# KIDS FORWARD

Every Kid. Every Family. Every Community.

DATE: January 29, 2020

TO: Senate Committee on Agriculture, Revenue and Financial Institutions
FR: Jon Peacock, Project Director, Wisconsin Budget Project

608.284.0580 ext. 307

jpeacock@kidsforward.net

RE: Opposition to Senate Bill 440

Chairperson Marklein and Committee:

Thank you for this opportunity to testify on Senate Bill 440 relating to state tax breaks for investments in Opportunity Zones and to explain why Kids Forward thinks it would be a mistake to increase the already very generous tax breaks for Opportunity Zones.

Kids Forward is the only multi-children's issues advocacy organization in the state. We provide research and policy recommendations on state budget issues, as well as health care, juvenile justice, early care and education, and a variety of other issues that affect Wisconsin children and families.

I'm the director of the Wisconsin Budget Project, which is an initiative of Kids Forward. I also happen to live in an Opportunity Zone on the near-east side of Madison. Although that's not why I'm here, my interest in this area of tax policy and this particular piece of legislation increased when I learned that many thriving areas of Madison, like my neighborhood, are designated as Opportunity Zones.

We appreciate the motives of legislators at both the federal and state level who thought that Opportunity Zones would be a way to use tax policy to incentivize positive economic development in low-income communities. But although investments in Opportunity Zones could theoretically help low-income parts of the state, including some communities of color, early indications are that the law is unlikely to have that effect, and it could contribute to gentrification, as well as further concentration of wealth.

Two years ago, Wisconsin passed legislation that approved the current state tax break for Opportunity Zones, just two months after the federal law passed. That particular portion of the bill that was enacted never got a public hearing, and the bill was never reviewed by the Joint Finance Committee. What we have learned since 2018 raises many questions about the wisdom of incorporating this tax break into state law. Rather than hastily increasing the existing state break, we urge you to closely examine how this tax giveaway is working.

The efficacy of the current tax expenditures in "Opportunity Zones" needs to be carefully evaluated before Wisconsin becomes one of the first states to provide even larger tax breaks to the very wealthy investors who are the primary beneficiaries of this tax policy.

Our concerns about the tax breaks for "Opportunity Zones" are much the same as the concerns raised by conservative think tanks, such as the Badger Institute. In October they published a very critical article about Opportunity Zones titled "*Opportunity Zones stray from the original intent*."

I'd like to summarize and amplify the following concerns raised in that article:

**1) Much of the development benefiting from these tax breaks would happen anyway** – The Badger Institute article cites examples of development in thriving parts of Milwaukee that appear to be financed using tax-sheltered investments from the Opportunity Zone program. Quoting from that article:

> *"...the recently approve Convent Hill South mixed-income apartment complex, a 32-story high rise, will stand within the tract on a prime piece of downtown real estate at 1325 N. Jefferson St. Travaux Inc., the project's developer, says the Opportunity Zone program will be an important funding source.*
>
> *"The tract also includes a swath of the Milwaukee School of Engineering campus, restaurants, taverns and many other businesses. In fact, websites for apartment and condo complexes in the area tout the neighborhood's rich variety of art galleries, restaurants, pubs, and numerous other amenities. Yet the tract still meets the criteria for Opportunity Zone financing."*

Those sorts of concerns are also very obvious in Madison. Like many of you, I generally come into downtown Madison on East Washington Avenue, and drive past an array of high-rises and new businesses in one of the hottest areas for development in Madison. Most of that rapidly developing area on the north side of East Washington is in an Opportunity Zone, and it's not the kind of area where wealthy investors should be able to get substantial tax breaks for building new condominiums and apartment buildings.

Much the same can be said for a number of other Opportunity Zones in Madison, such as a census tract on the south side near Highway 18, which includes Exact Sciences. As you may know, Exact Sciences is a genomics company and a great Madison success story that has enjoyed explosive growth. With a market capitalization of $13 billion, I don't think state and federal policymakers should be giving them access to the Opportunity Zone tax breaks.

**2) The criteria for designating Opportunity Zones are "too broad"** – That's the Badger Institute's critique, and I agree with their characterization, as far as it goes, but it understates the problem. As the Wisconsin Budget Project studied the selection process, we identified numerous problems with how Opportunity Zones are defined, including the following:

- Areas can qualify as Opportunity Zones on the basis that they have lower median family income than the surrounding metropolitan area, even if the Opportunity Zone has a median income well above the state average.
- The income and poverty metrics do not exclude students. As a result, thriving areas in cities with universities appear poorer than they are and qualify as Opportunity Zones. (Several such zones appear to have been designated in some of Wisconsin's smaller university communities.)
- The metrics for qualifying were based on 2 to 3-year old census data, which permitted areas that were just starting to take off, like the East Washington corridor, to be included. And once an area like that is designated as an Opportunity Zone, it remains so, as long as the current legislation is in effect.

**3) The process for allocating these credits excludes community input and is likely to lead to gentrification** – The selection of opportunity zones, though very flawed, is not the biggest problem. The even bigger problem is that within an Opportunity Zone, developers will generally invest in the areas that are already doing very well, and the choices they make may hurt rather than help the local residents. The choices about the types of development going into Opportunity Zones are primarily driven by the very wealthy investors who are seeking to maximize the after-tax return on the capital gains that they are reinvesting, and those choices are made with little or no input from the communities that are affected. As a result, people of color and low-income residents of Opportunity Zones are likely to once again find it necessary to move from their homes because of gentrification.

