May 5, 2022

The Honorable Charles Schumer
Senate Majority Leader
United States Senate

The Honorable Mitch McConnell
Senate Minority Leader
United States Senate

The Honorable Nancy Pelosi
Speaker of the House
United States House of Representatives

The Honorable Kevin McCarthy
House Minority Leader
United States House of Representatives

Re: Opportunity Zones Transparency, Extension, and Improvement Act (H.R.7467 / S.4065)

We write as a broad coalition of stakeholders to recommend that Congressional leadership work to enact the *Opportunity Zones Transparency, Extension, and Improvement Act*, a bipartisan bill introduced in the House (H.R.7467) and Senate (S.4065) on April 7, 2022.

This legislation would strengthen the Opportunity Zones ("OZ") policy, which provides tax incentives for qualifying private capital investments in low-income communities. With such improvements, the OZ incentive will be even better positioned to play a key role in supporting economic revitalization in historically underserved communities.

Even during a time of deep partisan divisions, this policy has enjoyed broad bipartisan support from state and local leaders and federal policymakers alike. A recent GAO report shows a 20-to-1 ratio of net positive to net negative responses from state officials on the overall impact of the Opportunity Zones tax incentive.[1] This legislation builds on the policy's bipartisan history, with support from six Democrats and four Republicans at introduction.

There are more than 8,700 census tracts across the 50 states, District of Columbia, and U.S. territories that have been designated as Qualified Opportunity Zones. The vast majority of designated OZ communities are among the highest-need places across a range of socioeconomic metrics. Residents of Opportunity Zones experience an average poverty rate of 26 percent according to the 2019 census data, a median family income less than two-thirds the national level, on average, and an average life expectancy three years shorter than the national figure.

Though we are still in the early phase of the market's development, the OZ incentive is already showing its promise and fulfilling its intent to bring resources to long-overlooked communities.

Since its passage into law in December 2017, the OZ incentive has spurred the investment of tens of billions of dollars into low-income communities across the country. A report on the most recent involuntary survey of Qualified Opportunity Funds ("QOFs") by Novogradac, a national professional services firm with OZ expertise, concluded that more than $28 billion of capital was raised by QOFs through March 31, 2022. This number likely represents only a fraction of the total amount of investment in OZ-designated communities to date. Novogadac estimates that actual OZ investment is probably three or four times this number.[2] It would not be unreasonable to project that close to $100 billion of equity has been raised by OZ projects thus far.

A recent webinar co-hosted by OpportunityDb and OZworks Group highlighted several community-oriented OZ case studies that clearly showcased how the policy is working. These included:

- **Jose A. Torres (Monllor Capital Partners)**: Manages the Puerto Rico Opportunity Zone Fund, the first Qualified Opportunity Fund focused on ESG investing in Puerto Rico. Each investment made by the Fund aims to have a positive impact on the environment, economy, and people of Puerto Rico. The Fund has deployed investment capital into two companies thus far: 1) renewable energy technology company Sunbeat Energy; and 2) aquaponic vertical farming operation Fusion Farms.

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[1] GAO - Opportunity Zones: Census Tract Designations, Investment Activities, and IRS Challenges Ensuring Taxpayer Compliance (November 8, 2021), Accessed April 12, 2022, https://www.gao.gov/products/gao-22-104019

[2] Novogradac - Bullish Opportunity Zones Equity Raising Continues Despite End of Basis Step-Up Benefit (April 21, 2022), Accessed April 28, 2022, https://www.novoco.com/notes-from-novogradac/bullish-opportunity-zones-equity-raising-continues-despite-end-basis-step-benefit

