How Chicago and Cook County Can Leverage Opportunity Zones for Community Benefit

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In December 2017, Congress passed the Tax Cuts and Jobs Act, which included the Opportunity Zone tax incentive meant to spur economic development in communities lacking access to capital. The incentive is the largest new federal economic development program enacted in years. In each state, territory, and the District of Columbia, governors (and DC's mayor) selected Opportunity Zones from a large pool of eligible census tracts—roughly 56 percent of all tracts nationally—which were then subject to US Treasury Department approval. Of the tracts designated eligible, governors could designate 25 percent (or at least 25 tracts in states with fewer than 100 qualified tracts) as Opportunity Zones. In making their selections, governors relied on various factors, including data and metrics. The metrics we provided to states publicly in advance[1] were created to align with the incentive's aspirations to drive capital to undercapitalized neighborhoods while not spurring gentrification.

Compared with eligible tracts that were not selected, selected communities tended to have lower median incomes, higher poverty rates, and higher unemployment rates, but little targeting was done around access to capital (Theodos, Meixell, and Hedman 2018). With the first Internal Revenue Service (IRS) regulations released in October 2018, the focus now turns to local governments and the extent to which they can draw investment to Opportunity Zones and ensure these investments yield the maximum benefit for communities, particularly low- and moderate-income residents. An additional challenge is that there are no statutory requirements for impact reporting, posing challenges for monitoring and evaluation.

The Opportunity Zones selected in Cook County broadly fulfilled the incentive's spirit, targeting areas that were more economically distressed. To ensure the greatest benefit from Opportunity Zones, the City of Chicago, Cook County, philanthropy, community development financial institutions, community development corporations, and other institutional actors need to align their efforts and capacities to attract substantial capital into the selected Opportunity Zones and ensure new capital provides maximum benefit to current community residents.

Background

The Opportunity Zone incentive could spur substantial new capital flows into targeted neighborhoods within Chicago and Cook County. Of the 327 Opportunity Zones in Illinois, 135 are within Chicago city limits, and 46 others are outside Chicago but within Cook County. These 181 neighborhoods now offer the following three tax benefits to equity investors in Opportunity Funds (the financial vehicle that makes the Opportunity Zone investment):

- **Temporary deferral of taxes on previously earned capital gains.** Investors can place existing assets with accumulated capital gains into Opportunity Funds. Those capital gains are not taxed until the end of 2026 or when the newly-invested-in asset is disposed of, whichever is earlier.

- **Basis step-up of previously earned capital gains invested.** For capital gains placed in Opportunity Funds for at least five years, investors' basis on the original investment is increased 10 percent. If invested for at least seven years, investors' basis on the original investment is increased 15 percent.

- **Permanent exclusion of taxable income on new gains.** For investments held for at least 10 years, investors pay no taxes on capital gains produced through their investment in Opportunity Funds.

Restrictions on which projects qualify are minimal compared with other federal community development programs. A few "sin" businesses are excluded outright. Beyond this, a few key clauses determine what constitutes a qualified project. As defined in the statute, to be eligible for investment, 50 percent of a business's gross income must come from the "active conduct" of the business. Recently proposed IRS regulations articulate that for a business to be a qualified Opportunity Zone project under the proposed rule, it is required to hold only 70 percent of assets within Opportunity Zones.[2] Additionally, per this new guidance, the "substantial improvement" clause, which requires an Opportunity Fund to spend at least as much on improvements to a property as was paid to acquire it, will apply only to the buildings acquired and not the underlying land. These proposed regulations also provide Opportunity Funds up to 31 months to invest the capital gains and extend the permanent exclusion on new gains to up to 2048 if the investment is held.[3]

The amount of capital this incentive may attract is substantial but is no *Field of Dreams* for all communities—if you designate it, investors will not necessarily come. Cook County's Opportunity Zones join a pool of 12 percent of all census tracts nationally under these same new incentives. While ensuring these tracts are now more appealing relative to non–Opportunity Zones than they were previously, market forces will still guide investment decisions, particularly for investors deciding among multiple Opportunity Zones. Opportunity Zones that are already heavily invested in may be seen as comparatively lower risk and thus attract further investment. Depending on local conditions, this could increase gentrification and displace community members. On the other hand, census tracts currently struggling to access capital may still find it difficult to compete for new Opportunity Zone capital. With this in mind, it is important for localities to understand their Opportunity Zones and strive to draw capital in line with community development goals.

Because of the tax incentive's structure, earlier investments could yield greater reward as the temporary deferral ends by 2026 and the step-up in basis has a seven- or five-year window. While regulations are still being established, investors are rushing to set up Opportunity Funds and deploy capital to take advantage of these incentives.

With no ability to change the designations, communities and their proponents in local government and philanthropy must ensure that greater levels of investment positively affect residents at all income levels. If the benefits of the Opportunity Zone incentive are to be maximized, communities must both strive to attract this new capital and ensure that low- and moderate-income residents can afford to remain in their communities as they upgrade and not merely be displaced to other disinvested areas.

