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How Governors Are Shaping the Opportunity Zone Landscape.

Over the past two years, Opportunity Zones (OZs) have become the most discussed piece of federal economic development policy. Now, as the policy rolls out in earnest, the focus once again shifts to the nation's governors. Given the open-ended nature and limited federal accountability written into the law, state-level policymaking has significant power to shape how Opportunity Zones play out in practice.

Governors must decide whether and how Opportunity Zones fit into their priorities. Given competing demands for state funds, it is critical that governors consider the benefits of creating and modifying programs and policies against their costs to ensure they are worthwhile.

We don't recommend states jump on the OZ bandwagon without carefully considering what they want the incentive to accomplish and how their supports will encourage that.

To this end, we've proposed a five-step process governors can use to maximize the potential benefits of Opportunity Zones for their state's communities and minimize unintended harms.

1. select state-level guiding principles for making decisions about OZs
2. create support and accountability systems for OZ projects and investments
3. assist aspiring Opportunity Fund managers
4. engage with Opportunity Fund investors
5. recruit other mission-driven financial actors

But what have governors actually done so far?

A handful of states have taken concerted action to support local community-planning efforts and project matchmaking. Additionally, there are several noteworthy state-level, OZ-paired incentives either recently enacted or currently under consideration.

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The Urban Institute

by Brett Theodos & Brady Meixell

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