The Intentions of Opportunity Zones: Hawaii as a Case Study

Alexandria Yawata ‘21

Urban Environmental Policy

Senior Comprehensive

Professor Rodnyansky

April 7, 2021

Abstract

Opportunity Zones, the latest iteration of place based federal policies, was established in the 2017 Tax Cuts and Jobs Act of 2017 by the Trump Administration as a way to encourage economic stimulation into low-income neighborhoods across the US. This paper will analyze the intentions of Opportunity Zones in Honolulu County, Hawaii with specific focus on the nomination process. Along with research on prior place based policies, data for the 13 nominated census tracts of Honolulu County and data for 13 qualified but non-nominated census tracts will be collected and analyzed to better understand why the nominated tracts were designated to Opportunity Zones.

Acknowledgements

This paper would not have been possible without the advice, guidance, and encouragement of my fellow peers and professors. Thank you to Professor Seva Rodnyansky and Professor Janis Breidenbach, for giving me the academic advice and the motivational support to start and finish my paper. I would also like to express gratitude to Patrick Kobayashi for giving me insight on development within Hawaii. Thank you to Ashley Rodarte for the constant support and reassurance throughout the writing process. Lastly, thank you most of all to my Dad for driving me around to every census tract listed on this paper so that I could truly understand the neighborhoods of which I am researching.

Table of Contents

Introduction

The escalation of America's capitalist economy continues to widen the socio-economic wealth gap, minimizing movement between social classes and further increasing poverty rates (OECD, 2015). Giant corporations dominate government interests, ultimately leading to the creation of economic policy that is dependent on market solutions. The failures of trickle-down economics (Hanlon & Thornton, 2017) persist with place-based policies, originally intending to give an economic boost to areas where economic growth is lacking, but instead, leads to gentrification and displacement (Johnson, 2020). Gentrification can be defined as "the process whereby the character of a poor urban area is changed by wealthier people moving in, improving housing, and attracting new businesses, typically displacing current inhabitants in the process" (Oxford Languages, n.d.). In an article called "Repeal Opportunity Zones," Calvin H. Johnson argues that these Opportunity Zone incentives do the poor, the intended beneficiaries of this policy, more harm than good because they destroy affordable housing and increase tenant rents (Johnson, 2020). Place-based policies exist as incentives for wealthy investors, encouraging them to pour money into low-income areas in hopes of creating jobs and revitalizing neighborhoods. Although the intention might be to persuade the rich, these incentives will inevitably allow the rich to profit and bypass a system of tax cuts that would ordinarily prevent them from further widening the wealth gap. When creating policies, we must first evaluate whom the policy is intended for and what protection it will serve to the underprivileged members of American society.

Opportunity Zones, the latest iteration of federal place-based policies, has emerged with the Trump Administration as an effort to motivate economic growth from already wealthy investors. The Opportunity Zones program intends to create economic development and also increase employment in distressed communities. This policy hopes to attract wealthy investors, with the appeal of tax deferral and tax breaks, to economically distressed communities to stimulate those areas of need. Although the federal government’s intention is to encourage and attract economic growth into low-income communities, the investors do not have to necessarily care about the social or environmental implications that may result from this policy. Prior place-based initiatives include stronger eligibility requirements and increased oversight compared to the newly implemented Opportunity Zones. The lack of oversight within this policy allows investors the freedom to create luxury apartments that will raise property values and rental prices, ultimately leading to displacement and gentrification, defeating the purpose of helping existing residents.

There has been a push to implement more tax incentives to spur economic development in Hawaii, leading to heated debate about what type of economic development is sustainable for avoiding the displacement of low-income residents. In this paper, I will be looking at the implications of Opportunity Zones in Hawaii. I will also be discussing other past place-based policies such as the New Market Tax Credits, Enterprise Zones & Empowerment Zones, and Transit Oriented Development Zones, which have had a history of strong uptake in participation. These prior place-based policies can be supplemented with Opportunity Zones and are highly advertised and encouraged to be taken advantage of in Hawaii by the Department of Business, Economic Development, and Tourism. While Opportunity Zones have gained some traction during the initial introduction, the program has lost momentum because of the COVID-19 pandemic, unable to attract investors as previously hoped (Miculka, 2020).

Opportunity Zones, as a federal policy, lacks the consideration of contextual locality. Hawaii presents itself as a unique case in the implementation and success of place-based policies. Economic development in Hawaii has been a long-standing topic of debate. Native Hawaiians have argued that economic development conflicts with the perpetuation of native Hawaiian culture and negatively affects the welfare of Native Hawaiians (Elaban, 2020). Place-based policies tend to state that they advocate for the underserved communities, and in Hawaii, Native Hawaiians often fall within that category (Barnard, 2006). As with many indigenous areas and places with an abundance of existing native culture, economic development is only deemed beneficial if it benefits the residents of the land and the working-class residents. The topic of tourism has been a shifting debate in Hawaii, as tourism does bring many economic benefits to the State (Hawaii Tourism Authority, 2019). However, tourism development projects (such as hotels and expensive restaurants) are owned mainly by foreigners and outsiders (Hawaii Tourism Authority, 2019). There is a great economic potential for having place-based policies in Hawaii, although sorely ever taken advantage of in terms of financial gain for investors. In regards to place-based policies, critics are concerned that incentivizing and creating tax breaks for wealthy investors will bring economic developments in but not bring as much money as projected (Johnson, 2020).

Opportunity Zones, Tax Cuts and Jobs Act of 2017

Opportunity Zones, founded by Sean Parker, Senator Cory Booker, and Senator Tim Scott, were established within the Tax Cuts and Jobs Act of 2017 by the Trump Administration (Internal Revenue Service, n.d.). Opportunity Zones, nominated and certified by the Secretary of the US Treasury via the IRS, intends to create and encourage new long-term investments in economically distressed communities identified to have untapped potential (US Department of the Treasury, n.d.). Based on data from the American Community Survey, designated Opportunity Zones have an average poverty rate of 32 percent compared to the 17 percent national average. The primary goal of Opportunity Zones is to push investment into economically distressed communities that typically do not have the ability to attract wealthy investors, while giving generous tax breaks to the investors that choose to take advantage of this new policy. When the proposed guidance for Opportunity Zones was released, Secretary Steven T. Mnuchin said in a press release that "we anticipate that $100 billion in private capital will be dedicated towards creating jobs and economic development in Opportunity Zones".

At a rally in Tulsa on June 20, 2020, President Donald Trump claimed that "...countless jobs and $100 billion of new investment, not government investment, have poured into 9,000 of our most distressed neighborhoods anywhere in this country." (Rieder, 2020). Novagradac, a firm that maintains a list of voluntarily disclosed Opportunity Zone investments, reported on April 29, 2020, that the total of reported investments is around $10 billion (Novogradac, 2020). John Lettieri, president and CEO of the Economic

Innovation Group, estimates the total to be around $25 billion to $30 billion (Rieder, 2020). The National Council of State Housing Agencies maintains an Opportunity Fund Directory with 213 funds listed and calculates an anticipated total investment of $47.2 billion (NCSHA, 2021). The amount and distribution of private investment that the relatively new Opportunity Zones program has created is still unclear. Because of this, current research cannot fully recognize the economic impact of Opportunity Zones until a later date.

The Investment Tax Benefits

Investors can receive three types of tax benefits from participating in Opportunity Zones. The first one is a deferral of the capital gains tax, a profit from the sale of property or investment, that would otherwise be due on the sale of appreciated investment assets (Lester et al., 2018). The second would be a future reduction of 10 to 15 percent of the capital gains tax liability if the investment is held by the taxpayer for five to seven years (Lester et al., 2018). The third would be a future exclusion of all capital gains earned on the appreciation of the Opportunity Zones investment if it is held for at least 10 years (Lester et al., 2018). For long-term investments, Opportunity Zones allow a massive tax reduction to already wealthy investors. With Opportunity Zones, the investor can defer their capital gains until 2026 and are eligible for a 10% reduction. Holding an investment for 10 years could eliminate the investor’s federal taxes on any of the profits that are received, a huge incentive for those who choose to invest in long-term projects. To help visualize the opportune tax benefits and refer to Table 1;

> “Assume an individual made an original investment of $350 in a technology company several years ago that is worth $450 today, resulting in $100 of

long-term capital gains. If an investor sold this investment at the end of 2018, he would incur taxes of $20 and retain after-cash proceeds of $430. Alternatively, the investor could defer the $20 capital gains tax liability by investing $100 into opportunity zones within 180 days of the sale. The taxes on the original capital gains would be due at the earlier if the sale of the opportunity zones investment of December 31, 2026." (Lester et al., 2018).

Table 1: Table of Three Incentive Tax Options

(1) 2018 Tax Deferral From Sale if Existing Appreciated Property	
Proceeds from sale of existing investment	$450
Less: Tax basis	-$350
Total capital gain	**$100**
Assumed long-term capital gains tax rate*	20%
Deferral of 2018 tax liability*	**$20**
(2) 2026 Reduction in Capital Gains Tax From Original Sale of Appreciated Property	
Capital gains due	$20
Reduction attributable to basis increase**	85%
Reduction of 2026 tax liability	**$17**
2018 present value of tax liability* **	**$9.18**
(3) 2028 Exclusion of Capital Gains Tax From Sale of Opportunity Zone Investment	
Opportunity zone investment final value****	$215.89
Amount contributed to opportunity zone investment	$100.00
Capital gains from investment	$115.89
Assumed long-term capital gains tax rate	20%
Exclusion: 2028 tax liability	**$23.18**
Total Cash Tax Savings	
2026 savings attributable to 15 percent basis step up*****	$3.00

2028 savings attributable to gain exclusion******	$23.18
Total cash tax savings	**$26.18**
Effective Tax on Original Investment	
Total appreciation on original investment of $350*******	$215.89
Cash Taxes	$17.00
Effective Tax Rate	**7.9%**
*Ignores any effect of the net investment tax **Assumes that the investment is held for the required 15 percent reduction in seven years ***Present value assuming 8 percent discount rate ****Calculated based on an 8 percent annual return on investment *****Equivalent to the difference between the $20 of tax due in 2018 and the $17 due in 2026 (without discounting) ******Assumes investment was held for 10 years *******Includes $100 of appreciation on original investment sold in 2018, as well as $115.89 appreciation on opportunity zones investment	

Source: (Lester et al., 2018)

Census Tract Nomination

The nomination process is a key factor in determining the true intention of place-based policies. Qualified Opportunity Zones are nominated by a state governor and certified by the Secretary of the US Treasury via his delegation of authority to the IRS (Internal Revenue Service, n.d.). These state governors select up to 25 percent of eligible census tracts as Opportunity Zones. In total, there are 8,762 zones across the United States (Economic Innovation Group, 2020). Eligibility for census tracts include a median income in the tract being no greater than 80 percent of the area's median family income, or if the tract has a poverty rate of over 20 percent (CA Opportunity Zones, n.d.). Opportunity Zone nominations are controversial since median income across various states differ, meaning the needs of low-income areas will also vary. Reasons for qualifications of Opportunity Zones have also been shown to differ as there are different factors and populations within specific Opportunity Zones, such as a large college population which could be seen as very attractive for investment *(Gelfond & Looney, 2018)*. Interestingly, tracts with a large population of college students also have a greater likelihood of qualifying as an Opportunity Zone because college students are often misleadingly counted as living in poverty *(Gelfond & Looney, 2018)*. In nominating Opportunity Zones, governors had a lot of freedom in selecting zones. Governors could also select contiguous tracts, areas chosen based on sharing a border with other Opportunity Zones, but don't necessarily meet the specific requirements necessary to be an Opportunity Zone.