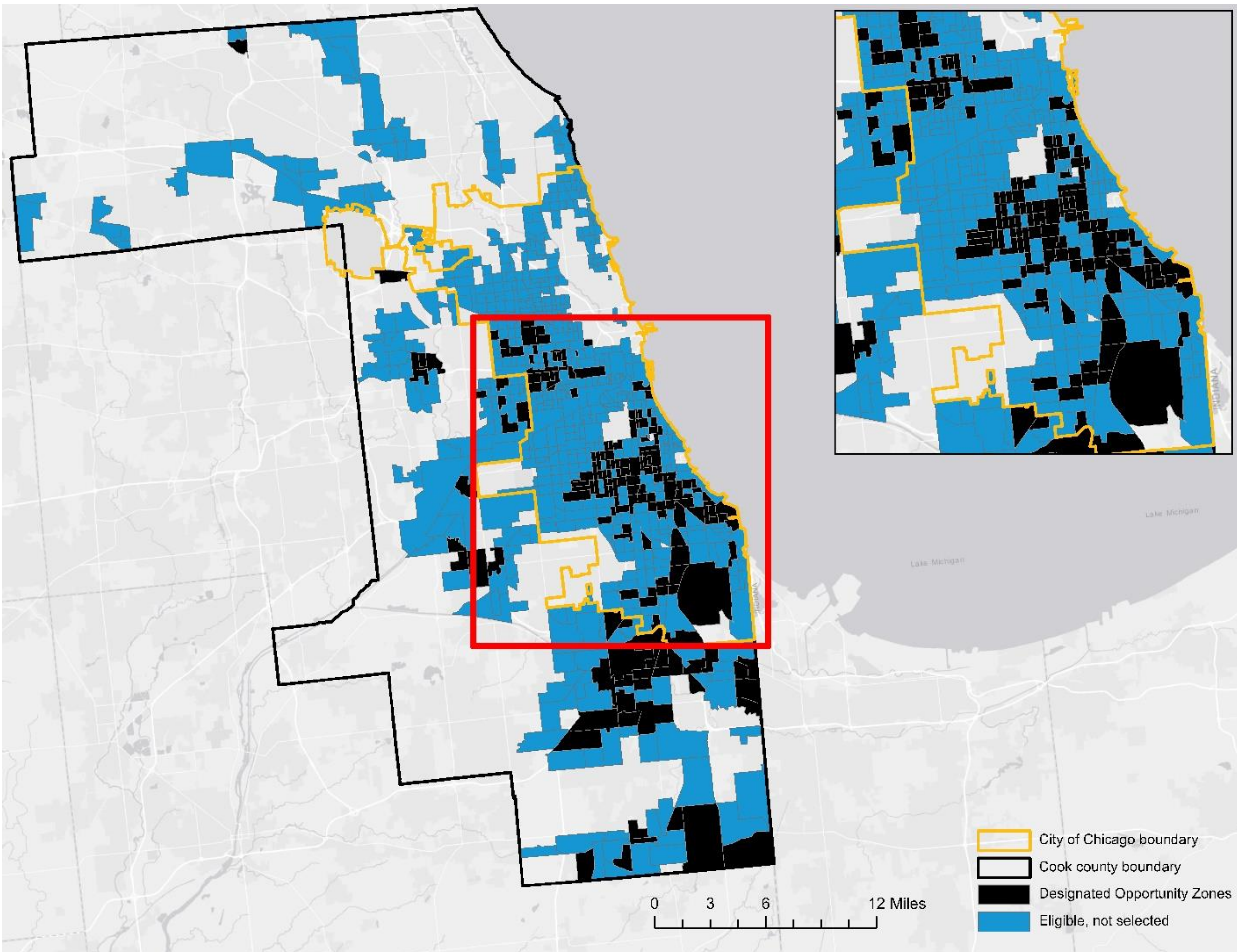
What Characterizes Cook County's Opportunity Zones?

Of Chicago's 809 census tracts, 58 percent were eligible to be selected as Opportunity Zones. From these 469 eligible tracts, Illinois nominated 29 percent (and the Treasury Department designated them). Within Cook County, 29 percent of the eligible 620 census tracts were designated. Figure 1 shows the distribution of all eligible and designated tracts within Cook County. The Opportunity Zones are most concentrated in Chicago's southern and western neighborhoods and in southern Cook County.

What are the attributes and conditions of Cook County's Opportunity Zones? To determine how well they are targeted toward certain factors, we examine this question along three lines of analysis: investment flows, residents' economic and demographic conditions, and rapid socioeconomic change.

