



Understanding Pennsylvania's Opportunity Zones

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Cover image:

Historic American Buildings Survey, C., Dempwolf, J. A., Loucks, J., Glatfeller, P. H., Shipley, T. & Lauer, S. (1933) York Manufacturing Company, Bounded by West Philadelphia, North Hartley, & Roosevelt Streets, York, York County, PA. Pennsylvania York York County, 1933. Documentation Compiled After. [Photograph] Retrieved from the Library of Congress, <https://www.loc.gov/item/pa2957/>.

Executive Summary

In the fall of 2019, the York County Economic Alliance commissioned the Arthur J. Glatfelter Institute for Public Policy to conduct research related to opportunity zones in the Commonwealth of Pennsylvania. This research was designed to answer the following questions related to opportunity zones in Pennsylvania:

1. Are the tax deferrals under the Tax Cuts and Jobs Act related to opportunity zones being utilized as a means for economic development?
2. If the tax deferrals are being utilized related to opportunity zones, how are they being used?
3. Do economic development professionals view the tax deferrals related to opportunity zones as potentially transformational to communities?

Overview of Results

- 69% of survey respondents are current promoting opportunity zones within their jurisdictions.
- 100% of respondents are facing at least one barrier in attracting investments.
- 23% of respondents identified on-going or completed projects within opportunity zones within their jurisdiction.
- 41% of respondents were aware of future projects utilizing investments from qualified opportunity zones funds within their jurisdiction.
 - These projects equated to a total quantifiable investment between \$185.1 million and \$210.1 million.
- 38% of respondents stated that projects that utilized qualified opportunity zones fund investments would have begun without the tax incentives associated with the investments.
- 13% of respondents stated that projects that utilized qualified opportunity zones fund investments would not have occurred without the investments.
- 47% of respondents thought that opportunity zones would have a positive impact on their community.
 - However, only 40% of respondents were “Very excited” or “Satisfied” with what this potential impact may be.

Introduction

Background on Opportunity Zones

The designation of a “qualified opportunity zone” was created in 2017 under the federal Tax Cuts and Jobs Actⁱ. Designed as a stimulus for economic development in distressed communities, investments into qualified opportunity zones provide deferred tax incentives¹ on capital gains¹. As a tax incentive, individuals and business have a reduced tax liability and the federal government receives less money through capital gain tax revenuesⁱⁱ.

A total of 42,176 census tracts across the United States, Washington, D.C., Puerto Rico, American Samoa, Guam, the Northern Mariana Islands, and the Virgin Islands were initially under consideration² to become qualified opportunity zones; in the end, 8,762 (20.77%) census tracts received the designationⁱⁱⁱ. Appendix 2 displays the total distribution of qualified opportunity zones by state. The census tracks encompassing all designated qualified opportunity zones have a total of 7.9 million residents and an average poverty rate 13.6 percentage points higher than the national average^{iv}.

In Pennsylvania, 1,640 census tracts were eligible for the opportunity zone designation; 29 census tracts were within York Countyⁱⁱⁱ. In the end, 300 (18.29%) census tracts³ were chosen; 5 of these 300 census tracts are in York County, all of which are in the City of York⁴. Appendix 3 displays the location of all qualified opportunity zones in Pennsylvania.

Objectives and Methodology

In the fall of 2019, the York County Economic Alliance commissioned the Arthur J. Glatfelter Institute for Public Policy to conduct research related to opportunity zones in the Commonwealth of Pennsylvania. This research was designed to answer the following questions related to opportunity zones in Pennsylvania:

4. Are the tax deferments under the Tax Cuts and Jobs Act related to opportunity zones being utilized as a means for economic development?
5. If the tax deferments are being utilized related to opportunity zones, how are they being used?
6. Do economic development professionals view the tax deferments related to opportunity zones as potentially transformational to communities?

With outreach conducted by the York County Economic Alliance, the Arthur J. Glatfelter Institute for Public Policy surveyed economic development professionals throughout the Commonwealth of Pennsylvania.

While specific participants were targeted, data collection was through an open-access survey. In addition to targeted messages sent by the York County Economic Alliance, survey recipients

¹ Tracey Nichols provides an overview of how investors can utilize opportunity zones. This image can be found in Appendix 1.

² Census tracts with a poverty rate of at least 20% and a median family income less than 80% of the area median income were eligible for the qualified opportunity zone designation

³ Pennsylvania ranks 8 out of 56 states, territories, and Washington, D.C. in the total number of designated qualified opportunities zones.

were encouraged to share the survey with any colleagues conducting work related to opportunity zones.