Criticism comes at the speculation of these contiguous zones receiving a disproportionate amount of investment funds compared to qualified Opportunity Zones. Governors were also mandated to select a minimum of 25 tracts, not taking into account the population of states, allowing smaller states to designate a higher percentage of eligible tracts. Contiguous Zones are either becoming or already highly gentrified, leading to devastating displacement (Federal Reserve Bank of St. Louis, n.d.). Some Opportunity Zones were already highly attractive to investors before they were even considered Opportunity Zones (Jacoby, 2019). In this way, many wealthy investors found themselves investing in the same properties they were originally going to invest in, but with heavy tax breaks and abundant tax relief.

Criticisms of Opportunity Zones include the speculation of positive improvement in the lives of local residents. Economic development would likely result in the raising of property values and rental prices, pushing locals out and increasing the likelihood of gentrification and attraction to outsiders. Another criticism, to be explored further in this paper, is that opportunity zones as a place-based initiative does not have enough regulations. The administration process is mainly self-administered and lacks the supervision needed to actually stimulate the economy in an ethical manner. More flaws can be seen in the nomination of the opportunity zones by governors as they are chosen with limitations. The number of opportunity zones across states can be seen as unproportional as the nominating process is not based on population or size of state. Instead, governors choose a minimum of 25 census tracts.

Prior Place-Based Policies

Before diving into the specificities of Opportunity Zones in Hawaii, it is helpful to understand prior place-based policies and programs because these older place-based policies can act as a foundation for Opportunity Zones. The success of older and more established programs in Hawaii can gauge the future impact Opportunity Zones will have on island residents. For the purpose of this paper, the place-based policies that will be discussed, New Market Tax Credits (NMTC), Enterprise Zones and Empowerment Zones (EZ), Transit Oriented Development (TOD) Zones, and Low-Income Housing Tax Credits (LIHTC), are limited to the policies and programs that Hawaii has taken advantage of. Transit Oriented Development Zones and Low-Income Housing Tax Credits will be briefly mentioned, but not explored into depth as it is not as relevant to Opportunity Zones as other place-based policies are. The importance of Transit Oriented Development programs is relevant in the discussion of Honolulu's new railway system, which will be mentioned later. Both TOD and LIHTC are relevant to Opportunity Zones because these programs, along with the other place-based policies can be simultaneously taken advantage of. These place-based policies serve as comparisons to Opportunity Zones to evaluate the successfulness of implementation. However, in some cases, Opportunity Zones build upon prior place-based policies as well (Ritchie, 2018).

The New Markets Tax Credit (NMTC), Community Renewal Tax Relief Act of 2000

The New Markets Tax Credit initiative aims to increase the capital of businesses and low-income communities by providing tax incentives to private investors (Tax Policy Center, n.d.). Using tax credits lessens some of the risk of opening a business in a low-income area (Harger & Ross, 2014), however this tax credit is not large enough to remove all risk, avoiding overinvestment (Freedman, 2012). The NMTC initiative has existed for some time since initial implementation, having been renewed every year since its establishment in 2000 (Harger & Ross, 2014) allowing for adequate literature on the effects of this place-based policy initiative. There was a modest decrease in poverty and unemployment rates (Freedman, 2012), increasing in employment concentrated in manufacturing and retail industries (Harger & Ross, 2014). These increases in retail and manufacturing employment suggest that firms that took advantage of NMTC were already existing firms looking to expand, opposed to new firms entering the market (Harger & Ross, 2014). Freedman also finds that impacts on house values are statistically indistinguishable from zero, but household turnover rates, the number of homes selling each year divided by the total number of homes that exist in the neighborhood (Manausa, 2009), are slightly higher, hinting that gentrification can gain momentum in the wake of new investment. A major difference between the New Markets Tax Credit and Opportunity Zones is that there are a lot more regulations ("more hoops to jump") in the application process for New Markets Tax Credit to ensure that development would make a positive impact on community development. The New Markets Tax Credit will be helpful in predicting and determining the future outcomes of Opportunity Zones because we can see how certain regulations of NMTC may be omitted from Opportunity Zones to create more leeway and potential profit to investors.

Place-based policies that were implemented in the past are helpful in predicting the possible success of Opportunity Zones. We can compare the effectiveness and administration of Opportunity Zones against other past place-based policies, such as the New Markets Tax Credit. One journal article compares the New Markets Tax Credit to Opportunity Zones and suggests that existing residents of low-income communities may not be the recipients of improved economic conditions, but that the recipient neighborhoods are changing through gentrification and displacement of local residents (Lester et al., 2018). Differences between the New Markets Tax Credit and Opportunity Zones are that opportunity funds will be able to self-certify which would remove a large administrative step in qualifications, funding for the New Markets Tax Credit is capped, but not for the opportunity funds program which suggests that there could be a much larger response to Opportunity Zones than the New Markets Tax Credit, and that there is lack of upfront government review process (Lester et al., 2018).

New Markets Tax Credit's Impact on Hawaii

The New Markets Tax Credit has been a significant booster for Hawaii's economy. The main leader taking charge of the NMTC is a community-based entity, called Punawai O Pu'uhonua LLC (POP), formed by American Savings Bank and the Oahu Economic Development Board. POP provides low-cost financing projects that promote jobs, healthy foods, renewable energy, and healthcare (American Savings Bank Hawaii, 2016). This entity was recently awarded $40 Million in New Markets Tax Credits to fund projects, and have been awarded similar amounts in the past (Magin, 2019). The New Markets Tax Credit initiative has helped finance over 17 projects, which include new health centers, gateway centers, and solar power/energy partners (New Markets Tax Credit Coalition, n.d.). These 17 new developments in Hawaii, aided by the New Markets Tax Credit, have created 1700 jobs statewide and $290.7 million in total capital (New Markets Tax Credit Coalition, n.d.).

Empowerment Zones, Enterprise Communities, Renewal Communities- Omnibus Reconciliation Act of 1993

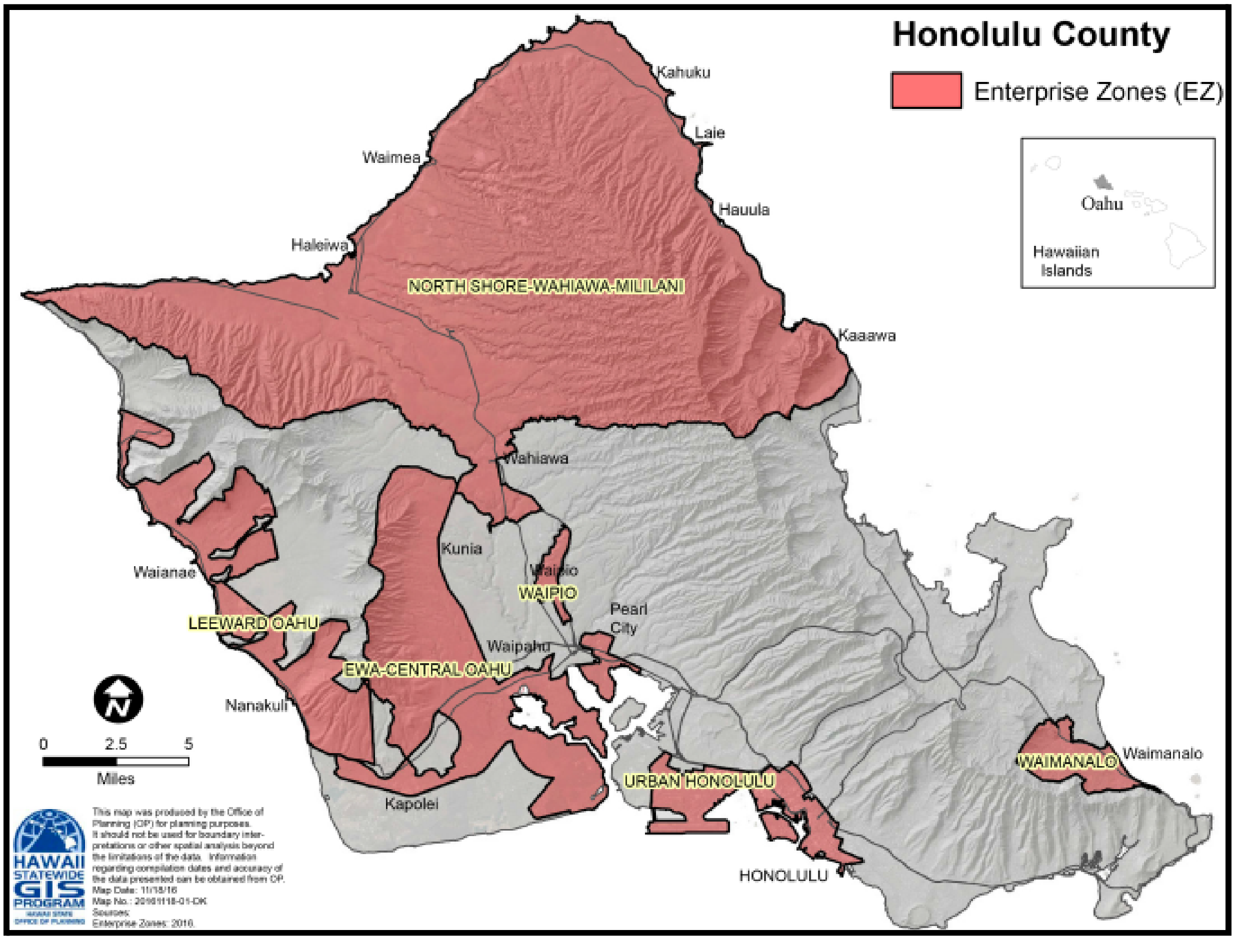
The 1993 federal Empowerment Zone and Enterprise Communities Program (EZ) was President Clinton's attempt to combat poverty with community development by using collaborative efforts to invest in the community, building social capital to create long-term revitalization (Gittell et al., 1998). Empowerment zones, enterprise communities, and renewal communities also aimed to reduce employment and stimulate economic growth through federal tax incentives and grants to distressed communities (HUD, n.d.). Federally, 9 empowerment zones and 95 enterprise communities were designated by Omnibus Budget Reconciliation Act of 1993 (HUD, n.d.). There were four key principles for this initiative and they were to (1) invision and identify what the community would look like in the future and how to achieve that, (2) include community based partnerships, (3) expand economic opportunity through access to capital and credit for businesses with also assistance to job training and placement for residents, and (4) making sure that environmental factors are taken into account (HUD, n.d.). This place-based initiative has a lot more regulation and restriction into reassuring a positive impact for the local community and, in this way, is similar to the New Markets Tax Credit. When creating EZs, the Clinton Administration recognized the importance of community based organizations because of the social capital and community trust that they hold. The intentions of Empowerment Zones are to increase community capacity and to understand how the community is expanding and what impacts this policy is having on that expansion. In comparison to Opportunity Zones, there is a greater emphasis on the involvement of community organizations within the EZs policy.

The Enterprise Zones Partnership Program in Hawaii

The Enterprise Zones Partnership Program in Hawaii was established by the Department of Business, Economic Development, and Tourism (DBEDT), the same department advertising and promoting Opportunity Zones in Hawaii. The EZ program encourages Hawaii businesses to hire locally, injecting revenue into the local economy (DBEDT, n.d.). The total revenue reported by Enterprise Zone companies in Hawaii in

2018 is $388,299,386 (DBEDT, 2019). 3,835 jobs were created or maintained through the Enterprise Zone Partnership Program in 2018(DBEDT, 2019). Across the state 193 companies were enrolled in the program for 2019 (DBEDT, 2019). Those who satisfy the EZ hiring requirements are exempt from the Hawaii General Excise Tax, being able to claim partial, personal, or corporate non-refundable income tax and state unemployment premium credits (DBEDT, n.d.). The requirements include (1) the company must reside in one of the EZ locations and (2) at least half of the firm's annual gross income must be from a select list of activities (DBEDT, n.d.). Businesses that are not eligible are retailers, contractors, and some professional services (DBEDT, n.d.). The main goal of the EZ Program in Hawaii seems to be job creation and stimulating growth in specifically targeted businesses and industries, having seen the greatest increases in agricultural production or processing (DBEDT, n.d.), manufacturing, and wholesaling (State of Hawaii, 2016). The nomination of Enterprise Zones is similar to Opportunity Zones in that each country selects up to six zones which are then approved by the Governor (DBEDT, n.d.). Currently there are 20 Enterprise Zones that exist statewide, some that overlap the current designation of Opportunity Zones.

