Opportunity Zones

Workshop for the Greater Miami Chamber of Commerce

February 12, 2019
OUR HISTORY

SINCE 1982, Enterprise has invested over $36 billion in communities across the country through public-private partnerships, resulting in:

- 529,000 homes
- 4.2 million sq ft of community space
- 16,200 educational seats
- 590,000 patient visits
- 500,000 jobs
We’re one of the only social enterprises in the U.S. with deep expertise in each of the three catalysts for systems change:

**Capital.**
At Enterprise, we direct public and private capital to the right places, having delivered more than $28.9 billion to low-income communities across the U.S.

**Policy.**
Enterprise is a crucial voice for America’s low-income communities with a strong presence in Washington, D.C., and city halls across the country.

**Solutions.**
We work with local partners to test and scale new solutions to some of the most pressing housing and economic problems facing low-income communities.
Enterprise Southeast Priorities

Coordinated Capital

Preservation of Subsidized and Naturally Occurring Affordable Housing
OUR REACH

Low-Income Housing Tax Credit (LIHTC)
- $12.8 billion in LIHTC investments
- 151,205 affordable units created or preserved

New Markets Tax Credits (NMTC)
- $948 million in NMTC investments
- 4,389 homes and 9.1 million sq ft commercial
- 25,300 jobs created

Enterprise Preservation Funds I, II, and III
- $216 million in conventional equity
- Fund IV to market November 2018
- $200 million targeted raise

Enterprise Community Loan Fund
- $1.74 billion invested
- 108,421 homes created or preserved

Enterprise Homes
- $955 million in total development costs
- 10,877 rental and ownership homes created or preserved

Bellwether Enterprise*
- $19.3 billion invested
- 66,592 affordable homes created or preserved
- 92.5 million sq ft commercial

*includes Multifamily Mortgage Financing (pre-2012)

Enterprise currently owns 12,000 affordable units, and will reach 14,000 units by 2020
OPPORTUNITY ZONES

• Enacted in 2017 Tax Cuts and Jobs Act
• Designed to spur long-term private sector investment into low-income areas
• 1st new national community investment program in over 15 years
• Specifically designed to channel equity capital (not debt) into low-income markets
• Special treatment of Capital Gains: Tiered tax benefits on day 1, years 5, 7, and 10 dependent upon investment term
• 8,700+ census tracts eligible for investment
The Basics: Opportunity Zones 101

Source: Economic Innovation Group
The Basics: Opportunity Zones 101

Private capital

Opportunity Fund

- Capital or profits interest in a domestic partnership
- Stock in a domestic corporation
- Tangible property used in a trade or business of the fund
The Basics: Opportunity Zones 101

**OPPORTUNITY FUND**

An investment vehicle organized as a corporation or partnership for the purpose of investing in Opportunity Zone property.

**Opportunity Funds:**

- Are self-certified per IRS guidelines
- Must be organized for the purpose of investing in Opportunity Zones
- Are required to invest 90% or more of their capital as EQUITY in Opportunity Zone property (including stock, partnership interest, or business property located in an Opportunity Zone)
# OPPORTUNITY FUND

|                | Year 0 2019                                      | Year 5 2024                                | Year 7 2026                                | Year 10 2029  
|----------------|-------------------------------------------------|--------------------------------------------|--------------------------------------------|-------------------
| **Tax on Capital Gain Invested** | Gain realized and invested in Opportunity Fund within 180 days* | 10% reduction in capital gains tax        | 15% reduction in capital gains tax. Investor pays tax on 85% of original gain on 12/31/2026 |                 
|                |                                                 |                                            |                                            |                   
| **Tax on Opportunity Fund Investment** | Any gain realized on Opportunity Fund investment is fully taxable if liquidated | Any gain realized on Opportunity Fund investment is fully taxable if liquidated | Any gain realized on Opportunity Fund investment is tax free** |                  

* Tax is deferred until the earlier of investment liquidation (return of capital) or 12/31/26

** Any appreciation on Opportunity Fund investment is tax free if held > 10 years
### The Basics: Opportunity Zones 101

<table>
<thead>
<tr>
<th>Investors</th>
<th>Funds</th>
<th>Eligible Investments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax incentive is most valuable for 10 year investments in appreciating assets</td>
<td>All capital must flow through an Opportunity Fund to be eligible for the tax incentive</td>
<td>Must be equity investments</td>
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<tr>
<td>Six months to invest after realizing a capital gain</td>
<td>Funds are self-certified via an IRS tax form</td>
<td>Real estate investments must include substantial rehabilitation – doubling basis within 30 months (land can be backed out of basis)</td>
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<tr>
<td>Another six months to deploy 90% of capital in Zones (some safe harbor provided)</td>
<td>Fund must be established for the purpose of investing in Opportunity Zones</td>
<td>“Sin businesses” not eligible (i.e., liquor stores, etc.)</td>
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<tr>
<td>Capital is required to be an equity investment – loans from investors are not eligible for the tax incentive</td>
<td>90% of fund assets must be invested in Opportunity Zones to maximize the tax incentive</td>
<td>Other requirements include property use in “active conduct of business” and limits on assets held in cash</td>
</tr>
</tbody>
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Implementation: As of February 2019

- **Designating Opportunity Zones:**
  - Approved in 50 states, 5 territories, Washington, D.C. as of June 2018

- **Guidance on Opportunity Funds:**
  - IRS published FAQS (April, June, October 2018)

- **Full Implementation of Law:** Ongoing
  - Proposed regulations (October 2018)
  - Public comments on initial proposed regulations submitted and public hearing on 2/14
  - Anticipated second round of proposed regulations and additional guidance

- **State and Local Efforts:** Ongoing
  - Convenings, community and investor engagement, establish frameworks
  - Alignment with other capital programs and incentives

- **Creation of / Investment in Opportunity Funds:** Ongoing
Enterprise’s Engagement

• Early supporter of the Investing in Opportunity Act

• Working with key stakeholders on implementation at national and local levels
  • Congressional testimony to Joint Economic Committee (May 2018)
  • Partnering to convene at the state, county, and city level.

• National resource
  • Mapping tool, Opportunity Zones guide, webinars, blogs, etc. at www.OpportunityZonesInfo.org

• Local expertise
  • Technical assistance, existing relationships, and measurable impact in approximately one third of Opportunity Zones nationwide
  • Enterprise’s top 50 partners have invested $2.2B+ in Opportunity Zones

• Enterprise Opportunity Funds
  • Leveraging our impact-driven investment platform to create and support funds; over $3 billion (16%) invested in Opportunity Zones in past 5 years.
  • National Fund & Regional Joint Venture Partnerships (i.e., Emergent Communities Fund)
Our Opportunity Funds will provide investors access to a robust pipeline of projects across asset classes that aligns with our community investment expertise and leverages our many local partnerships across our markets in major metros nationwide.
Local leadership can create an ecosystem that encourages investment. Examples of how cities and states are thinking about this:

**Inform the marketplace**
- Online Portal - Make data available, inventory local assets
- Site Tours and Education - Convene investors, developers, businesses, philanthropy, community stakeholders, etc.
- Letters of Interest - Investors and Fund Managers

**Incent certain types of activity**
- Leverage add-on incentives, gap financing, risk mitigation
- Create public funds, could be through partnership with local financial intermediaries to facilitate deal flow, asset manage, etc.
- Pairing investments with other sources of financing (HOME, CDBG, etc.)
- Ease certain development requirements
INVESTED IN IMPACT

Advancing equitable and inclusive economic growth in the communities we serve through Opportunity Zone investments.