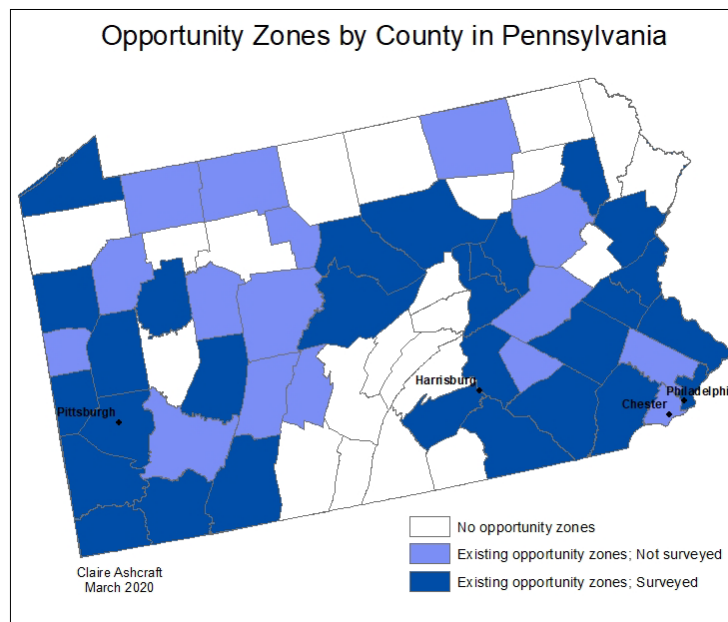
The survey was available for approximately two months (December 2019 through January 2020). Surveys were sent to approximately 70 economic development professionals across the state. For this research, we obtained a valid response rate of over 50%. Survey responses were considered valid if the respondent answered any question within the survey. Identified economic development professionals with authority over qualified opportunity zones were contacted through email and telephone on at least two occasions to provide information about the survey and the research.

As there is no known target population for this survey, and survey respondents had the ability to participate through self-selection, there is no valid methodology to determine the margin of error related to survey results. All results presented are descriptive and representative of only survey respondents.

Moreover, all results will not equal 100%. In many cases, respondents were able to check more than one survey response. Therefore, percentages displayed throughout this analysis represent the percentage of individuals that selected a specific response, based on the varying demographic groups.

Demographic Profile of Survey Respondents

The 300 opportunity zones within Pennsylvania are located in 45 of the Commonwealth's 67 counties. Based solely on quantifiable responses, 29 of the 45 counties, including Allegheny County and Philadelphia County, are represented by these results. One respondent stated that their entity is engaged in work related to opportunity zones across 32 counties. In addition to the counties represented, a total of 55 municipalities are quantifiably represented in this analysis. Once again, an individual stated that their entity is engaged in work related to opportunity zones across 23 municipalities.



Survey participants represented local governments (municipal governments and/or county governments), private economic entities (such as private business or chambers of commerce), economic development corporations, or other types of non-profit organizations. Many individuals represented multiple entities when participating in this research. Moreover, some individuals work across multiple county lines, and across multiple municipal boundaries. However, no two respondents represented the same organizational entity.

While the Pennsylvania Department of Community and Economic Development maintains a geocoded database of Opportunity Zones throughout the Commonwealth, as well as the relevant contact information for each zone, these data were found to be out-of-date-, incomplete, or inaccurate. As a result, the York County Economic Alliance created its own database with updated contact information. To the knowledge of the researchers and the York County Economic Alliance, no other reliable statewide database of Opportunity Zones contacts currently exists.

Overall Views and Perspectives Related to Opportunity Zones

Of economic development professionals surveyed, 31% were not currently promoting opportunity zones within their jurisdiction(s). In addition, 39% of respondents that represented local governments were not currently promoting opportunity zones.

For the remainder of responses, economic development professionals utilized various methods to promote opportunity zones to potential investors.

