Opportunity Zones in Rural Indiana:

An Innovative Strategy for Expanding Investments in High Need Communities

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Center for Regional Development

Our Discussion Today

- A brief overview of Opportunity Zones
- Discussion of key needs in OZ-type sites
- The PCRD/OCRA initiative in rural Indiana
- A Case Example; Kentland, IN
- Lessons learned . . . so far!
- What's ahead

The Opportunity Zones Program

An effort designed to invest capital in underserved areas of the country, places in need of an influx of money to jump-start their economies.

Source: Jeff Andrews, October 2018

https://www.curbed.com/2018/10/3/17898370/opportunity-zones-tax-bill-community-development-capital-gains

Share Your Thoughts on the Following Questions

- What do you feel are the most pressing challenges facing economically distressed places in Indiana?
- Which of these are most significant in rural areas of the state?
- In your view, what's the best way to attract investment in Opportunity Zones?

How Opportunity Zones Work

The investor has 180 days from the point of sale of an asset to invest (into a QOF)

Qualified Opportunity Fund (QOF)

Invest in Eligible Projects

Intent is to connect potential investors with capital gains to re-invest in economically distressed communities that could benefit from such investments.

Benefits to the Investor: Increases Over Time

Investment Length	Benefits Received
Less than 5 years	Deferred payment on existing capital gains until the date that the Opportunity Fund investment is sold or exchanged.
5-7 years	Benefits above plus 10% of tax on existing capital gain is canceled
7-10 years	Deferred payment of exiting capital gains until December 2026 or the date that the Opportunity Fund investment is sold or exchanged (whichever comes first) PLUS 15% of tax on existing capital gain is canceled.
Greater than 10 years	Benefits of the 7-10 years investment PLUS investor pays no capital gains tax on the Opportunity Fund investments (that is, investments are exempt from any capital gains beyond those which were previously deferred)

Source: LISC. See: https://ofn.org/sites/default/files/resources/PDFs/Opportunity_Zone_fact_sheet.pdf

So . . .

The intent of the OZ program is for investors to realize a return on their investments!

In light of this information on OZs, which items on the list just developed has the best chance of offering a good ROI (return on investment)?

The Indiana Rural Opportunity Zone Initiative (ROZI)

- Effort launched in Summer 2019
- **PURPOSE:** To focus attention on Opportunity Zones located in rural Indiana.
- Why?
  - Rural areas are often overshadowed by the state's urban areas with respect to private sector investments;
  - Rural areas have lagged behind in terms of rebounding from the Great Recession;
  - The failure to attend to the needs of rural OZs will place them at further risk of being left behind in the years ahead.

Key Partner & Funder

Awarded PCRD & OCRA with a Rural Business Enterprise Grant to advance our Opportunity Zone Work in Rural Indiana.

Our First Step . . .

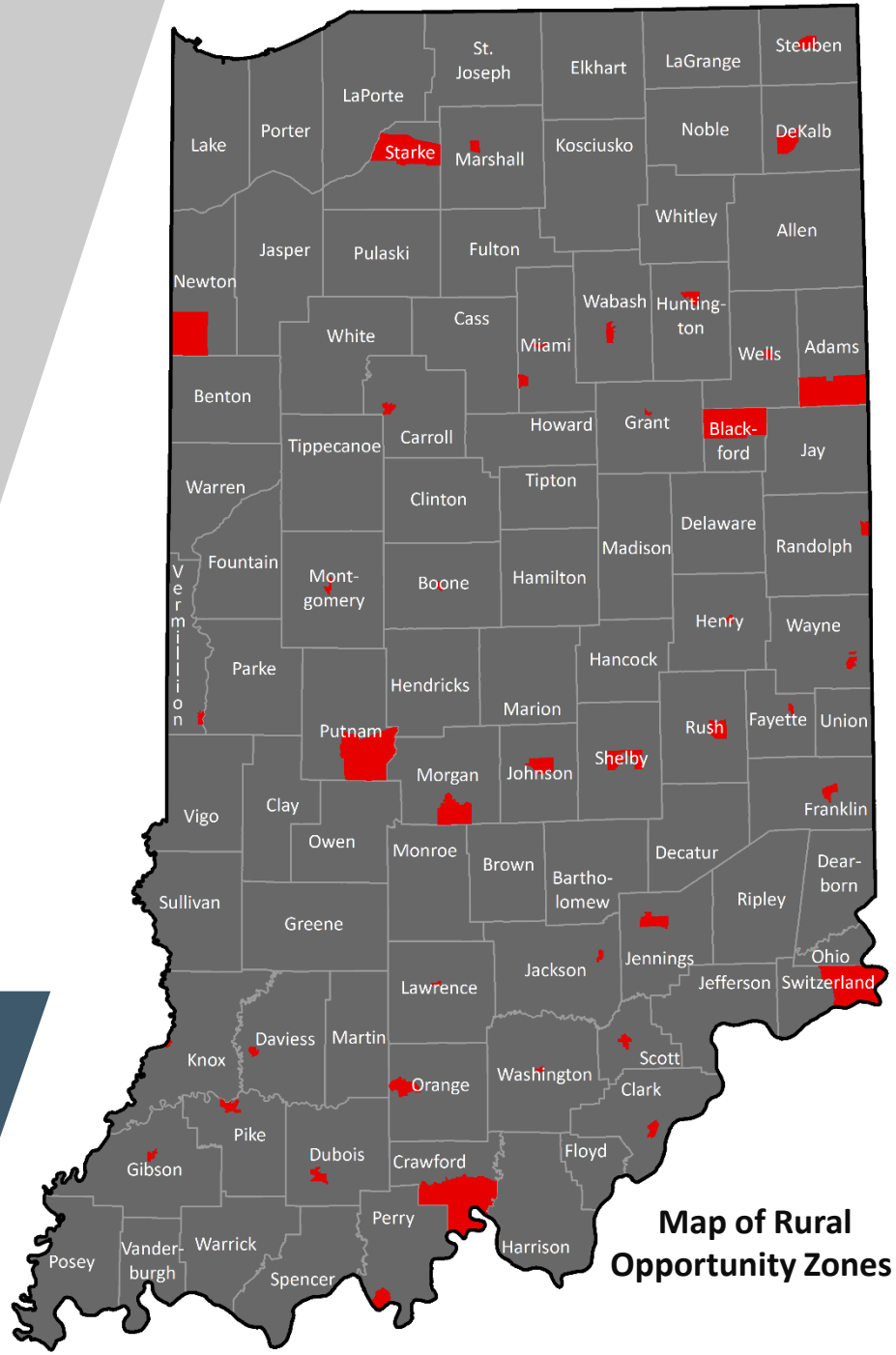
Launch a Competitive Program Application Targeted to all Rural OZ Sites

