Office of Housing Counseling
Fifth Annual Community Conference

HUD Opportunity Zones and the Role of Housing Counseling Agencies

Wednesday, January 28th | 12:30 PM – 1:30 PM EDT

Speakers

- **Vance Morris**, Associate General Deputy Assistant Secretary, Office of Housing/FHA, HUD
- **Catherine Lyons**, Senior Director of Policy, Economic Innovation Group
- **Robin Schabes**, Director, Chicagoland Opportunity Zones Consortium
- **Joy Reese**, Program Manager, CHANGE, INC, WV

Agenda

- What Are OZs, and What’s New in 2.0?
- OZs and Place-Based Housing Investment
- OZs and Housing Counseling Agencies
- Question and Answer

Feedback and Polling

- There will be questions for the audience in **AhaSlides** throughout this presentation
- When prompted by the icon to the right, please respond to questions at www.ahaslides.com using your computer or smartphone

Time for AhaSlides!

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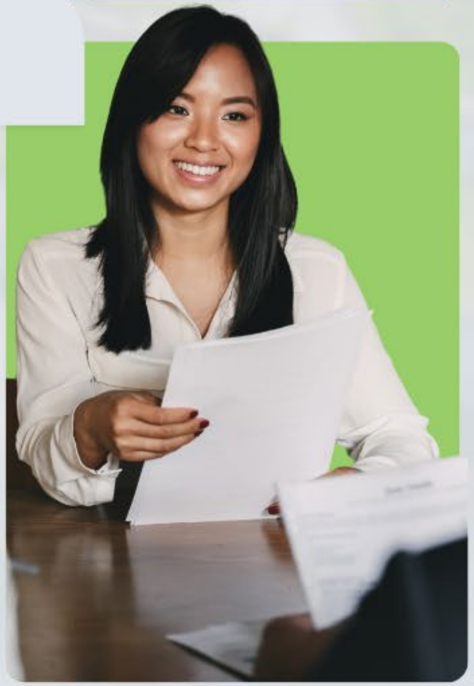
Vance Morris

Associate Deputy Assistant Secretary,
Office of Housing/Federal Housing
Administration, HUD



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What Are OZs, and What’s New in 2.0?

Catherine Lyons, Economic Innovation Group

Review:
What are OZs and what is their impact to date

What are Opportunity Zones? A refresher

- With broad **bipartisan** heritage, Opportunity Zones were first integrated into 2017's Tax Cuts and Jobs Act (TCJA) and reformed and made permanent through 2025's One, Big, Beautiful Bill Act (OBBA).
- Opportunity Zones currently provide a series of **federal capital gains tax incentives** for qualifying investment into qualifying low-income communities.
  - **Deferral:** Delay taxes on any capital gain rolled into an Opportunity Fund.
  - **Step-up:** Adjusted basis for calculating the tax owed on that deferred gain.
  - **Exclusion:** No tax liability on qualifying investments held in OZs for 10+ years.
- Investments must be **patiently held** and **economically additive**.
- **Governors** are called on to designate 25% of their low-income census tracts as Opportunity Zones, with the map in place for 10 years.
  - At present, there are 8,726 OZ census tracts spread across every state and territory.*

