportunity Zones. They contend that Opportunity Zone investors should:

- Engage with residents in setting the priorities.
- Request that fund managers integrate community needs into the formation and implementation of Funds, with an emphasis on reaching low-income and underinvested communities.
- Prioritize investments in projects that generate equitable community benefits, yield equitable growth, leverage other incentives and aim for responsible dispersal.
- Hold themselves accountable by utilizing processes and practices that are fair, clear and transparent.

6 | Develop Impact Metrics & Encourage Transparency

There are different approaches to measuring the impact of these investments, ranging from voluntary and self-defined monitoring⁹ to required equity-related benchmarks.¹⁰ Some experts advocate for fund-level monitoring of investments; others seek to track community changes over time.¹¹

LISC recommends that state and local government leaders collaborate with communities to establish specific, reasonable Opportunity Fund reporting requirements. With input from community residents and organizations, they can help encourage transparency and accountability,¹² and point Funds toward community-benefiting activities. For example, state and/or local lawmakers could mandate that Opportunity Funds report on community impact to qualify for local incentives.

LISC also recommends that reporting focus on the direct connection between investments and outcomes, not just on broader indicators. For example, a reduction in the overall poverty rate in an Opportunity Zone may indicate an influx of higher-income residents rather than genuine economic improvement for existing residents. As a broader research or monitoring project, neighborhood-level trends should be compared to similar non-Opportunity Zones to better understand the effects of the Zone itself.¹³

With this in mind, local stakeholders should consider measuring the following outcomes:

Equitable economic development: This can include the total number of jobs retained or created through the investment or, more specifically, the number of quality jobs created at a living wage, with benefits. Further indicators should include whether jobs are easily accessible to residents of the particular Opportunity Zone or other low-income communities, whether the invested business is minority- or women-owned, or whether investment helped counteract blight, by repurposing a vacant structure or lot.

6 | Develop Impact Metrics & Encourage Transparency

Affordable housing: This can include the number of units at different affordability bandwidths and whether those units align with community income levels; the square footage or the total investment in affordable properties; and/or whether the housing investment helped repurpose a vacant structure or lot.

Community service and other community benefits: This can include the total number of clients served (in the case of non-profit facilities), and the annual number of low-income persons who benefit from a new service, such as health care, access to healthy food, transportation, child care, or educational services.

Community engagement and equitable community impact: This includes whether investments benefited community-based organizations; the extent to which a project was developed in consultation with residents or as part of a broad community development plan; whether the project mitigated displacement; and the extent to which Opportunity Zone incentives made it possible for the project to move forward.

⁹ The Beeck Center, for example, has suggested that investors should “voluntarily monitor, measure and track progress against specific impact objectives,”

¹⁰ For example, PolicyLink has proposed measurement the number of living-wage jobs, and the number of housing units affordable to those living at 60% of AMI or below. See <http://www.policylink.org/sites/default/files/PolicyLink%20Recommendations%20for%20Opportunity%20Zones%20.pdf>

¹¹ Enterprise Community Partners has advocated both for measures related to Opportunity Fund outcomes, such as jobs accessible to community residents, as well as broader neighborhood measures such as poverty reduction.

¹² See Hall, Lisa Green, Seagull, Fran, Cruz, Chelsea Amelia, and Franco, Adrian. 2018. “Opportunity Zones: Moving toward a shared impact framework.” Federal Bank of New York. <https://medium.com/new-york-fed/opportunity-zones-moving-toward-a-shared-impact-framework-ad5bda6b5766>

¹³ See for example discussion in Granger, Robert C., “Establishing Causality in Evaluations of Comprehensive Community Initiatives.” In Karen Fulbright-Anderson, Anne C. Kubisch, and James P. Connell, eds. *New Approaches to Evaluating Community Initiatives*. Volume 2, Theory, Measurement, and Analysis, The Aspen I