Number of Indiana Opportunity Zones

156

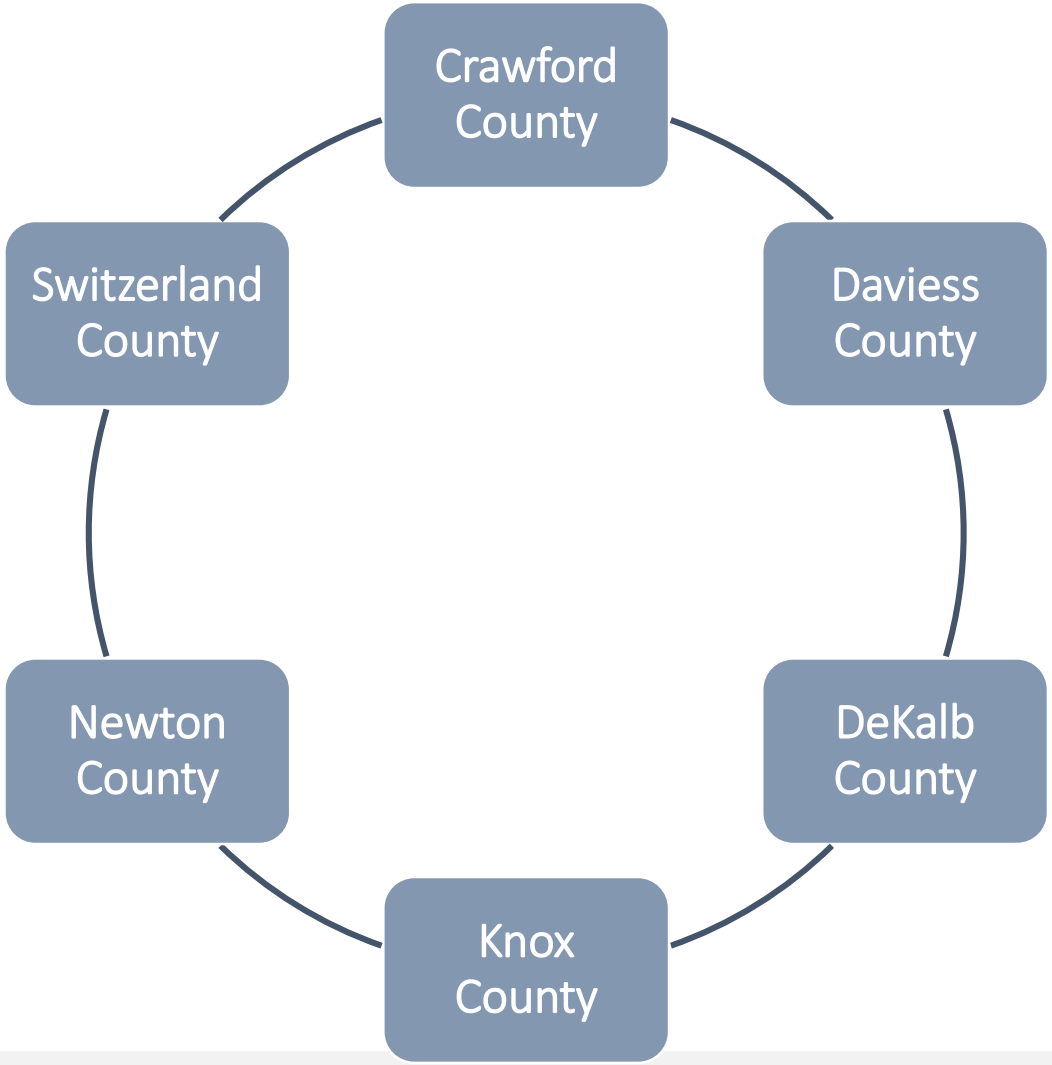
Number of Zones Meeting the Rural Definition*