**4) The law is primarily benefiting the very rich** – A number of national critiques of the early implementation of the law have pointed out how it is almost exclusively benefiting extremely wealthy Americans. That isn't just a point being made by liberal publications and think tanks. For example, the Badger Institute's article quotes Stan Veuger, an economist for the American Enterprise Institute, who said:

> *"You can look at the criteria and tell that a lot of people will benefit from the program that don't need federal support. If you're going to try to present it as a poverty-prevention program, rich people shouldn't be the beneficiaries."*

To illustrate that point, let's look at the criteria for being able to invest in the Badger State Opportunity Fund, which was spearheaded by the City of Racine. Although that fund has a lower income standard for investing than many others, the minimum income requirement is $200,000 for individuals and $300,000 for couples. According to a press release about the fund, roughly 90,000 Wisconsin households meet those requirements. In other words, only about 3% of Wisconsin tax filers might be allowed to participate, and as a practical reality, the top 1% will reap the vast majority of the Opportunity Zone tax breaks.

For all of those reasons and more, we think it is premature to pass a bill that increases Opportunity Zone tax breaks in Wisconsin. The preliminary evidence in our state and elsewhere suggests that the current tax incentives are not well targeted, may cause gentrification, and are primarily benefiting the very wealthy.

Rather than passing a bill that increases the already generous tax breaks for Opportunity Zones, we suggest the following:

- First, put a sunset date on the existing state tax breaks for Opportunity Zones and create a process for evaluating them before the sunset date is extended.
- Second, give people residing within Opportunity Zones a meaningful opportunity to participate in the process for approving the developments that are financed with the assistance of these tax breaks.

In closing, I want to acknowledge that the bill has a relatively small fiscal note. In the past, we generally have not taken a position on tax policy bills that appear not to have much effect on the state treasury. We're making an exception in this case for two reasons.

First, there's a good chance that the federal legislation will be changed in ways that lengthen the opportunities to invest in Opportunity Zones and significantly increase the loss of tax revenue. I suspect the state would adopt the new federal timelines.

Second, we have a "truth in advertising" concern that brings me back to the statement made by Stan Veuger for the American Enterprise Institute. As he said, "*if you're going to try to present it as a poverty-prevention program, rich people shouldn't be the beneficiaries*."

Kids Forward seeks to advance policies that improve economic opportunity in disadvantaged communities in our state – especially communities of color and communities comprised of people furthest from opportunity. With that in mind, it is very important for us that programs that lawmakers tout as ways to help disadvantaged communities are actually designed and implemented in a way that achieves that goal.

Regardless of the size of the fiscal estimate on SB 440, we cannot stand idly by as Opportunity Zone tax breaks are claimed to be a program that lifts up distressed communities in the state, when the early evidence suggests that it is a program that is primarily benefiting the very wealthy and may have negative effects, such as gentrification, for the people living in Opportunity Zones.

Thanks again for holding a hearing on this important issue.

# NANCY VANDERMEER

STATE REPRESENTATIVE • 70TH ASSEMBLY DISTRICT


TO: Honorable Members of the Senate Committee on Agriculture, Revenue and Financial Institutions

FROM: State Representative Nancy VanderMeer

DATE: January 29, 2020

SUBJECT: Testimony in Support of Senate Bill 440/Assembly Bill 532

Thank you Chairman Marklein and members of the Senate Committee on Agriculture, Revenue and Financial Institutions for holding a hearing on SB 440 today. I want to first state that this is legislation that takes advantage of an already existing federal program, utilizes an existing framework, and incentivizes investment within the state of Wisconsin. Furthermore, under the proposal, this investment will be driven toward some of the most economically challenged and under-developed demographic areas of our state.

The Opportunity Zones community development program was established by Congress with bipartisan support in 2017 to encourage long-term investments in low-income urban and rural communities across the county. The innovative program offers tax incentives to encourage investors to re-invest their unrealized capital gains into Opportunity Zone projects, including residential development and business expansion.

Low-income community census tracts are used to determine eligible Opportunity Zones to ensure the program drives private investment to the nation's most economically challenged communities. Wisconsin has 120 Opportunity Zones, which are in both urban and rural parts of the state. I think that aspect is one of the reasons we have such a wide array of legislative support from both sides of the aisle for this legislation.

The program strives to unlock an estimated $6 trillion in unrealized capital gains in the United States. Individuals who invest in Opportunity Zones – through qualified Opportunity Funds – receive tax incentives including tax deferral on the invested capital gains and tax-free growth on the Opportunity Fund investment earnings if the investment is held for at least 10 years. In addition, investors receive a 10% reduction in the original capital gains tax if the Opportunity Fund investment is held for at least 5 years and a 15% reduction after 7 years. During the last legislative session, Wisconsin incorporated the federal Opportunity Zone tax provisions into state law, which means the deferral and exclusion treatments apply when calculating state income taxes.

SB 440 would double the Opportunity Zone tax exclusion at the state level for investors who invest in Wisconsin Qualified Opportunity Funds – which are required to hold at least 90% of their assets in Wisconsin Opportunity Zone projects. More specifically, investors would receive an additional 10% state capital gains tax reduction if they hold an investment in a Wisconsin Qualified Opportunity Fund for at least five years, and an additional 15% after seven years. As initially mentioned, this legislation will


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encourage Wisconsin investors to keep their investment dollars in Wisconsin, driving much-need private capital to economically challenged areas of the state and accelerating economic growth and job creation across the board.

I'm sure you've noted that Senator Feyen and I have introduced an amendment to the bill. I'd like to point out that the amendment is solely technical in nature and was drafted at the request of the Department of Revenue to better align some dates for tax/tax reporting purposes and also better align the legislation with the federal tax code. The amendment does not alter the policy implications of the proposal.

Again, thank you for the opportunity to be here today and the opportunity for a public hearing on this legislation.

DAN FEYEN
STATE SENATOR

18th Senate District
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PO Box 7882, Madison, WI 53707-7882
http://legis.wisconsin.gov/senate/18/feyen

To: The Senate Committee on Agriculture, Revenue and Financial Institutions
From: Sen. Dan Feyen
Re: Senate Bill 440

Mr. Chair, members of the committee, thank you for holding this hearing today.