OZ Key Facts

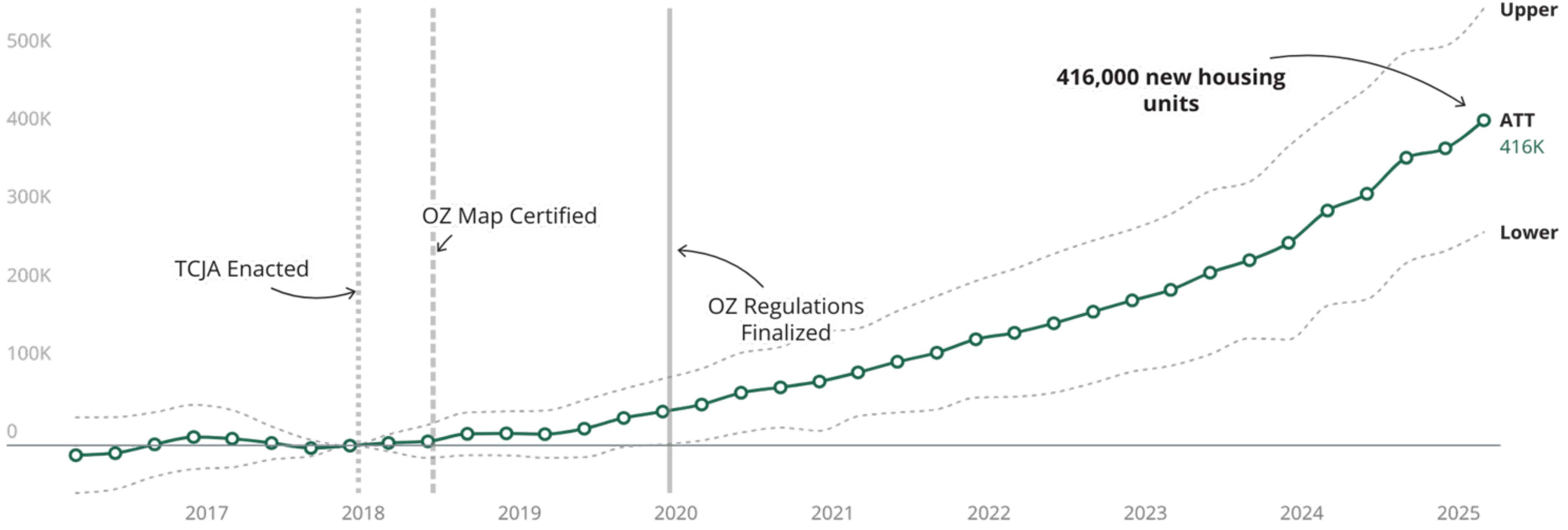
The limited data we have testify to the policy's significance

- ✓ OZs have unlocked more than **$100 billion** in qualifying equity investment.
- ✓ More than **three-quarters** of all designated OZ tracts have seen investment.
- ✓ The average OZ census tract has a **28% poverty rate** and **median household income** that is only **59%** of the national level.
- ✓ OZ designation produced **large and immediate** development effects, with early evidence pointing to meaningful increases in **housing, jobs, and businesses**.
- ✓ OZ communities experienced **larger improvements in poverty, incomes, and vacancies** than their peers.
- ✓ OZ have **positive spillover effects** on development activity in neighboring areas.

Sources: EIG (2024), Coyne and Johnson (2024), US Treasury (2024), Wheeler (2022)

The OZ policy caused the creation of more than 416,000 new housing units through Q1 2025.