How are you currently promoting Opportunity Zones? Check all that apply.					
	Respondent Categorization				
	Overall	Local Governments	Private Economic Entity	Economic Development Corporation	Other Non-Profit Organizations
We are not currently promoting Opportunity Zones.	31%	39%	0%	23%	29%
Through a dedicated website.	20%	28%	40%	8%	14%
Through information listed on an organizational or municipal website.	29%	33%	40%	23%	29%
Through press releases and a public relations campaign.	17%	28%	20%	15%	29%
Through marketing collateral.	17%	17%	40%	38%	43%
We are working with a fee-for-service company.	3%	6%	0%	0%	0%
Other.	26%	22%	40%	23%	14%
<i>NOTE: Cumulative percentages do not equal 100% as respondents were able to select multiple choices.</i>					
<i>Source: Understanding Pennsylvania's Opportunity Zones Survey</i>					

The types of promotional activities utilized that respondents selected as “Other” include: partnering with other municipalities with opportunity zones and hiring consultants to advise on marketing strategies.

Respondents also stated that they were facing challenges in attracting investments to the opportunity zones within their jurisdiction; 100% of the survey respondents stated that they were facing at least one obstacle.

What obstacles are you facing when attracting investment to your Opportunity Zone(s)? Check all that apply.					
	Respondent Categorization				
	Overall	Local Governments	Private Economic Entity	Economic Development Corporation	Other Non-Profit Organizations
We are not facing any obstacles.	0%	0%	0%	0%	0%
Lack of investors with capital gains interested in investing in my community.	49%	56%	60%	54%	57%
Lack of qualified projects that have the potential to offer a return for investors.	34%	22%	60%	54%	43%
Lack of understanding about Opportunity Zones and how they work.	49%	50%	0%	54%	29%
Lack of organizational or municipal capacity to promote Opportunity Zones.	51%	61%	20%	46%	57%
Lack of organizational or municipal capacity to identify investors.	46%	56%	20%	38%	57%
Other.	11%	6%	20%	8%	14%
<i>NOTE: Cumulative percentages do not equal 100% as respondents were able to select multiple choices.</i>					
<i>Source: Understanding Pennsylvania's Opportunity Zones Survey</i>					

The types of obstacles faced by economic development professionals that selected “Other” include: a lack of real estate for new businesses, investors wanting to take on smaller projects with a lower rate of return, and the lack of tracking mechanisms for qualified opportunity zones investments resulting in the professional being unaware if investments were being made.

Of surveyed economic development professionals, 40% were skeptical about the potential impact qualified opportunity zones investments could bring to their community. Representatives of private economic entities, including private businesses and chambers of commerce, were the most excited about the potential impact of opportunity zones, while those representing economic development corporations were the most skeptical about the potential impact.

What are your overall feelings towards Opportunity Zones in your community?					
	Respondent Categorization				
	Overall	Local Governments	Private Economic Entity	Economic Development Corporation	Other Non-Profit Organizations
Very excited about the potential impact qualified investments will bring to my community.	29%	33%	60%	15%	29%
Satisfied with the potential impact qualified investments will bring to my community.	11%	17%	0%	8%	0%
Neutral about the potential impact qualified investments will bring to my community.	14%	17%	0%	23%	14%
Skeptical about the potential impact qualified investments will bring to my community.	40%	28%	40%	54%	43%
Uninterested because qualified investments will not have a beneficial impact on my community.	6%	6%	0%	0%	14%

Source: Understanding Pennsylvania's Opportunity Zones Survey

Detailed Explanation of Projects within Qualified Opportunity Zones

Of economic development professionals surveyed, 23% stated they were aware of 11 on-going or completed projects that received investments from a qualified opportunity fund. However, in one instance, the respondent was not aware of the timeline when opportunity zones were created, nor the requirements to attain the tax incentives through the use of a qualified opportunity zones fund. The individual reported a project was completed and utilized a qualified opportunity zones fund, even though the project was completed around 2014.

Of known projects, 50% were categorized as real estate development, 38% were categorized as active businesses, and 13% were categorized as luxury housing. Of these projects, 13% were no longer active projects, 63% were being planned or were under construction, and 25% were operational and completed projects. While not all economic and development professionals reported the total funding needed to complete each project, reported qualified opportunity zones fund investments ranged from \$1 million to \$8 million.

When asked whether these projects would have begun without the tax incentives associated with investments from qualified opportunity zones funds, 38% stated that they would have occurred regardless of the tax incentives. For some respondents, the renovations and projects needed to occur regardless of the incentives. In contrast, 13% of respondents stated that the projects would not have occurred without investments from qualified opportunity zones fund. The total funding for in-progress projects that would have been lost equates to approximately \$1 million. When including future projects in this projection, the total potential funding difference is approximately \$100 million. Finally, 50% were unsure if the tax incentives associated with the qualified opportunity zones funds influenced the decision to pursue their projects. The total funding for in-progress projects that may have been lost equates to approximately \$11 million. When including future projects in this projection, the total potential funding difference is approximately \$60-90 million.

