Opportunity Zones and Registered Apprenticeship

Factsheet

About Opportunity Zones

The 2017 federal tax legislation, the Tax Cuts and Jobs Act, included a provision for what it calls “Opportunity Zones.” This new section of the tax code provides a series of tax incentives to private investors who utilize recently recognized capital gains to finance projects located in certain economically distressed census tracts.

Of the 8,700 census tracts designated as Opportunity Zones across the United States and its territories, more than 95 percent are deemed low-income and 5 percent moderate-income. On average, opportunity zones have a poverty rate of 31 percent and a median household income equal to 59 percent of area median income. Cities with large Black populations have a high percentage of their state’s Opportunity Zones. For example, Detroit, with 6.7 percent of Michigan’s population, has 24 percent of the state’s 288 zones, and Baltimore, with 10 percent of Maryland’s population, has 28 percent of Maryland’s 149 zones.

Opportunity Zones seek to attract private capital to disinvested communities, with a deliberate focus on economic growth. To qualify for the tax incentives, investments are statutorily required to support: a) the expansion of new or existing businesses; b) new construction or substantial rehabbing of commercial, residential, or mixed-use real estate projects; or c) infrastructure projects. The resulting increase in economic activity is intended to create jobs, opening the door for partnerships between Opportunity Zones projects and community programs such as Registered Apprenticeship.

Key Metrics

Registered Apprenticeships in Opportunity Zones:

Apprentice Demographics:

47% of all new Registered Apprentices in 2021

- Completers made $3.21 less per hour than the average completer
- Apprentices completed 7.8% less than the national average*

* Completion rate includes only apprentices who had the opportunity to complete or reported a start date that preceded the program length added to the last active date in March 2022

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While a significant amount of capital is flowing into Opportunity Zones, the investors and project sponsors (meaning the businesses and real estate developers who are receiving investment) are not required to establish or meet community outcomes, such as numbers of jobs created or affordable housing units developed, as is the case with the New Market Tax Credit (NMTC) and other federal tax credit programs. As a result, there are no mandates for Opportunity Zones projects to partner with Registered Apprenticeship programs or any other local programs focused on community outcomes. In many cases, investors and project sponsors are unaware of these programs, even though they might be interested in partnering.

Strategies and Best Practices

Despite the limitations, ample opportunities remain for Registered Apprenticeship programs to partner with Opportunity Zones projects. Here are several models and examples.

Partner with Investors

The most direct and immediate way for Registered Apprenticeship to work with Opportunity Zones is to partner with one or more of the more than 1,000 registered Opportunity Zone investors, known as Qualified Opportunity Funds (QOFs), across the country.

QOFs can be led by individual investors, banks, investment firms, insurance companies, or any other type of entity that earns capital gains through the sale of stock, property, or a business. Many QOFs have positioned themselves in the marketplace as impact investors, meaning their investment philosophy focuses on achieving community outcomes and, in many cases, diversity, equity, and inclusion goals, in addition to (and, in some cases, in lieu of higher) financial returns.

Examples of QOFs

Boston-based Arctaris Impact Investors invests in growth-oriented operating businesses located in underserved communities, with a focus on supporting businesses owned and led by Black entrepreneurs who are expanding and creating jobs in the community.

SoLa Impact, based in Los Angeles, has a double-bottom-line strategy (one that marries financial profit to social responsibility) that focuses on preserving, refreshing, and creating high-quality affordable housing in low-income communities.

Maine-based CEI-Boulos Capital Management invests in commercial real estate projects that focus on social and environmental outcomes.

Virginia-based Norfolk Solar invests in solar outfitting of buildings, partnering with local solar installers to provide on-the-job training for community residents.

QOFs are generally not familiar with Registered Apprenticeship and how RA programs can help investors achieve community and social impact goals. RA programs that are interested in expanding their reach could consider seeking out QOFs active in their community, learning about their impact goals, and exploring a partnership.

Promote Community Impact Assessment Tools

Several organizations have created tools that measure the potential impact of Opportunity Zones projects across a range of indicators, such as jobs, housing, transportation, and health. One high-profile tool is the Urban Institute's Opportunity Zone Community Impact Assessment Tool. It creates a report card that assigns numeric scores to projects across various impact areas, as well as an overall score. RA programs might try encouraging project sponsors located in opportunity zones to score their projects using this tool.

Of the more than 600 Opportunity Zone projects that have taken this assessment, 32 responded to the tool's "accessible, high-quality jobs" impact area by stating that they offer apprenticeship or on-the-job training opportunities. Of those, about one-third specified that these were construction apprenticeships or training opportunities, a percentage that aligns with the prevalence of Opportunity Zone investments for real estate development.

Leverage State and Local Legislation and Priorities

A number of states have enacted their own Opportunity Zones laws over the past few years that provide more incentives or mandates for community impact.

In Maryland, for example, Opportunity Zone projects can access enhanced state tax credits if they institute a community benefits agreement (CBA). Project labor agreements with Registered Apprenticeship are a common form of CBA that could be used for accessing the enhanced tax credits in Maryland.

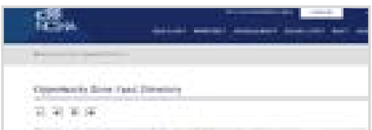
In Washington, DC, QOFs must complete the Urban Institute's scorecard or one comparable to it and earn a minimum community impact score before moving forward with an investment. This creates an added incentive for QOFs operating in the district to partner with RA and other community programs, and today Washington is the top jurisdiction nationally for apprenticeship programs affiliated with Opportunity Zones, according to data from the Urban Institute tool.

RA programs should review their state's Opportunity Zone legislation to see if it includes enhanced incentives for project partnerships. Those in states lacking current incentives might want to work with their state legislature to adopt similar types of laws.

Key Resources

Various industry groups and associations maintain QOF directories. In some cases, they offer paid subscription services to provide access to investors and other stakeholders:

[Novogradac](#)



[National Council of State Housing Agencies](#)

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