FIGURE 1

Designated and Eligible but Not Selected Opportunity Zone Census Tracts

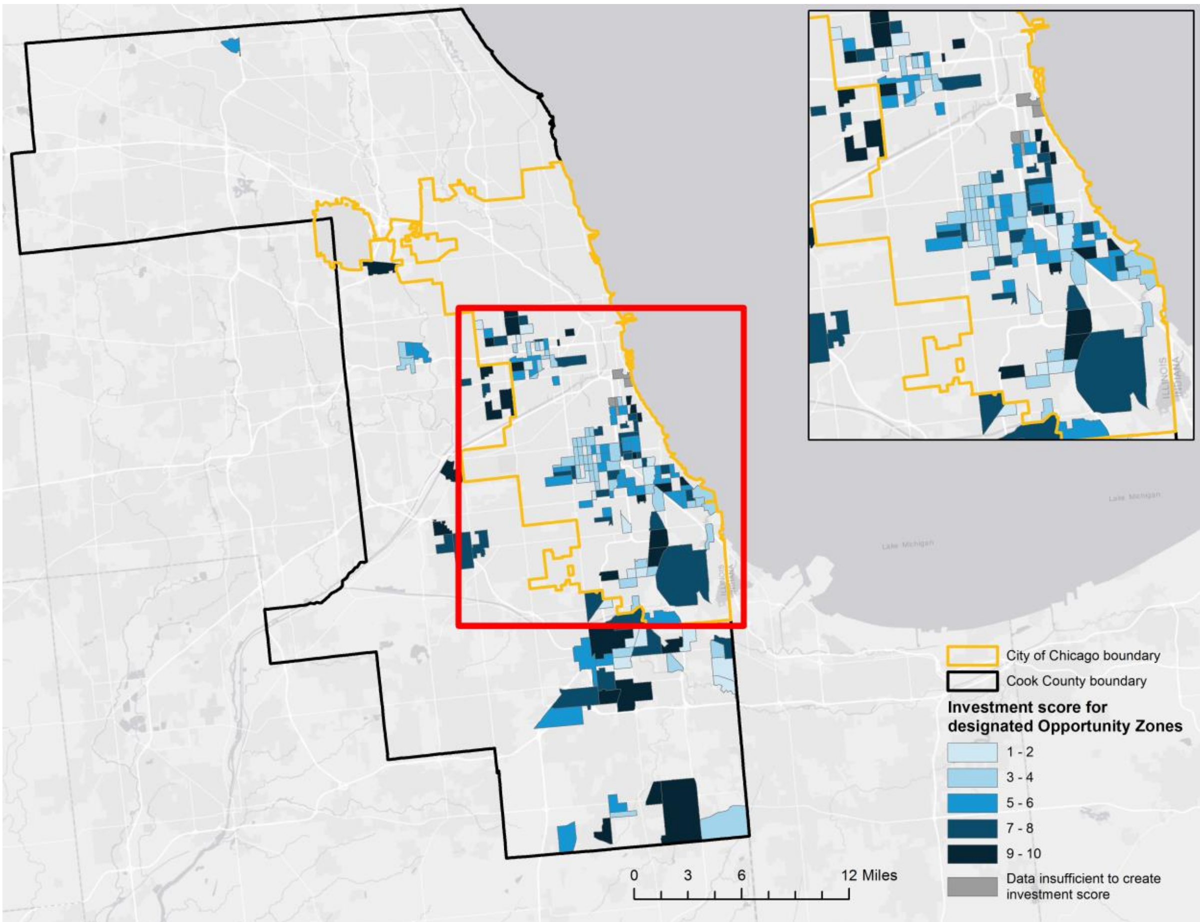


Source: Urban Institute analysis of US Treasury Department data.

To better understand the ability of Cook County's Opportunity Zones to access capital, we scored each eligible tract within Illinois on a scale of 1 (lowest) to 10 (highest) based on its ability in prior years to attract investment in commercial projects, small business lending, multifamily housing, and single-family homes.[4] The city and county have Opportunity Zones that range across the full scale—that is, those that are already weak or strong in their ability to access capital. As such, the high- and low-capital-access areas will likely require different strategies for managing capital flows under the incentive.

