

Trump creates new federal body to oversee ‘opportunity zones’

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President Donald Trump signed an executive order Wednesday establishing a new council to oversee “opportunity zones,” specially designated areas designed to “incentivize” private sector investment in distressed communities.

The new White House Opportunity and Revitalization Council will be headed by Housing and Urban Development Secretary Ben Carson and will be charged with promoting opportunity zone provisions included in last year’s \$1.5 trillion Tax Cuts and Jobs Act.

At a signing ceremony in the Roosevelt Room, Trump boasted the measure would help draw “investment into neglected and underserved communities of America so that all Americans regardless of zip code have access to the American dream.”

The 2017 tax overhaul created the Opportunity Zones Program, which was modeled after “enterprise zones” pushed in the 1980s by Jack Kemp, the late NFL player-turned-GOP congressman. Kemp’s son Jimmy, president of the Jack Kemp Foundation, attended the signing.

By creating capital gains tax breaks for investments in designated opportunity zones, a White House fact sheet explains, the goal is to nudge “otherwise wary investors” into underserved communities and blighted developments that they tend to avoid.

According to the White House, there are more than 8,700 designated areas in all 50 states, including 61 in Nevada.

Derek Armstrong, deputy director of the Governor’s Office of Economic Development, said Nevada’s opportunity zones were created by the U.S. Treasury Department and are not expected to be affected by the creation of the council.

“(It) might shape some regulations on how opportunity funds work, but I don’t think it will increase or decrease the number of funds that are available,” he said.

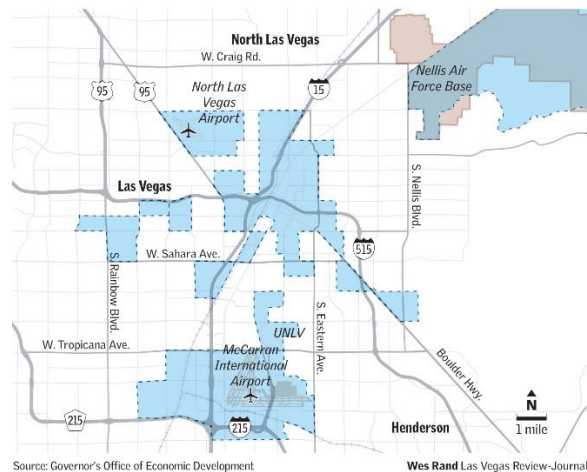
The White House boasted that the program enjoys bipartisan support. Outgoing Nevada GOP Gov. Brian Sandoval has praised the program, as have Gov. John Hickenlooper, D-Colo., and Gov. Phil Murphy, D-N.J. And Van Jones, a liberal CNN contributor and co-founder of Dream Corps, and BET founder Bob Johnson attended the ceremony as invited guests.

Response

But opportunity zones also have come under bipartisan fire from think tanks on the left and right.

Las Vegas Opportunity Zones

On April 23, Gov. Brian Sandoval nominated 61 census tracts that could benefit from private investment. These areas were nominated within the Las Vegas Valley.



The left-of-center Brookings Institute reported in October that “57 percent of all neighborhoods in America qualified (for the program) — and not all were truly distressed.”

And Vanessa Brown Calder, a fellow with the libertarian-leaning libertarian-leaning Cato Institute, argued that the law has no provisions to measure the zones’ efficacy.

The program also has raised conflict-of-interest concerns over some investments by Trump family members.

Bloomberg News has reported that the Kushner Cos., the family real-estate business of Trump son-in-law and senior adviser Jared Kushner, stand to benefit from opportunity zones in New Jersey. (Kushner hasn’t had a role at Kushner Cos. since he went to work for the Trump White House, representatives told Bloomberg.)

Gentrification is another concern. While the program is meant to spur development through creation of affordable housing, new businesses and transit options, some critics say that can displace current residents rather than giving them a helping hand.

Armstrong said that is a “legitimate concern” but noted that GOED is working to alleviate these worries in Nevada.

“We’re working with state and local governments to ensure that they’re talking to their communities to find out what kind of investments (they) want to be made,” he said. “(We want to) involve the community as much as possible.”

Ja’Ron Smith, special assistant to the president for legislative affairs, told reporters on a conference call before the signing that the program is effective in helping impoverished Americans take their first step up the economic ladder.

“It’s a powerful vehicle for economic growth and job creation, and it allows more Americans to share in the economic success of the country,” he said. “And our goal is to help jump start all communities and revitalize hurting cities.”

Local interest

Armstrong said he's already seen a tremendous amount of interest in Nevada's zones. Last month, he noted, the GOED and Federal Reserve held a joint conference on opportunity zones that drew more than 400 people — “the largest state-run opportunity zone conference in the country so far.”

So far, Armstrong said most of the investments in Nevada's opportunity zones have been centered on real estate development and affordable housing.

Individuals and businesses that reinvest unrealized capital gains into opportunity funds are offered different tax incentives, depending on how long investments are held. Investors can receive a step-up in basis for capital gains, permanent exclusion from taxable income of capital gains and temporary tax deferrals, which last until the end of 2026 or whenever the investment is sold.

Taxpayers who hold the investment at least five years will see a 10 percent increase to the basis of the original investment. After seven years, there's a 15 percent step-up in basis. After a decade, investments can be sold with no capital gains tax on the appreciation.