On-going or Completed Projects Utilizing Investments from Qualified Opportunity Zones Funds

	<i>Real Estate Development</i>	<i>Active Business</i>	<i>Luxury Housing</i>
<i>Type of Project</i>	50%	38%	13%
	<i>Operational and Completed</i>	<i>Planning or Under Construction</i>	<i>No Longer Active</i>
<i>Status of Project</i>	25%	63%	13%
	<i>Yes</i>	<i>Maybe</i>	<i>No</i>
<i>Would project have occurred without investments from qualified opportunity zones funds?</i>	38%	50%	13%

Source: Understanding Pennsylvania's Opportunity Zones Survey

When considering future projects, 41% of surveyed economic development professionals were aware of projects that will be utilizing investments from qualified opportunity zone funds. Representatives of private economic entities, including private business and chambers of commerce, were more aware of future projects than other categorizations of economic development professionals.

Do you know of any future projects in your Opportunity Zone(s)?					
	Respondent Categorization				
	Overall	Local Governments	Private Economic Entity	Economic Development Corporation	Other Non-Profit Organizations
Yes	41%	39%	60%	54%	14%
No	59%	61%	40%	46%	86%

Source: Understanding Pennsylvania's Opportunity Zones Survey

While 41% were aware of future projects, not all respondents were able to quantify the number of projects, or details related to the projects. However, overall, surveyed economic development professionals quantifiably identified approximately 30 future projects that will utilize investments from qualified opportunity zone funds.

The majority of these investments (52%) are categorized as real estate projects.

In your opportunity zones, what are the types of future projects?	
Active Business	32%
Real Estate Development	52%
Luxury Housing	0%
Affordable or Market Rate Housing	12%
Land for Sale	4%

Source: Understanding Pennsylvania's Opportunity Zones Survey

The average quantifiable investment was between \$30.9 million and \$35.0 million. The total quantifiable investments was between \$185.1 million and \$210.1 million.

How Economic Development Professionals View Their Communities

When asked to rank the top three assets with their community, economic development professionals chose access to affordable housing, recreational opportunities, and access to quality healthcare as the top three community assets. The distribution of the top three community assets differed based on the type of organizations a survey respondent represented.

What are the top three assets of your community?					
	Respondent Categorization				
	Overall	Local Governments	Private Economic Entity	Economic Development Corporation	Other Non-Profit Organizations
A clean and healthy environment	26%	22%	20%	31%	14%
Access to affordable housing	46%	61%	20%	31%	71%
Access to quality healthcare	40%	33%	40%	46%	43%
Good education system	17%	17%	20%	15%	14%
Good jobs and a health local economy	26%	28%	40%	31%	0%
Opportunities for community involvement	17%	22%	20%	8%	0%
Public safety	14%	11%	20%	15%	29%
Recreational opportunities	46%	28%	80%	62%	29%
Strong small businesses	23%	28%	40%	15%	29%
Other	17%	22%	20%	0%	29%

*NOTE: Cumulative percentages do not equal 100% as respondents were able to select multiple choices.
Source: Understanding Pennsylvania's Opportunity Zones Survey*

Other assets identified by economic development professionals included: access to urban amenities, social infrastructure, diversity, strong public-private collaboration, and access to major transportation hubs.

When asked to rank the top three challenges facing their community, economic development professionals chose good jobs and a healthy local economy, access to affordable housing, and the education system. The distribution of the top three community assets differed based on the type of organizations a survey respondent represented.

What are the top three assets of your community?					
	Respondent Categorization				
	Overall	Local Governments	Private Economic Entity	Economic Development Corporation	Other Non-Profit Organizations
Access to affordable housing	40%	33%	40%	38%	43%
Access to good jobs and a health local economy	54%	61%	40%	54%	71%
Access to quality healthcare	9%	11%	0%	0%	14%
The education system	40%	39%	40%	46%	43%
The environment	26%	39%	20%	15%	29%
Opportunities for community involvement	6%	6%	0%	8%	0%
Public safety	23%	28%	20%	15%	14%
Recreational opportunities	11%	11%	20%	15%	14%
Strong small businesses	14%	11%	40%	15%	14%
Other	31%	22%	40%	38%	57%

NOTE: Cumulative percentages do not equal 100% as respondents were able to select multiple choices.
Source: Understanding Pennsylvania's Opportunity Zones Survey

Other challenges identified by economic development professionals included: poverty, access to reliable transportation, food insecurity, and demographic trends.