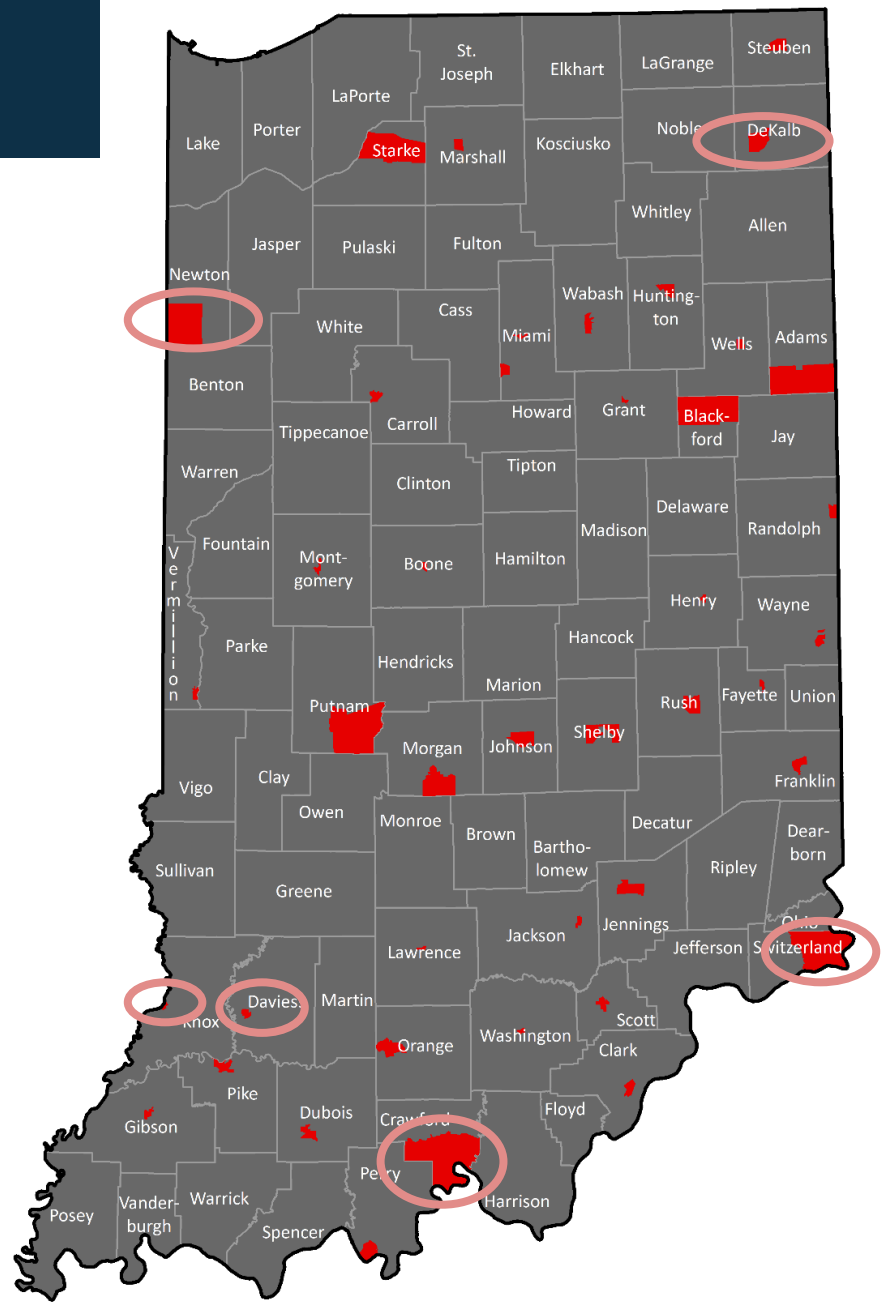
46



Map of Rural Opportunity Zones

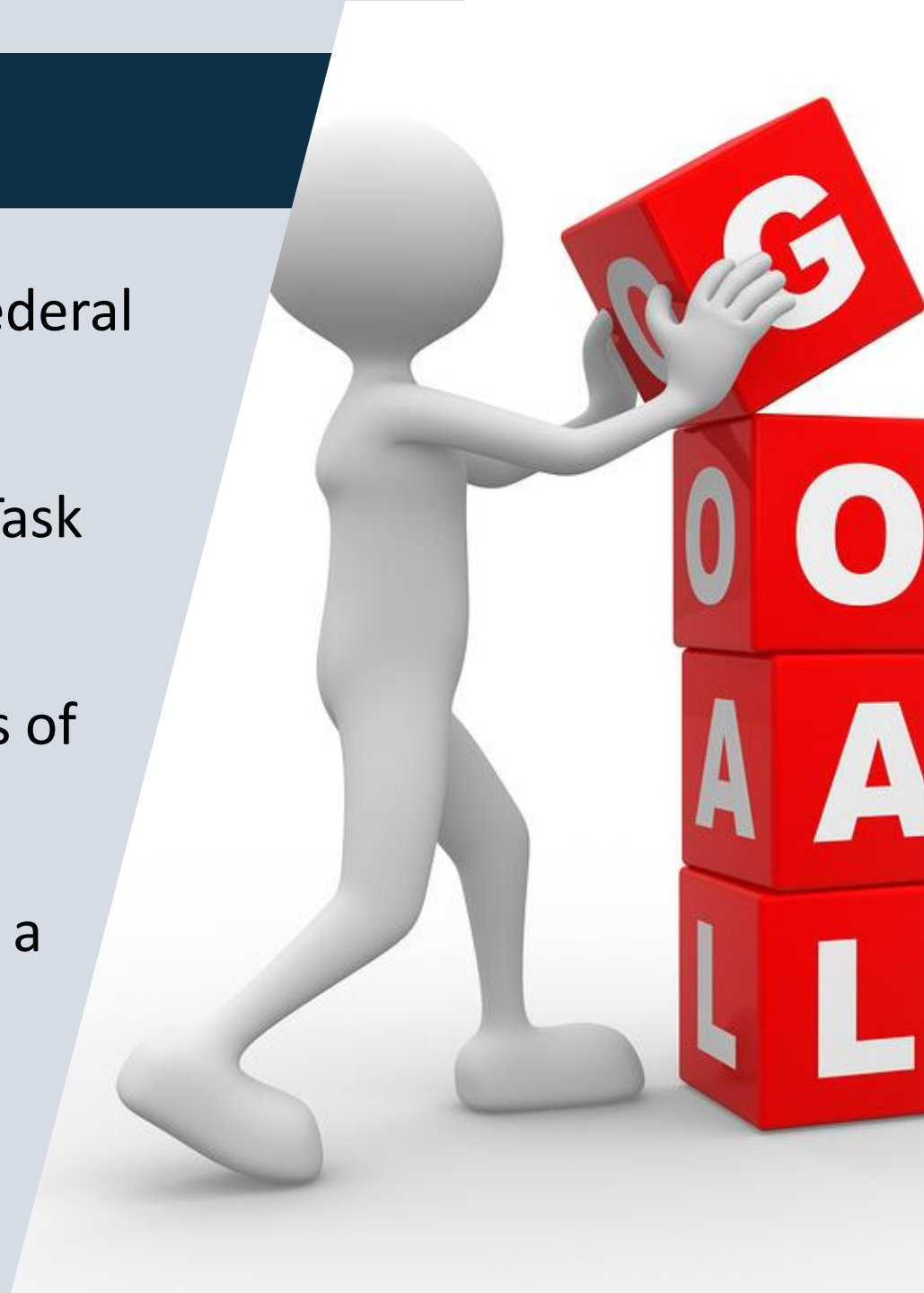
OZ Tracts Selected in Six Counties



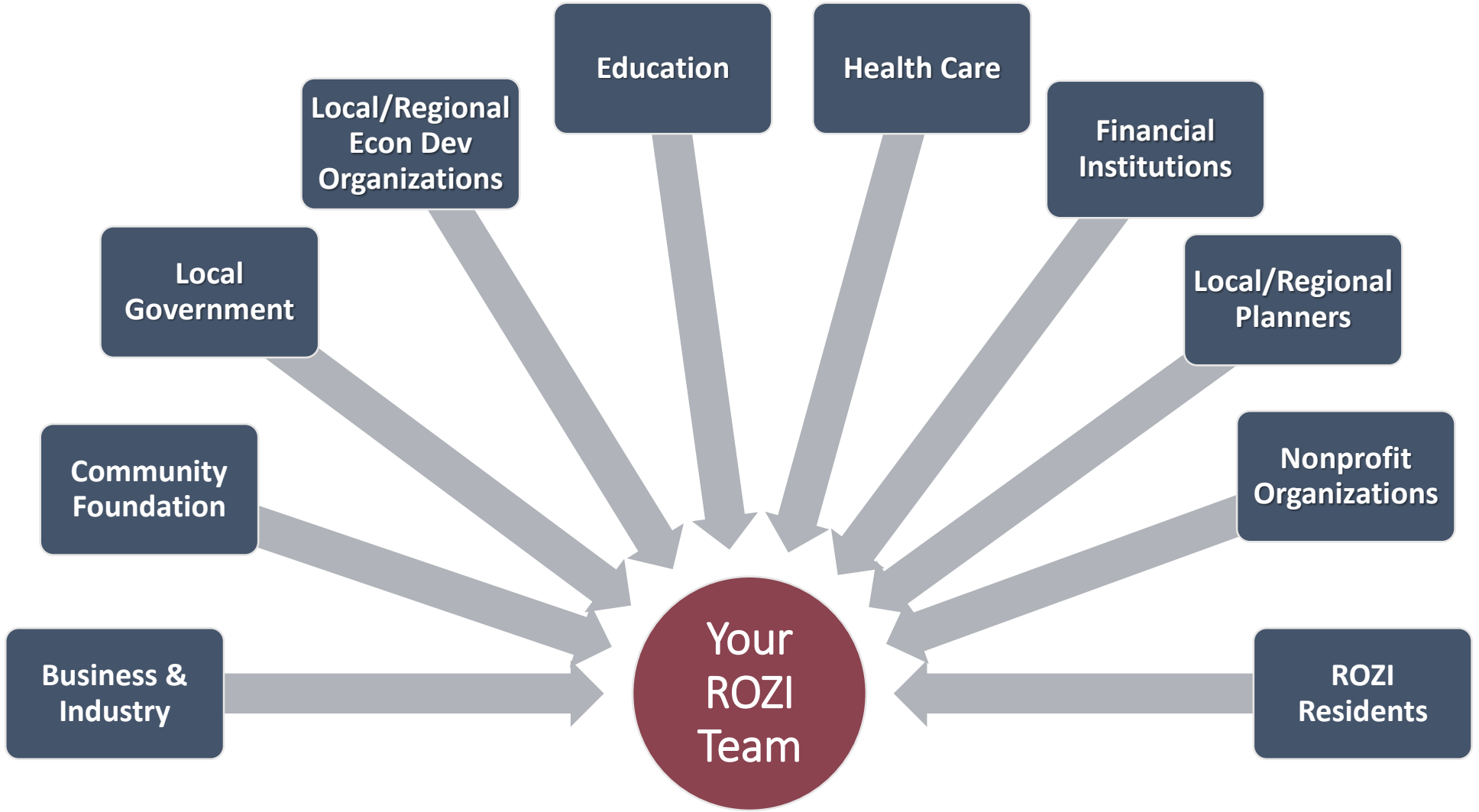


The Indiana ROZI Program Goals

1. Help the ROZI pilot sites learn more about the federal program.
2. Seek to develop local buy-in by creating a ROZI Task Force or Planning Team.
3. Provide key data that help offer valuable insights of assets and opportunities in the site(s)
4. Guide the timely development and marketing of a sound Investment prospectus.
5. Help launch 1-2 programs to jump start the effort.



