Outline of Comments

Presented by Lori Chatman, President, Enterprise Community Loan Fund

February 14, 2019

On behalf of Enterprise Community Partners (Enterprise), I want to thank you for this opportunity to offer comments on the proposed rule for Investing in Qualified Opportunity Funds.

Enterprise is a leading provider of the development capital and expertise it takes to create well-designed, affordable homes and vibrant communities. Since 1982, we have raised and invested $36 billion in equity, grants and loans to help build or preserve nearly 529,000 affordable homes in diverse, thriving communities.

Enterprise has also announced one of the nation's first Opportunity Funds – the Rivermont Enterprise Emergent Communities Fund. In partnership with Rivermont Capital and Beekman Advisors, the Fund aims to raise $250 million and will invest in main streets and support local entrepreneurs across small cities and towns in the Southeast United States.

The guidance provided by IRS in this initial round of regulations was helpful in several areas and we are particularly pleased to see IRS commit to addressing information reporting requirements in the next round of proposed rules. Enterprise continues to stress that transparency and accountability are the keystone to fulfilling the tax incentive's original intent of transforming economically distressed communities. We urge the Treasury Department to collect and make publicly available transaction-level data from Opportunity Funds so that the public and Congress can evaluate the efficacy of the Opportunity Zones tax incentive.

Similarly, we believe that Opportunity Zone investments will be the most impactful when paired with existing federal, state and local community development initiatives, such as the Low-Income Housing Tax Credit (Housing Credit) and New Markets Tax Credit (NMTC). Considering the alignment of mission between these tax credits and the new Opportunity Zones benefit, we strongly urge the IRS to issue regulations that most efficiently allow these Credits to be paired with Opportunity Fund equity.

Finally, Enterprise would like to raise attention to two other potential concerns and suggestions with the first round of proposed rules.

First, we are concerned that excluding the value of land from the substantial improvement test could unintentionally allow for predatory or speculative activity, especially in high-cost areas where vacant land or significantly underdeveloped land would not be subject to the substantial improvement test and could result in investors receiving a tax benefit without making any improvement to the land. We urge the IRS to explicitly prevent such predatory or speculative activity under the Opportunity Zones regulations.

Second, we suggest that real estate investments have a separate and higher "substantially all" threshold than the proposed 70 percent threshold. Although the 70 percent threshold may make sense for investments in qualified business activity, which may be more fluid and require such flexibility to be successful, real estate investments are static and should not need the same level of flexibility.

Thank you again for the opportunity to share Enterprise's perspective today. We look forward to working with Treasury to ensure that Opportunity Zones are a successful community investment tool that brings equitable and inclusive growth to the more than 8,700 designated areas.

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