Opportunity Zones Briefing
Our Model

LISC is an investor, capacity builder, convener and innovator.

Pool public and private dollars

We raise funds from philanthropies, corporations and financial firms, federal, state and local governments and through the capital markets.

We also generate income from consulting, and lending services.

Work with local partners

Through a network of local offices and community-based partners across the country, we provide grants, loans, equity and technical assistance.

We also lead advocacy efforts on local, regional and national policy.

Support people and places

By investing in housing, businesses, jobs, schools, public spaces, safety, youth, health centers, grocery stores and more, we catalyze opportunities in communities nationwide.
Our Reach

Office Locations

Atlanta, GA
Boston, MA
Buffalo, NY
Charlotte, NC
Chicago, IL
(CISL, NEF, NMSC)
Cincinnati, OH
Denver, CO
(immito)
Detroit, MI
Duluth, MN
Flint, MI
Fowler, CO
(Rural HQ)
Hartford, CT
Honolulu, HI
Houston, TX
Indianapolis, IN
Jacksonville, FL
Kalamazoo, MI

Kansas City, MO
Los Angeles, CA
Milwaukee, WI
Minneapolis/St. Paul, MN
New York, NY
Newark, NJ
Peoria, IL
Philadelphia, PA
Phoenix, AZ
Pittsburgh, PA
Providence, RI
Richmond, VA
San Antonio, TX
San Diego, CA
San Francisco, CA
Seattle, WA
Toledo, OH
Washington, DC

2,000 Partners

Our national network includes nonprofits, businesses and government agencies in both rural and metropolitan areas

3 National Affiliates

National Equity Fund
www.nefinc.org

New Markets Support Company
www.newmarkets.org

immito
www.immito.com
Our Approach

Empower people
- Job skills training & career development support
- Financial coaching
- Educational facilities
- Investments in access to healthcare, healthy food & recreation

Transform places
- Preservation & construction of affordable housing
- Commercial, industrial & community facilities & district development
- Creative placemaking
- Transit oriented development
- Stewardship of sustainability & disaster resiliency
- Community / law enforcement partnerships

Support enterprises
- Small business lending & coaching
- CBO capacity building
- Leadership development
- AmeriCorps deployment

Drive systems innovation
- Resource advocacy & coalition building
- Partnership facilitation across sectors
- Advocacy to increase protections, change policies & practices at national, state & local levels
**Investor Incentives**

**Deferral of taxes**
- On capital gains invested in Qualified Opportunity Zone Funds

**Reduction of taxes**
- On investments held in Qualified Opportunity Zone Funds 5+ years

**Cancellation of taxes**
- On new gains made through Qualified Opportunity Zone Fund investments held 10+ years
Eligible Investments

Only equity investments are eligible for the Opportunity Zone tax incentive.

1. **Business investments** can include investments in new stock issuance for corporations and ownership interests in partnerships and LLCs.

2. **Investments in real estate** must include an ownership interest of new construction or assets that will be "substantially improved" within 30 months of acquisition by the Opportunity Fund.

3. **New equipment and other assets** are also eligible investments.
**Economic Development Examples**

1. **Business infrastructure real estate funds:**
   - Industrial
   - Retail
   - Mixed use
   - TOD

2. **Venture capital funds:**
   - Seed stage investments
   - Series A investments

3. **Operating business private equity:**
   - Equity recapitalizations
   - Growth capital investments

4. **Enhancement for other federal tax credit transactions:**
   - NMTCs
   - Historic Tax Credits
Specific Affordable Housing Examples

1. Twinning with the LIHTC or the HTC
   - Potential for developing housing for families at or under 60% AMI.
   - Can provide a higher yield to investors depending on deal structure.
   - Issues: Do institutional investors have capital gains that they want to use to invest in LIHTC?
   - Will this bring additional investors to the marketplace?
   - Can this benefit high loss deals?

2. Workforce Housing
   - Providing housing for families at 80 – 120% AMI
   - Anticipate 10 year investments
   - Opportunity Zone benefits are a shallow subsidy, most effective in conjunction with tax abatements or other subsidy sources
   - No ongoing compliance regulations unless required through local funding or zoning
   - Ability to attract high net worth individuals or corporations as investors.
**Ex. 10 Year Investment: Fully Taxable vs. Opportunity Zone Fund**

**Assumptions:**
- 10% annual investment appreciation
- 24% capital gains tax (federal only)

<table>
<thead>
<tr>
<th>Fully Taxed Investment</th>
<th>Opportunity Zone Investment</th>
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<tbody>
<tr>
<td>Capital Gain</td>
<td>Capital Gain</td>
</tr>
<tr>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td><strong>- Tax payable (24%)</strong></td>
<td><strong>- Tax payable</strong></td>
</tr>
<tr>
<td>$24,000</td>
<td>$0</td>
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<tr>
<td>Total Capital to Invest</td>
<td>Total Capital to Invest</td>
</tr>
<tr>
<td>$76,000</td>
<td>$100,000</td>
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<tr>
<td><strong>Sales Price after 10 years</strong></td>
<td><strong>Sales Price after 10 years</strong></td>
</tr>
<tr>
<td>$197,000</td>
<td>$259,374</td>
</tr>
<tr>
<td><strong>- Tax on Appreciation (24%)</strong></td>
<td><strong>- Tax on Appreciation</strong></td>
</tr>
<tr>
<td>$29,070</td>
<td>$0</td>
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<tr>
<td><strong>After Tax Funds Available</strong></td>
<td><strong>Deferred Capital Gain Tax</strong></td>
</tr>
<tr>
<td>$168,054</td>
<td><strong>(24%) paid in 2026</strong></td>
</tr>
<tr>
<td></td>
<td>$20,480</td>
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<tr>
<td></td>
<td><strong>After Tax Funds Available</strong></td>
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<td>$238,974</td>
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Translation

**Direct Effect**
- More Equity Dollars
- Looking at projects in Opportunity Zones
- Willing to accept lower pre-tax returns on investment
- That need to hold their **EQUITY** positions for 10 years
- And want to be able to **SELL** the asset after 10 years
- Willing to take a bit more risk????

