

Recommendations for Opportunity Zones

Leveraging private investment for equitable economic development

The Opportunity Zones designation, a provision nested within the *Tax Cuts and Jobs Act of 2017*, presents significant opportunities and potential challenges for local leaders seeking to advance equitable economic development. The new initiative is expected to bring trillions of dollars in investment capital into a selection of the nation’s lowest income neighborhoods. At the same time, local leaders are looking for tangible ways to connect people to growth and opportunity and ensure all of their residents participate and thrive. Of the 100 million people in America who are economically insecure (living at or below 200 percent of the federal poverty level), approximately 19 million of them live in the census tracts designated as Opportunity Zones.

If invested in the right type of projects, this new capital infusion could spark catalytic development that creates economic opportunity and improves neighborhood quality of life. On the other hand, if the resources are deployed without a focus on improving opportunities and outcomes for the residents living inside the zones, the investments could lead to displacement of low-income people and communities of color in addition to the loss of community assets and land.

Equity advocates, investors, developers, city and state officials, philanthropy, and federal officials should take a proactive approach to guide Opportunity Zone investments toward these outcomes:

1. **Equitable growth.** Opportunity Zones should leverage tax incentives to create good jobs, increase economic security and mobility, and eliminate the racial wealth gap. Projects in the zones should result in jobs that provide wages that support a dignified standard of living, full benefits and workers rights, and safe and healthy working conditions. Developers and investors of color should have access to contracting opportunities in the zones.
2. **Development without displacement.** In addition to bringing economic opportunity and vitality to disinvested communities, development in Opportunity Zones should foster greater housing affordability and security for families most at risk of displacement, including low-income households and households of color.
3. **Healthy communities of opportunity.** Investments should drive equitable growth and prosperity for current low-income residents and communities of color within the zones. Projects should increase services available to vulnerable populations such as affordable transportation options, health-care facilities, healthy food retail, and quality education services.

Below are action steps for guiding Opportunity Zone investments, organized by several sectors – equity advocates, investors, developers, city and state officials, philanthropy, and federal officials.

Equity advocates should:

1. Advocate for equitable development in Opportunity Zones, via letters to governors and U.S. Treasury.
2. Promote a pipeline of projects for investment that can deliver equitable growth, development without displacement, and healthy communities of opportunity.

3. Engage with local officials and investors to create an [equity assessment](#) to understand the benefits and harms of investments proposed for each zone. Advocates can use the results of the assessment to hold investors and local and state officials accountable for prioritizing projects that deliver on the aforementioned outcomes.

Investors and developers should:

1. [Engage residents](#) in setting priorities for investment in the zones.
2. Prioritize investments in projects that yield equitable growth, development without displacement, and healthy communities of opportunity.
3. Prepare and distribute an annual assessment of investments according to performance indicators such as: living wage jobs created, number of dedicated affordable housing units created or preserved (60 percent of area median income or less), and investments in minority/disadvantaged/women-owned businesses.

Foundations should:

1. Offer financial and technical resources to fund projects in Opportunity Zones which can deliver equitable growth, development without displacement, and healthy communities of opportunity.
2. Support grassroots organizing, particularly in communities of color to influence investment priorities within Opportunity Zones.
3. Leverage program-related investments to contribute to Opportunity Funds (i.e. the investment pools that fund development in Opportunity Zones, as defined in Internal Revenue Code § 1400Z-2).

Cities should:

1. [Engage residents](#) in setting priorities for investment in the zones.
2. Design and advance [local equity policies](#) that govern investments within zones .
3. Dedicate local dollars to projects in Opportunity Zones which can deliver equitable growth, development without displacement, and healthy communities of opportunity.
4. Monitor and report outcomes of the Opportunity Zone investments, according to performance indicators such as: living wage jobs created, number of dedicated affordable housing units created or preserved (60 percent of area median income or less), and investments in minority/disadvantaged/women-owned businesses.
5. Explore opportunities to capitalize existing Opportunity Funds and / or establish publicly-administered Opportunity Funds.

States should:

1. Dedicate State dollars to projects in Opportunity Zones which can deliver equitable growth, development without displacement, and healthy communities of opportunity.
2. Monitor and report outcomes of the Opportunity Zone investments, according to performance indicators such as: living wage jobs created, number of dedicated affordable housing units created or preserved (60 percent of area median income or less), and investments in

minority/disadvantaged/women-owned businesses.

The federal government, specifically the U.S. Treasury Department, should:

1. **Allow local and state governments to configure additional guidelines for Opportunity Zones.** The U.S. Treasury should grant flexibility to local and state governments to issue guidelines as needed to advance equitable growth, development without displacement, and promote healthy communities of opportunity.
2. **Ensure that Investments ‘Do No Harm’ to low-income residents and small businesses.** Require investors, and states and cities to use data disaggregated by race to assess economic benefits and displacement risks.
3. **Specifically define “abuse” in the regulations.** The U.S. Treasury should define “abuse” in the regulations to ensure that projects do not result in evictions of tenants or small businesses, dramatically increase rents, and do not lead to the loss of deed restricted or naturally-occurring affordable housing in places.
4. **Require declaration of intent.** In order to be certified by the U.S. Treasury as an Opportunity Fund, the agency should require Opportunity Funds to declare their investment intentions and commit their investments to specific community benefit outcomes (i.e. equitable growth, development without displacement and healthy communities of opportunity) as a condition of certification.
5. **Set performance measures and reporting requirements, and re-evaluate designations.** Building on the measures outlined in the [Tax Cuts and Jobs Act of 2017 Conference Report](#)—related to job creation, poverty reduction, and new business starts—we recommend the following measures: living wage jobs created, the number of dedicated affordable housing units created or preserved (60 percent of AMI or less), investments in minority/disadvantaged/women-owned businesses, vacant structure repurposing, and critical services available to vulnerable populations.