

OPPORTUNITY ZONES INVESTMENTS

The Opportunity Zones incentive is intended to encourage productive, long-term private capital into communities that have been left behind by uneven economic growth and a lack of investment. Opportunity Zones communities (i.e., ones in which qualifying investments are eligible for certain tax benefits) are on average far more economically distressed and significantly more diverse than the typical U.S. community.

While the policy is still early in its lifecycle, what do we know so far about the scale, distribution, and nature of OZ investments and investors thus far?

The earliest investments were geographically dispersed, but total dollars were relatively concentrated. The [best and most comprehensive data](#) on early OZ investments comes from a 2021 [study](#) examining electronic tax filings for 2019. Since paper filers account for roughly 25% of all OZ investments, the numbers below are likely a substantial underestimate of actual investment activity and reach. Furthermore, final regulations were not published by the IRS until December of 2019, which kept many would-be market participants on the sidelines until 2020. Nevertheless, the findings suggest that, even prior to full implementation, the policy was already supporting investment of significant scale and geographic reach.

- Nearly 2,800 Opportunity Funds directed \$18.9 billion in investment across ~2,500 investments according to a [study](#) of IRS tax data for 2019.
- At least 1,362 designated census tracts—or 16% of all OZ tracts—received at least some OZ investment, eclipsing other long-established incentive programs in geographic reach. (For comparison, the New Markets Tax Credit program supported investment in approximately 400 census tracts over the same period.)
- Most, if not all, states and commuting zones saw OZ investment activity in the first year.
- OZs closer to downtowns and experiencing faster population growth and with higher educational attainment were more likely to see investment.
- Measured in terms of dollars deployed, investment was concentrated such that 5% of tracts (totalling over 430 tracts) received 87% of total investment.
- OZ tracts that received investment had an average poverty rate of 28% (compared to 15% for all census tracts) and median family income of \$47,500 (compared to \$72,100 for all census tracts). Nationally, those numbers rank in the 84th and 23rd percentiles for poverty and income, respectively.
- Among tracts that received OZ investment, the median investment of \$948 per resident is economically large relative to other federal place-based programs.

- Median investor household income was just under \$300,000. Roughly half had income around \$300,000 or less, and 25% of investors had incomes below \$100,000.
- Read [Assessing the scale and reach of Opportunity Zones' first year](#) and [A First-of-its-Kind Exploration of Ohio's Opportunity Zone Investments](#)

Market activity started accelerated in early 2020 and has continued growing during the pandemic. Comprehensive IRS data are not available, but multiple authoritative sources suggest that the scale and reach of OZ investment has grown considerably since final regulations were published in December 2019. (Read [Opportunity Zones: State of the Marketplace](#).)

- Novogradac's survey of Opportunity Fund managers reported a 15% jump in OZ equity raised over the first six months of 2021, continuing a long and steady climb.
- Extrapolating from the survey to the full universe of OZ investors, this figure suggests OZ funds have likely passed the \$70 billion mark for equity raised.
- Unique data available [from Ohio](#) documents OZ investment activity in 72 of the state's OZ census tracts (23% of the total) across 315 distinct projects. More investors contributed less than \$100,000 than did \$500,000 or above.
- The White House Council of Economic Advisers [estimated](#) that the majority of private capital raised through the end of 2019 represented investment that would not have occurred in OZ communities without the incentive.
- The CEA also estimated that equity investments into operating businesses were 29% larger in OZs compared to the set of census tracts that were eligible but not selected to be OZs.

A diverse scope of investment activity is coming into focus. Congress designed the Opportunity Zones incentive as a long-term policy—one that, at its core, encourages “patient capital” over quick in-and-out returns. As a result, the true impact of the incentive won't be clear until years into the future. Nevertheless, early activity is already demonstrating that the incentive can support a wide range of investment models across an array of communities and regions of the country—in line with congressional aspirations.

EIG's [OZ Activity Map](#) highlights examples of how the policy is being deployed to meet local needs in an array of communities across the country. Below are a few highlights.

Creating Affordable and Workforce Housing

- Bozeman, MT: Apartments [offered](#) to individuals and families earning between 65-85% of area median income, provide affordable housing for public safety officials, nurses, teachers, others.
- Cleveland, OH: Local developers Sustainable Community Associates [leveraged](#) the OZ tax incentive to lower rent prices for 60% of the apartments at The Tappan, available to residents making between 80-120% of AMI, and provides retail space for startup bakery, Leavened.