Map 1:
Map of Enterprise Zones on O’ahu, Hawaii



Source: Office of Planning

Low-Income Housing Tax Credit Program (LIHTC) in Hawaii

The Low-Income Housing Tax Credit Program (LIHTC), a program administered by the Internal Revenue Service, is a financing tool for private developers and nonprofit entities to construct and rehabilitate affordable rental units (DBEDT, n.d.). To qualify for this tax credit, at least 20 percent of the units rented must be to households with incomes of 50% of less of the area income or at least 40% of the units must be rented to households with incomes of 60% of less of the area median income (DBEDT, n.d.).

Unlike the Opportunity Zone program, the LIHTC program has a more focused intent to increase the much-needed affordable housing in Hawaii. Contrary to LIHTC, the main goal of Opportunity Zones is to boost the economy of distressed areas, which low-income housing may not accomplish. The ability to qualify for both Opportunity Zones and the Low-Income Housing Tax Credit Program could boost more affordable housing on Oahu, but is unlikely that it will do so in areas that have the highest poverty rates due to the nomination process of Opportunity Zone tracts. These two initiatives have conflicting outcomes as the Opportunity Zones initiative has been criticized to incentivize tearing down affordable housing to make way for more expensive, luxury housing (Johnson, 2020). It is blatantly obvious that high-income housing provides much higher profits than the maintenance of building of affordable housing units.

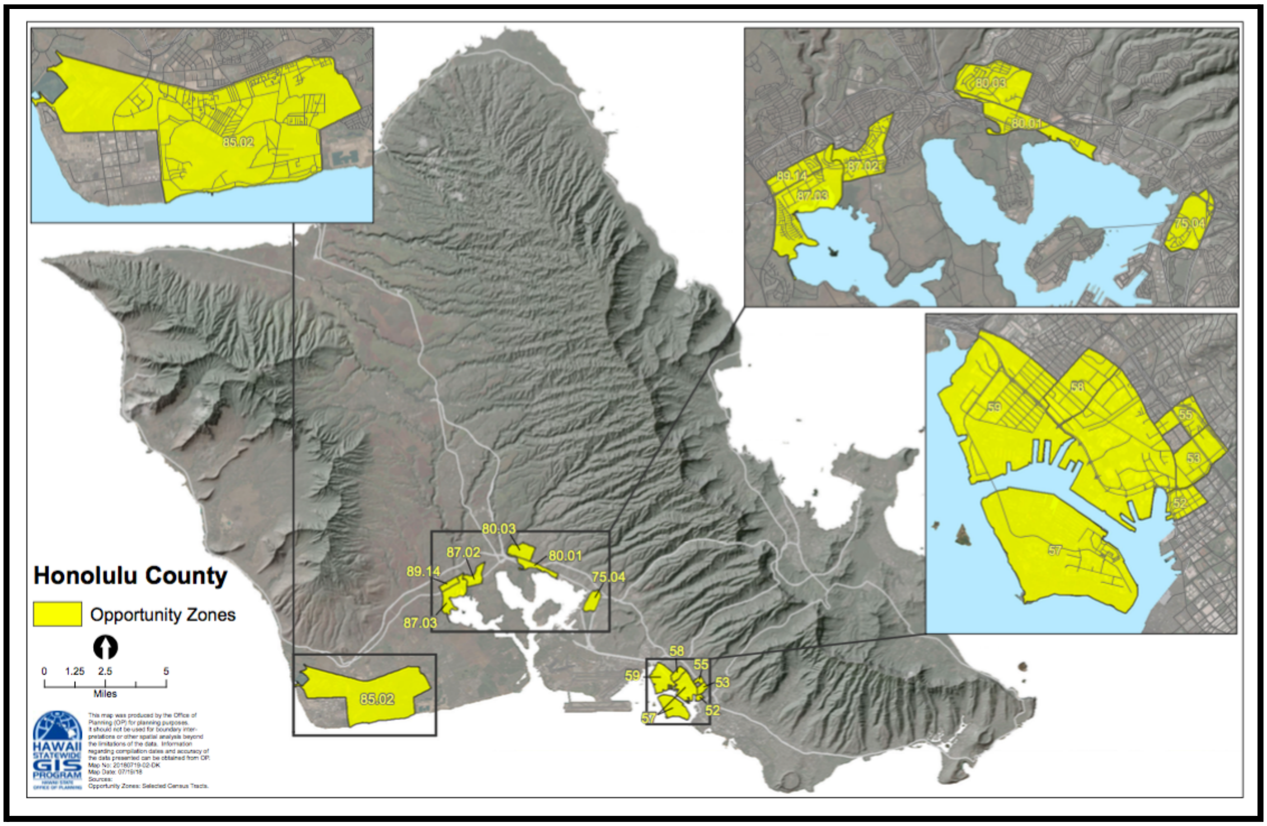
Opportunity Zones in Hawaii

According to a Frequently Asked Questions Document from the State of Hawaii regarding Opportunity Zones, communities designated as Opportunity Zones hope to benefit from the program through neighborhood and business revitalization and entrepreneurship opportunities, specifically in regards to the gentrification of distressed areas, new housing developments, expansion funding for businesses, and new developments in underdeveloped areas (DBEDT, n.d.). There is a lack of explanation in regards to the nomination of what census tracts qualify and which census tracts are actually selected in Hawaii, which could point to what type of economic development the State of Hawaii would like to attract.

Interestingly enough, Opportunity Zones in Hawaii were not placed in the areas of the highest poverty rates where affordable housing development is needed, such as the Linapuni St Census Tract (62.02), which in 2017, had a poverty rate of 56.8%, and the Mayor Wright Housing Tract (54), which had a poverty rate of 57.7% (American Community Survey, 2017). The State of Hawaii has 99 census tracts that meet the low-income eligibility requirements (DBEDT, n.d.). 25 census tracts have been nominated as Opportunity Zones on the Hawaiian Islands: 13 on Oahu, the most populous island, 6 on Hawaii Island, 2 on Kauai, and 4 on Maui (DBEDT, n.d.). 2 of these 25 nominated tracts are contiguous tracts, but not located in Honolulu County (DBEDT, n.d.). Although there are tracts on the main islands, this paper will focus primarily on tracts within Honolulu County, as it is the most populated area and island (see table 2). When comparing the highlighted areas of Map 2 and Map 3, we see that the census tracts chosen on Oahu are strategically placed along the potential track for a high speed railway system that is famously opposed by the public (Temple, 2012). Opportunity Zones on Oahu are also all transit oriented development (TOD) zones with the purpose of drawing investors in on rail-related projects. Investors who build in Opportunity Zones in Hawaii are likely to benefit from multiple initiatives at once, not just transit oriented development zones, but also enterprise zones and new market tax credits. The rail's main goal is to alleviate traffic congestion, but it is heavily criticized by the public for its destruction of natural beauty, high costs, and lack of transparency. The rail was also projected to displace 20 residences, 67 businesses, and one church (BKSHIRO, 2014). Hawaii, with a high cost of living, has plans to raise taxes on residents to pay for the rail, placing the burden more heavily on working class residents.

Opportunity Zones are meant to stimulate economic growth in economically distressed areas, but in Hawaii the type of investments that the government is looking to attract may accomplish the opposite for the people of Hawaii.

Map 2:
Map of Opportunity Zones on Oahu



Source: Office of Planning

Map 3:
Map of the Rail on O'ahu, Hawaii

Source: (Magin, 2015)

There are records of two OZ investment projects in Hawaii listed on the government website. These investment projects are described as community-based projects and are publicized because they are seeking an opportunity fund investment. The first one is for a public charter school and the second is 196 units of workforce housing and 40+ units of multifamily senior housing (DBEDT, n.d.). According to an article written by Cameron Miculka in the Honolulu Civil Beat, local businesses have not been gaining interest from investors through the Opportunity Zone program. On Hawaii Island (also known as the Big Island), the Hawaii Community Reinvestment Corp was hired to help guide Hawaii projects for preparation of investment, articulating the social benefit these investments will bring to the community. However, there seems to be a lack of movement when it comes to matchmaking between investors and projects (Miculka, 2020).

Methodology

In the hopes of understanding if the intentions of Opportunity Zones are fulfilled, I will be looking at the factors that led to the nomination of census tracts as Opportunity Zones in Hawaii. To accomplish this, I will be comparing nominated Opportunity Zone census tracts, labeled as low-income communities, to other non-nominated low-income areas in the same state. The questions that I will be asking are “Why are only some of these economically distressed, low-income communities nominated for Opportunity Zones?”, “What sets apart the nominated tracts from the non-nominated tracts?”,and “What are the determining factors that help the governor nominate tracts for Opportunity Zones?”. I will be using a t-test to determine if there is a statistically significant difference between nominated tracts and non-nominated tracts. The non-nominated census tracts that I will be analyzing should be similar to nominated tracts and have viable reasons for nomination. I will be analyzing poverty rate, housing tenure (owner-occupied housing and renter-occupied housing), gross rent, home value, and household income.

I will be looking at census tracts in Hawaii to determine the prevalence of gentrification in nominated Opportunity Zones tracts. I will be paying close attention to the differences between homeowners and renters, since both are measured differently, homeowners by home value and renters by rent. I will also be using a t-test to determine if there is a statistically significant difference between Opportunity Zone nominated tracts before and after the implementation of this policy, while also considering other past implementations of place-based policies.

Data Findings

The data supporting this paper derives from the American Community Survey from 2010 to 2019. Data was collected for 26 tracts, 13 that are qualified and nominated to Opportunity Zones and 13 that also qualified, but were not nominated to Opportunity Zones. For those 26 tracts I analyzed data on housing tenure (owner-occupied and renter occupied percentages), median gross rent, median home value, median household income.

Table 2:
Nominated and Non-Nominated Census Tracts

Nominated Tracts		Non-Nominated Tracts	
Chinatown	52	Koa Avenue	18.01
Aala	53	Kamoku Street-Iolani School	22.01
Palama	55	Upper McCully	24.02
Iwilei-Anuenue	57	Ahana Street	36.03
Waiakamilo Road	58	Civic Center	39
Mokauea Street	59	Foster Botanical Garden	51
Aloha Stadium	75.04	Mayor Wright Housing	54
Hale Mohalu Hospital	80.01	Linapuni Street	62.02
Manana	80.03	Kalena Drive	63.02
Kalaeloa	85.02	Wahiawa Makai	94
St. Joseph School	87.02	Waianae Kai	97.01
West Loch	87.03	Makaha	98.02
Honowai School	89.14	Waimanalo	113

Poverty Rate

According to the United States Census Bureau, if a household's total income is less than the household's threshold, then that household and every individual within it is considered in poverty. Data on poverty was taken from the American Community Survey from years 2012-2019, 5-year estimates. The average poverty rates (2012-2019) were calculated for each census tract, for both nominated and non-nominated tracts, to compare overall which tracts had the highest poverty rates (Table 3). According to Table 3, Linapuni St (60.66%), Mayor Wright Housing (52.06%), and Kalena Drive (40.31%) are the census tracts with the highest average poverty rates, all which are non-nominated tracts. Averages were also calculated for each year among nominated and non-nominated census tracts as a whole to analyze how poverty rates have changed over time and if there is a difference between the poverty rates of nominated and non-nominated tracts (Table 4).