Composition of the ROZI Team: Broad-Based Involvement is Critical



Our First Hiccup!

- Our desire to have each site create an inclusive task force did not gain total buy-in by our local collaborators.
- Tendency was to rely on an existing team they've worked with over time.
- These were more likely to be drawn from local government and local economic development organizations.
- As such, the input from a broader array of individuals was not evident.

Our Solution?

Conduct Focus Group Meetings

Doing With – Rather than to – People in the Rural Opportunity Zones

What local assets exist to support these efforts?

What are the key challenges in terms of realizing these investments?

Of the possible investments identified, which are the most vital to the OZ?

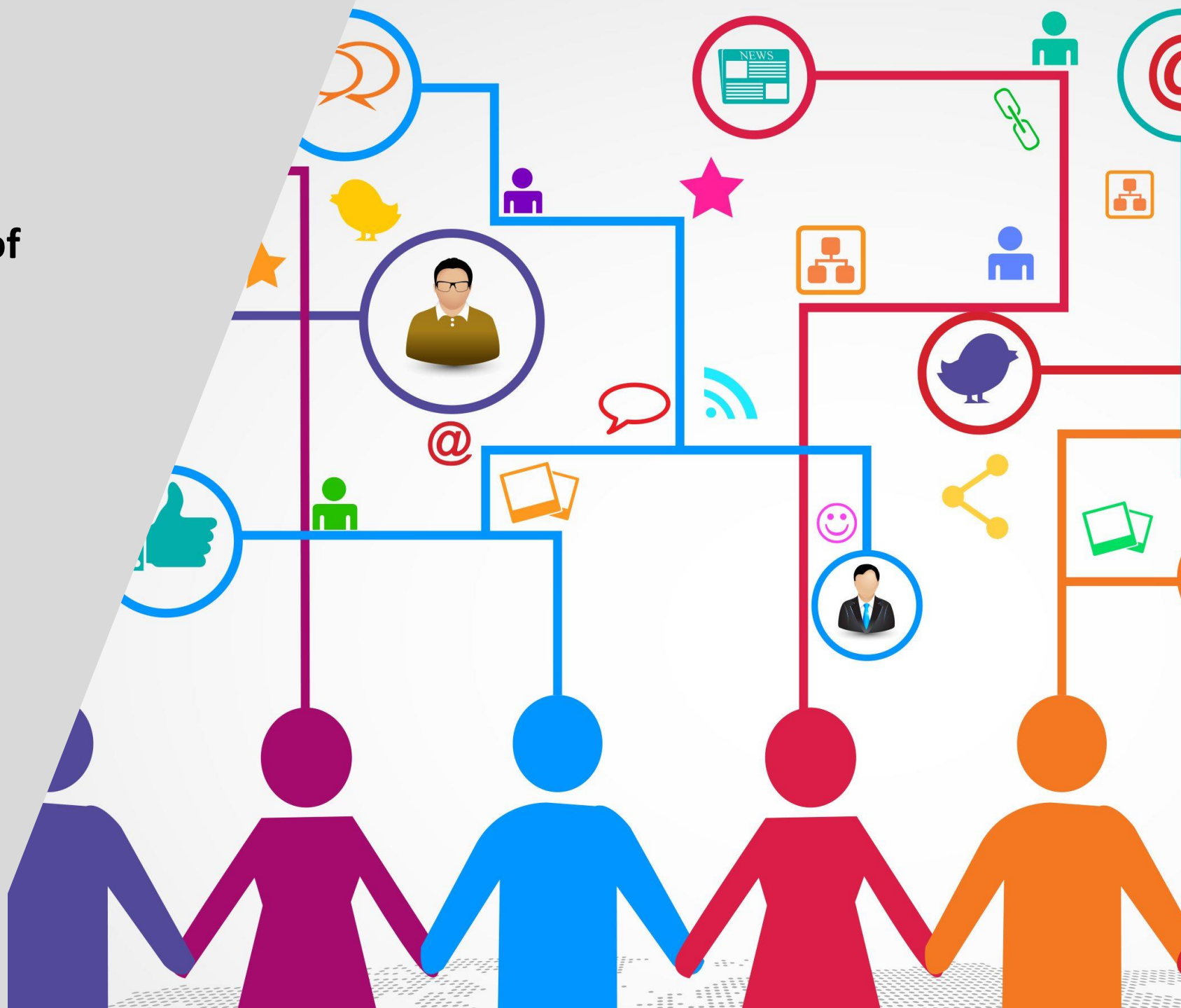
What investments are needed in this area?

What specific strategies should be considered to realize these key priorities? Which ones are likely to be attractive to investors?

Another Challenge . . .

Communication & Sharing of Information by the Local ROZI Teams

- Scheduled bi-weekly meetings to help keep the work of the local teams on-track
- Reminded them of the documents provided to guide their planning efforts.

