

October 18, 2019

John Fleming
Assistant Secretary for Economic Development
Economic Development Administration
Department of Commerce
1401 Constitution Avenue NW
Suite 72023
Washington, DC 20230

Re: Review of Department of Commerce Policy in Opportunity Zones, FR Doc. 2019-18947

Dear Assistant Secretary Fleming:

Thank you for the opportunity to comment on the Department of Commerce's policies for Opportunity Zones. We appreciate the efforts of Commerce, the Economic Development Administration (EDA) and the White House Opportunity and Revitalization Council to examine the best ways to serve low-income communities and increase economic opportunity. I am writing on behalf of Opportunity Finance Network, a national association of over 270 Community Development Financial Institutions (CDFIs) investing in opportunities that create affordable housing, vital community services, and entrepreneurial capital in rural, urban, and Native communities. OFN members have cumulatively provided more than \$65 billion in responsible lending to help low-income, low-wealth, and otherwise disinvested individuals and communities nationwide.

Secretary Mnuchin has estimated that the Opportunity Zone provision could result in \$100 billion in new capital investment flowing into the over 8,700 disinvested census tracts across the country that were designated as Opportunity Zones. However, it is essential to remember that only a quarter of the eligible census tracts were selected as Opportunity Zones. This means that for every community that could see the benefits of private investment through this new tool, there are three more with equal or greater needs that do not have this new resource available to them. The Federal government must not neglect the communities that were not designated, their businesses, and their residents. When these tracts were selected, Governors did not know that other Federal agencies may be targeting their resources and programs to these same tracts. It is unclear whether this information may have altered some of the designations or informed the strategies used to select and market Opportunity Zones.

In addition to those census tracts that met the eligibility requirements but were not selected there are additional pockets of poverty throughout the country. The use of census tracts to designate Opportunity Zones rather than county boundaries has a distinct impact on rural areas. Of the 353 counties that are currently defined as persistently poor by the Census



Bureau, over 85 percent are rural¹. In comparison, only 39.6 percent of the designated Opportunity Zones are in rural areas². Commerce and the EDA must continue to make resources available to these rural areas and to other pockets of poverty that did not meet the census tract threshold.

Among the census tracts that were selected as Opportunity Zones, we do not currently have the data to indicate which areas are drawing private investment or how private investment is impacting those communities. Modifying the existing landscape of Federal resources in the absence of that data would be premature and potentially detrimental to investors and community stakeholders. It is also unclear what public sector support will be needed in each of the Zones to support private investment and the community. Targeting all Federal resources to Opportunity Zones without proper data collection will make it incredibly difficult to evaluate the success of the tax incentive and determine which community impacts are a result of private investment and which are a result of government action.

OFN strongly supports the collection of comprehensive transaction level data regarding Opportunity Fund investment. With a full data set showing which Opportunity Zones are receiving investment, what types of investment they are seeing, and the impacts on the community of those investments, other Federal agencies can then make an informed decision about how to best tailor programs to support disinvested communities including those designated for Opportunity Zone investments. Treasury closed a comment period on their own Request for Information regarding the data reporting requirements for Opportunity Fund investments this past summer. OFN strongly suggests that Commerce and EDA work with Treasury to ensure adequate and timely data collection standards are enacted. This will allow both Commerce and the other members of the White House Opportunity and Revitalization Council, to make data-driven decisions on programs to be targeted to Opportunity Zones and other low-wealth communities.

OFN is supportive of collecting comprehensive data that will show where the investment is being made, the results of the investment, and the impact on the targeted community. The data collection by Treasury should be significantly expanded to get the full picture of the impact of investments on communities. This data collection should include the:

- Size of the investment
- Location of the investment
- Type of investment
- Community impacts of the investment
 - Housing units created (affordable and market rate)
 - Permanent, seasonal and construction jobs created
 - Whether those jobs went to residents of the Opportunity Zone
 - Square footage of commercial real estate
 - Number of new small businesses created

¹ Zach, Elizabeth "How Persistent Poverty Masks Reality of Many Rural Poor" August 17, 2018, Marguerite Casey Foundation <https://www.caseygrants.org/evn/how-persistent-poverty-masks-reality-of-many-rural-poor/>

² Economic Innovation Group "Opportunity Zones: The Map Comes Into Focus" June 15, 2018 <https://eig.org/news/opportunity-zones-map-comes-focus>



- Other appropriate measures based on asset class (childcare spots created, patients served via a medical facility etc.)

We also recommend that Opportunity Funds provide a brief narrative description of each project investment, which would include: the nature of the project; the benefits to the community; the degree to which the project was developed in consultation with the community residents and/or mitigated against displacement; and the extent to which the project connects with local workforce development efforts for low and moderate income residents. OFN supports the use of an online portal managed by the CDFI Fund for the collection of this data.

For those Opportunity Zones that are seeing a significant influx of new capital, there may be needs, such as support for existing businesses and investment into basic infrastructure, that are not being met by the market. For the Opportunity Zones provision to be a success, it needs to support the economic stability of the residents of the target community. Commerce and EDA can do this by supporting the existing entrepreneurs and businesses in the community and investing in basic public works infrastructure that will improve the environment for all community members, not just benefit new investors coming into the area.

Thank you again for the opportunity to comment on the Department of Commerce's Opportunity Zone policies. OFN looks forward to working with you to support economic opportunity for all. Please feel free to contact us with any questions.

Sincerely,

Mary Scott Hardwick
Senior Associate, Public Policy