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Opportunity Zones Working Group Prepares to Provide Feedback on OZ Legislation, Oversight.

The OZ Working Group provides a platform for OZ stakeholders to work together to create consensus solutions to technical OZ incentive issues and to provide recommendations to the government to make the OZ incentive more efficient in delivering benefits to low-income communities.

During the run-up to the election, President-elect Joe Biden released his Build Back Better plan, which included several proposed modifications to the OZ incentive. These proposed changes have since been included in the Biden-Harris transition plan for racial equity and include:

- Incentivizing qualified opportunity funds (QOFs) to partner with nonprofit or community-oriented organizations, and jointly produce a community-benefit plan for each investment, with a focus on creating jobs for low-income residents and otherwise providing a direct financial impact to households within the OZs.
- Directing that OZ benefits be reviewed by the Department of Treasury to ensure these tax benefits are only being allowed where there are clear economic, social, and environmental benefits to a community, and not just high returns—such as those from luxury apartments or luxury hotels—to investors.
- Introducing transparency by requiring recipients of the OZ tax break to provide detailed reporting and public disclosure on their OZ investments and the impact on local residents, including poverty status, housing affordability and job creation.

Additionally, there has been a bipartisan call for data collection and transparency intended to enhance efforts to evaluate OZ policy and guard against abuse. Legislation introduced during the 116th Congress includes:

- S. 2994: Improving and Reinstating the Monitoring, Prevention, Accountability, Certification and Transparency Provisions of Opportunity Zones, introduced by Sen. Tim Scott, R-S.C.
- S. 2787: Opportunity Zone Reporting and Reform Act, introduced by Sen. Ron Wyden, D-Ore.
- H.R. 4999: Opportunity Zone Fairness and Inclusion, introduced by Rep. Henry Johnson, D-Ga.
- H.R. 5011: Opportunity Zone Accountability and Transparency Act, introduced by Rep. Ron Kind, D-Wis.

During 2021, the OZ Working Group will continue to foster opportunities for its members and continue to provide a platform where industry stakeholders can discover how best to implement the OZ incentive into their business strategy. The group will also continue to maintain a leadership role within the OZ industry by keeping abreast of emerging issues and providing input for shaping proposed legislation and rulemaking. With the likely change in administration, the group will turn its immediate focus to the following regulatory and legislative initiatives:

Administration Oversight

- Revisiting the final OZ regulations and identifying ways the regulations could be improved to

enable the OZ incentive to better meet policy objectives, such as additional incentives to encourage affordable housing and other mission-driven investments.

- Reviewing and commenting on policy recommendations for data collection and transparency, including ways in which Treasury can use the Community Development Financial Institutions (CDFI) Fund to help carry out its policy objectives.
- Reviewing the impact of the 2020 U.S. Census and making recommendations on how modifications to census tracts should affect or not affect OZs.
- Reviewing and commenting on proposed rules under the Community Reinvestment Act (CRA) to ensure that CRA serves as a robust incentive to invest in OZs.

Legislative Activity

- Commenting on legislative efforts to provide greater community impact that use targeted incentives or disincentives for specific types of business that create more jobs or meet other policy goals.
- Reviewing and making recommendations for fair transition rules should some higher income or contiguous census tracts be determined to be ineligible as OZs.
- Providing recommendations on the types of information that should be collected from QOFs, qualified OZ businesses and investors to enable Treasury the ability to assess the OZ incentive's impact on community outcomes while at the same time protecting taxpayer privacy.

Conclusion

The leadership of the OZ Working Group has contributed greatly to the success of the OZ incentive during the first three years of implementation and there is still more work to do to successfully transition the incentive under a new administration and to maximize its potential to transform distressed communities. The OZ Working Group is excited to flip the calendar to a new year where we will continue our work of helping to shape the implementation of the OZ incentive toward the maximum efficiency and effectiveness in transforming communities. Parties interested in joining the OZ Working Group can contact John Sciarretti at John.Sciarretti@novoco.com.

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