With these community assets and challenges in mind, almost half of economic development professionals surveyed felt that opportunity zones would have a positive impact upon their community.

What impact do you think Opportunity Zones will have on your community?					
	Respondent Categorization				
	Overall	Local Governments	Private Economic Entity	Economic Development Corporation	Other Non-Profit Organizations
Positive Impact	47%	56%	41%	46%	43%
No Impact	18%	11%	0%	23%	14%
Negative Impact	3%	0%	0%	0%	14%
Unsure of Impact	32%	33%	60%	31%	29%

Source: Understanding Pennsylvania's Opportunity Zones Survey

Conclusion

This research was designed to answer three main questions:

1. Are the tax deferrals under the Tax Cuts and Jobs Act related to opportunity zones being utilized as a means for economic development?

Sixty-nine percent of survey respondents are currently promoting opportunity zones within their jurisdictions. However, 100% of respondents are facing at least one barrier in attracting investments. In all, 23% of respondents identified 11 on-going or completed projects within opportunity zones within their jurisdiction. Moreover, 41% of respondents were aware of 30 future projects utilizing investments from qualified opportunity zones funds within their jurisdiction. These projects equated to a total quantifiable investment between \$185.1 million and \$210.1 million.

2. If the tax deferrals are being utilized related to opportunity zones, how are they being used?

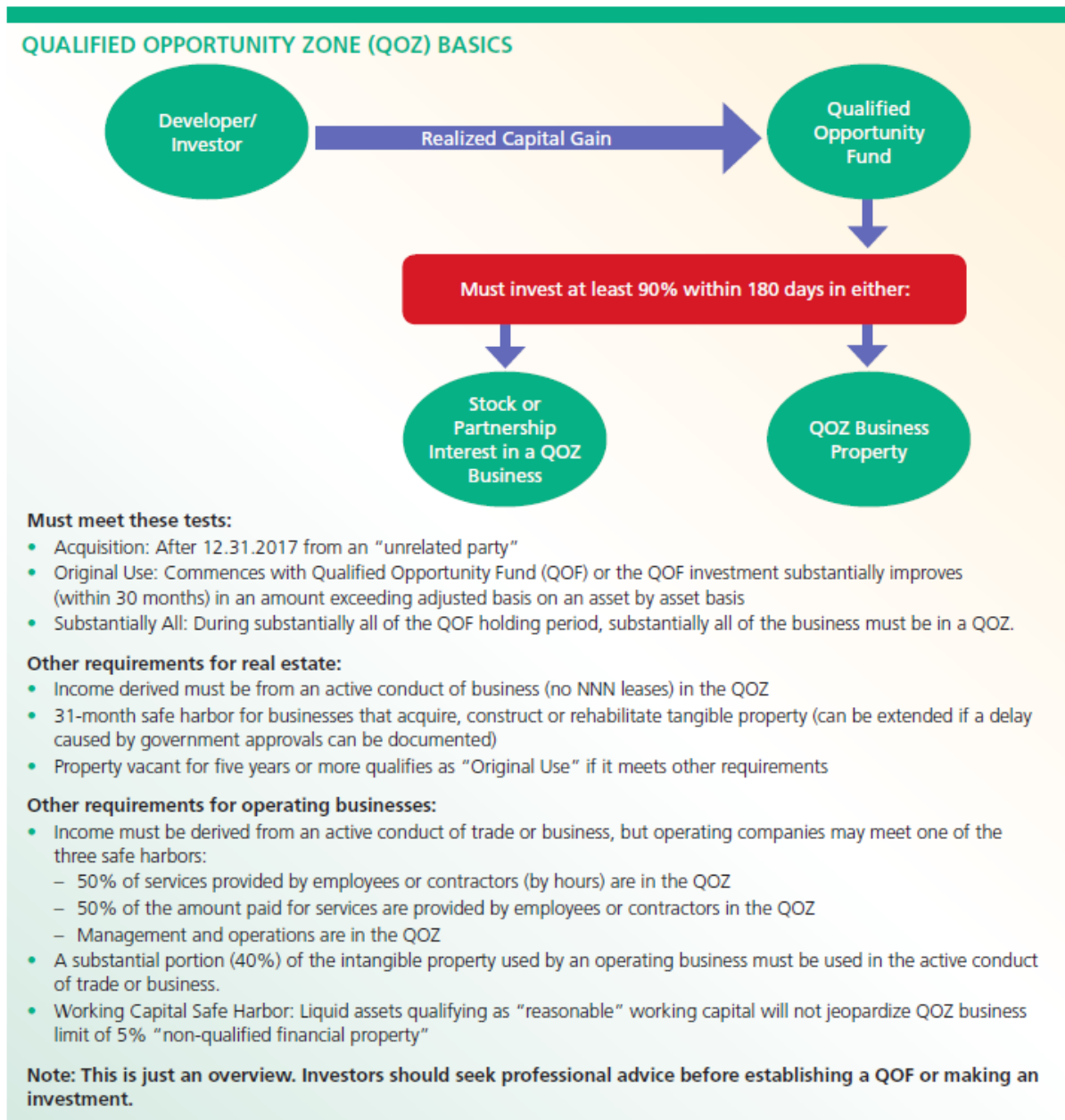
The majority of on-going or completed projects, as well as future projects, identified by survey respondents are real estate development; 50% of on-going or completed projects were characterized as real estate development, while 52% of future projects were characterized as real estate development. Active business projects categorizes the second largest proportion of both on-going or completed projects and future projects. Finally, while 0% of on-going or completed projects were categorized as affordable or market rate housing, respondents characterized 12% of future projects as affordable or market rate housing.