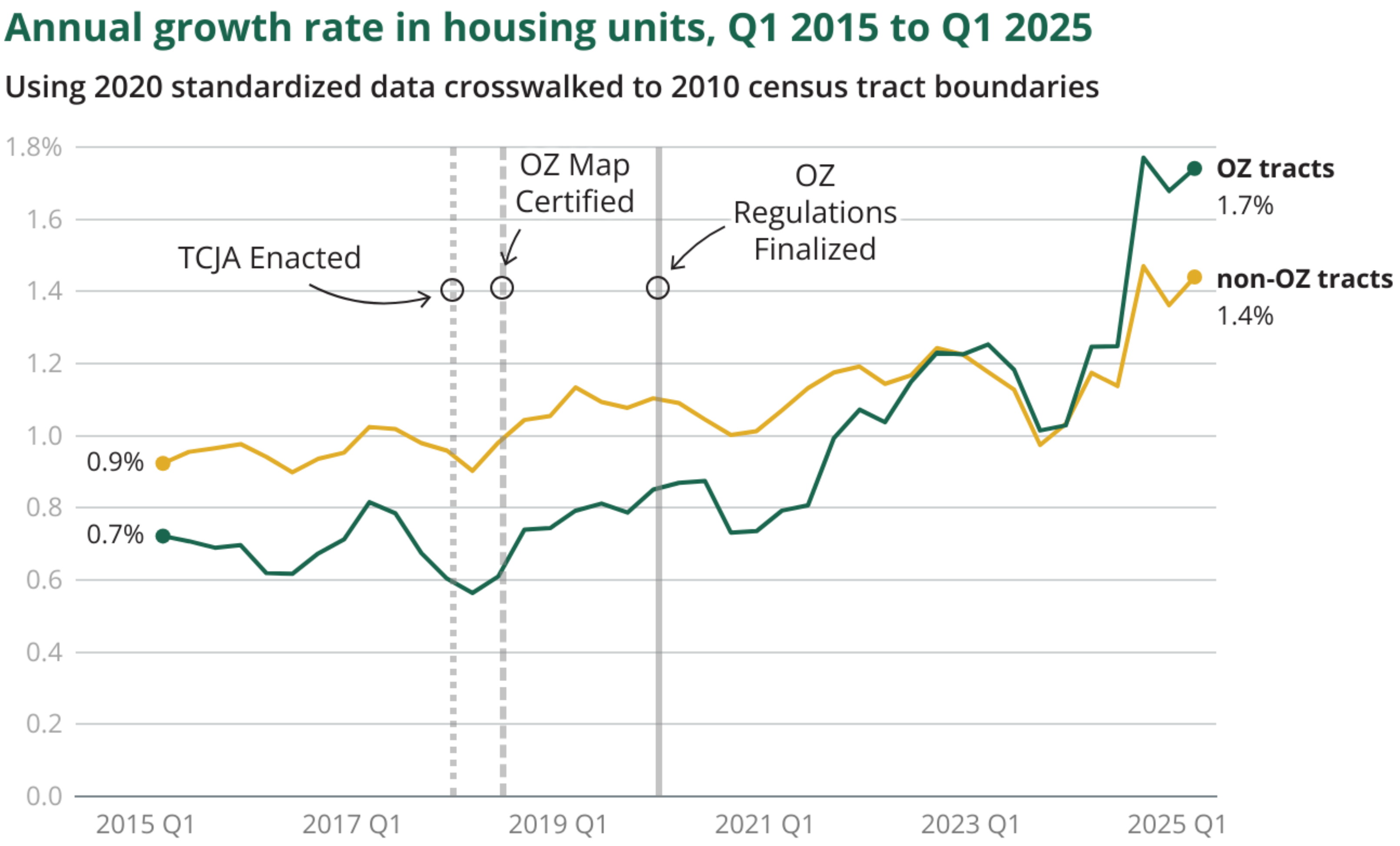
Opportunity Zones' effect on the count of residential active and vacant addresses



Effect estimates and a 99% confidence interval. Data comes from the HUD Aggregated USPS Administrative Data on Address Vacancies. Regression Results from the Callawy and Sant'Anna difference-in-differences (CSDID) approach, with a universal base period. Using data defined at the 2020 Census tracts level which we then cross walked back to 2010 boundary definitions. The results include conditional parallel trends accounting for the tract's poverty rate, median household income, the share of a tract's housing stock that are defined as solo and detached, and an index on local zoning regulation. The comparison group are defined using a doubly-robust estimator selecting from all un-selected and ineligible non-bordering census tracts.

Source: HUD Aggregated USPS Administrative Data On Address Vacancies

OZ are proving to be one of the most powerful supply-side federal housing incentives in generations



The **growth rate** in new housing units in Opportunity Zones **more than doubled** after designation — without taking away from other tracts.

Source: Economic Innovation Group analysis of HUD Aggregated USPS data

ECONOMIC INNOVATION GROUP

Looking forward:
What you need to know about OZs 2.0

OZ 2.0: What's new

- ✓ **Incentive structure.** Changes will result in a smoother, more predictable flow of investment.
- ✓ **Rural provisions.** Significant added tax benefits for rural investments will likely influence behavior.
- ✓ **Zone eligibility and designation.** Stricter targeting criteria will produce a narrower map.
- ✓ **Reporting and transparency.** A robust data collection and publication regime will demystify OZ investment.