Table 3:
Average Poverty Rates of Nominated and Non-Nominated Tracts from 2012-2019

Nominated	Average Poverty Rate (2012-2019)	Non-Nominated	Average Poverty Rate (2012-2019)
Chinatown	25.91%	Koa	24.26%
Aala	23.93%	Kamoku-Iolani	15.55%
Palama	19.66%	Upper McCully	18.81%
Iwilei-Anuenue	30.83%	Ahana Street	23.85%
Waiakamilo Rd	21.40%	Civic Center	20.10%
Mokauea	9.25%	Foster Botanical	25.40%
Aloha Stadium	17.45%	Mayor Wright	52.06%
Hale Mohalu	12.53%	Linapuni	60.66%
Manana	8.73%	Kalena	40.31%
Kalaeloa	26.75%	Wahiawa Makai	23.15%
St. Joseph School	12.10%	Waianae Kai	38.91%
West Loch	24.51%	Makaha	30.51%
Honowai School	18.60%	Waimanalo	19.00%

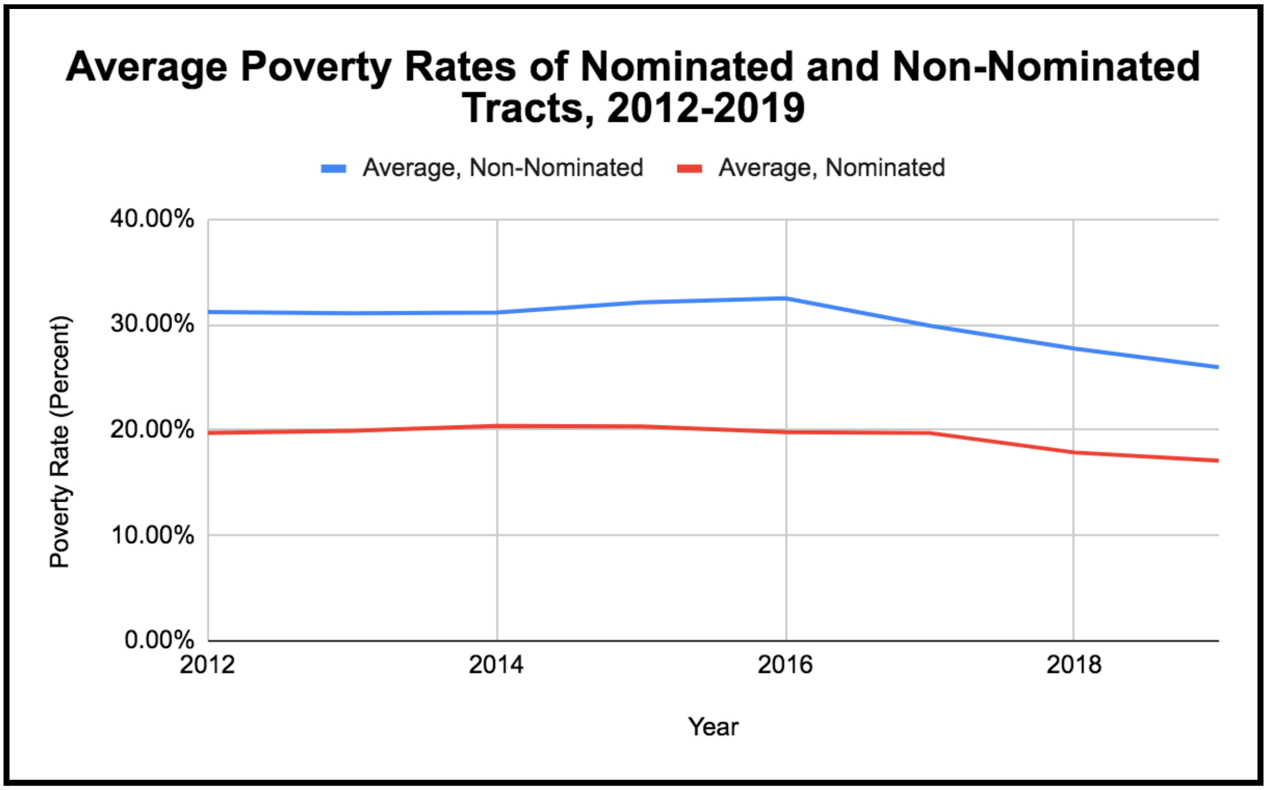
Source: Data from The American Community Survey, 2012-2019

Table 4:
Average Poverty Rates for Nominated and Non-Nominated Tracts per Year from 2012-2019

	2012	2013	2014	2015	2016	2017	2018	2019
Average, Non-Nominated	31.19%	31.08%	31.15%	32.11%	32.49%	29.89%	27.73%	25.95%
Average, Nominated	19.74%	19.92%	20.39%	20.33%	19.81%	19.72%	17.87%	17.08%

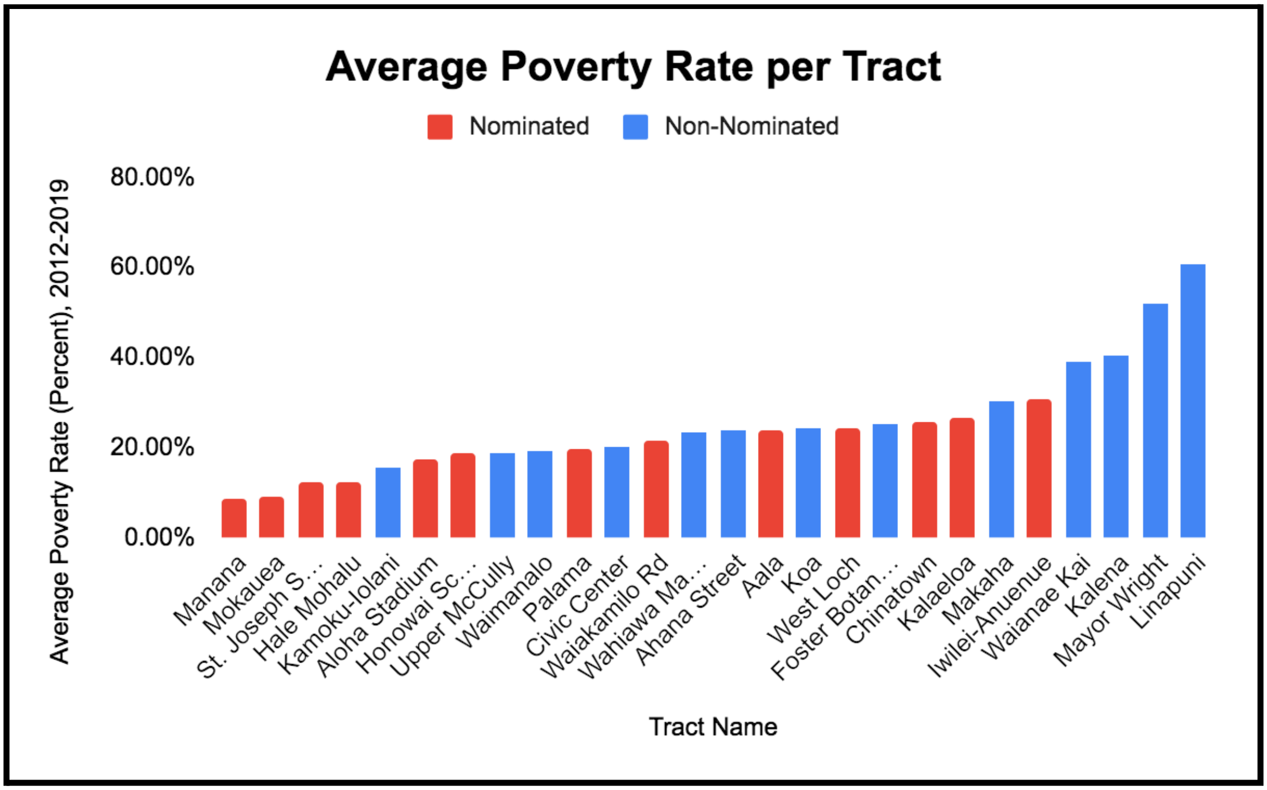
Source: Data from The American Community Survey, 2012-2019

Graph 1:



Source: Data from The American Community Survey, 2012-2019

Graph 2:



Source: Data from The American Community Survey, 2012-2019

In reference to Graph 1, from 2012-2019, the average poverty rates have generally decreased. For nominated tracts, there was an average poverty rate of 19.74% in 2012, but by 2019, there was an average poverty rate of 17.08% (2.66% decrease). For non-nominated tracts there was an average poverty rate of 31.19% in 2012, and by 2019, there was an average poverty rate of 25.95% (5.24% decrease). However, when looking at individual tracts and their poverty rates, 14 tracts (6 nominated and 8 non-nominated) decreased their poverty rates in 2019 from the poverty rates recorded in 2012 (refer to Appendix A). 12 tracts (7 nominated and 5 non-nominated) saw an increase in their poverty rates in 2019 compared to the poverty rates recorded in 2012 (refer to Appendix A). The difference in analysis between Graph 1 and Appendix A could be due to the differences in change of poverty. An increase in poverty ranged between 1% and 12.5% (average of 5.31% increase), whereas a decrease in poverty ranged between 1.1% and 29.2% (average of 11.25% decrease), a probable reasoning as to why Graph 1 conveyed that average poverty rates have generally decreased. There is also a large gap between nominated and non-nominated tracts (about a 10% difference), non-nominated tracts having significantly higher poverty rates than nominated tracts (refer to graph 1). According to graph 2, the four tracts with the highest poverty rates are non-nominated, reamplifying the point that tracts may not have been nominated based on lowest-income.

Housing Tenure

In the American Community Survey, housing tenure is divided by owner-occupied housing units and renter-occupied housing units. I calculated the mean percentages among nominated and non-nominated tracts for rented-occupied housing units (Table 5). Owner-occupied housing units are not displayed in the tables and charts below because owner-occupancy percentages are calculated as the opposite percentage of renter-occupancy.

The mean percentage of renter-occupied housing units for nominated tracts over 2010 to 2019 is 75.99% whereas the mean percentage of renter-occupied housing units for non-nominated tracts over 2010 to 2019 is 71.93%. The nominated tracts tend to have a higher percentage of occupancy for renters than the non-nominated tracts (Graph 3). That being said, the non-nominated tracts tend to have a higher percentage of owner-occupied units than the nominated tracts. As expected, since all tracts qualify as low-income, there are significantly more renters in all 26 tracts than homeowners, regardless of Opportunity Zone tract distinction (Table 6).

