PRESIDENT DONALD J. TRUMP IS ADDRESSING GEOGRAPHIC INEQUALITY BY PROMOTING INVESTMENT IN OPPORTUNITY ZONES

"Our actions will directly improve the lives of countless low-income Americans." – President Donald J. Trump

TARGETING GEOGRAPHIC INEQUALITY: Trends towards geographic equality have stalled and disparities between nearby communities can be large.

- For most of the 20th century, the gap between high- and low-income areas narrowed, but this trend of catchup slowed in the 1980s and 1990s and completely stalled by the 2000s.
- More recently, the recovery that followed the Great Recession has bypassed many areas.
- The national unemployment rate stands at 3.8 percent, but even areas in close proximity can have widely different rates.
- For example: Salinas vs. San Jose, California, are 60 miles apart, but have significantly different economic conditions:
  - The unemployment rate in Salinas is 3.7 times higher (10.4 percent vs. 2.8 percent).
  - The drug overdose death rate is 1.4 times higher in the county surrounding Salinas (Monterey) than the county surrounding San Jose (Santa Clara).
- In the Eastern United States, Vineland, NJ, and Dover, DE – only 85 miles apart – provide good examples:
  - The unemployment rate in Vineland is 2.1 times higher (7.5 percent vs. 3.6 percent).
  - The overdose death rate is 1.5 times higher in the county surrounding Vineland (Cumberland) than in the county surrounding Dover (Kent).

PROBLEMS DISTRESSED COMMUNITIES FACE: Economic decline leads to further decreased investment in distressed communities.

- A community experiences economic decline and people are unable or unwilling to move to places with higher wages.
- Declining tax revenues and public investment further weaken the community's ability to attract new investment.
- No one invests because no one else is investing, so the community stagnates.

WEAKNESSES OF PAST FEDERAL PROGRAMS: Past Federal programs have faced a number of problems that limited their ability to effectively help distressed communities.

- Past Federal programs targeting distressed communities have been too difficult to navigate.
- The incentives for these programs have been too weak:
  - For example, a maximum $3,000 tax credit for hiring someone from an Empowerment Zone, which may not be worth the administrative cost required to earn the credit.
- Restrictions in the scope of these programs have been limiting, as well.
  - For instance, restrictions of the size of investments.

SIGNS OF SUCCESS: There are already signs that Opportunity Zones are seeing increased investment, higher wages, and rising property values.

- The National Council of State Housing Agencies has a directory of more than 100 Opportunity Zone funds that are reporting encouraging figures.
  - The average fund has a target size of $225 million.
  - The funds report interest in diverse areas: residential and commercial real estate, business development, and infrastructure.

- There are signs that increased investment is happening in Opportunity Zones.
    - Growth in acquisitions of developable sites in Opportunity Zones surged in 2018 compared to the rest of the United States excluding these Zones.
    - Property sale prices in Opportunity Zones have appreciated at a rate of more than 20 percent according to Zillow, double the appreciation rate for eligible but not selected areas.
    - In Franklin County, Massachusetts, which has suffered from a loss of manufacturing, the median sale price of residential properties in Opportunity Zones increased by 13 percent from Q1 to Q2 of 2018, when nomination of Zones was publically known. The median value outside of Zones was largely unchanged.
- Rising property values are providing a direct wealth boost to the nearly 50 percent of Opportunity Zone residents who own the roof over their head.
- In Q2 and Q3 of 2018, counties with a large presence of Opportunity Zones had annualized wage growth of 8 percent. By comparison, wages were flat in counties where few people live in a Zone.