**Indirect Effects**
- More development in underserved areas
- Employment opportunities
- Contagion value effects or real estate (good/bad)
How Opportunity Zones can Help

Lower the *cost of equity* investment

Open investors up to *new under-invested* geographies

Incentive for *Local gov’t and federal* to organize their resources around this cause

With enough interest in these areas – the *development risks begin to diminish*
Strengths

- **Local**: Designations were made by states and localities, rather than Federal agencies, ensuring more local buy in and coordination.

- **Flexible**: The flexibility of the investment tool can support investments in any type of asset class.

- **New Investor Class**: The incentive has the ability to attract high net worth individual investors to community development finance.

- **Potential**: The incentive could attract hundreds of billions of private sector capital into low-income communities (compared with about $10 - $12 billion annually under LIHTC and $3.5 billion annually under NMTC).

- **Straightforward**: The tool is relatively straightforward from an investment and compliance standpoint, in comparison to LIHTC and NMTC.
Potential Concerns

**Lack of Oversight**
Lack of oversight from government entities could lead to program abuses.

**Lack of Impact Incentives**
Incentives focus on back-end returns, rather than investments that will result in community impacts.

**Gentrification and Displacement**
The tool might aid in the gentrification and displacement of residents and businesses in Opportunity Zone communities.

**Future of Other Tax Incentives**
The new incentive might be used as an excuse to diminish or eliminate other community development tax incentives, such as the NMTC program.
Over 8,700 census tracts across all 50 states, DC, and Puerto Rico

Visit eig.org/opportunityzones to explore the map
The fund landscape is populating.

Novogradac’s Opportunity Zones Fund Listing (pictured) now contains over 87 funds seeking over $20 billion.

The National Council of State Housing Agencies’ directory contains over 100 funds.

A number of specialized funds are forming:

- Rural CO Opportunity Fund
- Emergent Communities Fund
- HBCU Opportunity Fund

Some states are creating their own platforms too:

- Colorado
- Maryland
- Oregon (forthcoming)
Flavor for early deals

- Mixed-income apartments: Downtown Duluth, MN
- Major brownfield remediation: East Chicago, IN
- Sawmill conversion: Vicksburg, MS
- Senior care center: Heflin, AL
- Affordable mixed use + small business: Charlottesville, VA
- Brownfield to mixed use: Baltimore, MD
- Main Street refurb: Augusta, ME
- Affordable housing: Orlando, FL
**LISC Track Record in Opportunity Zones**

- **924**
  - Number of Opportunity Zones where LISC, NEF and NMSC have made investments

- **10.5%**
  - Total number of census tracts designated by the states

- **36%**
  - Percentage of Opportunity Zones in LISC program markets accounted for in LISC’s Quality of Life planning

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<tr>
<td>LISC Deals in Opportunity Zones since 2008</td>
<td>638</td>
</tr>
<tr>
<td>NEF Deals in Opportunity Zones since 2008</td>
<td>178</td>
</tr>
<tr>
<td>NMSC Deals in Opportunity Zones since 2008</td>
<td>49</td>
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**LISC has invested $2.3 Billion in Opportunity Zones since 2008**
**LISC OZ Impact Approach**

**OZ Impact Statement** – LISC will invest in *smart inclusive impactful* investments that provide an explicit advantage for underserved communities to access economic opportunity.

- **Smart** investments bring the right mix of development to support the long term stable economic growth of a community, avoiding overbuild and development bubbles.
- **Inclusive** investments ensure that all income levels within these communities will benefit from the economic progress created by the investments in these communities.
- **Impactful** investments offer specific advantages to underserved populations, with the assumption that market forces typically cater to the needs of well-served populations.
LISC Roles in Opportunity Zones

- **Impact Investors**: Raise, Deploy & Manage Impact Equity
- **Developers & Business Owners**: Finance & Co-Develop Projects & Businesses
- **Local Stakeholders**: Policy, Community Planning & Advocacy
- **Community Development**: Research, Metrics & Industry Leadership
Find Out More – Playbook Series

Step by Step Guide to Making Opportunity Zones:
➢ Sequencing steps to ensure success
➢ New ideas and suggested strategies
➢ Best Practices with real world examples

The first three publications are directed to:
Playbook #1 - Community Stakeholders
Playbook #2 - Impact Investors
Playbook #3 - Impact Developers
Additional Resources

Economic Innovation Group (EIG)
• Sign up for newsletter and visit www.eig.org/opportunityzones

Bi-Partisan White House Opportunity and Revitalization Council has arranged 100 grant programs to prioritize Opportunity Zones found here: