

Opportunity Zones

Congress established a new economic development tool intended to spur long-term private investments in low-income communities nationwide in the Tax Cuts and Jobs Act. This new tax incentive, otherwise known as Opportunity Zones, was signed into law by President Trump in December 2017. This law created two new sections in the Internal Revenue Code, Sections 1400Z-1 and 1400Z-2, and is administered by the U.S. Department of Treasury (Treasury) and the Internal Revenue Service (IRS).

An Opportunity Zone is a low-income census tract designated by Treasury. The process for nomination and designation – as prescribed in the legislation – is complete. Eligible zones had to be nominated by the governor within 90 days of the law being enacted (December 22, 2017). That meant Governor Snyder had to submit his nominations for Michigan no later than March 21, 2018. The governor was permitted to request a 30-day extension of this deadline, but he opted not to request that extension.

The Michigan State Housing Development Authority (MSHDA) administered the process for the governor's nominations to Treasury. According to the law, each state could nominate up to 25 percent of the total number of low-income census tracts in the state. In Michigan, that number is 288.

On February 28, after discussion and input from several city departments, the City of Grand Rapids offered informal guidance to MSHDA and recommended 12 census tracts in the city for nomination by the governor. The process and timeline required by the law did not allow for the type of community and stakeholder engagement that the city would normally use. For that reason, the 12 low-income census tracts that were initially recommended were identified due to the significant success factors already in place as identified below:

- The 12 census tracts are among 17 census tracts included in the W.K. Kellogg Foundation's Neighborhoods of Focus, which are located primarily in the 49507 ZIP code.
- These census tracts have multiple development projects, city planning and economic development initiatives underway. Examples include the Grandville Corridor Improvement District (CID), Southtown CID, Southtown Area Specific Plan, most of The Rapid's Silver Line bus route, South Division Plan and the 201 Market development project.
- All of the named projects, work and initiatives identified have included extensive community and stakeholder input and opportunities for engagement.

MSHDA in-turn provided a recommendation that did not include any of the City's recommended census tracts. MSHDA also indicated that, based on its state-wide allocation process, it would only nominate eight opportunity zones for Grand Rapids. Please click [here](#) to view MSHDA's Methodology and Data Used for Opportunity Zone Designations.

After conversations with MSHDA, the City narrowed its recommendation to eight of the originally recommended tracts and provided those to MSHDA on March 13, 2018. They were census tracts 26, 28, 30, 32, 35, 36, 37 and 38 – and all were subsequently included in the governor’s nominations. Please click [here](#) to view an interactive map that includes the City’s initial recommended tracts, MSHDA’s initial recommendations and the final eight, which are now designated Opportunity Zones.

On March 21, 2018, Governor Snyder nominated 288 census tracts as Opportunity Zones for the state, and Treasury designated all of them on April 9, 2018. These zones are designated for 10 years. The law does not currently provide for any further modification to the designated zones or allow for further nomination or designation.

There are multiple online resources regarding Opportunity Zones, Opportunity Funds, the tax incentives available and maps for designated Opportunity Zones both in Michigan and nationwide. IRS and Treasury have indicated that guidance for implementing the new law is expected to be issued over the next few months, and they have given this guidance high priority for rapid issuance.

The IRS has issued a list of [Frequently Asked Questions about Opportunity Zones](#). Please also visit the following useful links for more information:

- [MSHDA’s webpage on Opportunity Zones](#)
- [U.S. Department of Treasury’s webpage on Opportunity Zone Resources](#)
- [Economic Innovation Group’s webpage on Opportunity Zones](#)