FINANCIAL SERVICES
INNOVATION COALITION

FSIC Presentation to IRS Opportunity Zone Panel on February 14, 2019

Good Morning, my name is Kevin Kimble, I am the Founder of the Financial Service Innovation Coalition. I am pleased to speak in opposition to the current Opportunity Zone Proposal.

We have consulted with academics, community leaders, economic development experts, entrepreneurs and business leaders in underserved areas and almost without exception, they agree that the way the Opportunity Zone program is currently being proposed, there is little possibility that they will benefit the underserved.

Many of the governors have already demonstrated their inability to make good choices when it comes creating the zones… For instance in Oregon, downtown Portland is an Opportunity Zone, even as many critics pan the move as contrary to the spirit of the law. Downtown Portland has high growth and many of the projects seeking Oppty Zone investments were going to be completed anyway. This means rich investors will be able to juice profits with the help of tax payer subsidies.

We have as a nation gone through 30 years of using tax incentives as a way of encouraging economic growth, and while there has been growth, we have seen a loss of wealth for a vast majority of Americans. In Fact, whole states have been left out of the economic growth.

We need only look at the New Markets Tax Credit for a recent example of the failure of tax credits and incentives. In this instance, not only have people of color been left out of the program, but every cycle the banks turn back credits they have no use for. All the while many communities receive no investment.

In our opinion, Opportunity Zones are NMTC on steroids.

We understand that by law, the IRS must create rules for this program. We believe the Program should contain the following requirements to qualify for the credits:

1. Diverse Boards and investment committees – Each fund must include racial, gender and community representation for each place it invests. It must be demonstrated that this board approved of the investment based on its economic benefits to a defined underserved aspect of the community.
2. Diverse Portfolio – each fund must be diversified geographically, population size and investment size. 40% of a portfolio should be made up of investments under $20 million or less, and should be in communities under 250k in population and have PE ratios under 5.
3. Diverse investees – portfolios should have 50% of their investments in projects run by minorities and women.
4. Funds must dedicate a portion of the funds to local initiatives that are dedicated to providing home ownership/affordable housing to native residents.
5. 20% of Apartments or condos should be dedicated to rent controlled housing.

While we know the wealthy investors and their advisors will work diligently to avoid these requirements, we must set some rules to push for a more equitable distribution of investments in pursuit of the best interests of the country.

Our position is that if the investors do not want to do whats in the best interest of the country, they should not be subsidized by the citizens. It makes no sense to borrow trillions from foreign countries to subsidize uneeded projects for rich people.