ORAL STATEMENT

OF

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BEFORE THE

JOINT ECONOMIC COMMITTEE
UNITED STATES CONGRESS

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Chairman Paulsen, Ranking Member Heinrich, and members of the Committee:

I am pleased to join you this morning to discuss Opportunity Zones. My organization, the Local Initiatives Support Corporation (LISC), championed the Investing in Opportunity Act (IIOA) legislation that became the foundation for this initiative, and we were pleased that it was enacted last December as part of the Tax Cuts and Jobs Act (TCJA).

Over the course of LISC's nearly 40 years of work, its comprehensive approach to community development and its broad national reach have made it a valuable leader in the fight to improve quality of life in communities across the country. LISC's greatest success over these years has been working with under-resourced communities and their residents to help them get ahead. Today, the growing inequality, concentrated poverty and racial inequity that our country is experiencing make the work that we and our partners do as urgent as ever before.

LISC believes that catalyzing opportunity involves working at the local level to foster resilient, safe and healthy communities in which individuals have financial security, economic choices and a high quality of life. With our deep local roots, national breadth, and comprehensive set of products and services, we fight to close the opportunity gap in America through our strong network of over 2,300 community-based partners.

LISC often relies on public-private partnerships to engage in the type of comprehensive community development work that is needed in low-wealth communities. It's precisely

because we have seen first-hand the impacts that tax incentives can have on spurring community revitalization, most notably the Low Income Housing Tax Credit and New Markets Tax Credit, that we believe Opportunity Zones hold a great deal of potential.

We are planning to focus our Opportunity Zone investments in three areas where we see the greatest potential to benefit community residents. First, we will provide growth capital for companies that are creating job opportunities for Opportunity Zone residents. We will inject equity capital to catalyze the growth of manufacturing, health care, and companies in other growing sectors that are providing quality job opportunities that are accessible to community residents. Second, we will invest in new real estate developments and rehabilitation of existing underutilized buildings within targeted communities to attract businesses, bringing quality jobs to underinvested communities and their adjacent neighborhoods. And finally, we will increase the stock of quality affordable and workforce housing in Opportunity Zones.

We hope to raise capital for these investments from mission-aligned investors including corporations located in Opportunity Zones, and from the growing impact investment community – in particular high net worth individual investors, which would represent an entirely new pool of investor capital for community development finance.

Since there is no cap on the amount of investor capital that can be invested in Opportunity Funds, we believe that the Opportunity Zones incentive can spur billions in private investment activity in the country's most distressed census tracts and play a major role in closing the existing opportunity gap that is leaving these communities behind. In particular, a large portion of our work occurs in rural communities, which are especially underinvested, so we are pleased that preliminary results show 22% of Opportunity Zones will be in these communities.

I would like to conclude my remarks by offering a few suggestions for how we can ensure that Opportunity Zones maximize opportunities for investors while simultaneously maximizing benefits for low-wealth communities and their residents.

First, I believe that Congress should consult closely with the Treasury Department during their next phase of rulemaking to identify whether there are areas that may require statutory fixes, particularly those that will provide clarity to investors and improve the flow of investments into Opportunity Zones.

Second, I believe that Treasury and the IRS should play a more active role in the implementation and administration of Opportunity Zones. Specifically, they must enact regulations and guidance that not only provides investors with the clarity and certainty necessary to make investments in Opportunity Funds, but also protects against program abuse and helps ensure the integrity of the program. They should also play a role in collecting and disseminating information about the activities of Opportunity Funds.

Finally, individual states and municipalities should work with private sector partners to ensure that Opportunity Zone investments provide the most benefit to low-wealth communities and their residents.

I would like to thank you for this opportunity, and I look forward to hearing your questions.