Table 5:
Average Percentage of Renter-Occupied Housing Units in Nominated and Non-Nominated Tracts from 2010-2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Renter-Occupied Average, Nominated	74.48%	74.18%	76.07%	75.12%	73.52%	76.16%	76.48%	77.42%	78.52%	77.95%
Renter-Occupied Average, Non-Nominated	69.05%	69.55%	71.69%	72.91%	72.72%	72.27%	73.82%	72.86%	72.28%	72.18%

Source: Data from The American Community Survey, 2010-2019

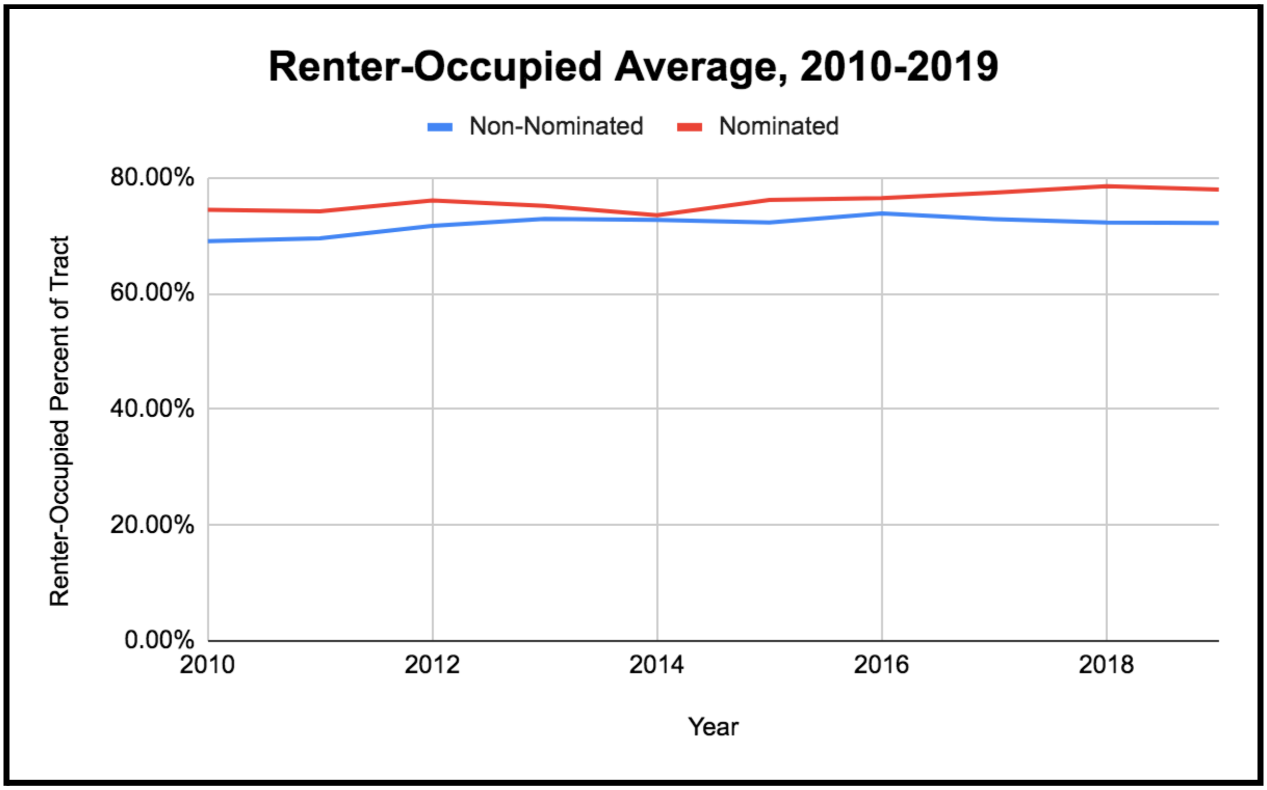
Among the nominated tracts, Chinatown had the highest renter-occupied percent at 99.29% indicating an area of almost all renters. Another high renter-occupied nominated tract is Kalaeloa at 97.63% renter-occupancy. The lowest renter-occupied tract, within the nominated tracts, is St. Joseph School at 59.87% renter-occupancy, being the fourth lowest renter-occupied tract among all 26 tracts. These data is useful in identifying which tracts are generally higher or lower in renter-occupancy and owner-occupancy, but trends over time (see graph 3) must also be taken into account (refer to Appendix D for detailed graph on individual tracts over time).

Table 6:
Average Renter-Occupied Percent per Tract from 2010-2019 in Each Nominated and Non-Nominated Tract

Renter-Occupied %			
Nominated Tracts	**Averages per Tract from 2010-2019**	**Non-Nominated**	**Averages per Tract from 2010-2019**
Chinatown	99.29%	**Koa**	74.37%
Aala	90.67%	**Kamoku-Iolani**	66.93%
Palama	65.68%	**Upper McCully**	76.81%
Iwilei-Anuenue	83.88%	**Ahana Street**	75.55%
Waiakamilo Rd	64.53%	**Civic Center**	78.62%
Mokauea	90.23%	**Foster Botanical**	69.23%
Aloha Stadium	65.26%	**Mayor Wright**	100%
Hale Mohalu	74.76%	**Linapuni**	97.30%
Manana	70.43%	**Kalena**	74%
Kalaeloa	97.63%	**Wahiawa Makai**	67.94%
St. Joseph School	59.87%	**Waianae Kai**	60%
West Loch	64.69%	**Makaha**	56.53%
Honowai School	63.34%	**Waimanalo**	38.22%

Source: Data from The American Community Survey, 2010-2019

Graph 3:



Source: Data from The American Community Survey, 2010-2019

T-Test: Housing Tenure

To determine a statistically significant relationship between the nominated and non-nominated tracts, I performed an independent samples t-test for each year in Excel. I took the average percentage of each year (1 nominated variable, 1 non-nominated variable) and labeled my dichotomous variable 1 = nominated, 2 = non-nominated. From 2010-2019, for both owner-occupancy and renter-occupancy, there is no statistically significant difference in means between non-nominated and nominated tracts, $p > 0.05$.

Table 7:
T-Tests Performed on Owner-Occupancy and Renter-Occupancy

Owner-Occupied		**Renter-Occupied**	
2010	0.2358076	**2010**	0.3774691
2011	0.23892817	**2011**	0.37560156
2012	0.23446604	**2012**	0.38261805
2013	0.23908525	**2013**	0.37692748
2014	0.23648732	**2014**	0.36941701
2015	0.23505395	**2015**	0.38253053
2016	0.2359351	**2016**	0.38268023
2017	0.23192772	**2017**	0.38810338
2018	0.22760192	**2018**	0.39392569
2019	0.22939292	**2019**	0.39124821

Gross Rent

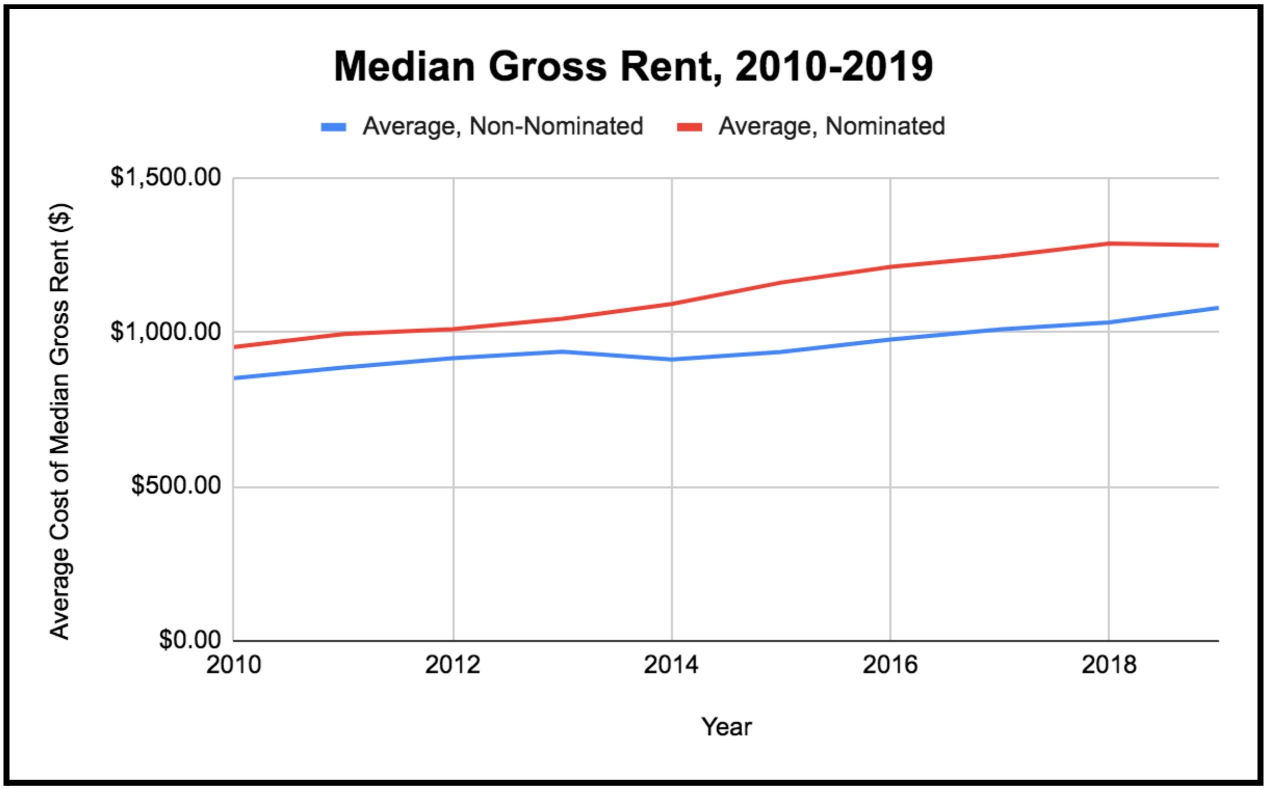
Gross rent is the amount spent on rent each month, including utilities and other costs. For this paper, I compared the median gross rent (dollars) across nominated and non-nominated tracts. Median gross rent for each tract (nominated and non-nominated) were collected. The average median gross rent is calculated by finding the average cost of rent per year amongst all nominated tracts or non-nominated tracts. The average median gross rent from 2010-2019 for nominated tracts is $1127.28 and the average median gross rent from 2010-2019 for non-nominated tracts is $952.98 (Table 8). Generally, nominated tracts have higher rents, but since 2014, both have begun a mostly upwards trend (Graph 4). Using the averages, nominated tracts have an increased rent of $329.69 since 2010 while non-nominated tracts have an increased rent of $227.62 since 2010 (Appendix E).

Table 8:
Average Median Gross Rent in Nominated and Non-Nominated Tracts from 2010-2019

Year	Average, Nominated	Average, Non-Nominated
2010	$951.46	$851.15
2011	$993.54	$885.00
2012	$1009.31	$915.23
2013	$1043.46	$936.46
2014	$1091.00	$911.38
2015	$1160.38	$935.69
2016	$1210.92	$976.31
2017	$1244.77	$1008.69
2018	$1286.85	$1031.08
2019	$1281.15	$1078.77

Source: Data from The American Community Survey, 2010-2019

Graph 4:



Source: Data from The American Community Survey, 2010-2019

T-Test: Gross Rent

Once again, to determine a statistically significant relationship between the nominated and non-nominated tracts, I performed an independent samples t-test for each year in Excel. For years 2010-2013, there is a statistically significant relationship between nominated and non-nominated tracts. For years 2010-2013, nominated tracts report a statistically significant higher median gross rent than non-nominated tracts at $p < 0.05$ (Table 9). For years 2014-2019, there is no statistically significant difference in means between nominated and non-nominated tracts at $p > 0.05$ (Table 9).

Table 9:
T-Tests Performed for Median Gross Rent

Median Gross Rent	
2010	0.03580106
2011	0.03713928
2012	0.031475
2013	0.03474428
2014	0.05735527
2015	0.06838077
2016	0.06840683
2017	0.06681974
2018	0.07032584
2019	0.05479855

*highlighted in yellow = statistically significant

Home Value

I also looked at home values for nominated and non-nominated tracts from 2010 to 2019. There were some tracts, two that were nominated and two that were non-nominated that did not have sufficient data. The two nominated tracts that were omitted were Chinatown and Kalaeloa. The two non-nominated tracts that were omitted were Mayor Wright Housing and Linapuni Street. This is most likely due to extremely low owner-occupancy in these tracts (Appendix C).

There is no drastic difference in median home value for both nominated and non-nominated tracts. For nominated tracts, there has been a $43,355 increase in home value since 2010. For non-nominated tracts, there has been a $87,336 increase in home value since 2010, almost double the value in nominated tracts (Table 10). Both nominated and non-nominated tracts have experienced up and down trends from 2010 to 2019, but ultimately have a higher home value in 2019 then 2010 (Graph 5).

