Opportunity Zones and Race

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Early Insights from OZ Implementation

• Distribution of OZ investment capital is focused on 16% of designated tracts.

• Tracts with investments have increasing population, educational attainment, income, and home values and decreasing elderly and nonwhite residents.

• How can we secure community benefit for those most in need through this policy?

• Question of race - not just composition of OZ communities, but composition of beneficiaries of capital gains preferences.
Tax Expenditures by Race and Ethnicity (2023)

Average per Family
- White: $1,086
- Hispanic: $131
- Black: $124
- Other: $370

Data Source: U.S. Treasury Working Paper 122 (January 2023)
Tracts

- Total: **73,874 (12%B, 39%NW)**
- OZ Eligible: 42,164
  - OZ Designated: 8,762
  - OZ Not Designated: 33,402
- Residential Security Graded: 11,399
Tracts

- Total: **73,874 (12%B, 39%NW)**
- OZ Eligible: **42,164 (17%B, 49% NW)**
  - OZ Designated: **8,762 (21%B, 60% NW)**
  - OZ Not Designated: 33,402 (16%B, 46%NW)
- Residential Security Graded: **11,399**
Tracts

- Total: 73,874 (12% B, 39% NW)
- OZ Eligible: 42,164 (17% B, 49% NW)
  - OZ Designated: 8,762 (21% B, 60% NW)
  - OZ Not Designated: 33,402
- Residential Security Graded: 11,399

Chicago

Detroit

Los Angeles

New York
Tracts

- Total: 73,874
- OZ Eligible: 42,164
  - OZ Designated: 8,762
  - OZ Not Designated: 33,402
- Residential Security Graded: 11,399
National Picture

Tracts
- Total: 73,874
- OZ Eligible: 42,164
  - OZ Designated: 8,762
  - OZ Not Designated: 33,402
- Residential Security Graded: 11,399
  - Graded and OZ Eligible: 8,566
  - Graded and OZ Designated: 1,988

Population
- Total: 326,289,971
- OZ Eligible: 175,708,484
  - OZ Designated: 34,799,298
  - OZ Not Designated: 140,909,186
- Residential Security Graded: 41,012,328
  - Graded and OZ Eligible: 30,159,960
  - Graded and OZ Designated: 6,671,097
Graded Places

Tracts
- Total: **19,834**
  - OZ Eligible: **13,613**
    - OZ Designated: **2,874**
    - OZ Not Designated: **10,739**
  - Residential Security Graded: **11,182**
    - Graded and OZ Eligible: **8,465**
    - Graded and OZ Designated: **1,970**

Population
- Total: **77,772,533**
  - OZ Eligible: **51,974,051**
    - OZ Designated: **10,078,246**
    - OZ Not Designated: **41,895,805**
  - Residential Security Graded: **40,071,680**
    - Graded and OZ Eligible: **29,750,218**
    - Graded and OZ Designated: **6,589,380**
## Income

<table>
<thead>
<tr>
<th>Designation</th>
<th>Graded A or B</th>
<th>Graded C or D</th>
<th>Ungraded</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible - Designated OZ</td>
<td>$38,628</td>
<td>$33,850</td>
<td>$37,105</td>
<td>$-3,256</td>
</tr>
<tr>
<td>Eligible - Not Designated</td>
<td>$49,291</td>
<td>$44,736</td>
<td>$47,906</td>
<td>$-3,171</td>
</tr>
<tr>
<td>Ineligible Tract</td>
<td>$103,306</td>
<td>$90,812</td>
<td>$90,116</td>
<td>$695</td>
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</tbody>
</table>

![Income distribution graphs](image-url)
Poverty

<table>
<thead>
<tr>
<th>Designation</th>
<th>Graded A or B</th>
<th>Graded C or D</th>
<th>Ungraded</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible - Designated OZ</td>
<td>27.9%</td>
<td>34.0%</td>
<td>31.2%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Eligible - Not Designated</td>
<td>21.5%</td>
<td>25.4%</td>
<td>21.7%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Ineligible Tract</td>
<td>7.1%</td>
<td>8.6%</td>
<td>7.6%</td>
<td>1.1%</td>
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</tbody>
</table>
## Nonwhite Population

<table>
<thead>
<tr>
<th>Designation</th>
<th>Graded A or B</th>
<th>Graded C or D</th>
<th>Ungraded</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eligible - Designated OZ</td>
<td>65.7%</td>
<td>77.6%</td>
<td>72.1%</td>
<td>5.5%</td>
</tr>
<tr>
<td>Eligible - Not Designated</td>
<td>57.5%</td>
<td>68.1%</td>
<td>63.8%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Ineligible Tract</td>
<td>27.2%</td>
<td>37.4%</td>
<td>36.9%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

The diagrams illustrate the distribution of the non-white population across different designations and grades.
Summary

• Focusing on the intersection between OZ-eligible places that have residential security grades yields a smaller subset of higher-need locations.

• The legacy of redlining remains evident in radicalized neighborhood disparities, even within OZ-eligible places.

• Evidence for heightened disadvantaged based upon less favorable residential security ratings.

• (Re)targeting of OZ capital to historically redlined neighborhoods could simultaneously meet program goals and address the deep legacy of state-sponsored disinvestment through revitalization.
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