This legislation is a Wisconsin-style take on the federal Opportunity Zones program. For those of you not familiar, the Opportunity Zones program is meant to spur the investment of private capital into low income census tracts. I have circulated a copy of a map indicating these census tracts with my testimony today, but I would encourage you all to visit an interactive online map as well as they provide more clarity regarding the locations of the tracts. Most of the committee members here today have tracts that qualify for the program in their district! My district has tracts in Fond du Lac and Oshkosh.

The Opportunity Zones program offers a federal capital gains tax advantage on investments made in low income census tracts. However, it's important to note that the federal program does not incentivize any state or census tract over another. I have authored this bill in order to incentivize investors to put their money in funds supporting development in Opportunity Zones in Wisconsin! Under this bill, a taxpayer may exclude an additional 10% of the deferred gains from an opportunity zone investment made in Wisconsin and held for at least 5 years. They may exclude 15% of the deferred gains if they hold the investment for seven or more years. In short, this bill allows investors to not pay taxes on a portion of the earnings of their investment in order to encourage Wisconsin-specific investments under the federal Opportunity Zone program.

As conservatives, I know we're all concerned about ensuring we're making the best use of the limited resource that is taxpayer dollars. I argue this bill is a wise use of those dollars because:

- It spends no money! This bill simply reduces potential future tax collections and I believe, as we've seen before, that this pro-growth reform will result in more investment being brought in to the state, and therefore more taxes being collected in the long run.
- It is meant to drive private investment, spurring independent economic growth that does not rely on government programs or subsidies
- It has the potential to bring a large amount of capital in to areas in our state that need it most via market-driven development projects

Thank you for your time today. I welcome any questions you may have.

DAN FEYEN
STATE SENATOR

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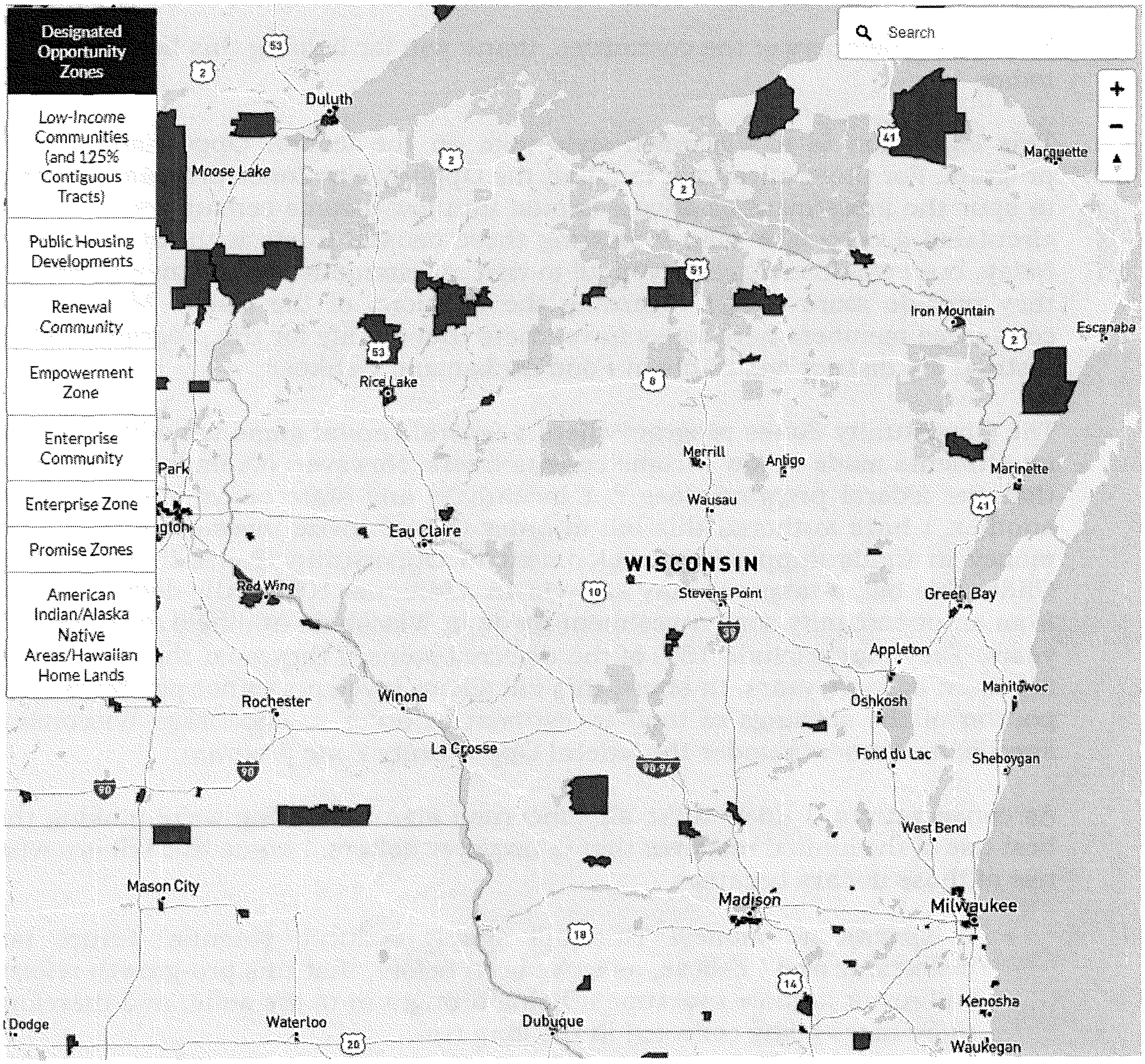
View this map online at https://www.wheda.com/Opportunity-Zones/



WISCONSIN STATE ASSEMBLY

95TH ASSEMBLY DISTRICT

JILL BILLINGS

STATE REPRESENTATIVE

January 29, 2020

Chairman Marklein and Members of the Committee:

Thank you for holding a hearing on Senate Bill 440, which provides an additional incentive for Wisconsin individuals to invest in opportunity zones in our state.

