

Graphic Detail

Geographic Information Systems (GIS) organize and clarify the patterns of human activities on the Earth's surface and their interaction with each other. GIS data, in the form of maps, can quickly and powerfully convey relationships to policymakers and the public. This department of Cityscape includes maps that convey important housing or community development policy issues or solutions. If you have made such a map and are willing to share it in a future issue of Cityscape, please contact john.c.huggins@hud.gov.

Intersecting Opportunity Zones with Vacant Business Addresses

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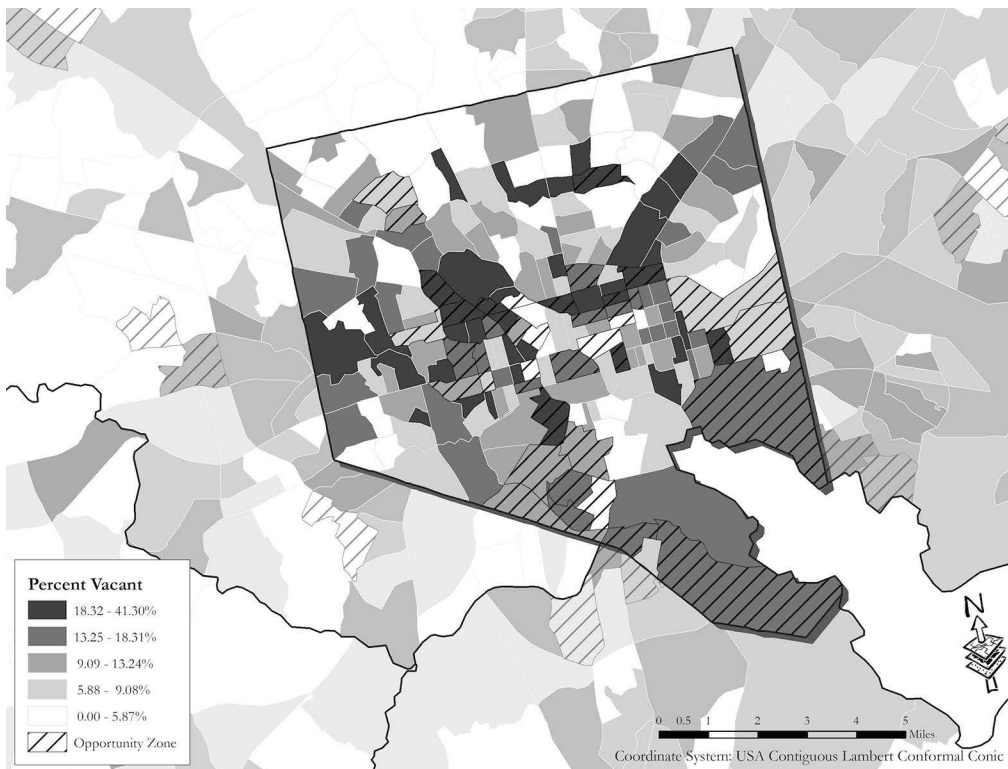
On December 22, 2017, President Donald Trump signed into law the Tax Cuts and Jobs Act of 2017. One provision of this bill was to create Opportunity Zones, low-income census tracts that encourage economic development by providing tax incentives. The states, territories, and Washington, D.C. were in charge of nominating their own Opportunity Zones and then submitting an application to the U.S. Treasury Department for approval. Each jurisdiction was able to nominate up to 25 percent of its low-income census tracts as Opportunity Zones. Once approved, selected census tracts will remain Opportunity Zones for 10 years. Investors are able to use unrealized capital gains as part of an Internal Revenue Service- (IRS) approved Opportunity Fund for businesses within the Opportunity Zones. Tax incentives for investing in Opportunity Zones include a temporary deferral for capital gains invested into the Opportunity Zone, a step-in basis for up to 15 percent of the original capital gains investment to be excluded from taxation, and a permanent exclusion from taxation on gains made after the investment into the Opportunity Zone and if the investment is held for at least 10 years (EIG, 2018). There has been debate about who will benefit from investments into Opportunity Zones (Looney, 2018).