3. Do economic development professionals view the tax deferrals related to opportunity zones as potentially transformational to communities?

When asked whether these projects would have begun without the tax incentives associated with investments from qualified opportunity zones funds, 38% stated that they would have occurred regardless of the tax incentives. For some respondents, the renovations and projects needed to occur regardless of the incentives. In contrast, 13% of respondents stated that the projects would not have occurred without investments from qualified opportunity zones fund.

Finally, while 47% of respondents thought that opportunity zones would have a positive impact on their community, only 40% of respondents were “Very excited” or “Satisfied” with what this potential impact may be.

Appendix 1



SOURCE: Nichols, T. (2019). “Opportunity Zones.” *Economic Development Journal* 18(3) , 28–37.

Appendix 2 – Distribution of Opportunity Zones Throughout the United States

State	Number of Zones
Alabama	158
Alaska	25
American Samoa	16
Arizona	168
Arkansas	85
California	879
Colorado	126
Connecticut	72
Delaware	25
District of Columbia	25
Florida	427
Georgia	260
Guam	25
Hawaii	25
Idaho	28
Illinois	327
Indiana	156
Iowa	62
Kansas	74
Kentucky	144
Louisiana	150
Maine	32
Maryland	149
Massachusetts	138
Michigan	288
Minnesota	128
Mississippi	100
Missouri	161
Montana	25
Nebraska	44
Nevada	61
New Hampshire	27
New Jersey	169
New Mexico	63
New York	514
North Carolina	252
North Dakota	25
Northern Mariana Islands	20
Ohio	320

Oklahoma	117
Oregon	86
Pennsylvania	300
Puerto Rico	861
Rhode Island	25
South Carolina	135
South Dakota	25
Tennessee	176
Texas	628
Utah	46
Vermont	25
Virgin Islands	14
Virginia	212
Washington	139
West Virginia	55
Wisconsin	120
Wyoming	25

APPENDIX 3 - Distribution of Opportunity Zones Throughout Pennsylvania

County	Number of Opportunity Zones	Percentage of PA
Allegheny	68	23%
Beaver	4	1%
Berks	6	2%
Blair	5	2%
Bradford	1	0%
Bucks	2	1%
Butler	1	0%
Cambria	5	2%
Cameron	1	0%
Centre	4	1%
Chester	4	1%
Clarion	2	1%
Clearfield	6	2%
Clinton	3	1%
Columbia	2	1%
Cumberland	1	0%
Dauphin	6	2%
Delaware	6	2%
Erie	8	3%
Fayette	2	1%
Green	1	0%
Indiana	3	1%
Jefferson	2	1%
Lackawanna	8	3%
Lancaster	6	2%
Lawrence	4	1%
Lebanon	2	1%
Lehigh	6	2%
Luzerne	6	2%
Lycoming	3	1%
McKean	2	1%
Mercer	2	1%
Monroe	1	0%
Montgomery	4	1%
Montour	1	0%
Northampton	8	3%
Northumberland	2	1%
Philadelphia	82	27%
Schuylkill	3	1%
Somerset	1	0%
Venango	3	1%
Warren	2	1%
Washington	2	1%
Westmoreland	4	1%
York	5	2%

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