Table 10:
Median Home Value for Nominated and Non-Nominated Tracts from 2010-2019

Year	Average, Nominated	Average, Non-Nominated
2010	$442,700	$379,673
2011	$444,700	$437,708
2012	$429,373	$411.700
2013	$417,682	$381,945
2014	$398,955	$403,091
2015	$413,818	$412,218
2016	$409,318	$449,973
2017	$421,109	$450,118
2018	$435,682	$467,309
2019	$485,955	$467,009

Source: Data from The American Community Survey, 2010-2019

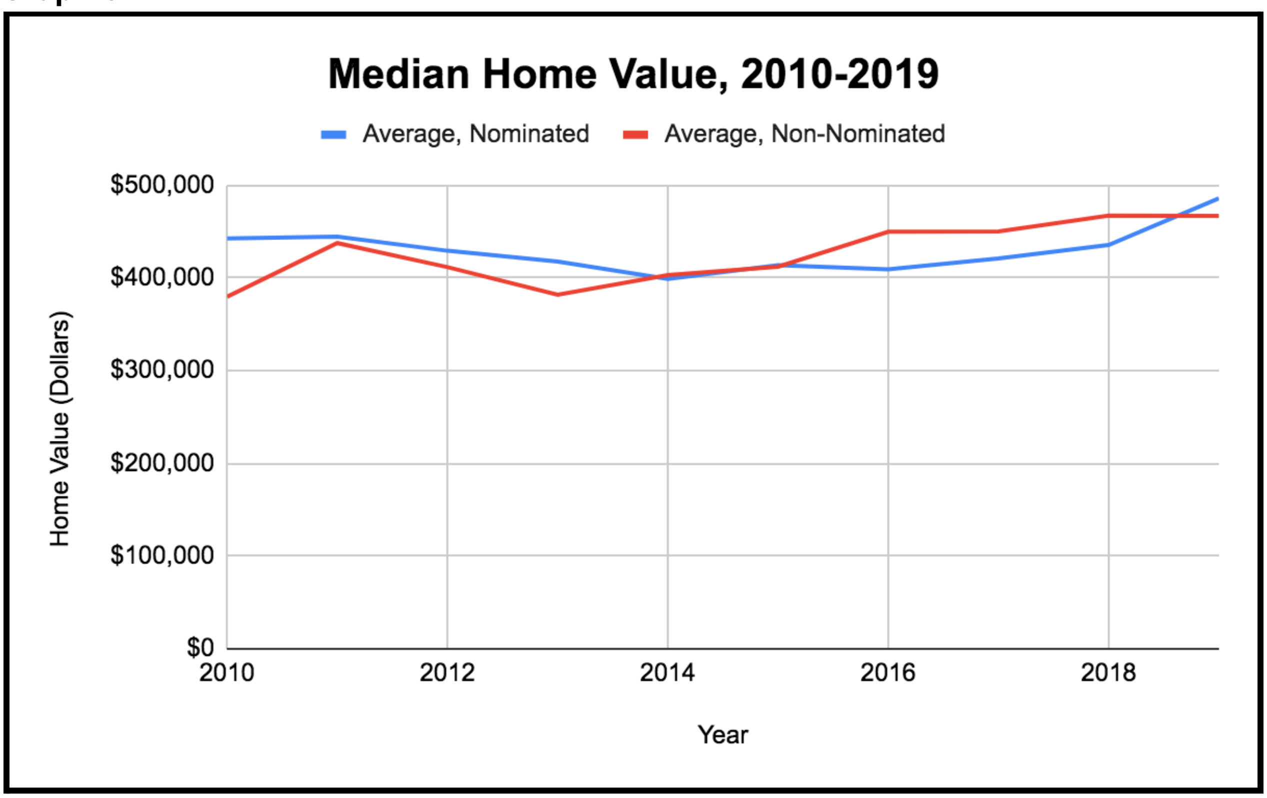
Nominated tracts have an average median home value of $429,929 and non-nominated tracts have an average median home value $426,074 (Table 11). Among the nominated tracts, Honowai School had the lowest median home value at $194,520 and Mokauea Street had the highest median home value at $703,110 (Table 11). Among the non-nominated tracts, Waianae Kai had the lowest median home value at $279,750 and Kalena Drive had the highest median home value at $567,060 (Table 11).

Table 11:
Average Home Value per Tract from 2010-2019 in Each Nominated and Non-Nominated Tract

Nominated	Averages per Tract from 2010-2019	Non-Nominated	Averages per Tract from 2010-2019
Chinatown	n/a	**Koa Avenue**	$463,250
Aala	$314,880	**Kamoku St-Iolani**	$405,640
Palama	$429,130	**Upper McCully**	$357,378
Iwilei-Anuenue	$441,670	**Ahana Street**	$334,080
Waiakamilo Road	$263,740	**Civic Center**	$312,990
Mokauea Street	$703,110	**Foster Botanical**	$483,240
Aloha Stadium	$583,230	**Mayor Wright**	n/a
Hale Mohalu Hospital	$560,220	**Linapuni Street**	n/a
Manana	$323,680	**Kalena Drive**	$567,060
Kalaeloa	n/a	**Wahiawa Makai**	$490,180
St. Joseph School	$403,050	**Waianae Kai**	$279,750
West Loch	$489,010	**Makaha**	$376,400
Honowai School	$194,520	**Waimanalo**	$523,450

Source: Data from The American Community Survey, 2010-2019

Graph 5:



Source: Data from The American Community Survey, 2010-2019

T-Test: Home Value

Again, I performed an independent samples t-test for each year to determine if there is a statistically significant relationship between nominated and non-nominated tracts. For median home value, there was a statistically significant difference in means between nominated and non-nominated tracts for years 2010-2019, $p < 0.05$.

Table 12:
T-Tests Performed for Median Home Value

Median Home Value	
2010	0.04869655
2011	0.00504506
2012	0.01337577
2013	0.02843385
2014	0.00328212
2015	0.00123388
2016	0.03009684
2017	0.02118886
2018	0.02228768
2019	0.01265576

*highlighted in yellow = statistically significant

Household Income

Household income is the combined gross income of all household members who are 15 years or older. Interestingly, both nominated and non-nominated tracts followed the same trend from 2010 to 2019, gradually increasing each year (Graph 6). Nominated tracts saw an increase of $7,075 in median household income from 2010 to 2019 while non-nominated tracts saw an increase of $10,886 in median household income from 2010 to 2019 (Table 13).

Table 13:
Average Household Income for Nominated and Non-Nominated Tracts from 2010-2019

Year	Average, Nominated	Average, Non-Nominated
2010	$46,285	$43,511
2011	$44,214	$44,493
2012	$43,193	$43,572
2013	$45,486	$46,506
2014	$48,184	$49,121
2015	$48,349	$49,249
2016	$49,889	$50,657
2017	$49,729	$50,395
2018	$52,558	$53,407
2019	$53,360	$54,397

Source: Data from The American Community Survey, 2010-2019

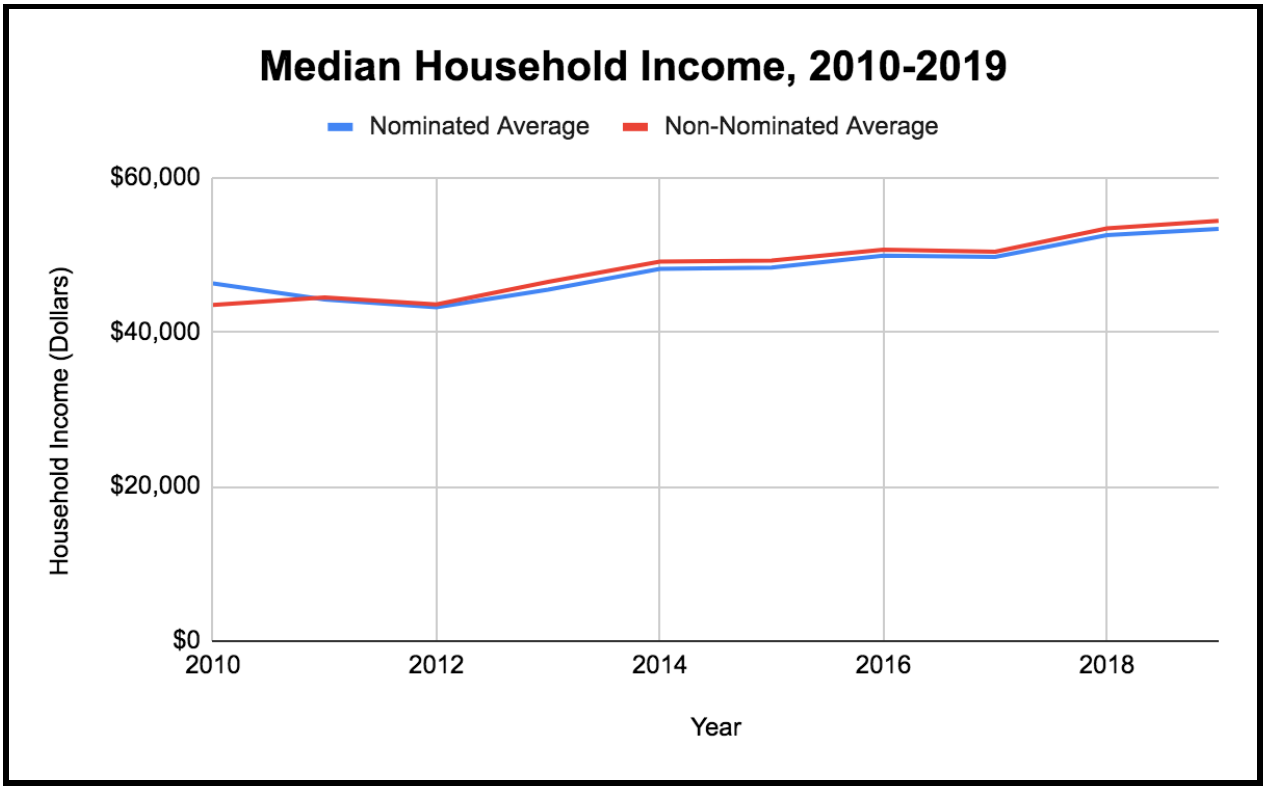
The highest median household income within the nominated tracts is Kalaeloa with $65,883 and the lowest median household income within the nominated tracts is Chinatown with $24,935 (Table 14). The highest median household income within the non-nominated tracts is Kalena Drive with $65,883 and the lowest median household income within the non-nominated tracts is Koa Avenue with $35,957 (Table 14).

Table 14:
Average Household Income Average per Tract from 2010-2019 in Each Nominated and Non-Nominated Tract

Nominated	Averages per Tract from 2010-2019	Non-Nominated	Averages per Tract from 2010-2019
Chinatown	$24,935	**Koa Avenue**	$35,957
Aala	$35,957	**Kamoku St-Iolani**	$43,804
Palama	$43,804	**Upper McCully**	$38,825
Iwilei-Anuenue	$38,825	**Ahana Street**	$43,592
Waiakamilo Road	$43,592	**Civic Center**	$54,491
Mokauea Street	$54,491	**Foster Botanical**	$52,621
Aloha Stadium	$52,621	**Mayor Wright**	$42,195
Hale Mohalu	$42,195	**Linapuni Street**	$57,589
Manana	$57,589	**Kalena Drive**	$65,883
Kalaeloa	$65,883	**Wahiawa Makai**	$45,110
St. Joseph School	$45,110	**Waianae Kai**	$56,957
West Loch	$56,957	**Makaha**	$65,524
Honowai School	$65,524	**Waimanalo**	$50,212

Source: Data from The American Community Survey, 2010-2019

Graph 6:



Source: Data from The American Community Survey, 2010-2019

T-Tests: Household Income

For household income, I performed an independent samples t-test for each year to determine if there is a statistically significant relationship between nominated and non-nominated tracts. There was a statistically significant difference in means between nominated and non-nominated tracts for years 2010-2019 $p < 0.05$.