Creating Affordable and Workforce Housing (cont.)

- Schenectady, NY: Hudson Partners Development and Enterprise Community Partners are [leveraging](#) OZs investment to construct a four-building, 88-unit workforce housing apartment complex, over half of which is targeted at lower-income residents.

Supporting Small Business and Entrepreneurship

- Chicago, IL: RiseKit, a startup technology company that connects underrepresented job seekers to a broad network of employment opportunities, [received](#) an investment to expand during the pandemic.
- Los Angeles, CA: In addition to affordable and workforce housing, SoLa Impact announced "[The Beehive](#)," a business campus for OZ companies where minority and women-owned businesses can work and network with entrepreneurs and investors on the four-acre campus.
- Durango, CO: Aerospace startup Agile Space Industries ([Agile](#)) designs, manufactures, and tests integrated aerospace propulsion systems. Securing OZ financing has allowed growth despite the pandemic, expecting to double its staff over the next six months to 65 employees.

Driving Innovation

- Braddock, PA: Fifth Season, a solar-powered, fully-automated, vertical farming operation, is [expanding](#) access to fresh food in a food desert and creating a bridge to jobs for a community that experienced an 80% population loss due to the contraction of the steel industry.
- Indianapolis, IN: Greenwave Opportunity Fund [launched](#) a \$250 million fund to invest in and develop clean energy projects that improve energy resiliency through real estate and water applications.
- Norfolk, VA: Norfolk Solar Qualified Opportunity Zone Fund is [utilizing](#) Power Purchase Agreements to provide free solar panel installations to businesses and nonprofits. Opportunity Zones residents will be trained and hired to work on the installations.

Seeding Neighborhood Revitalization

- Baltimore, MD: Blueprint Local's Opportunity Zones investment will [support](#) the modernization of Penn Station in conjunction with a \$90 million upgrade project funded by Amtrak.
- Cincinnati, OH: A \$51 million infill development [combined](#) OZs financing with New Markets Tax Credits, Low Income Housing Tax Credits, state and federal Historic Tax Credits, and city programs to revitalize 16 historic buildings and build four more.
- Newark, NJ: The vacant historic St. Michael's hospital will be [transformed](#) into a center for arts education and creative co-living, serving up to 500 low- and moderate-income children annually.
- Washington, DC: Two local minority-owned businesses [partnered](#) to develop a commerce center in historic Anacostia, and showed how the public and private sectors can work together to drive economic growth.

Improving Resident Health Outcomes

- Erie, PA: Erie's Flagship City Food Hall will [expand](#) food access in a food desert, and is the centerpiece of the city's efforts to attract private investment to one of the nation's poorest zip codes. The food hall and accompanying market will create opportunities for underrepresented entrepreneurs and restaurateurs.
- Pittsburgh & Altoona, PA: The [Arctaris Southwestern Pennsylvania Opportunity Zone Program](#) will invest in economic development projects, workforce training, and job creation with one home healthcare company for people with disabilities and the elderly has been able to expand.
- Missoula, MT: A new medical office building will [house](#) a gastroenterology clinic to help address Missoula's unmet local demand for digestive medicine specialists. The clinic will also help recruit and retain doctors.

Revitalizing Rural Communities

- Brookville, IN: Mick and Jenny Wilz [made](#) OZ investments to close the financing stack on a transformative mixed-use, mixed-income development along Main Street, prevent the town's local newspaper from going out of business, and build the town's only hotel.
- Fort Worth, TX: A local crowdfunding platform for agriculture launched the [Sustainable Agriculture Opportunity Zone Fund](#) to help farmers in rural Opportunity Zones maintain jobs and grow their local economies.
- Brigham City, Utah: With OZ investment, Brigham's historic, long-vacant Union Block building was [turned](#) into a much-desired community space. Now, Union Block is a usable venue for events and activities in Brigham.

Partnering with anchor institutions and local government

- Bethlehem, PA: OZs equity was paired with Historic Tax Credits to support the [transformation](#) of an underutilized 125-year-old building on Lehigh University's campus into 30 apartments and new retail space.
- San Bernardino, CA: RevOZ Capital and Sudweeks Development and Investment Co. partnered to [develop](#) a build-to-suit office space that now houses the San Bernardino County Children's Department of Behavioral Health's Juvenile Justice Program.
- Tuscaloosa, AL: Stillman College [received](#) investment from Renaissance Equity Partners' HBCU Opportunity Fund to build a teaching hotel in addition to mixed-use property for faculty, graduate students, and others.