Incentive structure

OZs offer three capital gains tax benefits:

✓ **Deferral** of taxes on any capital gain rolled into a qualified Opportunity Fund

✓ **Step-up** in basis on those deferred gains once the tax comes due

✓ **Exclusion** of any gain on investments made in OZs and held for at least 10 years

New changes allow for **rolling deferrals** and a **fixed step-up.**

- Investors can roll recently realized capital gains into an Opportunity Fund at any point and benefit from a **standard 5-year deferral** and **10% step-up in basis**.
- This will smooth investment over time, avoiding the cliffs from OZs 1.0.
- New provisions come into effect January 1, 2027.

Rural provisions

Investors into a special class of Qualified Rural Opportunity Funds (QROFs) benefit from

- a stronger **30% step-up** (compared to the new 10% standard) and
- a lower **50% substantial improvement** threshold (instead of the standard 100%)
  - The lower improvement threshold came into effect immediately.
- QROFs must hold at least 90% of their assets in qualifying OZ investments in rural areas.
- The definition of rural is complex and requires further guidance from Treasury to parse.
  - The statute reads that rural areas are those outside of cities or towns with more than 50,000 inhabitants or any urbanized area contiguous and adjacent to such places.

EIG's read: These benefits are likely to increase rural OZ investment significantly.

Special note: Rural areas tend to host a wide mix of OZ use cases, incl. industrial and commercial.

Governors may wish to take anticipated investor interest in rural opportunities into consideration when designating zones (although rural areas were not underrepresented in 1.0)

Zone eligibility and designation

Decennial zone selections

- New investment maps will be set every 10 years starting January 1, 2027
- The 1.0 map will still be in effect for the first two years of the 2.0 map (until December 31, 2028)
    - *Key date: the 90-day window for new zone designations will kick off July 1, 2026.*

Eligibility criteria

- **Poverty rate** remains at 20%
    - However, tracts qualifying on poverty must have a median family income *below* 125% of the area benchmark.
- **Median family income** falls from 80% of the area benchmark to 70%.
    - This reduces the number of eligible tracts and future OZs by >20%.
- No special treatment for **Puerto Rico;** no **contiguous** tracts

As before, **governors nominate 25%** of their qualifying tracts as OZs, with a 25 tract minimum.

Reporting and transparency

The reporting, data collection, and transparency regime long sought after is now in place.

Opportunity Funds will provide detailed project-level information to the IRS:

- New fields include housing units created, job estimates, and affordability measures

IRS/Treasury will provide detailed tract-level data to the public:

- **Annual** reports on QOF numbers and assets, investment across industries, tracts with confirmed investment, and tract level detail on the amount of investment, housing, and jobs.
- **In years 6 and 11** a report on **outcomes** from the incentive across **poverty, new business starts, employment, and other economic indicators.**
    - Complete with comparisons to peer tracts.

EIG's take: These requirements will make OZs among the most transparent tax incentive programs ever and truly raises the bar for policy evaluation.

Timeline

July 4, 2025: One, Big, Beautiful Bill Act (OBBA) signed into law; rural substantial improvement provisions in effect

January 1, 2026: New reporting provisions come into effect for Opportunity Funds and investors

July 1, 2026: Governors' 90-day window to designate new OZs opens

December 31, 2026: End of OZs 1.0 deferral window

January 1, 2027: OZs 2.0 provisions in effect. OZs 2.0 map activates

December 31, 2028: OZs 1.0 map formally sunsets

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OZs and Place-Based Housing Investment

Robin Schabes, Chicagoland Opportunity Zones Consortium

Chicagoland OZ Consortium
Genesis of the Collaborative

- ***Impetus:*** 2017 Tax Cuts & Jobs Act
- ***Planning:*** 4 meetings in 2019
- ***Geographic Focus:*** Chicago & suburban Cook County
- ***Launch:*** 2020
- ***Collaborative Home:*** CCLF

Centralized Concierge Services Model

- Mission-driven vision
- Core objectives
  - ➢ OZ capital access
    - ✓ Relationship-building
    - ✓ Matchmaking
  - ➢ Education & T.A.
  - ➢ Central data repository

OZ Investments

Residential OZ Investment Examples

Reflections

- A centralized approach matters.
- An engaged table is foundational.
- Customized guidance is fundamental.
- Capital will go where it is welcomed.