One hundred forty-nine census tracts were approved as Opportunity Zones for Maryland on May 18, 2018. Opportunity Zones are within every county of the state, including 42 within Baltimore City.¹ Baltimore City has long had a problem with residential and commercial vacancy. In the first quarter of 2018, the United States Postal Service (USPS) recorded that 3,740 of 31,458 (11.89

¹ Baltimore City is independent of any county and considered a county-equivalent in Maryland.

Exhibit 1

Baltimore City—Percent Vacant Business Addresses Using Natural Breaks Classification Overlaid with Opportunity Zones.



percent) business addresses within Baltimore City were vacant, 4.62 percentage points greater than the statewide rate of 7.27 percent. Baltimore City has 200 census tracts, 160 of which were considered low income and therefore eligible to be designated as Opportunity Zones.² Low-income census tracts contained 25,036 business addresses, including 3,104 that were vacant, a rate of 12.40 percent. Census tracts designated as Opportunity Zones had 12,312 business addresses, 1,691 of which were vacant for a rate of 13.15 percent. Opportunity Zones in Baltimore City have a business address vacancy rate nearly double the statewide rate. Despite comprising only 21 percent of Baltimore City’s total census tracts, Opportunity Zones cover an area that includes 45.65 percent of the vacant business addresses within the City.

Exhibit 1 shows both the designated Opportunity Zones and the business address vacancy rate in Baltimore City. Designated Opportunity Zones are focused in several portions of the City. These

² The 160 low income community census tracts are the census tracts immediately eligible to be designated as an Opportunity Zone. Census tracts that are adjacent to designated Opportunity Zones and not considered a low income but are within 125 percent of the Median Household Income of the adjacent Opportunity Zone are eligible to be designated as an Opportunity Zone. A maximum of 5 percent of nominated Opportunity Zones may qualify via this method. There are four Opportunity Zones in Maryland designated under this qualification, none of which are within Baltimore City.

areas include industrial regions such as Port Covington near the Inner Harbor district and the ports in the southeast section near Amazon’s recently developed fulfillment center, the downtown core, the inner-west side, and on the east side, and some further-out neighborhoods including Park Heights and around Morgan State University.

One measure to community and economic development is to monitor the business vacancy rate in Opportunity Zones. As Opportunity Funds are created, new businesses should develop within the Opportunity Zones. In addition to new businesses, it is anticipated that other businesses will open that are not part of an Opportunity Fund as revitalization is projected to occur. Another goal is that, as businesses open in Opportunity Zones, workers will be recruited from local communities. Improvement to non-car-oriented infrastructure connecting new businesses in Opportunity Zones and low-income community census tracts not designated as Opportunity Zones may help spread the benefits of job creation, as the working poor are less likely to own a car and as cars remain a high cost barrier to economic betterment (NHTS, 2014).

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References

- Economic Investment Group (EIG). 2018. “The Tax Benefits of Investing in Opportunity Zones.” <http://eig.org/wp-content/uploads/2018/01/Tax-Benefits-of-Investing-in-Opportunity-Zones.pdf>.
- Looney, Adam. 2018. “Will Opportunity Zones help distressed residents or be a tax cut for gentrification?” <https://www.brookings.edu/blog/up-front/2018/02/26/will-opportunity-zones-help-distressed-residents-or-be-a-tax-cut-for-gentrification/>.
- National Household Travel Survey (NHTS). 2014. “FHWA NHTS Brief Mobility Challenges for Households in Poverty.” <https://nhts.ornl.gov/briefs/PovertyBrief.pdf>.

Appendix

Exhibit 2

Business Addresses by Geography for 2018 Q1

Geography	Census Tracts	Business Addresses			
		Total	Active	Vacant	Vacant %
Maryland	1,396*	240,566	223,079	17,487	7.84%
Baltimore City	200	31,458	27,718	3,740	13.49%
Low Income Communities	160	25,036	21,932	3,104	14.15%
Opportunity Zones	42	12,312	10,621	1,691	15.92%

*Per census tracts retrieved from the Census Bureau’s Cartographic Boundary TIGER geographic database