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Opportunity Zones: The Role of Government

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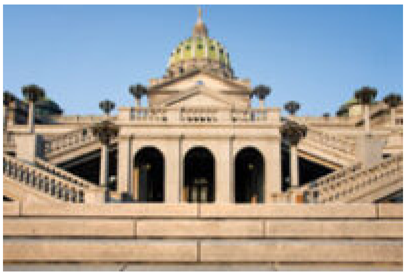

Opportunity Zones provide investors with a Federal Tax Incentive and work to encourage re-investment of unrealized capital gains into designated low-income census tracts known as Opportunity Zones. The initiative is an **incentive**—not a program—and this distinction is crucial to understanding how Opportunity Zones operate, raising the question: **what is government's role?**

The Opportunity Zones initiative can only be leveraged by private investors with capital gains, thus requiring that the investor own equity in the project. Such projects can range from venture investments and real estate development to industrial or impact investing. The investor then chooses to leverage the benefits of the initiative by simply claiming the incentive on their federal tax return. This means that there is no direct approval of Opportunity Zone-qualifying projects by the federal, local or state government. Instead, government should act as a guiding force that coordinates public efforts to assist and promote private success.

Because Opportunity Zones provide a Federal Tax Incentive, there is no "United States Office of Opportunity Zones Approval"; however, the White House has taken the lead on modeling government's role in the initiative through the establishment of the White House Opportunity and Revitalization Council (WHORC) through an Executive Order signed on December 12, 2018.

Primary goals of the WHORC include:

- Prioritizing Federal investment and funding in Opportunity Zones;
- Minimizing regulatory and administrative burdens to investment in the Zones; and
- Coordinating efforts with State and local officials.

These goals have allowed WHORC to redesign over 160 federal funding programs to align with Opportunity Zones.

5 Key Roles of Local Governments and Economic Development Agencies

Knox Law Public Strategies has developed a list of five key roles that local governments and economic development agencies can play in the promotion and success of Opportunity Zones in their communities:

1. **Ascertain** if investors and/or qualified projects exist within your Opportunity Zones. If there is little interest, the government should determine whether resources should be dedicated to a coordination and promotion effort.
2. **Identify projects** in your Opportunity Zones that are capable of being qualified, and in which the owners are agreeable to receiving Opportunity Zone investments. Build a database of these projects.
3. **Offer the assistance necessary** to ensure that the projects are investor and shovel ready. This may include amending zoning ordinances, allowing for the "stacking" of additional financing, providing technical assistance to project owners to assist with qualification determinations, and/or removing other barriers that would prevent the project and investors from meeting the initiative's aggressive timeline.
4. **Facilitate** stakeholder education to all interested parties.
5. **Promote** your community's Zones and corresponding projects to both a local and external audience to help garner interest and investment.

The Opportunity Zones Federal Tax **Incentive** is best utilized when all community partners work together to achieve its success. Although the initiative is *not a governmentprogram*, this does not mean that government is a silent bystander.

In fact, the brilliance of the Opportunity Zones initiative is that it requires both public and private sector synergy to build a community that reflects the input of all its stakeholders—with each stakeholder having specific and important roles to play.

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