FIGURE 2

Investment Scores of Opportunity Zones Designated in Cook County



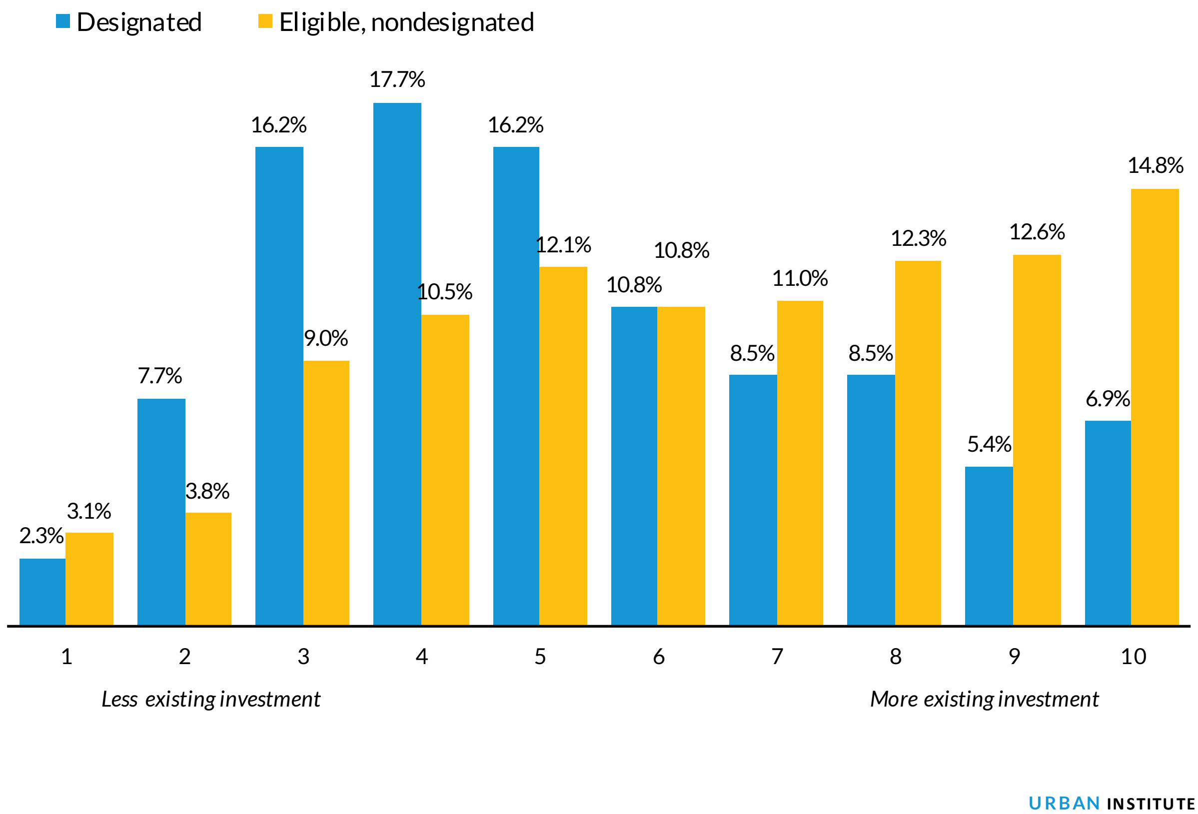
Source: Urban Institute analysis of 2011–15 CoreLogic data, 2015 Longitudinal Employer Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics, 2011–15 American Community Survey data, 2000 Decennial Census data, 2011–15 Home Mortgage Disclosure Act data, and 2011–15 Community Reinvestment Act data.

By looking at designated Opportunity Zones in aggregate and against the pool of eligible tracts, we can identify trends across selections within specific areas. This allows us to see the degree of targeting in their selection and consider how individual Opportunity Zone investment levels slot into the larger countywide picture.

Of all designated Opportunity Zones within Cook County, more than 60 percent scored in the bottom half of our investments score scale (figure 3). This was a larger share than for tracts that could have been selected but were not (39 percent of which scored 1 to 5 on the 10-point scale). In other words, there was a significant degree of targeting toward areas in Chicago and Cook County that previously experienced less investment. At the same time, 20 percent of designated Opportunity Zones ranked 8, 9, or 10 on our index. Chicago Opportunity Zones scored slightly lower on our scale, on average, than the rest of Cook County (an average of 6.1 versus 6.5).

FIGURE 3

Investment Score Distribution of Opportunity Zones in Chicago and Cook County



Source: Urban Institute analysis of 2011–15 CoreLogic data, 2015 Longitudinal Employer Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics, 2011–15 American Community Survey data, 2000 Decennial Census data, 2011–15 Home Mortgage Disclosure Act data, and 2011–15 Community Reinvestment Act data.
Note: Five designated Opportunity Zones and four eligible, nondesignated tracts in Chicago received no investment score because of an insufficient quantity of single-family units, multifamily units, employees, and small business employees.

We next examine economic, demographic, and housing indicators for residents across Cook County's Opportunity Zones. Selected Opportunity Zones were economically disadvantaged within Chicago and in the outlying areas of Cook County (table 1). Within Chicago, Opportunity Zones have an average poverty rate of 41 percent, an unemployment rate of 27 percent, and a median home value roughly $140,000. Most Opportunity Zones have a high share of black residents—85 percent, on average. In both Chicago and other areas of Cook County, most Opportunity Zone residents had a high school degree or less schooling.

Finally, we examine whether designated Opportunity Zones experienced significant socioeconomic change between 2000 and 2016[5]—areas where low-income residents (especially renters) are at greater risk of displacement, priced out of their neighborhoods by the influx of wealthier residents. Of the 181 Opportunity Zones in Cook County, we flagged only 5 as having experienced significant socioeconomic change since 2000, a rate well below that of designated Opportunity Zones in other major urban areas.

Yet although only 5 Opportunity Zones have experienced such changes retrospectively, our measure does not take a prospective look at areas at risk of future gentrification. Although there are fewer Opportunity Zones in Chicago flagged for socioeconomic change than in other cities (Theodos, Meixell, and Hedman 2018), disproportionate Opportunity Zone investment will likely still flow to communities either gentrifying or on the cusp of gentrification (stemming from the structure of the incentive around capital gains). As such, we recommend that city and county leaders exercise caution to ensure that investments in these areas do not accelerate gentrification or displace residents.

