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The Problem With Opportunity Zones.

They're supposed to help distressed communities. We need strong reporting requirements to make sure they're really doing that.

When President Trump signed the Investing in Opportunity Act into law in 2017, it caught the attention of mayors and entrepreneurs as well as developers and investors. They all saw the promise to increase economic opportunities for the many communities that have increasingly watched those opportunities slip away.

By waiving capital-gains taxes for long-term investments in more than 8,000 designated low-income census tracts across the country — referred to as "opportunity zones" — the incentive is intended to stimulate commerce and create jobs in economically distressed communities.

But how will we know if it's really working? The legislation currently has no built-in reporting requirements to make clear which projects received investment. Nor does it require managers to track or measure the impact on their communities.

An opportunity zones framework released in February by the U.S. Impact Investing Alliance and the Beeck Center at Georgetown University aims to elevate these essential considerations, ensuring that opportunity zone returns accrue equally to communities and to investors. The framework, funded in part by the Kresge Foundation, is an important first set of principles to guide this rapidly emerging market. But those principles are only as useful as their adoption. Unless the federal legislation is amended to include requirements for transparency, measurement and impact reporting, we'll simply never know the full impact of opportunity zones in our communities. We won't know if incentivizing investors with tax relief results in them making investments they otherwise wouldn't have made.

Early media reports on projects receiving investment under the program have added to my worries. In Texas, for example, a commercial real estate company made a $16 million purchase of 10 acres of land outside San Antonio to build a storage warehouse. A waterfront hotel is being developed as part of a mixed-use project in Seattle. And luxury apartments are going up in Baton Rouge, La.

Perhaps there are unseen community benefits built in to these projects. But in principle, disinvested communities need more than storage, fancy hotels or unaffordable condos. They need deep investment in affordable housing, living-wage jobs and infrastructure. It's hard to see how a facility for affluent homeowners to deposit their excess belongings will provide significant benefits to struggling neighborhood families.

Opportunity zone investments should breathe life into forgotten communities by funding public spaces and revitalizing shopping centers, schools or small-business corridors. They should give small entrepreneurs the boost they need to create jobs and economic opportunity for residents. Otherwise, capital will always flow to the lowest-risk, highest-return investments. It's simple economics. The natural winners will not be residents of the economically distressed areas this legislation is supposed to help.

What if, as intended, opportunity zone investors were truly incentivized to focus on small storefronts and new ventures in rural Michigan or central-city Phoenix and not only on shovel-ready projects? In an age of growing income inequality, this program could facilitate an investment pipeline that lifts working families and that does not just reward the rich.

At the U.S. Conference of Mayors' winter meeting in January, I joined a room full of policymakers from across the country to lay out the true promise of the opportunity zones program and how its risks can be mitigated. Simply adopting current reporting standards in place for another federal program, the New Markets Tax Credit Program, would largely remediate many concerns. It's an easy fix.

At the Kresge Foundation, we've launched incubators for opportunity zone funds with measurable community impact objectives, and we're implementing loan guarantees for organizations that will commit to reporting their true community impact. We're also calling on philanthropic and financial institutions and policymakers across the country to speak out against investment strategies that do not create jobs and expand opportunities for the people who need them most.

This is a crucial moment. As we await the next round of regulatory guidance on opportunity zones, it's an important inflection point for a piece of legislation that could do a lot of good in a lot of places. To fully realize that potential, policymakers need to incorporate guidelines that ensure that transparency, meaningful community benefit and broad geographic impact are achieved. If that happens, opportunity zones could chip away at inequality and increase opportunities for working families across the country.

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