The opportunity zone program was enacted as part of the federal tax reform bill passed in 2017. It serves as a local economic development tool, by spurring job creation and development in economically depressed areas through incentivizing private investment. In 2018, following the passage of the federal tax reform bill, states nominated census tracts to be designated as qualified opportunity zones. These designated areas were generated by local communities, submitted to Governor Walker and approved by the United States Treasury. Today, Wisconsin has 120 opportunity zones throughout the state, both in rural and urban communities. There are opportunity zones in all seven congressional districts and two tribal reservations.

Private investment is vital to economic development in these opportunity zones. Investors can place funds into a Qualified Opportunity Fund (QOF), which is incentivized as the tax on capital gains is deferred while money is in the fund. Further, the longer an investor keeps funds in the QOF the percentage of tax excluded from the deferred gain increases.

Senate Bill 440 expands upon these savings for Wisconsin investors/taxpayers who fund Wisconsin projects. The legislation doubles the state tax incentives if the investments are held in a Wisconsin qualified opportunity fund. This encourages state investors to keep their dollars local, to spur economic development and job creation for Wisconsin communities.

Thank you for your time and consideration of SB 440.

Sincerely,

Jill Billings

Jill Billings
State Representative
95th Assembly District

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TOLL-FREE: (888) 534-0095 ★ E-MAIL: rep.billings@legis.wi.gov ★ WEB: http://billings.assembly.wi.gov

WEDA
Wisconsin Economic Development Association

Testimony on *Senate Bill 440* before the

## Senate Committee on Agriculture, Revenue and Financial Institutions

January 29, 2020

*Wisconsin Economic Development Association*

Good morning Chairman Marklein and members of the committee. My name is Michael Welsh, and I am the legislative affairs director for the Wisconsin Economic Development Association. Thank you for the opportunity to testify today in favor of Senate Bill 440. This important legislation will encourage Wisconsin investors to keep their wealth in Wisconsin and drive much-needed private capital to communities across the state.

WEDA is a statewide association representing over 425 public and private sector economic development professionals. We are dedicated to advancing economic prosperity in Wisconsin and providing our members with the necessary tools to encourage business expansion and promote private investment.

Communities across the state use a variety of approaches and programs to promote local economic growth and prosperity. The more tools a community has at their disposal, the better positioned they are for success.

One exciting new economic development and real estate investment tool is the federal Opportunity Zones incentive created by Congress in 2017 to attract private capital and spur investment and job creation in the country's most economically distressed communities.

Under the program, low-income community census tracts were used to determine eligible Opportunity Zones. Wisconsin has 120 Opportunity Zones, which are in every congressional district, 44 different counties and 60 municipalities across the state.

Unlike many other economic and community development programs, Opportunity Zones do not use taxpayer dollars to spur development and revitalization. Rather, they utilize tax incentives to drive investment to impactful projects in capital starved communities.

In exchange for investing in Opportunity Zone projects through qualified Opportunity Funds, investors are eligible for the following tax benefits:

- Temporary tax deferral – until December 31, 2026 – for capital gains reinvested in an Opportunity Fund.
- Reduction of their tax bill on the deferred capital gains by 10% if the investor holds their Opportunity Fund investment for at least five years. This reduction increases to 15% for investors that hold the investments for at least seven years.

- Exclusion from taxes on any gains realized from the investment in the Opportunity Fund, if the investor holds the investment for at least ten years.

Ultimately, the Opportunity Zones incentive aims to unlock billions of dollars in unrealized capital gains for reinvestment in Opportunity Zone projects, which include commercial and residential real estate development as well as business expansion and creation.

In 2018, Wisconsin incorporated the federal Opportunity Zones tax provisions into state law, which means the deferral and exclusion treatments apply to state income taxes.

Senate Bill 440 would double the Opportunity Zones capital gains tax reduction at the state level for investors who invest in Wisconsin Qualified Opportunity Funds – funds that hold at least 90% of their assets in Wisconsin Opportunity Zones. Under the bill, investors would we eligible for a 20% state capital gains tax reduction if they hold their investment in a Wisconsin Qualified Opportunity Fund for at least five years, and a 30% reduction after seven years.

The legislation will encourage Wisconsin investors to keep their investment dollars in Wisconsin, funneling much-needed capital to communities in both rural and urban parts of the state. It could also play a significant role in driving the development of much-needed workforce housing. As you know, Wisconsin's workforce housing crisis is a major contributing factor to the state's labor shortage, which remains the largest challenge facing Wisconsin employers.

It is also important to point out the legislation has no fiscal impact in the current biennium. The bill would cost the state $1.5 million a year – for a total of $4.5 million – between 2025 and 2027. However, that is a relatively small investment compared to the potential for new investment in development projects that will accelerate economic growth and job creation in Wisconsin.

Given the tremendous opportunity we have to leverage the federal Opportunity Zones incentive to encourage Wisconsin investors to reinvest their wealth in Wisconsin communities, WEDA would encourage you to support SB 440. Thank you for your time and consideration. I would be happy to answer any questions.