TABLE 1

Census Tract Characteristics by Opportunity Zone Designation Status

	City of Chicago		Cook County (remainder)	
Census tract classification	Designated	Eligible, nondesignated	Designated	Eligible, nondesignated
Descriptives				
Designated Opportunity Zones	135	469	46	151
New Markets Tax Credit “low-income community”	100.0%	87.0%	100.0%	67.5%
Contiguous community	0.0%	13.0%	0.0%	32.5%
Economic characteristics (average)				
Median household income**	$26,377	$43,551	$37,306	$50,313
Poverty rate**	40.7%	24.6%	29.1%	16.3%
Unemployment rate**	26.5%	12.8%	19.6%	9.9%
Housing characteristics (average)				
Median home value**	$140,137	$208,406	$109,164	$162,084
Median rent per month**	$844	$952	$969	$1,017
Homeownership**	30.6%	42.4%	52.3%	59.0%
Severe rent burden**	36.7%	28.0%	35.9%	27.8%
Vacancy rate**	22.8%	12.8%	15.5%	9.2%
Demographic characteristics (average)				
White alone**	2.6%	22.6%	15.1%	37.1%
Black alone**	84.5%	34.5%	58.1%	22.1%
Hispanic**	10.4%	34.9%	24.5%	32.9%
Asian Americans and Pacific Islanders alone**	0.9%	6.3%	1.0%	6.2%
Younger than 18**	28.5%	22.4%	28.1%	24.0%
Older than 64	11.6%	11.5%	11.1%	12.5%
Education (average)				
High school degree or less (ages 25+)**	53.8%	47.5%	53.3%	47.6%
Bachelor’s degree or higher (ages 25+)**	14.1%	27.9%	13.7%	23.4%
Socioeconomic change flag[a]	3.7%	12.2%	0.0%	0.0%
Average investment score[b]	5.3	6.4	6.3	6.6

Source: Urban Institute analysis of 2011–15 CoreLogic data, 2015 Longitudinal Employer Household Dynamics Origin-Destination Employment Statistics Workplace Area Characteristics, 2011–15 American Community Survey data, 2000 Decennial Census data, 2011–15 Home Mortgage Disclosure Act data, and 2011–15 Community Reinvestment Act data.

[a] Socioeconomic change flags this measure as changes taking place between 2000 and 2016 in shares of residents with a bachelor’s degree or higher and median family income, share of non-Hispanic white residents, and average housing cost burden.

[b] Average investment score created averaging flows to tracts based on commercial lending, multifamily lending, single-family lending, and small business lending, with tract averages ranked among eligible Opportunity Zones within states, as this aligned with the choice set available to governors. For a more detailed explanation of these measures, see Brett Theodos, Brady Meixell, and Carl Hedman, “Did States Maximize Their Opportunity Zone Selections? Analysis of the Opportunity Zone Designations” (Washington, DC: Urban Institute, 2018).

**Differences between “designated” census tracts and “eligible, nondesignated” census tracts in both Chicago and Cook County are significant at the 1 percent level.

How Chicago and Cook County Can Leverage Opportunity Zone Investments

Chicago and the state of Illinois made a substantial effort to target communities with greater economic need when selecting Opportunity Zones. Selecting the Opportunity Zones is only the first part of the process, however. Now it is up to local government, philanthropy, and impact investors and developers to ensure that new capital is attracted to these 181 neighborhoods and that this capital aligns with community goals to better the lives of long-standing residents across all income bands.[6]

While developing a strategy, it is important to remain grounded in the structure of the Opportunity Zone incentive and the kinds of investment for which it does and does not provide incentives. The tax advantages may, in sum, be large. But for any project, the incentives will not provide deep enough subsidy to underwrite deals that are not already fairly close to viable. In this way, the deferral, basis step-ups, and exclusion of gains will behave differently than other tax credits such as low-income housing tax credits, which are closer to guaranteeing a return over the first several years of the investment. Additionally, not every Opportunity Zone will be equally attractive to investors, and most investment will be from those only seeking market-rate returns with no impact objectives.

To harness the power of Opportunity Zones to spur new investment in areas of need, local officials, impact investors, and philanthropy need to understand the types of neighborhoods that are Opportunity Zones, explore which strategies can best serve these different groupings, and leverage available policy levers to compel private action in line with community interests. We detail several action steps below.

Leverage Community Planning and Bring Stakeholders to the Table

Informed by existing community planning efforts, local government and philanthropy are well situated to use their convening power to define priorities within specific Opportunity Zones and to forge and implement a strategy to ensure maximum community benefit. Chicago has a long history of neighborhood-based planning,[7] and these plans can be considered in light of Opportunity Zones. Community development financial institutions can draw on their long-standing position as trusted intermediaries already operating in many of these communities. Each Opportunity Zone's strengths, weaknesses, and goals should be considered as stakeholders identify potential projects and investors for specific Opportunity Zones. Block by block, stakeholders should develop strategies for the businesses or real estate projects that might be attractive, determine how well such projects might yield community benefit, and determine what barriers could be lowered to encourage these types of development.

