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States, Cities Add Sweeteners to Attract 'Opportunity Zone' Investors.

With 8,700 low-income communities competing for private investment, some places are topping on the incentives to make themselves stand out.

Opportunity, it is said, only knocks once. So when it comes to attracting private developers to invest in so-called opportunity zones, several states and cities are working hard to make themselves stand out.

The zones were created in the 2017 federal tax overhaul as a way to entice companies to invest in underdeveloped areas. A company can reduce the capital gains taxes it owes on previous investments if it invests in low-income communities that have been designated as opportunity zones. On Wednesday, the Trump administration released new guidelines for the program.

But with 8,700 opportunity zones across the country — many in big cities that already attract considerable development dollars — some places are worried about distinguishing themselves. What would make an investment in, say, Oklahoma City any more attractive than one in Boston?

West Virginia lawmakers are looking at an income tax exemption for new opportunity zone investment. Florida is trying to align its opportunity zones with preexisting enterprise zones, which would give investors the benefits of both programs. In Connecticut, some legislators want to exempt historic preservation requirements in opportunity zones if the building has been vacant for more than five years. Maryland lawmakers are considering two bills — one that would offer tax credits to opportunity zone businesses that hire former inmates and another that would offer historic preservation tax credits to businesses that locate in opportunity zones.

“You’re seeing OZs prompt a number of common-sense reforms,” says John Lettieri, president and CEO of the Economic Innovation Group, the Washington, D.C.-based think tank that drafted the opportunity zone legislation.

At the local level, five mayors — of Erie, Pa.; Louisville, Ky.; Oklahoma City; South Bend, Ind., and Stockton, Calif. — have released an investment plan aimed at attracting opportunity zone investment.

Oklahoma City’s downtown opportunity zone also covers its tax increment financing district, allowing investors to benefit from both programs. And thanks to a 2017 ballot initiative in which voters approved $50 million for job creation, the city is able to negotiate additional tax incentives for businesses in return for an agreed-upon number of jobs to be created. Mayor David Holt says he plans to use all the tools available to attract opportunity zone businesses to his city.

“If you are looking for ways for cities to not just sit back and wait for people to invest in opportunity zones,” Holt says, “we have a little to play with.”

Still, attracting businesses to small and midsize cities remains a challenge. Oklahoma City, for all of its efforts, has not yet secured an investment in any of its 117 opportunity zones.

But Holt remains optimistic. He says the opportunity zone program has already put cities like his on the map and that investors are considering places they may not have looked at in the past.

“If nothing else, opportunity zones get people looking around at places around the country,” Holt says. “So maybe people look at the best deal in OKC and invest here instead of the 200th best deal in Los Angeles.”

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