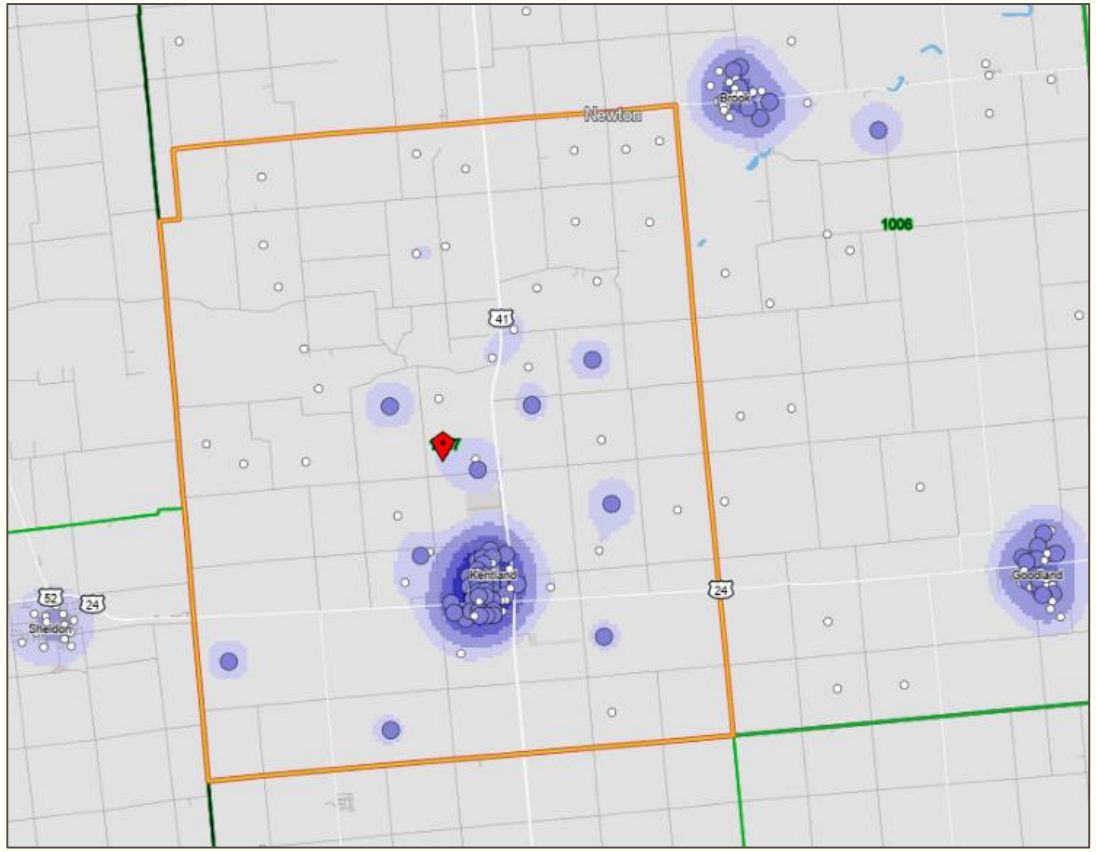


Providing Useful Data

What do you think would be the major challenge when it comes to data?

RESPONSE? Creating a Census Tract-Based Data Portal for the ROZI Site

EXAMPLE: Census Tract 1007, Kentland Town – Place of Residence of Local Workforce (2017)

