Opportunity Zones are helping to solve America's housing crisis

ECONOMIC INNOVATION GROUP

The Opportunity Zones (OZ) tax incentive is helping tackle the nation's housing crisis by **driving significant increases in housing supply.** These new dwellings are fostering affordability and keeping housing costs in check while bringing new residents and economic activity to targeted communities.

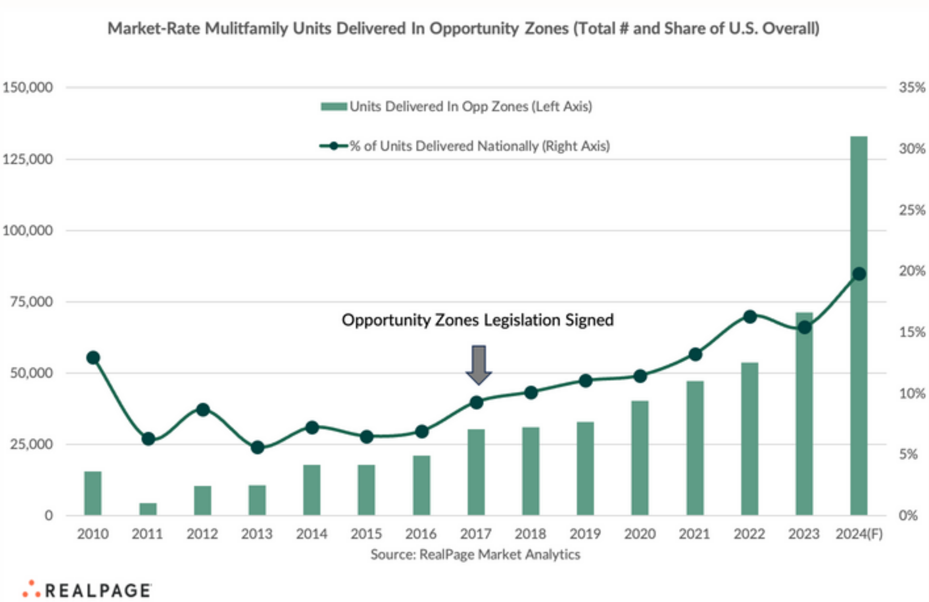
- **Opportunity Zones have stimulated new economic activity that would not have happened without it.**

OZ designation caused a large and immediate increase in new commercial and residential development activity in targeted low-income communities, according to a study of building permits across 47 large cities through June 2022. The likelihood of investment in a designated census tract in a given month jumped by over 20 percent after OZs were enacted.[1]

Conservative estimates gleaned from the latest available federal data also show that areas designated as OZs went from lagging well behind similar low-income census tracts on housing unit growth prior to designation to pulling ahead in the years after.[2]

- **Opportunity Zones' share of new national multifamily housing development has more than doubled.**

OZs are home to about 10 percent of the country's population but now account for 20 percent of all new market-rate multifamily apartment units being developed in the country, up from 8 percent prior to legislation passing.[3] This surge is dramatically increasing the quantity and quality of housing available in targeted low-income communities.



- **Hundreds of thousands more housing units are on their way in Opportunity Zones.**

Novogradac & Company maintains the largest private survey of Opportunity Fund managers covering an estimated one-third of the OZ investment base. By the end of 2023, OZ investments from their respondents alone had created 172,000 new apartment units across 972 developments and 201 cities.[4] These figures attest to the broad nationwide reach of the incentive into communities of all sizes, and they are likely to rise steeply as projects in the pipeline move to completion.

- **Supply increases are revaluing neighborhoods while keeping rents in check.**

As investment surged in designated communities, home values increased by 3.4 percent from 2017 to 2020 in OZs relative to similar, non-OZ neighborhoods.[1] Critically, this revaluing of distressed areas came with no observed increase in rents. This matters because residents of OZs are disproportionately rent-burdened, meaning 53.5 percent of renting households in the typical OZ spend more than 30 percent of their income on housing.[5] The supply of new housing puts downward pressure on rents and helps keep neighborhoods accessible as they revitalize by reducing the displacement of vulnerable residents.[6]

- **OZ communities are improving across a range of key metrics.**

OZ communities are improving faster on measures of poverty, income, and vacancy than comparably low-income non-OZ neighborhoods.[2] OZ designation has caused faster growth in jobs and business establishments in targeted communities, too.[7] The OZ incentive is especially effective in driving in-fill development on vacant or underutilized land, strengthening neighborhood fabrics with new housing, storefronts, and more.[1]

- **Positive economic impacts are spreading to neighboring communities, too.**

OZ designations are crowding investment into neighboring census tracts and uplifting nearby communities. Following OZ designation, the amount of development activity nearby OZs increased by 6 percent; on a city-wide scale, it increased by 2.7 percent.[1] Such positive local spillovers are also observable in both new jobs and new businesses.[7]

For more information on Opportunity Zones, visit eig.org/opportunity-zones/

Sources: [1] "Locally Optimal Place-Based Policies: Evidence from Opportunity Zones" (Wheeler) [2] "The Data Is In: Opportunity Zones pass their first checkup in the ACS" (EIG) [3] Jay Parsons and RealPage Market Analytics (via X) [4] "Multifamily Residential Development Continues to Dominate QOF Investment Tracked by Novogradac" (Novogradac) [5] Based on 2015-2019 5-Year American Community Survey Estimates [6] "How new apartments create opportunities for all" (Minneapolis Fed) [7] "The Effect of Capital Gains Taxes on Business Creation and Employment: The Case of Opportunity Zones" (Arefeva, Davis, Ghent, and Park).