WEDA
Wisconsin Economic Development Association

Testimony on *Senate Bill 440* before the

## SENATE COMMITTEE ON AGRICULTURE, REVENUE AND FINANCIAL INSTITUTIONS

January 29, 2020

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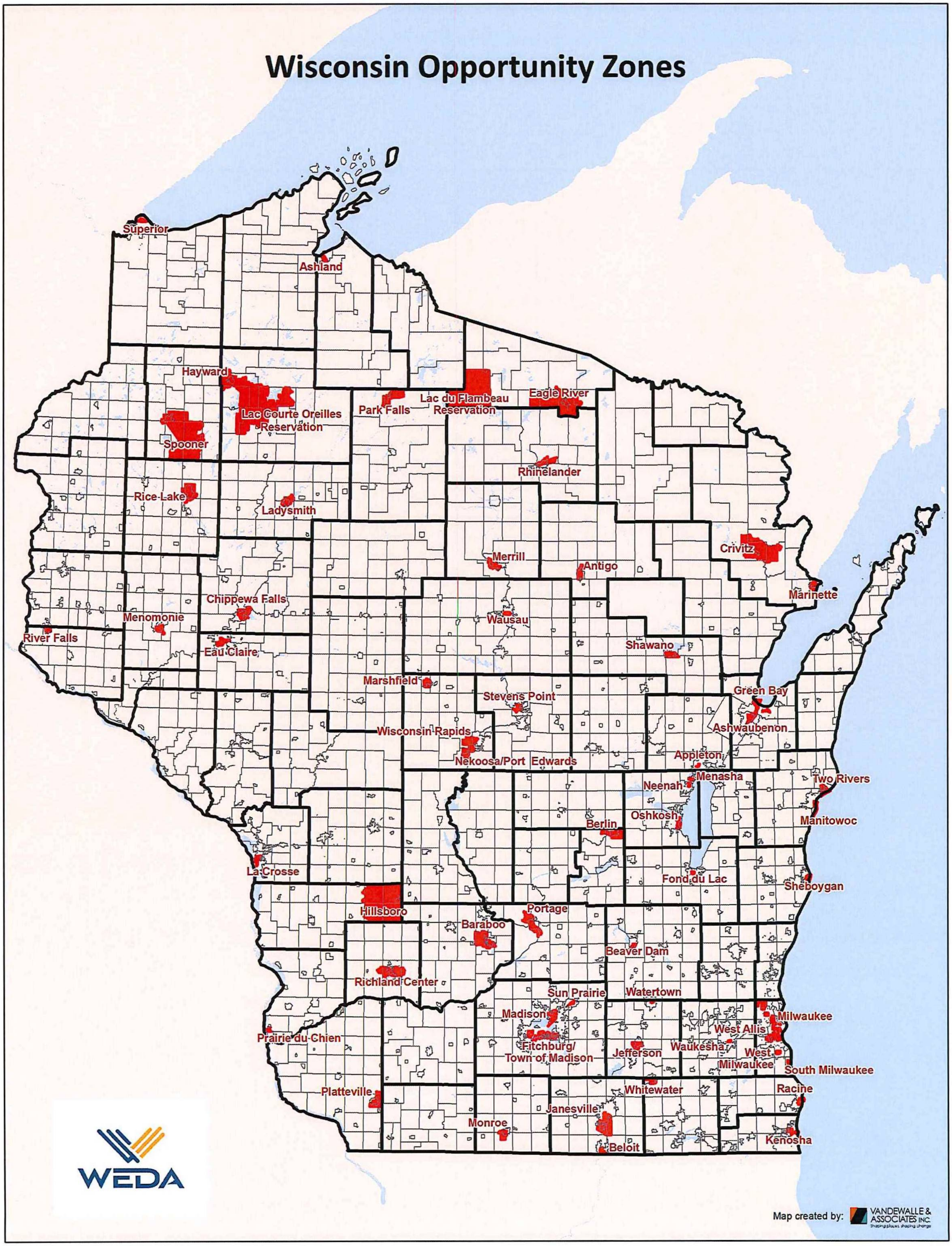

Wisconsin Opportunity Zones
Superior
Ashland
Hayward
Lac Courte Oreilles Reservation
Spooner
Park Falls
Lac du Flambeau Reservation
Eagle River
Rhinelander
Rice Lake
Ladysmith
Merrill
Antigo
Crivitz
Marinette
Chippewa Falls
Menomonie
River Falls
Eau Claire
Wausau
Shawano
Marshfield
Stevens Point
Green Bay
Ashwaubenon
Wisconsin Rapids
Nekoosa/Port Edwards
Appleton
Menasha
Neenah
Two Rivers
Oshkosh
Manitowoc
Berlin
La Crosse
Fond du Lac
Sheboygan
Hillsboro
Portage
Baraboo
Beaver Dam
Richland Center
Sun Prairie
Watertown
Madison
Milwaukee
West Allis
Prairie du Chien
Fitchburg/ Town of Madison
Jefferson
Waukesha
West Milwaukee
South Milwaukee
Whitewater
Racine
Platteville
Janesville
Monroe
Beloit
Kenosha
WEDA
Map created by: VANDEWALLE & ASSOCIATES INC.