Local community development organizations and developers, as well as, impact and mission investors, should be brought into the discussion, figuring out how to weave together streams of capital that can fill vital needs given the new incentive. We expect that the Opportunity Zone incentive can be a powerful and productive platform for mobilizing discussion, but in most communities, it will be useful to engage existing resident groups and forums and build upon existing plans, rather than replicating a new program-specific visioning process.

Diagnose Neighborhood Types and Match Strategies Accordingly

At the outset, a community and its key stakeholders should undertake a thorough market analysis to understand the extent of current capital flows, disparate access to capital, and where capital gaps exist. Theodos, Hangen, and coauthors (2018) discuss approaches to assess community needs, track capital flows, and measure capital gaps. From here, neighborhood conditions, needs, and goals of various Opportunity Zones can be built out. Some Opportunity Zones will attract capital better than others, but Opportunity Zones will also attract different investments (e.g., some might attract industrial property, and others might attract retail corridor investments).

There is a clear distinction between Opportunity Zones that have seen little capital and those that have experienced a significant infusion of new investment postrecession. For the former, strategies should be developed to jump-start and accelerate growth. For the latter, guardrails must be put up to ensure that newly attracted investment does not simply benefit land speculation and fuel gentrification that upends low- and moderate-income residents, particularly residents of color. These areas, in addition to other gentrifying communities, should be flagged at the outset of community diagnoses to allow for precautions that new investment is properly targeted and that affordable housing stock is preserved. Only careful and coordinated community action around Opportunity Zones can ensure that the residents meant to benefit from upgraded neighborhood services and better access to employment are not simply displaced to other disinvested areas. In part because of careful Opportunity Zone selections, Chicago and Cook County will need to focus on accelerating Opportunity Zone economic growth within their boundaries.

We anticipate that the neighborhood plans and analyses and the development of public and philanthropic approaches will need to be codified and shared as part of a strategy document. Stakeholders will need to decide on the intended audience (e.g., government and philanthropy or more of a prospectus for investors) (Katz et al. 2018). If investments focus more on investors, we anticipate government and philanthropy will still need some alignment around strategy and may benefit from a shared guide. Rather than only an abstract document, community development financial institutions, local nonprofits, and impact investors could undertake early work to locate and detail a list of "shovel-ready" projects that provide clear community benefit.

A final point in strategy development is to consider whether and how to focus on certain Opportunity Zones. Given local budgets that are stretched thin and the large number of Opportunity Zones designated in Chicago and Cook County, leaders will need to prioritize certain areas and direct limited resources and regulatory changes for localized incentives (detailed further below) to these targeted Opportunity Zones that can best benefit from them.

Provide Public and Philanthropic Resources

Local governments and philanthropies have several tools at their disposal to leverage resources to sweeten the deal for potential Opportunity Zone investors while introducing requirements that ensure new capital fulfils local goals. In exchange for further incentives, additional locally important requirements for community benefit could be put in place (e.g., affordability stipulations on housing or specific requirements around local hiring).

CREATE NEW STATE, LOCAL, AND PHILANTHROPIC INCENTIVES

State and local governments could create supplemental funding to make projects viable. States and localities are experimenting with adding new incentives, subsidies, and preferences to attract Opportunity Zone capital. Ohio is considering such an approach with legislation introduced in the state house of representatives that would provide a 10 percent state tax credit for any investor that invests more than $250,000 in a given year within qualifying Ohio Opportunity Zones.[8] The Council of Development Finance Agencies has inventoried several incentives in development in other states (Rittner, Kramer, and Fisher 2018). And localities are developing new incentives aligned with Opportunity Zones, such as the Erie, Pennsylvania, and Louisville, Kentucky, Opportunity Zone–related investment prospectuses for investors (New Localism Advisors, n.d.).[9] Incentives can also take the form of a reduced regulatory burden, as has historically been done through the building code in Chicago and Cook County. For instance, a hastened permitting process could be offered for Opportunity Zone investments that provide various community benefits.

Philanthropies can also create tools to attract Opportunity Zone capital consistent with philanthropic goals. These tools can be available from community foundations or focus on only certain Opportunity Zones or cities.[10] A national example is the Kresge Foundation and the Rockefeller Foundation's partnership of up to $50 million in resources, grants, and guarantees in support of investments aligning with specific criteria.[11] Philanthropy or the public sector could also lower associated risks for investments within their Opportunity Zones through loss reserves and other credit enhancement strategies. Such tools could attract Opportunity Fund investments. Philanthropy can also finance the coordination work of supporting small, job-creating businesses to be tenants in these real estate investments, and they can support construction or rehabilitation of buildings to create business incubators.

But developing new incentives comes with trade-offs, such as giving up current or future revenues that could be used for other community development needs. Public and philanthropic actors will need to consider which incentives are cost-effective in steering new investment through Opportunity Zones that meets community need.

