

Laurie Brimmer
Internal Revenue Service
Room 6526
1111 Constitution Avenue NW
Washington, DC 20224

December 2, 2019

Re: Initial and Annual Statements of Qualified Opportunity Fund Investments, Form 8997

Dear Ms. Brimmer:

Thank you for the opportunity to comment on the Internal Revenue Services form for Initial and Annual Statements of Qualified Opportunity Fund Investments. I am writing on behalf of Opportunity Finance Network (OFN), a national association of nearly 270 Community Development Financial Institutions (CDFIs) investing in opportunities that create affordable housing, vital community services, and entrepreneurial capital in rural, urban, and Native communities. OFN members have cumulatively provided more than \$65 billion in responsible lending to help low-income, low-wealth, and otherwise disinvested individuals and communities nationwide. OFN has strongly supported increased reporting and transparency for Opportunity Zone investments through both regulatory changes and legislation. Although we are encouraged that Treasury and IRS have expanded the information that Qualified Opportunity Funds are required to submit, we do not believe that this form is sufficiently detailed nor that it is the correct vehicle for gathering the relevant information.

One of the key reasons for data to be collected on Opportunity Zone investments is to allow stakeholders, researchers and the larger community to understand and evaluate the impact of Opportunity Zone investments and the value of the tax incentive. By collecting information via a tax return form, it would limit the IRS and Treasury's ability to release the information publicly and for it to be accessed under the Freedom of Information Act. There is limited value in collecting information that can not be used for research and evaluation purposes publicly. OFN recommends that the IRS and Treasury collect the information from Qualified Opportunity Funds via another source. The CDFI Fund at the Department of the Treasury is already equipped to collect the relevant information and has experience doing so through both the New Markets Tax Credit Program and the reporting requirements for CDFIs that receive technical and financial assistance awards.

In addition, the form is not detailed enough to be able to capture the full picture of Opportunity Zone investment and its impacts on the community. Without tracking of any sort of outcomes of the investment it will be impossible to determine if the investment is really creating new opportunities for entrepreneurship, employment, and affordable, accessible housing for residents of Opportunity Zones. This form, nor any other form or reporting mechanism from a federal agency,



does not require that funds track over time how their investment has impacted the number of jobs or affordable housing units are created or maintained, the number of childcare or school seats, patients with access to healthcare facilities or any other metric of community impact. The forms do not require any reporting on whether the investment is realized by residents of the Opportunity Zones.

OFN has consistently advocated for meaningful and comprehensive data collection as an essential component to be able to measure the impact of the Opportunity Zone provision, to provide transparency to communities, and to ensure Opportunity Zones are working for the residents of the target census tracts. As a part of that effort, OFN contributed to the Opportunity Zones Framework, created in partnership with the US Impact Investing Alliance, the Beeck Center at Georgetown University, and the Federal Reserve Bank of NY, which identifies best practices, a reporting framework, and a shared goal of measuring outcomes. Opportunity Zones and Opportunity Funds require robust data collection in order to accurately evaluate the impact on target communities and to calculate the return on investment from the Federal government. OFN strongly supports the Opportunity Zones Framework and has incorporated many of its recommendations in this comment letter.

The Opportunity Zones provision is a potential source of up to \$100 billion of capital for low income communities, however, without strong reporting and data collection, it will be impossible to determine the exact impact of Opportunity Fund investment in these target communities and to ensure that the investment is benefiting members of that community. Overall economic indicators may provide a snapshot of the situation in a community but will be insufficient to determine whether any growth is the result of Opportunity Fund investment and how that growth has impacted the long-time residents of the community. More detailed data collection will be needed to prove cause and effect. The promise of Opportunity Zones lies in creating lasting economic growth for the residents of these communities which will require private, public, and non-profit entities to work together and strong reporting and transparency standards.

Opportunity Finance Network strongly supports collection of transaction level data with impact measurements to determine the full effectiveness of the tax incentive. Transaction level data is the only way to track where the investment is going. Census tract level economic data will not provide the detail needed to determine whether any economic development is directly attributable to investment by an Opportunity Fund rather than to overall economic growth. Data analysis will require details about the specific location of each investment. Impact data, such as the number of jobs created, type and number of housing units constructed, or square footage of commercial real estate is needed to determine the direct impact of the Opportunity Fund investments. Once this detailed data has been collected, Opportunity Zones can be compared on equal footing to other community and economic development initiatives.

OFN is supportive of collecting comprehensive data that will show where the investment is being made, the results of the investment, and the impact on the targeted community. The data collection by Treasury should be significantly expanded to get the full picture of the impact of investments on communities. This data collection should include the:



- Size of the investment
- Location of the investment
- Type of investment
- Community impacts of the investment
 - o Housing units created (affordable and market rate)
 - o Permanent, seasonal and construction jobs created
 - Whether those jobs went to residents of the Opportunity Zone
 - o Square footage of commercial real estate
 - o Number of new small businesses created
 - o Other appropriate measures based on asset class (childcare spots created, patients served via a medical facility etc.)

In addition we would also recommend that Opportunity Funds provide a brief narrative description of each project investment, which would include: the nature of the project; the benefits to the community; the degree to which the project was developed in consultation with the community residents and/or mitigated against displacement; and the extent to which the project connects with local workforce development efforts for low and moderate income residents.

Data collection will also serve to benefit the efforts of the White House Opportunity and Revitalization Council as they seek to target other Federal programs to benefit Opportunity Zones. By being able to clearly see the investments being made in the private market, the Federal government can fill the gaps needed to support that investment. If, for example, several investments are being made in an Opportunity Zone for manufacturing facilities, the Federal government could support workforce training or apprenticeship programs to train members of the community to fill the new jobs.

Thank you again for the opportunity to provide feedback on this form and Treasury and the IRS's data collection process for Opportunity Zones and Opportunity Funds. OFN looks forward to continuing to work with Treasury and the IRS to implement the Opportunity Zone tax incentive in a way that will benefit the communities it is designed to serve.

Sincerely,

Mary Scott Hardwick
Senior Associate, Opportunity Finance Network