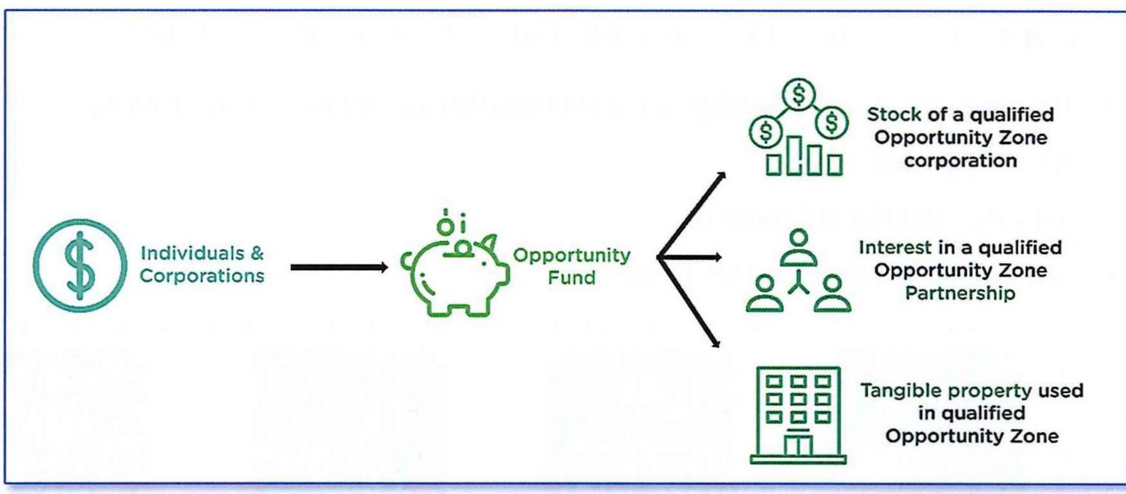
# Opportunity Zones – *How They Work*

Opportunity Zones offer investors three primary incentives for putting their capital to work in low-income communities:

1. **A Temporary Deferral**
   A temporary tax deferral for capital gains reinvested in an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is sold or December 31, 2026.

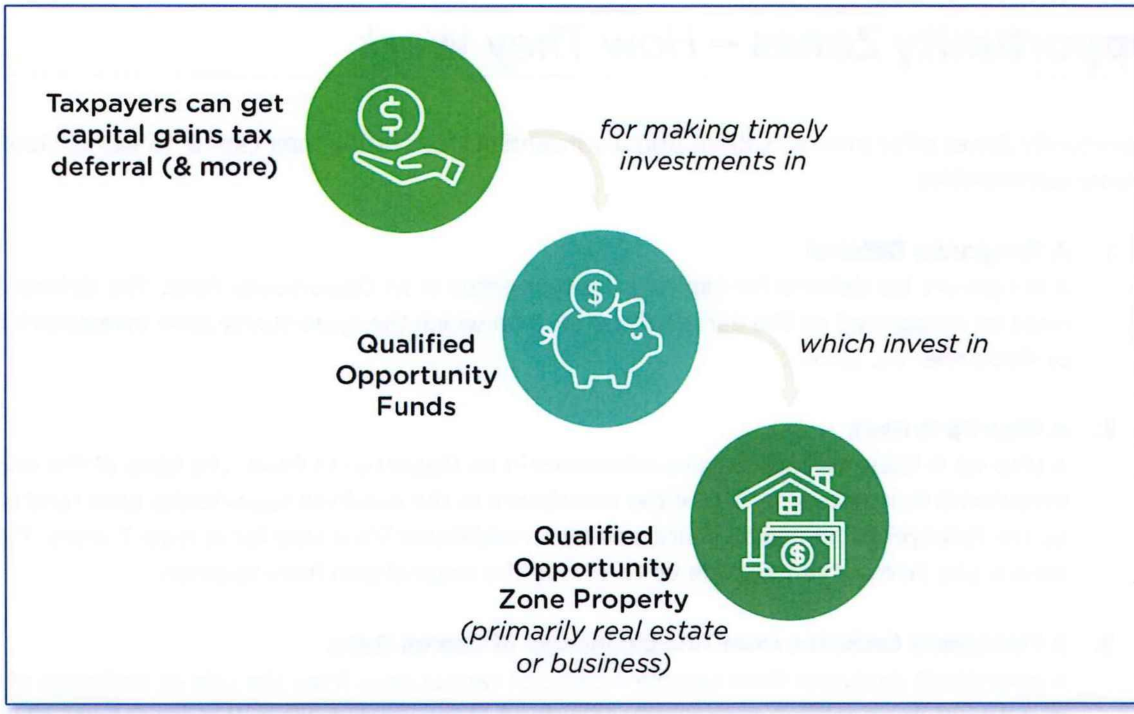
2. **A Step-Up in Basis**
   A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis of the original investment is increased by 10% if the investment in the qualified opportunity zone fund is held by the taxpayer for at least 5 years, and by an additional 5% if held for at least 7 years. This means and investor can exclude up to 15% of the original gain from taxation.

3. **A Permanent Exclusion from Taxable Income of Capital Gains**
   A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in a qualified opportunity zone fund, if the investment is held for at least 10 years. (Note: this exclusion applies to the gains accrued from an investment in an Opportunity Fund, not the original gains).




### Opportunity Funds:

Qualified Opportunity Funds are new private sector investment vehicles that invest at least 90 percent of their capital in qualifying assets in Opportunity Zones. U.S. investors currently hold trillions of dollars in unrealized capital gains in stocks and mutual funds alone—a significant untapped resource for economic development. Funds will enable a broad array of investors to pool their resources in Opportunity Zones, increasing the scale of investments going to underserved areas.




### Investment Types:

Qualified Opportunity Funds can be invested in a variety of investment types, including:

1. Commercial real estate development and renovation, including residential development.
2. News businesses
3. Expansion of existing businesses
4. Large expansion of existing businesses

PORTAGE COUNTY
Business Council

March 14, 2019

Tim Weber, Regional Director
WEDC
201 West Washington Avenue
Madison, WI 53703

RE: Community Development Investment Grant – North Side Yard, Stevens Point, WI

Dear Tim,

Last summer I met with the development and architectural team that was exploring Stevens Point for its redevelopment potential; their specific interest was in the "Lullabye Site," located at 1017 Third Street. The group was on a two-day information gathering mission where they engaged community members and business leaders, including myself. I was pleased to see the project's unanimous approval by the Common Council last month.