LEVERAGE EXISTING INCENTIVES

Aligning existing incentives with Opportunity Zones may require as much work as creating new incentives. States and localities have many tools to support developers and businesses. But program regulations and requirements may be written in a way that makes them unusable or unattractive in combination with Opportunity Zones. Although there may be reasons to leave current policies as they are, many would benefit from being updated to align with Opportunity Zones without significant public cost. But changing existing incentives will be a labor-intensive task, as program officials need to learn from investors what changes are needed and to consider these revisions in light of any demands they make on program budgets and of community need and targeting. In Chicago and Cook County, tax increment financing (TIF) has long been the favored public tool for economic development. TIF districts could be restructured and financing reallocated in conjunction with Opportunity Zones to encourage greater investment and to require specific community benefits of projects. Local governments can think creatively about how to use available TIF tools to attract Opportunity Zone investments. They could create an exit pool inside the relevant TIFs to provide the take-out debt financing on projects that need to exit Opportunity Zone investors if they hit certain benchmarks. Second, they should revisit how they are using their 108 loans and target them to certain Opportunity Zone investments.

Opportunity Zones could provide a 3 to 4 percent layer of return to projects (depending on capital gains accrued from the investment). This is especially useful when paired with other bonds or tax credits, including low-income housing tax credits, New Markets Tax Credits, and Section 108 at the federal level and municipal bonds and TIF at the local level. The ability to layer multiple incentives together to finance a deal makes the strong case for localities and states to think through their programs and tax incentives and how these can best be structured in conjunction with the new Opportunity Zone incentive. Combining multiple streams in this fashion can be greater than the sum of its parts, allowing new developments to pencil out that would not have happened before.

At the local level, leaders could put together a centralized list of national, state, and local incentives, creating a strong tool for compelling investors to look to specific Opportunity Zones, such as those in Cook County. By providing complete information, it also increases the likelihood of compelling investors to consider a new project before deemed implausible.

USE VACANT LAND

Beyond what is already part of their stock, localities and philanthropy could purchase additional vacant or underused properties within Opportunity Zones. They could then offer already-owned or newly purchased properties at a low cost to Opportunity Funds willing to meet specified community needs. As of May 2018, the City of Chicago owned more than 10,000 individual properties (a portion of which fall in Opportunity Zones).[12] Earlier in 2018, Cook County put 3,189 vacant lots up for sale to spark redevelopment of these areas through its Cook County Land Bank Authority.[13] Similarly, philanthropies can support land banks in this work. Public and philanthropic use of vacant and dilapidated properties within Opportunity Zones has multiple benefits: it encourages blight removal and allows a direct hand in development decisions. Moreover, it could prevent land speculation with vacant and dilapidated properties. Local governments can also exert influence on these properties in the regulatory and zoning processes. Conditional zoning—accepting proffers in exchange for rezoning—and the permitting process are two key junctures for public intervention. Without public or philanthropic involvement, investors could buy these properties and reap tax benefits while sitting on undeveloped land with only a modicum of investment. This is allowable under the proposed IRS regulations, which apply the substantial improvement clause—requiring that investors spend at least as much to improve property as they paid for it—only to buildings and not their underlying land.[14]

INVEST IN PHYSICAL AND HUMAN ASSETS

States and localities can increase their attractiveness to investors. These same rules apply to drawing a larger share of the Opportunity Zone pot of investment to local Opportunity Zones. Attracting and retaining businesses and investment is often linked more to human capital, transit, and infrastructure than to tax advantages (Randall et al. 2018; Theodos, Boddupalli, and Randall 2018). Education, workforce, transit, and infrastructure systems operate on broader levels than Opportunity Zones, but it will be possible to align certain features. For example, it is possible to link a community college or workforce training program with small business industrial needs in Opportunity Zones or reroute bus service in an Opportunity Zone that needs improved transit access to be attractive to investors. Within Chicago and Cook County, a recently strengthened community college system could make the region more attractive for investment. In rural areas across the country, public officials could improve access to high-speed broadband. Philanthropy can cultivate high-performing nonprofits to provide these supports and services and raise awareness about local needs.

Include Transparency and Monitoring

Although the federal incentive does not contain robust requirements about what data should be submitted, any state or local paired incentive would be able to add nonintrusive reporting obligations. These would allow the tracking of capital flows resulting from these incentives to monitor and properly assess their impact. Or property-based Opportunity Zone investing data could be obtained as a new field on local building permit applications. Properly structured, it would be easy to require in the permit application basic Opportunity Zone information on the investors providing capital, businesses receiving investment, amount invested, date of investment, location of investment, and where these investments were made. As this information will already likely be kept internally by Opportunity Funds, it would add minimal burden. Without this record keeping, any understanding of the success of Opportunity Zones (and any paired state or local incentives) will be imprecise, be incomplete, and be a poor basis for communities to make future economic decisions. Even beyond long-term evaluation, monitoring of investments through this incentive would allow communities a greater ability to further encourage good investments, discourage investments that fail to yield benefit, and prevent attempted fraud.

