

U.S. Environmental Protection Agency Environmental Financial Advisory Board

Opportunity Zones Workgroup Practitioner Panel Virtual Public Meeting via Zoom Thursday, August 26 – 12:00-1:30 pm Eastern Time

Executive Summary

Purpose: To hear from Opportunity Zones (OZ) practitioners who work on OZ investments in disadvantaged communities across the country and were willing to share their experiences to support the EFAB Opportunity Zones workgroup's charge.

Panelists: Diverse selection of OZ fund managers based in the Southwest, Mid-Atlantic, and Northeast whose work reflects EPA interests (e.g., rural and disadvantaged communities, investments in operating businesses, housing, and mixed-use real estate under OZ requirements).

- Alecia Hill – Investment Associate, Enterprise Community Investment, Inc.
- Jonathan D. Tower – Managing Partner, Arctaris
- Stephanie Copeland – Managing Partner, Four Points Funding

Key Insights & Takeaways

- Pre-conditions to potential investment(s):
 - *Access to and understanding of soft costs (e.g., planning, predevelopment, and risk assessment at the community level)* – Historically marginalized communities may lack awareness of their environmental risk in planning projects.
 - *Adequate water infrastructure, quality, and access* – Water rights are sometimes requested by communities before developers are granted permits. These issues cannot be left until later stages in project development, such as arranging financing. Investors won't take these risks and are sensitive to what the delay(s) addressing them will cost.
 - *Community buy-in* – Proposed projects should reflect community priorities and have active support from key stakeholders, including those frequently underrepresented.
- On government involvement:
 - Federal agencies and sources, notably HUD, ARPA, and SSBCI, have successfully paired existing financing and grant products with OZ-qualifying projects and investors.
 - Government funding sources at the project level can add so many requirements that appreciation is suppressed, especially for smaller scale projects in rural settings.
 - Consistent communication and streamlined processes are key.
- On community role:
 - Prospectuses are insufficient for investors because they don't capture the complexity of project risks. A more predictable environment for investors to enter is needed.
 - Communities should be informed of the risks investors and developers are taking too.
- OZ can make infrastructure payback faster – The structure of OZ investment funds enables them to recognize a faster ROI on infrastructure investments and pay for deferred maintenance thanks to accelerated depreciation, which may be useful for communities who seek investment in water/wastewater infrastructure.
- Additional uncertainty (e.g., census tract changes, timeline for certain tax incentives) can depress investor appetite.