

BUSINESS AND ECONOMIC DEVELOPMENT

Resolution BED-20-47

A RESOLUTION ON PROMOTING TRANSPARENCY AND SOCIAL EQUITY IN FEDERAL OPPORTUNITY ZONES

WHEREAS, the federal Opportunity Zone program was added to the tax code by the Tax Cuts and Jobs Act (TCJA) on December 22, 2017 to promote economic development and job creation in distressed communities throughout the nation by providing tax benefits to investors who invest eligible capital into designated opportunity zone communities;

WHEREAS, an economically distressed community is nominated for designation as an opportunity zone by the state and certified by the Secretary of the U.S. Treasury, and this designation allows new capital gain investments to qualify for preferential tax treatment;

WHEREAS, investing in an Opportunity Zone allows investors and opportunity funds to defer gains, reduce their tax bills, and exclude future gains from taxation;

WHEREAS, Opportunity Zones would boost returns on investment for a program also designed to increase the availability of equity capital in designated communities;

WHEREAS, 7% of Americans report taxable capital gains;

WHEREAS, over 200 opportunity zone funds were established by banks and real estate companies with a goal of raising a total of \$57 billion;

WHEREAS, the Congressional Joint Committee on Taxation estimates the Opportunity Zone program will cost \$2 billion in lost federal revenue annually;

WHEREAS, state and local governments that provide incentives conforming to the federal program will face additional losses, and despite these potential revenue losses, TCJA did not require the Treasury Department to track investments in Opportunity Zone funds or investments made by funds in specific projects, according to the Citizens Budget Commission;

WHEREAS, The New York Times has reported that billions of dollars are being invested through the Opportunity Zone program in luxury apartment buildings and hotels, student housing, and storage facilities with few employees to operate them, and many of these projects were already underway before the creation of the program;

WHEREAS, there is a significant concern that much of the funding will go to projects that lead to gentrification and displacement; and

WHEREAS, state legislators have a prominent role to play to help ensure that investments in Opportunity Zones have a positive social impact on the local community.

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THEREFORE BE IT RESOLVED, that the National Black Caucus of State Legislators (NBCSL), urges Congress to support legislation that would create meaningful improvements in transparency, program design, and performance measurements to the Opportunity Zones program;

BE IT FURTHER RESOLVED, that the NBCSL encourages state policymakers and their membership to establish an opportunity zone task force designed to monitor how much investors are investing in funds and the process by which the Opportunity Zone program is meeting its stated goal;

BE IT FURTHER RESOLVED, that the NBCSL urges state policymakers and regulators to track standardized measurements of opportunity zone investments, including the difference in jobs created compared to existing jobs when the incentive began, and this would also include metrics that would highlight the difference between full-time jobs, part-time jobs, and temporary jobs including construction;

BE IT FURTHER RESOLVED, that the NBCSL encourages state policymakers and their membership to analyze the impact of opportunity zones on their respective districts regarding race, employment, homeownership, affordable housing, black-owned businesses and entrepreneurship, gentrification, sustainability, and economic development;

BE IT FURTHER RESOLVED, that the NBCSL encourages state policymakers and their membership to establish reports that would include information on the location of the projects, the amount invested, the intended use of the funds, the estimated number of jobs or housing built, and the actual number of jobs created and housing units built;

BE IT FURTHER RESOLVED, the NBCSL encourages opportunity zone funds to report annually on the return on investments, the lost tax revenue, and deferred tax revenue;

BE IT FURTHER RESOLVED, that the NBCSL urges members to introduce effective legislation within their state that would allow agencies, public authorities and affiliates to require competitive and transparent contracting process; and

BE IT FINALLY RESOLVED, that a copy of this resolution be transmitted to the President of the United States, the Vice President of the United States, members of the United States House of Representatives and the United States Senate, the US Department of the Treasury, and other federal and state government officials.

SPONSOR: Senator James Sanders (NY)

Committee of Jurisdiction: Business and Economic Development Policy Committee

Certified by Committee Co-Chair: Senator James Sanders (NY)

Ratified in Plenary Session: Ratification Date is December 6, 2019

Ratification is certified by: Representative Gilda Cobb-Hunter (SC), President