- **Susan Springsteen (H2O Connected LLC, a QOZB)**: Transforming a vacant, former steel office building in Coatesville, PA into an adaptive reuse building. The nth Innovation Center is a Qualified Opportunity Zone Business that will occupy a portion of the building, and will provide workforce training for the local community and incubate tech start-up companies.
- **Stacy Cumberbatch (Blended Impact)**: Innovation Lab and emerging asset managers working extensively in Riverside County, CA, which has the third highest amount of OZs in the state. The firm provides ground-up technical assistance that supports local governments, project sponsors, and entrepreneurs in OZs in identifying investment goals, creating capital attraction strategies, and executing on community-driven projects.
- **Donna Gambrell (Opportunity Appalachia)**: Democratizes access to Opportunity Zone funding by providing technical assistance, new investment, and jobs in OZs throughout Central Appalachia (OH, VA, and WV). Their portfolio is expected to close on more than $200 million of OZ projects, creating approximately 1,000 jobs in coal-impacted rural communities.

OZs should continue to be part of the discussion about economic relief and recovery in the wake of COVID-19; it is an important new tool that can be deployed to bolster communities hardest hit by the pandemic. It is also fundamentally about changing investor behavior and improving how private capital markets serve low-income communities.

The OZ incentive is well on its way toward making its intended impact in struggling communities across the country, but its effectiveness could be enhanced through improvements to the underlying statute that are proposed in the *Opportunity Zones Transparency, Extension, and Improvement Act*.

Enactment of this bill would significantly improve the guardrails and impact of this incentive without resulting in undue disruption to communities or market participants.

According to the Congressional co-sponsors[3], this bipartisan legislation would improve Opportunity Zones by:

- **Reinstating and expanding the reporting requirements** that were present in the Investing in Opportunity Act (IIOA), the original stand-alone legislation that created Opportunity Zones, but were stripped out in the 2017 Tax Cuts and Jobs Act due to procedural rules.

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[3] Bullet point summary of the bill from press release: https://www.booker.senate.gov/news/press/booker-scott-kind-kelly-introduce-bipartisan-bicameral-bill-reforming-opportunity-zones

- **Ending Opportunity Zones that are not impoverished.** While the vast majority of Opportunity Zones are truly impoverished areas, the legislation would sunset a small percentage of Opportunity Zone designations for tracts with a median family income at or above 130 percent of the national median family income. States would be able to designate a new tract in high-need communities for every tract sunsetted under this provision.

- **Creating pathways for smaller-dollar impact investments** by allowing Qualified Opportunity Funds (QOFs) to be organized as a "fund of funds" that may invest in other QOFs, providing smaller communities and projects with the financing they need.

- **Providing operating support and technical assistance to high-poverty and underserved communities through a State and Community Dynamism Fund.** Flexible grants will help states drive private and public capital to underserved businesses and communities.

- **Extending the tax incentive for two years in order to facilitate continued investment.** It took the Treasury Department nearly two years to issue final regulations governing Opportunity Zones, during which time many investors and stakeholders stayed on the sidelines awaiting clear rules for the policy. Extending the policy by an equal amount of time will help investors and communities fully use the tool as Congress intended -- which is especially important now with the economy in recovery from the impacts of the COVID-19 pandemic.

We appreciate your consideration of our recommendation and welcome the opportunity to discuss these issues with you further. If you have any questions about this recommendation, please contact Chris Cooley, CEO of OZworks Group at chris@ozworksgroup.com.

Sincerely,

Chris Cooley, OZworks Group
Jimmy Atkinson, OpportunityDb
Ashley Tison, OZ Pros
List of other people and organizations to follow

cc: Sen. Ron Wyden, United States Senate Finance Committee
Sen. Mike Crapo, United States Senate Finance Committee

Sen. Cory Booker, United States Senate
Sen. Tim Scott, United States Senate
Rep. Richard Neal, United States House Committee on Ways and Means
Rep. Kevin Brady, United States House Committee on Ways and Means
Rep. Ron Kind, United States House of Representatives
Rep. Mike Kelly, United States House of Representatives
Brian Deese, National Economic Council
Cecilia Rouse, Council of Economic Advisers
Lily Batchelder, Department of the Treasury
Susan Rice, Domestic Policy Council
Marcia Fudge, Department of Housing and Urban Development