OPPORTUNITY ZONES

What are Opportunity Zones?

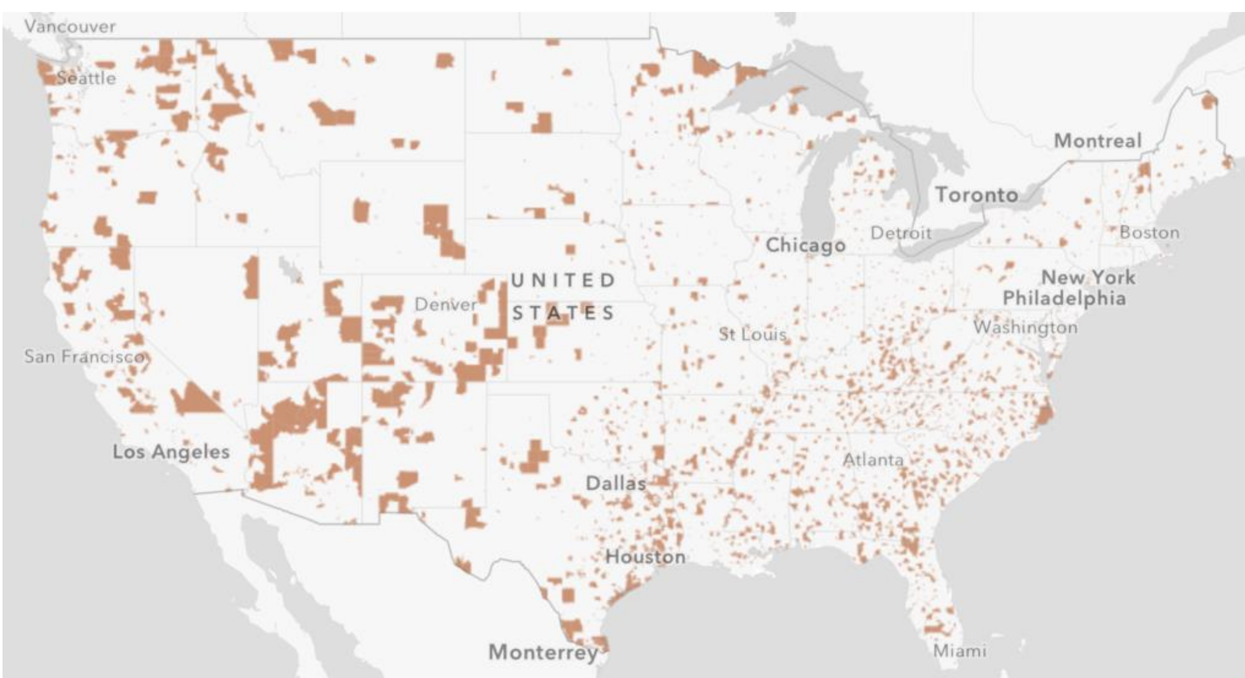
Established by the Tax Cuts and Jobs Act of 2017, Opportunity Zones are a new community development program administered by the Department of Treasury that encourages long-term investments in low-income urban and rural communities.

- *The Opportunity Zone Program provides tax incentives for investors to invest unrealized capital gains into Qualified Opportunity Funds (QOF).*
- *QOFs are private sector investment vehicles that invest at least 90 percent of their capital in Opportunity Zones.*

This new program has the potential to be an important, viable program for housing and community development agencies.

How were Opportunity Zones selected?

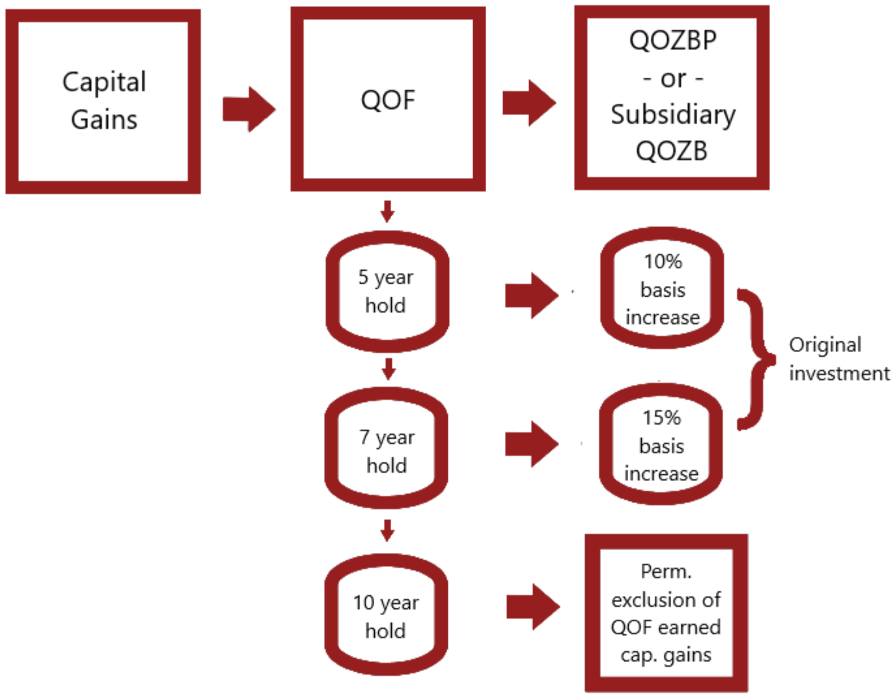
Governors from all U.S. states and territories, along with the mayor of the District of Columbia, identified **up to 25 percent of the total number of low-income census tracts** in their state, territory, or federal district as an Opportunity Zone. If the number of low-income tracts in a state was less than 100, then a total of 25 qualifying tracts could be designated. Governors could also choose to nominate fewer census tracts in order to focus greater attention on targeted locales. Zones can be as small as a single census tract or a much larger grouping of contiguous tracts. Designations remain in effect for 10 years.



Opportunity Zones across the United States – from the Economic Innovation Group

How do Opportunity Funds work?

The Opportunity Zone program includes tax deferrals and incentives to encourage investment. The chart below follows the capital gain investment through the Opportunity Zone process:



- **QOF** – Qualified Opportunity Fund
    - *Private sector investment vehicles that invest at least 90 percent of their capital in Opportunity Zones*
- **QOZBP** – Qualified Opportunity Zone Business Property
    - *Tangible property in an Opportunity Zone acquired for purchase or leased from an unrelated party after 12/31/17*
- **QOZB** – Qualified Opportunity Zone Business:
    - *70 percent of tangible assets in a QOZBP, at least 50 percent of gross income from active conduct of its trade or business in the zone, not a sin business, and have less than five percent of the tax basis of its assets be comprised of nonqualified financial property*

How can PHAs make use of this new tool?

- New businesses provide hiring opportunities for residents living in or near QOZBPs and QOZBs.
- PHAs have the potential to lease either land in a qualified Opportunity Zone that the PHA owns and has yet to develop, or lease space in a development located in a qualified Opportunity Zone and owned by a PHA to a QOZBP.
- The Federal Housing Agency (FHA) also provides incentives for multifamily property owners applying for certain FHA loans in Opportunity Zones. HUD will reduce FHA mortgage insurance application fees for multifamily market-rate transactions and for transactions that meet HUD's definition of affordable or broadly affordable when the property is located in an Opportunity Zone.

How do I know if my PHA is an Opportunity Zone?

Visit NAHRO's Opportunity Zone Resource Center for more information, including a list of Qualified Opportunity Zones. nahro.org/opportunityzones.