Table 15:
T-Tests Performed for Median Household Income

Median Household Income	
2010	0.019661
2011	0.00200207
2012	0.00278072
2013	0.00705868
2014	0.00613028
2015	0.00587054
2016	0.00486267
2017	0.00423461
2018	0.00510062
2019	0.00612645

*highlighted in yellow = statistically significant

Analysis & Discussion

The data collected gives a good insight and understanding into what each tract looks like and their trends over time, however, not the best insight into any potential reasoning for why specific tracts were nominated to Opportunity Zones. In the 26 tracts that I collected, both nominated and non-nominated, there are upwards trends in Gross Rent, Home Value, and Household Income. I hypothesized that nominated tracts would show larger trends in these variables over time than nominated tracts, however this does not seem to be the case, so therefore I do not think that the nominated tracts were selected based on their demographics over time, rather their benefit to current city projects.

Running independent samples t-tests reassures the validity of my results. In the case of housing tenure, none of the t-tests were statistically significant. For median gross rent, a fraction of the t-tests were statistically significant, specifically from 2010-2013. For both median home value and median household income, all of the t-tests were statistically significant.

After analyzing the data, there does not seem to be a pattern in housing tenure or gross rent across nominated and non-nominated tracts. However, there does seem to be a statistically significant difference in home value and household income across nominated and non-nominated tracts. Neither nominated tracts chosen or non-nominated tracts chosen are more low-income than the other. In fact, there has been somewhat more of a bigger change in non-nominated tracts than nominated tracts. In non-nominated tracts there was a $87,336 increase in home value since 2010 compared to a $43,355 increase in home value since 2010 in nominated tracts. These mean increases in home value are statistically significant. Non-nominated tracts also saw an increase of $10,886 in median household income from 2010 to 2019, while nominated tracts saw an increase of $7,075 in median household income from 2010 to 2019. These mean increases in median household income are also statistically significant. Despite an increase in household value and home value, renters saw an increase in rents in nominated tracts ($329.69) since 2010 while non-nominated tract renters saw an increase of $227.62. Taking all of this into account, both nominated and non-nominated tracts trend in similar directions.

In regards to the implementation of the policy, since the policy was created in 2017, it is too early to know yet if the policy will have any effect on the studied variables. However, if this policy is utilized and the intended benefits are studied later in the future, there should be an increase in all of these variables, especially an increase in gross rent. If gentrification occurs as a result of the aid of Opportunity Zones, there would be increases in gross rent, household income, and home values in the nominated tracts, leading to more instances of displacement. Furthermore, if these events occur more frequently in the nominated tracts, we can expect the results to stem from the application of Opportunity Zones.

Policy Recommendations

My research on Opportunity Zones in Hawaii has led me to several policy recommendations. The first policy recommendation I have is a stronger and more responsible application process. The current administration process is mainly self-administered and lacks the supervision needed to actually stimulate the economy in an ethical manner. The main criticism of the Opportunity Zone policy is that it will accelerate gentrification and expedite displacement in vulnerable neighborhoods. To combat this, I suggest a more comprehensive application process that includes community development efforts and environmental impact reports, such as seen in the Empowerment Zones and Enterprise Communities policy from 1993. The appeal of an easy application process is to gain more traction from investors, however I do not think that economic stimulation should be prioritized over the housing stability of community residents. The lack of oversight within this policy allows investors the freedom to create luxury apartments that will raise property values and rental prices, ultimately leading to displacement and gentrification, defeating the purpose of helping existing residents.

There is criticism that Opportunity Zones are only attractive to investors because investors would have already been investing in that community regardless of if the policy had existed or not. To better focus on revitalizing the community for the residents that live there, better precautions need to be taken into account instead of heavy investor recruitment.

Opportunity Zones are more likely to be used in residential rental housing than businesses (Novogradac, 2020), therefore this investment is more likely going to be poured into luxury rentals than affordable housing. Although the federal government's intention is to stimulate and attract economic growth into low-income areas, the investors do not have to necessarily care about the social or environmental implications that may result from this policy. Timothy Weaver, assistant professor of urban policy and politics at the University at Albany in Albany, New York says "This policy isn't, I don't think, very well designed to do what it's putatively meant to be doing, which is to help people in poorer neighborhoods. It's going to help wealthy people primarily who don't want to pay capital gains tax on investments. They're the number-one beneficiaries." (Ashmun, 2019). A supplemental program incentivizing affordable housing development within Opportunity Zones could encourage more investors to lean towards building more affordable housing, which would still create jobs in the construction industry and, of course, erect more housing for the existing residents of these low-income communities.

The second recommendation that I have for this policy is better research on state tract nomination. The nomination of Opportunity Zones has been highly criticized.

Controversies include that while the median income across various states differ, what low-income is considered does not. This policy should target the areas of the country that are most poverty stricken and that truly need the economic investment. If there are census tracts that are more favorable to investors, but with lower poverty rates than other nominated tracts, investors may not go to where it's most needed. There is also controversy on the amount of tracts that can be selected, which is 25 minimum per state, which does not take into account the population of states, allowing smaller states to nominate a higher percentage of tracts. Tracts should be more indepthly studied before the nomination process. In some cases, tracts with college students were selected, which are areas that are already more attractive to investors, but are technically qualified as low-income because college students are often misleadingly counted as living in poverty. Once governors choose the tracts that they nominate, they should have the tracts, reasonings for the nomination of that specific tract, and potential projects that are suggested to be built in the tract. It would also be helpful to publicize which developers/developments are taking advantage of Opportunity Zones in regards to better data on Opportunity Zones. This will increase the transparency of the policy and lessen the likelihood of developments that would push existing residents out.

Conclusion

We must think more critically about the policies that we create and who these policies are intended to benefit. The Opportunity Zones program is a place-based policy with good intentions. However, those good intentions cannot be effectively implemented if too much leeway is given to wealthy investors who care more about profit then community vitality. Furthermore, policy intentions are worthless if the actual implementation does not gain enough traction, which is exemplified here with Hawaii as a case study. Even without a rigorous application process, this policy is still not taken advantage of, especially in the case of community development projects.

In criticism to my own work, if more time and resources were available, ideally all low-income tracts should be compared against the nominated 13. It would have also been beneficial to create an optimal strategy for choosing which tracts to be nominated, recommending to the former Governor of Hawaii what should have been done. However I believe that all tracts should be examined in order for this to occur. Qualitative analysis could have led to different nomination choices, but this paper leans to be data-heavy with the purpose of holding structure. More research is needed to effectively analyze Opportunity Zones to its fullest extent, but presently we must take action to prevent gentrification and displacement in low-income communities before it is too late. We have other past place-based policies to look back on, so therefore we must learn from our previous failures to create more ethical policies, unlike Opportunity Zones. If we are to truly care about housing as a right, we must pay close attention to how the wealthy take advantage of the poor.

Appendix:

Appendix A.
Change in Poverty Rates for Nominated Tracts Over Time, 2012-2019

Nominated Tracts	2012	2019	Difference
Chinatown	21.40%	29.40%	+8%
Aala	18.80%	21.80%	+3%
Palama	14.50%	18.60%	+4.1%
Iwilei-Anuenue	28.10%	35.70%	+7.6%
Waiakamilo Rd	33.50%	16.30%	-17.2%
Mokauea	6.40%	7.40%	+1%
Aloha Stadium	24.80%	10.50%	-14.3%
Hale Mohalu	17%	7.70%	-9.3%
Manana	12.50%	6.70%	-5.8%
Kalaeloa	21.30%	24.60%	+3.3%
St. Joseph School	14%	12.90%	-1.1%
West Loch	32.30%	13.10%	-10.3%
Honowai School	12%	17.40%	+5.4%

Source: Data from The American Community Survey, 2012-2019

Change in Poverty Rates for Nominated Tracts Over Time, 2012-2019

Non-Nominated Tracts	**2012**	**2019**	**Difference**
Koa	27.50%	17.50%	-10%
Kamoku-Iolani	5.80%	18.30%	+12.5%
Upper McCully	14.50%	13.40%	-1.1%
Ahana Street	27.10%	20.30%	-6.8%
Civic Center	24.70%	20.10%	-4.6%
Foster Botanical	22.20%	25.90%	+3.7%
Mayor Wright	61.40%	32.20%	-29.2%
Linapuni	65.20%	38.20%	-27%
Kalena	52.70%	36.60%	-16.1%
Wahiawa Makai	22.10%	30%	+7.9%
Waianae Kai	34.40%	39.40%	+5%
Makaha	30.40%	32.70%	+2.3%
Waimanalo	17.50%	12.70%	-4.8%

Source: Data from The American Community Survey, 2012-2019

Appendix B. Average Percentage of Owner-Occupied Housing Units in Nominated and Non-Nominated Tracts

Owner-Occupied	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**
Average, Nominated	25.52%	26.29%	23.92%	24.88%	24.11%	23.84%	23.46%	22.58%	21.43%	22.06%
Average, Non-Nominated	30.95%	30.45%	28.30%	27.09%	27.25%	27.69%	26.18%	27.14%	27.72%	27.82%

Source: Data from The American Community Survey, 2010-2019

Appendix C. Owner-Occupancy and Renter-Occupancy Percents for Nominated Tracts, 2010-2019

	Averages per Tract from 2010-2019	
Nominated Tracts	**Owner-Occupied %**	**Renter-Occupied %**
Chinatown	0.71%	99.29%
Aala	9.33%	90.67%
Palama	34.19%	65.68%
Iwilei-Anuenue	16.12%	83.88%
Waiakamilo Rd	35.47%	64.53%
Mokauea	9.77%	90.23%
Aloha Stadium	34.74%	65.26%
Hale Mohalu	25.85%	74.76%
Manana	29.55%	70.43%
Kalaeloa	2.78%	97.63%
St. Joseph School	40.13%	59.87%
West Loch	35.34%	64.69%
Honowai School	36.67%	63.34%

