The last couple years of watching Washington has taught us that everything is fair game for subjective (call that “partisan”) interpretation. In this highly politicized environment, it is easy to predict that the recently enacted tax-incentive legislation creating Opportunity Zones (“Ozones”) will have many strong proponents and some number of vociferous detractors.

While the program is in its infancy, there will likely come a day when the pro-Ozone folks will be facing off against the naysayers, one side espousing great results and the other finding negativity at every turn. Even now, one can postulate about the critics’ mantras – the loss of tax revenue, the displacement of low-income residents and businesses and the assertion that the only successful Ozones are those that were already attracting capital before the tax benefits were added into the equation.

For any future message of success to resonate, the positive impacts of Ozones must be measured. Ozone legislation provides the tax incentives for the investment and some (scant) rules of the road. But no guidance exists yet to inform the public or Congress how we will know whether the anticipated benefit to the selected communities is occurring. Unless something changes, it may fall to the communities themselves to proclaim whether Ozones are making a difference and whether those living in the Ozone are catching up with (or even surpassing) their non-Ozone neighbors.

Because the focus of Ozones is location-based, community leaders within the Ozone should coordinate efforts among the communities, the investors and the Ozone businesses. This community engagement should start now as investments are being made and be continuously updated (maybe on annual intervals through publicly available reporting) and publicized. Indeed, early positive measurements can inform future investment decisions, hopefully creating a snowball effect.

In the inevitable battle for truth, there will also be winners and losers and, if someone is keeping score, they must know what to measure. Proponents of Ozones should develop methodologies and data-recovery metrics that illuminate the positive results.

Who Should Be Involved?

One way to construct a methodology that determines the winners is by asking those who are already in the game and who stand to benefit at the time the final score is announced. In the Ozone world, that includes:

- Governors who designated the Ozones – remember, governors, Republican and Democrats alike, selected the Ozones. They are (or should be) invested in the success of their designations;
- Those who deployed capital, made wise investment choices and realized significant (tax –free) appreciation;
- The businesses that used the investment dollars to create the gains and, hopefully, jobs; and
- The communities themselves.

A glimpse at the intersection of traditional market real estate and Ozone social investing illustrates one of the issues inherent in measuring success. Many in the real estate world see Ozones as perfectly suited for their investment strategies as the legislation targets “location, location, location” coupled with a long-term hold. If real estate values soar, as they have in recent years in many communities, the Ozone investments could spike a round of property sales ten or more years from now, as investors reap their tax-free exit rewards. But measuring an increase in property value in Ozones misses the fundamental social investment goal. For those who want Ozones to work, who want to see capital invested in low-income communities, who want “all boats to rise” in ways that benefit the residents, the workers and businesses in the Ozone, it is essential to stop now and consider how this scoring should be done.

Community benefits

While it is axiomatic that measuring capital invested in Ozones is a critical starting point, the inherent intent is to deploy capital in ways that benefit the existing (pre-investment) community. Gentrification is not a goal, even if it is a likely by-product.

One obvious measurement is whether an Ozone (a low-income census tract) has moved up and out of that category. The initial data point to be observed is household median income – measured by census tract and community.
pared to area median income. In a re-mapping of zones in 2026 (theoretical or actual), how many designated tracts have shown material and sustained economic growth?

Growth in the average income of residents in low-income census tract status is only one factor to consider. Unemployment rates, poverty levels and population growth or loss are also fundamental to any meaningful analysis. A partial list of data to be measured and analyzed for positive community impact might include:

- Opportunity Fund dollars invested in Ozones; the percentage of Ozones in which Opportunity Fund investments have been made;
- Business start-ups;
- New jobs created in the Ozones and the quality of those jobs (i.e., part-time versus full-time; education level required);
- Wage growth;
- Reduction in unemployment;
- Reduced crime;
- Appreciated property values, not just for the properties improved by investments made with Opportunity Funds, but for all properties located in an Ozone;
- In the Low Income Housing Tax Credit world, the number of awards from state housing finance agencies to properties being developed in Ozones;
- Average cost of single-family houses and residential rental prices;
- Increased number of housing units in the Ozone, particularly “affordable units” or “first-time home buyers”;
- Increased government spending on infrastructure;
- Increased spending on schools in the Ozone and better educational outcomes for students in those schools; and
- Net population migration into the Ozones.

For those who want Ozones to do more than create opportunity for the more prosperous to defer, reduce and avoid taxes, we must remember that the attention spans for public issues are regrettably short. Those who sit in judgment will not wait ten (or more) years to announce success or failure. Mouths and pens simply do not stay silent that long. TCA

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