Looking Ahead

Given the 10-year investment horizon for excluding taxes on new gains, the Opportunity Zone incentive is set up to reward patient investors. Investments centered around physical assets will best fit into this model to achieve maximum return on investment while minimizing risk. As such, we expect the incentive to spur a sizable degree of real estate investment, and investment in businesses to make up a smaller proportion of new capital.

In many ways, the Opportunity Zones within Chicago and Cook County could be ideally positioned to attract new investment. The region boasts strong philanthropic and civic cultures, a recently upgraded community college system, a robust transportation system, and significant amounts of vacant industrial land. But to maximize this potential, the public and philanthropic sectors will need to ensure that the proper incentives are in place to ensure any influx of new capital can further community goals and benefit residents across all income bands. As Opportunity Zones kick into full gear, renewed focus must be placed on census tracts now participating. Whether the benefits that flow from new capital to Opportunity Zones within Cook County and Chicago—and the 12 percent of census tracts across the country now affected—can equal the incentive's large-scale federal cost will need to be fully considered. How much this legislation will expand the community development finance ecosystem is an open question. Will we even have the proper reporting requirements in place to know its true effects? The answers to such questions could be largely shaped by how well local actors and philanthropy engage thoughtfully and proactively with Opportunity Zones in the next decade.

Notes

1 Brett Theodos, Carl Hedman, Brady Meixell, and Eric Hangen, "Opportunity Zones: Maximizing Return on Public Investment," Urban Institute, accessed December 31, 2018, https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/opportunity-zones-maximizing-return-public-investment.

2 The proposed IRS regulations are available at "Investing in Qualified Opportunity Funds," Internal Revenue Service, accessed December 31, 2018, https://www.irs.gov/pub/irs-drop/reg-115420-18.pdf.

3 Brett Theodos, Steven M. Rosenthal, and Brady Meixell, "The IRS Proposes Generous Rules for Opportunity Zone Investors, but What Will They Mean for Communities?" *TaxVox* (blog), Urban-Brookings Tax Policy Center, October 23, 2018, https://www.taxpolicycenter.org/taxvox/irs-proposes-generous-rules-opportunity-zone-investors-what-will-they-mean-communities.

4 Opportunity Zones will spur equity investments into tracts, but information about existing equity flows is not available at small areas of geography across the dimensions of interest. As such, we present debt flows as one means toward understanding local capital access but note the distinction between debt and equity flows.

5 This index was composed of four indicators measuring the change in their respective values between 2000 and 2016: percentage-point change in share of residents with a bachelor's degree or higher; dollar change in median family income; percentage-point change in share of non-Hispanic white residents; and change in average housing burden. For the methodology, see Brett Theodos, Carl Hedman, Brady Meixell, and Eric Hangen, "Opportunity Zones: Maximizing Return on Public Investment," Urban Institute, accessed December 31, 2018, https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/opportunity-zones-maximizing-return-public-investment.

6 This section draws in part from an Opportunity Zone workshop we cohosted in Chicago in July 2018.

7 "Chicago Neighborhoods Now," City of Chicago, accessed December 19, 2018, https://www.chicago.gov/city/en/depts/dcd/cnn.html.

8 "House Bill 727," 132nd General Assembly of the Ohio Legislature, accessed November 2, 2018, https://www.legislature.ohio.gov/legislation/legislation-summary?id=GA132-HB-727.

9 "City of Erie Investment Prospectus," City of Erie, Pennsylvania, accessed December 31, 2018, http://erie.pa.us/Portals/0/Content/News/City%20of%20Erie%20Investment%20Prospectus.pdf.

[10] Alex Daniels, "Will New Tax-Law Policy Help Needy Communities or Luxury Condo Developers?" *Chronicle of Philanthropy*, October 15, 2018, https://www.philanthropy.com/article/Opportunity-Zones-Help-for/244790.

[11] The Kresge Foundation, "Kresge, Rockefeller Partner to Support New US Community Development Initiatives through Open Call," news release, June 11, 2018, https://kresge.org/news/kresge-rockefeller-partner-support-new-us-community-development-initiatives-through-open-call.

[12] "City-Owned Land Inventory," City of Chicago, accessed November 2, 2018, https://www.cityofchicago.org/city/en/depts/dcd/supp_info/city-owned_land_inventory.html.

[13] Corilyn Shropshire, "Cook County Selling Nearly 3,200 Vacant Lots to Encourage Redevelopment," *Chicago Tribune*, May 1, 2018, https://www.chicagotribune.com/business/ct-cook-county-land-bank-offers-vacant-lots-20180501-story.html.

[14] For further discussion, see Brett Theodos, Steven M. Rosenthal, and Brady Meixell, "The IRS Proposes Generous Rules for Opportunity Zone Investors, but What Will They Mean for Communities?" *TaxVox* (blog), Urban-Brookings Tax Policy Center, October 23, 2018, https://www.taxpolicycenter.org/taxvox/irs-proposes-generous-rules-opportunity-zone-investors-what-will-they-mean-communities.

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