Here are some of the key elements of that site:

- North Side Yard offers a variety of housing options which will help recruit and retain talent. We both know that challenge all too well. This fits in with the recent City Point housing study.
- The site has been vacant for a long time and the greater downtown area will benefit from a project that delivers on the community's vision for the site. A vibrant downtown is critical in any community, especially as we look to attract and retain talent.
- Connection to nature is important. The project fosters walkability and bike-ability for easy outdoor access to our great parks and trails. It is a few short blocks to the Wisconsin River.
- The retail concepts, active first floor, and community-oriented common space within the proposal will bring new energy and pride in downtown for community members and businesses alike. It meets or exceeds what younger professionals are looking for in a living space.
- Portage County has been blessed with business expansion of existing businesses and the housing challenge and diversity of the inventory is a challenge we hear about a lot. This will be a step toward meeting that demand.

Our community continually looks for innovative ways to partner and bring the needed housing. Another example, not related to this grant but to our community synergy, is UW-Stevens Point opening up housing in residence halls for Mid-State Technical College students. This, like North Side Yard, is another win-win for our community.

Please accept this expression of my support for WEDC funding for the North Side Yard and thank you for considering Stevens Point for this valuable grant.

Sincerely,

Todd Kuckkahn, Executive Director
Portage County Business Council, Inc.
715-344-1940

Testimony on Senate Bill 440 before the

## SENATE COMMITTEE ON AGRICULTURE, REVENUE AND FINANCIAL INSTITUTIONS

January 29, 2020

Sen. Marklein, Members of the Committee, and fellow guests, good morning and thanks for the opportunity to speak to you about my support for Senate Bill 440. I am Cory Mason, a former member of the Wisconsin Assembly and current Mayor of the City of Racine.

The City of Racine is an amazing community, and has been known for decades as "Invention City." A century ago, it was home to more patents per capita than any other American city. But, as the local economy shifted from manufacturing and joblessness increased, areas of our community have been particularly hard hit.

As an entitlement community, the City receives an annual Community Development Block Grant funding through the U.S. Department of Housing & Urban Development. As you can imagine, CDBG and other public funding sources are never enough to transform communities by themselves. As Mayor, I can tell you that significant economic development in economically distressed areas is only truly possible through public and private sectors investing together. That is really what the concept of Opportunity Zones is all about...providing greater incentives for long-term private investment in economically distressed areas in exchange for deferring and discounting capital gains tax liability.

Three of Wisconsin's 120 Opportunity Zones are located in Racine, and our City has done to hard work to initiate a Qualified Opportunity Fund. The City is aggressively working to attract new economic development. For the first time in decades, Racine has announced several high-quality economic development projects, including housing, hotels, and mixed-use commercial properties, which will generate construction jobs as well as ongoing employment, including for lower-income individuals living in the immediate area. But, each will need Opportunity Funding in order to achieve them.

Creating the state capital gains tax benefits called for in Senate Bill 440 will make investments in Wisconsin Opportunity Zones more competitive and help communities like Racine attract the private investment more rapidly. This targeted tax cut is just the kind of tool Wisconsin municipalities, both large and small, need to close gaps in capital stacks for meaningful projects and accelerate economic growth in economically distressed areas.

On behalf of the City of Racine and my fellow Mayors across other Wisconsin Opportunity Zones communities, I encourage this Committee to support this bill and appreciate your consideration.

# Badger State Opportunity Fund Supports SB 440

### Opportunity Zones Incentivize Private-Sector Investment in Economically Distressed Areas

As part of the U.S. Tax Cuts and Jobs Act of 2017, the federal government enacted on a bipartisan basis the Opportunity Zones initiative—a strategy that reduces federal capital gains tax liability in exchange for long-term private-sector investment in economically distressed areas. Individuals, couples and entities investing through Qualified Opportunity Funds, like Badger State Opportunity Fund, may be eligible to receive federal tax benefits and enhance their fund-related investment returns if capital gains are used as the source of monies invested, including:

- **Deferral** of existing federal gains tax liability payment for up to 7 years on assets sold and proceeds invested in the Opportunity Fund within the past 180 days
- **Reduction** of existing federal capital gains tax liability by up to 15%
- **Elimination** of future federal capital gains tax liability for investments held at least 10 years

### SB 440 Will Incentivize Investment in Wisconsin

Adoption of SB 440 would establish a state capital gains tax incentive to enhance the Opportunity Zones federal capital gains tax incentives. The legislation would reduce state capital gains tax liability for those investors willing to make long-term investments in one or more of Wisconsin's Opportunity Zones. Wisconsin is a great state in which to live, work, and invest. However, its Opportunity Zones are unlikely to produce the level of returns possible in markets along the East and West Coasts. Of the 196 Opportunity Funds listed in the NCSHA Opportunity Zone Fund Directory, only 2 specifically indicate a geographic focus on Wisconsin. Many national Opportunity Funds will not consider projects requiring less than $20-$50 million in equity. Few Wisconsin projects will reach that scale. SB 440 is critically important to attract investment in Wisconsin's Opportunity Zones and compete more effectively.

### SB 440 Puts Wisconsin's Wealth to Work at Home

Without Wisconsin Opportunity Zones legislation to incentivize investment, Wisconsin's wealth may be incentivized to leave the state. As an example, Badger State Opportunity Fund met with a high-net-worth resident of Wisconsin who invested last year over $1 million in capital gains into an Opportunity Fund on the coasts because of the relative attractiveness of the investment options outside the state. How much impact would that single investor's $1 million private investment potentially have made for economically challenged areas of Wisconsin? Enacting SB 440 would incentivize keeping Wisconsin's wealth in Wisconsin and putting it to work here to build our economy.