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OZs and Housing Counseling Agencies

Joy Reese, CHANGE, Inc.

History of CHANGE Inc

- “Rust Belt” is a geographic region of the US that was long the country’s manufacturing, steelmaking, and coal producing heartland that underwent dramatic industrial decline that resulted in widespread unemployment, increased poverty, decay, and population loss. Concerned industry leaders watched the economic decline of the shuttered factories, mills, and mines; devastating unemployment’; shrinking tax base; growing poverty; and dislocation. Workers fled the region in droves in search of economic opportunity elsewhere.
- To address this decline in our geographic region CHANGE Inc was founded in 1983 to address the needs of the local residents and to join forces to stop the population decline.

CHANGE Inc Timeline

- Founded in 1983
- Community Action Designation in 1990
- Joined the Northern Panhandle HOME Consortium 1997
- Free clinic established in 1999
- Domestic Violence Shelter 2001
- HUD Housing Counseling Agency in 2010
- SSVF Program in 2013
- SBHC and Dental in 2014
- Comfort House in 2017
- HOPWA in 2021

The Northern Panhandle HOME Consortium

- The Northern Panhandle HOME Consortium was formed in 1996 to provide the local PJ access to a grant each year. The grant is shared among the six participating jurisdictions with the HOME Consortium by offering a First Time Homebuyer Program. Qualified borrowers are provided, up to $10,000 to assist with down payment and closing costs associated with the purchase of a home. A lien is placed on the property for the amount of the forgivable loan. The loan is deferred, interest free and forgivable. The borrower must agree to live in the house for 5 years. At the end of this period, the HOME assistance, which was formerly a loan, becomes a grant.

First Time Home Buyer Program PJ’s

Participating Jurisdictions are for the HOME programs are:

- City of Wheeling
- City of Weirton
- Hancock County
- Brooke County
- Ohio County
- Marshall County

All PJ’s are listed as opportunity zones and solicit investors to invest in the regions

Down Payment Closing Cost Assistance

This program was enacted because homeownership generally promotes community stability by reducing residential turnover, fostering civic engagement, and strengthening a neighborhood's physical and social fabric. Homeowners are more vested in their communities, leading to higher rates of involvement in local matters, upkeep of properties, better schools, and more cohesive neighborhoods. The stability benefits not only the community but also the homeowners, who gain long term financial security, improved health outcomes and greater sense of belonging.

CHANGE Inc Disbursements

2025 37 Homes Purchased

2024 83 Homes Purchased

Hancock Co HOME funds Disbursed to date	$1,232,120.73
Brooke Co HOME funds Disbursed to date	$1,353,922.77
City of Weirton HOME funds Disbursed to Date	$1,381,568.13
Total to date disbursed through CHANGE inc	$3,967,611.63

NPHC FTHB Stats to Date

- Mortgage Leveraged funds……………………..$66,142,528.42
- Total FTHB Loans…………………………………….1,151
- Total Amount Disbursed……………………………$10,292,707.66

Q&A

Resources

- Current OZ Map with Rural Overlay: https://eig.org/opportunity-zones/resources/
- OZ 2.0 Eligibility Map: https://www.arcgis.com/apps/dashboards/c473c71f0704408f934fbdc342caf1f1
- EIG's OZ 2.0 Analysis: https://eig.org/opportunity-zones-2-0-where-things-stand/
- EIG OZ Webinar on What State and Local Leaders Need to Know: https://eig.org/events/what-state-and-local-leaders-need-to-know/

Upcoming Sessions

Session Time	Session Name	
1:30-2:00 PM EDT	*BREAK*	
2:00-3:00 PM EDT	Advancing Clients Forward to Private Sector Housing and Financial Freedom	Opportunities and Challenges in Providing Housing Counseling in Rural Areas
3:00-3:30 PM EDT	*BREAK*	
3:30-4:30 PM EDT	Housing Counseling Agencies: Expanding Community Impact	

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- Email us at: Housing.counseling@hud.gov

Thanks for Attending!

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