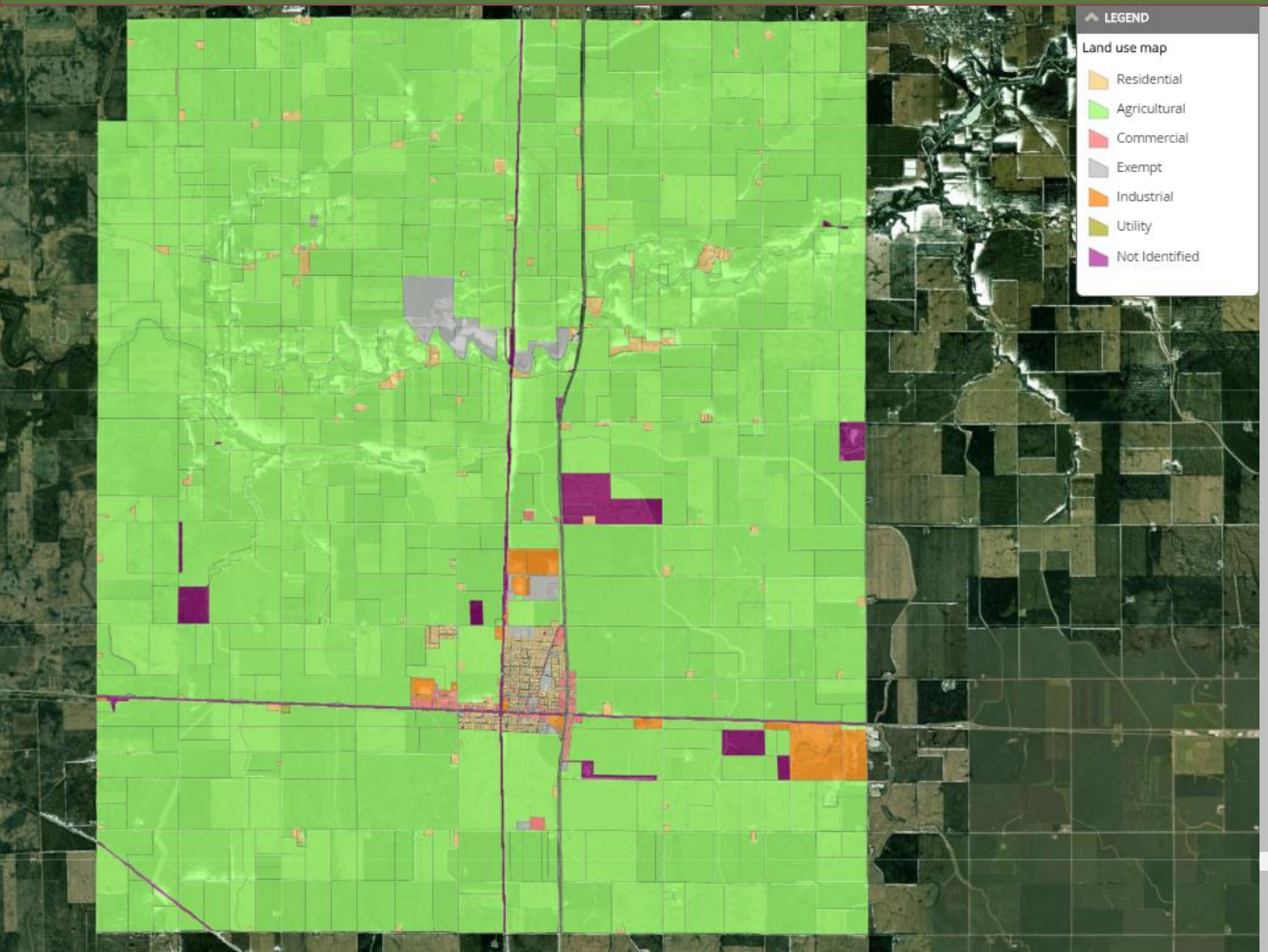


Indicators	Count	Share
Total jobs in CT 1007	1,062	100.0%
Less than 10 miles	483	45.5%
10 to 24 miles	267	25.1%
25 to 50 miles	159	15.0%
Greater than 50 miles	153	14.4%

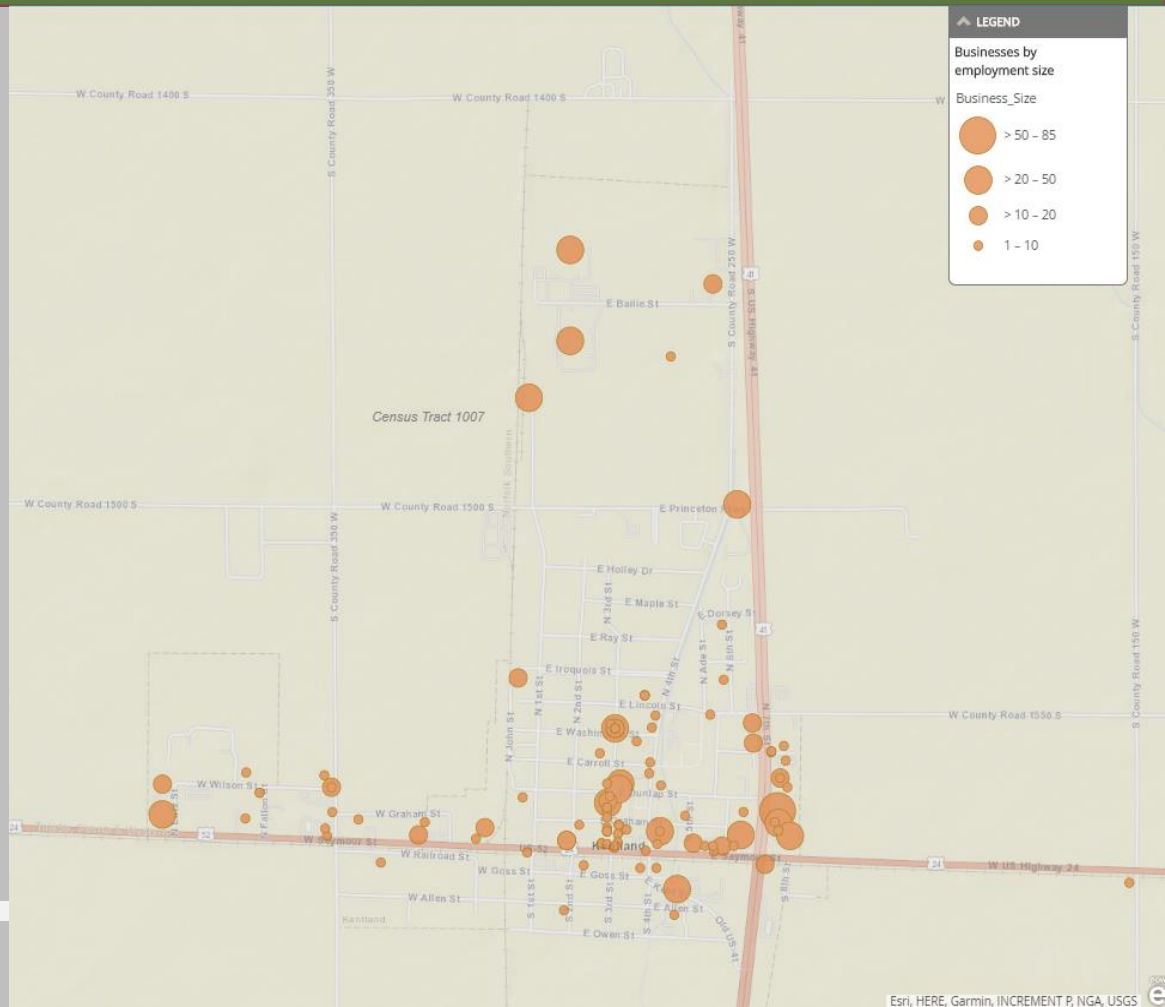
Workers at CT 1007- Where they live?

- Workers in Kentland (CT 1007) and their commuting distance

Land Use Map



Map of Local Businesses



Building a Prospectus:

Possible Components

What is a Prospectus?

- A product that accurately features projects that would yield maximum benefits to potential funders and to the community.

- Reflects community priorities in terms of achievable goals. It includes strategies, level of investment necessary and examples of complementary projects completed in recent years, if possible.

- A simple yet targeted product that is based on sound preparation, project development and a sustainability plan.