### Opportunity Zones Will Benefit Every Corner of Wisconsin

Opportunity Zones were designated in every corner of Wisconsin. The 120 Opportunity Zones are geographically distributed across 60 municipalities in 44 counties. Not only were Opportunity Zones designated in Wisconsin's largest urban communities, including Milwaukee, Madison, Green Bay, Kenosha, Racine, Appleton, Sheboygan, Manitowoc, Marinette, Eau Claire, La Crosse, Janesville, Beloit, Oshkosh, Stevens Point, and Superior, they also were designated in the state's more rural communities, such as Prairie du Chien, Nekoosa, St. Germain, Hayward, Antigo, Ashland, Ladysmith, Monroe, Crivitz, Eagle River, and Port Edwards. In fact, 39% of all Opportunity Zones were designated in rural areas, reflecting rural Wisconsin's relative population.

### Badger State Opportunity Fund

Badger State Opportunity Fund is a Qualified Opportunity Fund, as defined by federal law. Inspired by the City of Racine and a coalition of other communities, Badger State Opportunity Fund has a mission of working with, and on behalf of, investors as well as the public and private sectors to aggregate quality projects, deploy capital profitably, and create more inclusive economic opportunity across Wisconsin's urban and rural communities. We are working in collaboration with investors, municipal officials, developers, chambers of commerce, state agencies, and financial institutions to accelerate economic development in areas that have not experienced as much growth.

### The Best...

**"I think the best social program is a job." President Ronald Reagan**

Opportunity Zones and SB 440 will fuel future economic growth in the Badger State; incentivize the private sector to invest; and create jobs in Wisconsin's economically distressed areas, where residents really need them.

### For More Information

For more information about how Opportunity Zones and SB 440 can benefit Wisconsin, please contact:
William Martin, Chief Executive Officer, 414.350.4207, William.Martin@WIDiversified.com

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STEVENS POINT
GATEWAY TO THE PINERIES
1858

March 20, 2019

WEDC
c/o Tim Weber, Portage County Regional Director
201 West Washington Avenue
Madison, WI 53703

RE: Community Development Investment Grant – North Side Yard, Stevens Point, WI

Dear Mr. Weber:

I am writing in strong support of WEDC funding for the North Side Yard in Stevens Point. As alder for District 1, I have been an advocate for North Side Yard and am honored and privileged to be part of the City Council that approved this transformative project. From the beginning, I was impressed by the level of research and commitment to public engagement demonstrated by Merge as they planned this ideal development for our community.

North Side Yard will be located on the long vacant Lullabye site near the heart of Downtown Stevens Point. Within a short walking distance of some of the city's most popular amenities including the Green Circle Trail; Historic Downtown; Pfiffner Pioneer Park, Bukolt Park, and Mead Park; the Riverfront Arts Center; Portage County Library; Children's Museum and more, this location is ideal for residents and businesses alike. The retail concepts, active store fronts, and community-oriented common spaces of North Side Yard will not only complement existing business and residential districts, but will bring vitality and a new sense of pride to our community.

Importantly, North Side Yard will be an essential economic driver for Stevens Point. The development offers a variety of housing options for a diverse and broad socio-economic demographic. North Side Yard not only addresses a shortage of quality housing identified by stakeholders and the 2017 Housing Study, but the variety of living options and aesthetics of the development will help the city attract and retain talent. Businesses look to areas where their workers wish to live and call home. As such, North Side Yard delivers on the community's vision of a more vibrant, walkable, bikeable and prosperous city in the heart of Central Wisconsin.

Please accept this expression of my support for WEDC funding for the North Side Yard and thank you for considering Stevens Point for this valuable grant.

Sincerely,

Tori L. Jennings, PhD
First District Alder

Stevens Point Area
Convention & Visitors Bureau

March 27, 2019

WEDC
℅ Tim Weber, Portage County Regional Director
201 West Washington Avenue
Madison, WI 53703

RE: Community Development Investment Grant – North Side Yard, Stevens Point, WI

Dear Mr. Weber,

Stevens Point is one of a handful of communities in the state that has a flourishing downtown with a riverfront winding through it that does not have new housing inventory nearby. North Side Yard offers a variety of housing options which will help attract and retain employees. I enthusiastically support North Side Yard as a WEDC Community Development Investment (CDI) Grant recipient. The development's retail concepts, active first floor, and the community-oriented common space within the proposal will bring new energy and pride to Downtown for community members and businesses alike.

Over the past several years, Downtown has transitioned into a vibrant destination, offering a wide variety of amenities that speak to the needs of residents and visitors alike. Research shows that people want to live where they play. Downtown Stevens Point is a mecca for entertainment and attractions, great bars and restaurants, one-of-a-kind specialty and boutique shopping, art museums and vibrant galleries, Sunset Point Winery and the Central WI Children's Museum.

Furthermore, the proposed North Side Yard development will allow its residents quick access to a number of recreational opportunities including the Wisconsin River – a hotbed for boating, canoeing, kayaking and fishing, the Green Circle Trail – a biking and hiking masterpiece that meanders through Downtown, KASH Playground that caters to kids and their families, and Pfiffner-Pioneer Park & Bandshell which is host to a bevy of events throughout the spring, summer and fall.

Downtown offers a diverse business and industry sector including but not limited to education (Mid-State Technical College) insurance (including Berkshire Hathaway) banking (including Associated, BMO and Chase), call center (Great Lakes Higher Education and Delta Dental) and papermaking (Verso). These businesses are located within one half mile of the proposed development. The walkability and bikeability between these locations and the proposed development is very favorable.

What all this data boils down to is this, the development's visibility, easy access, nearby parking, proximity close to retail, dining, and entertainment venues, and being near corporate or leisure demand generators are all favorable factors that contribute the positive health of a property and the greater community. Additionally, this market has quantified an unmet housing demand that is deterring people from coming to and staying in Stevens Point .

Thank you in advance for your consideration of this project. If you have any follow-up questions please don't hesitate to contact me, sara@stevenspointarea.com or 715-344-2556.

Sincerely,

Sara

Sara Brish, Executive Director
Stevens Point Area Convention & Visitors Bureau

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