Testimony Before The Subcommittee on Environment and Climate Change of the Committee on Energy and Commerce

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"THE CLEAN FUTURE ACT AND ENVIRONMENTAL JUSTICE: PROTECTING FRONTLINE COMMUNITIES"

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Introduction

Chairman Tonko, Ranking Member McKinley, and members of the committee: it is a pleasure to be with you again today. This will be my third time testifying before Congress and my second time testifying on the House side for you so thank you for having me. I am the Co-founder and President of the Opportunity Funds Association (OFA), a trade association whose members are entrepreneurs, investors, developers and fund managers operating in Opportunity Zones. Through our members we connect capital to overlooked areas including Frontline Communities, improving lives, creating opportunities, and ensuring long-term economic growth.

Prior to co-funding OFA I served as the Majority Staff Director for the Senate Finance Subcommittee on Energy Natural Resources and Infrastructure and as Tax Counsel to Senator Tim Scott (R-S.C.) where I helped champion the Investing in Opportunity Act, legislation authored by Senators Tim Scott (R-SC) and Cory Booker (D-NJ) and Representatives Pat Tiberi (R-OH) and Ron Kind (D-WI). This legislation, which enjoyed broad bipartisan support, was the basis for the Opportunity Zones provision in the Tax Cuts and Jobs Act (TCJA) of 2017. The Opportunity Zones initiative is the most ambitious federal attempt to boost private investment in low-income areas in a generation. Research from the accounting firm Novogradac shows that over $15 billion has been raised for investment so far with over 3 billion of that being raised in the mists of a pandemic. An August report from the Council of Economic Advisors estimates that Opportunity Zones will lift 1 million Americans from poverty and reduce poverty in designated zones by 11 percent.

294 Opportunity Zones contain Native American lands, many of which face unique environmental challenges. We must be careful not to exacerbate these challenges through uneven distribution of the costs of fighting climate change. For example, new taxes on fuel could certainly have a larger impact on rural Alaskan’s electricity and heating costs compared to the Lower 48. Another example is found in air travel, prices of which could be impacted by new oil/fuel taxes. Air travel for passengers and freight is essential to many Alaska Native communities and price increases could have a disproportionate impact on these communities.

We should remain mindful that in addition to capital investment, residents of distressed communities benefit from cleaner energy, they benefit from affordable energy, and they benefit from secure energy. Bipartisan solutions can serve vulnerable Americans in all these areas without creating disparate impacts. I look forward to seeing what the Committee develops and helping in any way I can.

Opportunity Zone Activity

Two weeks ago in Panama City Florida, The St. Joe Company broke ground on a waterfront hotel and standalone restaurant on Panama City Marina. The parcel is city-owned and will be leased to St. Joe, providing immediate revenue to residents. The terms provide for an increase in lease payments as the hotel's revenues grow over time.. The project will create 150 direct jobs for current residents and rebuild a portion of Panama City that was completely destroyed during Hurricane Michael.

In San Bernardino California, RevOZ a leading real estate investment firm specializing in Opportunity Zones, will cut the ribbon on an 11,325 square-foot office project. The facility will house San Bernardino County's Children's Department of Behavioral Health (DBH), providing mental wellness care to some of the most vulnerable and underserved members of the community. The facility's location allows for synergy between the County's collective community resources, such as the San Bernardino County Office, San Bernardino Department of Health, San Bernardino County Public Defender, San Bernardino County Juvenile Court and local schools.

We also see operating businesses taking root in opportunity zones in critical industries such as clean energy. There are 475 solar energy installations producing more than 1MW of activity in Opportunity Zones, as well as 127 wind farms and 15 battery plants of at least the same capacity.

Opportunity Zones Overlap Frontline Communities.

Research from the bipartisan Economic Innovation Group provides key information on designated Opportunity zones:

● Demographics: 31.5 million people call Opportunity Zones home (35 million including Puerto Rico and the territories). The majority of Opportunity Zones residents, 57 percent, are non-white minorities, compared to 39 percent of the country as a whole. Black Americans are particularly over-represented in Opportunity Zones, constituting nearly twice as large a share of the zone population as they do the national population.

● Poverty: In total, 7.9 million Americans residing in Opportunity Zones live in poverty. Opportunity Zones have an average poverty rate of 27.7 percent compared with the national poverty rate of 14.1 percent. Poverty rates rose in 53 percent of zones between the 2006-10 and 2014-18 periods.

Even though Opportunity Zones only cover one-quarter of the country's low income census tracts, they cover 38 percent of all U.S. census tracts that have been persistently poor (with a poverty rate of at least 20 percent) since at least 1980. They cover 49 percent—essentially half—of the country's pockets of concentrated persistent poverty, meaning census tracts in which at least 40 percent of the population has lived in poverty since at least 1980

● Median Family Income: The median family income (MFI) in the average Opportunity Zone is $47,316, compared to $73,965 nationally; the value in the median tract is $45,547. Fully three-fifths of zones have an MFI below $50,000.

● Food Access: The U.S. Department of Agriculture provides data on "food deserts", which are defined as low income census tracts without a full service grocery store within a 1 mile radius in urban areas or within a 10 mile radius in rural areas. While Opportunity Zones represent around 11 percent of all census tracts, they account for 24 percent of the nation's food deserts. In total, 2,225 Opportunity Zones, or 28 percent of all zones, qualify as food deserts.

● Brownfields: Opportunity Zones, which represent only 10.7 percent of all U.S. census tracts, contain nearly one-third (32 percent) of the country's brownfield sites, which are properties that have been contaminated by prior (often industrial) use and typically stand vacant for years or decades.11 All together the country's 8,766 Opportunity Zones contain over 14,700 known brownfield sites.

What Congress Should Do

The most important step Congress can take to optimize sustainable growth in Opportunity Zones is to pass a bill adding reporting and transparency requirements to the policy. Senator Tim Scott along with Senators Sinema, and Grassley introduced a bill to this end last Congress. The bill would enable Treasury to collect key information on the location of Opportunity Zone investments, the types of businesses and projects attracting investment, and the number of jobs created. This information will enable Congress to adjust the policy to further incentivize investment in areas remaining underserved, and will be demonstrate the viability of the policy as a community development tool.

As a part of an effort to target, streamline, and coordinate Federal resources to be used in Opportunity Zones, EPA awarded 155 grants for communities and tribes totaling over $65.6 million in EPA Brownfields funding the agency's Assessment, Revolving Loan Fund, and Cleanup Grant Programs. These funds will aid under-served and economically disadvantaged communities, including neighborhoods located in Opportunity Zones, in assessing and cleaning up abandoned industrial and commercial properties. Of the 151 total communities selected, 118 of these communities can potentially assess or clean up brownfield sites in census tracts designated in these zones. Congress should codify coordination across federal agencies to optimize Opportunity Zones and support community development.

Congress should also consider extending this great policy. Investment in Opportunity Zones was first undermined by untimely regulations, and further hindered by the global pandemic. Extending the policy to account for the time and momentum lost would go far in bringing capital into distressed communities for benefit of existing residents.