Investment Prospectus: Key Sections

- **Introduction**
  - *Brief History of the Community*
  - *Purpose of the Prospectus*
  - *Letter from Key Official*
- **About our Community**
  - *A Statistical Snapshot*
  - *Key Assets*
  - *Introduction to the Opportunity Zone Site*
- **Our Targeted Opportunity Zone Priorities and Projects**
  - ***Priority 1***
    - Justification
    - List of Pertinent Projects
  - ***Priority 2***
    - Justification
    - List of Pertinent Projects
- **Community Buy-In: The Resident Engagement Process**
  - *ROZI Team Members*
  - *Local Input Activities*

- **Why Investing in our Opportunity Zone Makes Sense**
  - *History of collaboration*
  - *Brief listing of success stories*
- **Benefits to Investors**
  - *Federal Tax Advantages*
  - *State Investment Programs*
  - *Local Investment Activities*
- **Contact Person(s)**
- **Additional Information**
  - *Other pertinent data*
  - *In-depth information on projects, strategies and key partners*

A Case Example:

How Kentland, IN is Responding to the Rural Opportunity Zone Initiative

Mike Davis
Kentland ROZI Task Force

You're an Investor . . .

- What will you invest on?
- Each dot is worth $250,000.
- Make your decision!
- If you want, link your investment with others in the session to maximize the impact!

What's on the Horizon?

Day-long workshops with each ROZI Team being conducted in the March-April time period

THEN . . .

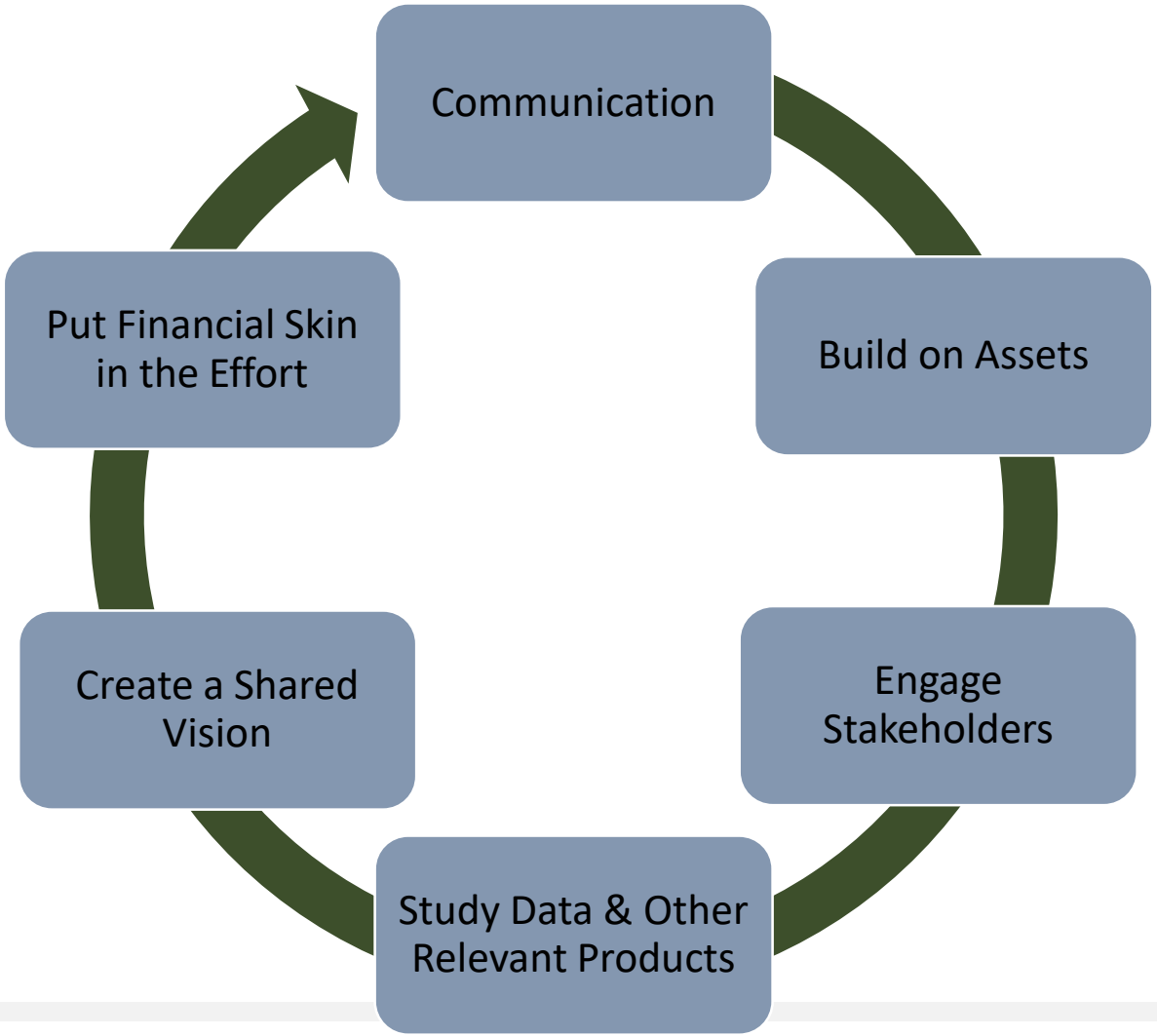
- **PRODUCE** an attractive Investment Prospectus for each site
- **INFORM** local residents of the Investment Prospectus and gain additional buy-in
- **MARKET** the prospectus through a variety of channels
- **EXPAND** the program to other Rural Opportunity Zones

Websites Worth Checking Out

https://eig.org/opportunityzones

https://www.opportunityinvestmentconsortium.com/

Elements for a Successful ROZI & Economic Development Effort



Your Turn!

Any Questions?

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