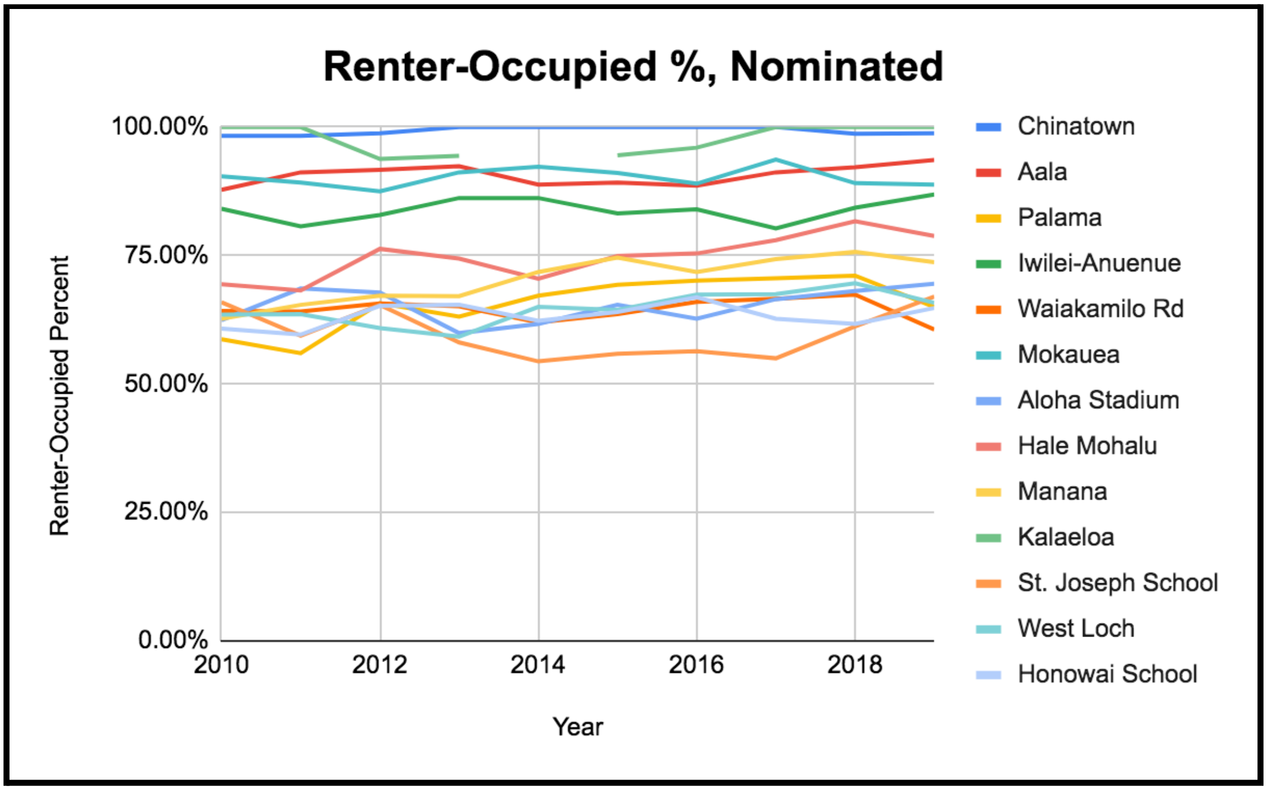
Source: Data from The American Community Survey, 2010-2019

Owner-Occupancy and Renter-Occupancy Percents for Non-Nominated Tracts, 2010-2019

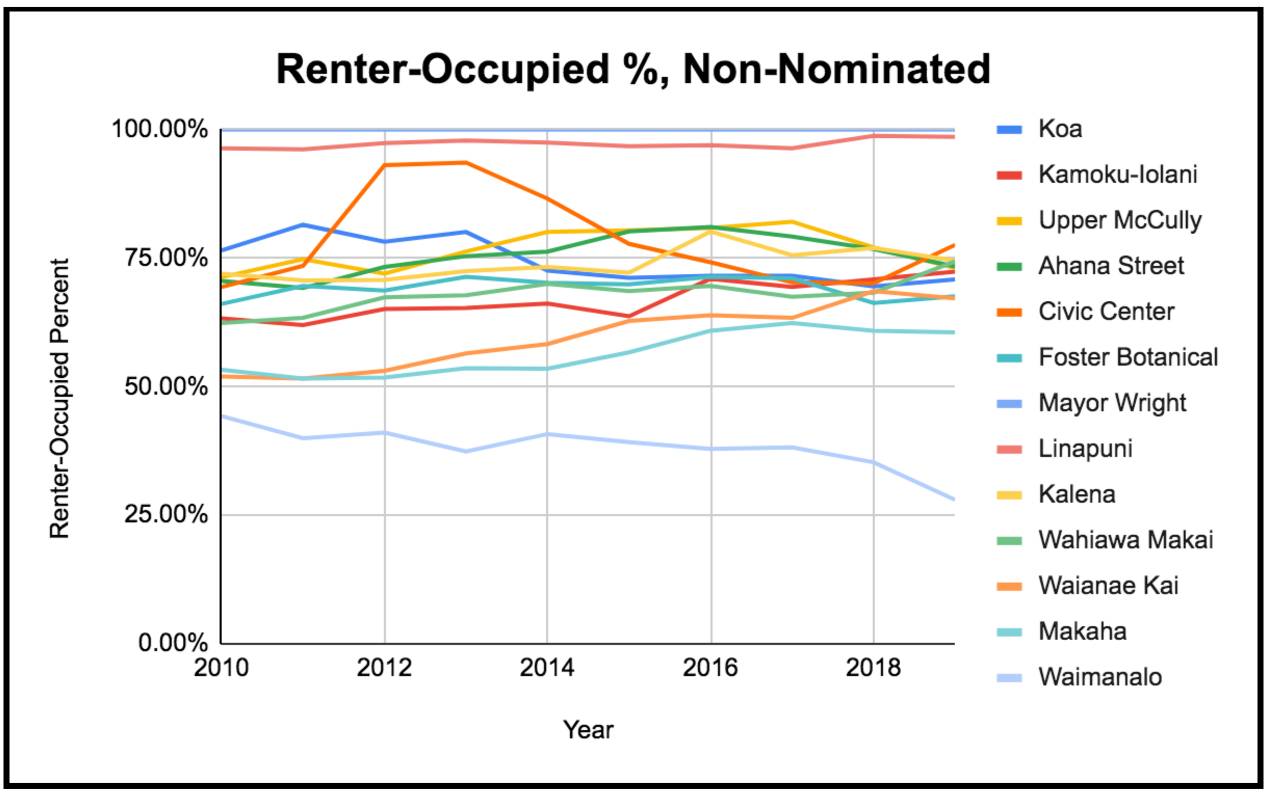
	Averages per Tract from 2010-2019	
Non-Nominated	**Owner-Occupied %**	**Renter-Occupied %**
Koa	25.63%	74.37%
Kamoku-Iolani	33.07%	66.93%
Upper McCully	23.18%	76.81%
Ahana Street	24.45%	75.55%
Civic Center	21.38%	78.62%
Foster Botanical	30.77%	69.23%
Mayor Wright	0.00%	100%
Linapuni	2.70%	97.30%
Kalena	26.03%	74%
Wahiawa Makai	32.06%	67.94%
Waianae Kai	40.26%	60%
Makaha	43.47%	56.53%
Waimanalo	61.78%	38.22%

Source: Data from The American Community Survey, 2010-2019

Appendix D.



Source: Data from The American Community Survey, 2010-2019



Source: Data from The American Community Survey, 2010-2019

Appendix E.
Change in Gross Rent in Nominated and Non-Nominated Tracts Over Time, 2010-2019

	2010	2019	Difference
Average, Nominated	$951.46	$1281.15	+$329.69
Average, Non-Nominated	$851.15	$1078.77	+$227.62

Source: Data from The American Community Survey, 2010-2019

Bibliography

American Savings Bank. (2016, November 22). *Punawai 'O Pu'uhonua Receives $55 Million in New Markets Tax Credits Allocation*. American Savings Bank. https://www.asbhawaii.com/news/stories/2016/20161122#:~:text=The%20Punawai%20'O%20Pu'uhonua,foods%2C%20renewable%20energy%20and%20healthcare.

Ashmun, M. (2019, March 21). *Give the wealthy a tax break to encourage affordable housing? Gavin Newsom wants to try it*. The Sacramento Bee. https://www.sacbee.com/news/politics-government/capitol-alert/article227741084.html?fb_comment_id=2774732095876321_2776997748983089

Barnard, D. (2006). Law, Narrative, and the Continuing Colonialist Oppression of Native Hawaiians. *Temple Political & Civil Rights Law Review*, *16*.

BKSHIRO. (2014, December 10). *Honolulu Rail Transit: A Solution That Will Become A Problem*. hnlrailcons. https://hnlrailcons.wordpress.com/

CA Opportunity Zones. (n.d.). *Opportunity Zone 101: I want to learn...* CA Opportunity Zones. https://opzones.ca.gov/faqs/

Chen, J., Glaeser, E. L., & Wessel, D. (2019, December). The (Non-) Effect of Opportunity Zones on Housing Prices. *National Bureau of Economic Research*.

DBEDT. (n.d.). *Enterprise Zones*. Hawaii.gov. https://invest.hawaii.gov/business/ez/

DBEDT. (n.d.). *Low-Income Housing Tax Credit Program*. hawaii.gov. https://dbedt.hawaii.gov/hhfdc/developers/lihtc_html/

DBEDT. (n.d.). *Opportunity Zones Program Frequently Asked Questions*. invest.hawaii.gov. https://invest.hawaii.gov/wp-content/uploads/2018/05/Opportunity_Zones_Program_FAQs.pdf

DBEDT. (n.d.). *OZ INVESTMENT PROJECTS IN HAWAII*. hawaii.gov. https://invest.hawaii.gov/oz/oz-investment-projects-in-hawaii/

DBEDT. (2019). *Hawaii Enterprise Zones Program*. Hawaii.gov. https://invest.hawaii.gov/wp-content/uploads/2020/12/2019-Enterprise-Zones-Program-Annual-Report.pdf

DBEDT. (2019). Hawaii Enterprise Zones Program Annual Report. *DBEDT*.

Economic Innovation Group. (2020, December). *Facts & Figures*. Economic Innovation Group. https://eig.org/opportunityzones/facts-and-figures

Elaban, M. (2020). Kulia I ka Pono: The Relationship Between Economic Development and Native Hawaiian Culture. *Pepperdine University, Featured Research*. https://digitalcommons.pepperdine.edu/sturesearch/225

Federal Reserve Bank of St. Louis. (n.d.). *About the Opportunity Zones Data*. Federal Reserve Bank of St. Louis. https://www.stlouisfed.org/community-development/data-tools/opportunity-zones-explorer/about-the-data

Freedman, M. (2012, December). Teaching new markets old tricks: The effects of subsidized investment on low-income neighborhoods. *Journal of Public Economics*, *96*(11-12), 1000-1014.

Gelfond, H., & Looney, A. (2018, October 19). *Learning from Opportunity Zones: How to Improve Place-Based Policies*. Brookings. https://www.brookings.edu/research/learning-from-opportunity-zones-how-to-improve-place-based-policies/

Gittell, M., Newman, K., Bockmeyer, J., & Lindsay, R. (1998, March 1). Expanding Civic Opportunity: Urban Empowerment Zones. *SAGE Journals*. https://doi.org/10.1177/107808749803300408

Hanlon, S., & Thornton, A. (2017, August 24). *Trickle-Down Tax Cuts Don't Create Jobs.* Center for American Progress. https://www.americanprogress.org/issues/economy/reports/2017/08/24/437625/trickle-tax-cuts-dont-create-jobs/

Harger, K., & Ross, A. (2014, 6). Do Capital Tax Incentives Attract New Businesses? Evidence across Industries from the New Markets Tax Credit. *West Virginia University*.

Hawaii Tourism Authority. (2019). *Fact Sheet: Benefits of Hawaii's Tourism Economy*. Hawaii Tourism Academy. https://www.hawaiitourismauthority.org/media/4167/hta-tourism-econ-impact-fact-sheet-december-2019.pdf

HUD. (n.d.). *Empowerment Zones*. HUD. https://www.hud.gov/hudprograms/empowerment_zones

Internal Revenue Service. (n.d.). *Opportunity Zones Frequently Asked Questions*. Internal Revenue Service. https://www.irs.gov/credits-deductions/opportunity-zones-frequently-asked-questions

Jacoby, S. (2019, January 11). *Potential Flaws of Opportunity Zones Loom, as Do Risks of Large-Scale Tax Avoidance*. Center on Budget and Policy Priorities. https://www.cbpp.org/research/federal-tax/potential-flaws-of-opportunity-zones-loom-as-do-risks-of-large-scale-tax

Johnson, C. H. (2020, October 26). Repeal Opportunity Zones. *Tax Notes Federal*, *169*, 625-630.

Jones, K. (2020, June 24). *Hawaii's Unhealthy Relationship With Tourism*. Civil Beat. https://www.civilbeat.org/2020/07/hawaiis-unhealthy-relationship-with-tourism/

Lester, R., Evans, C., & Tian, H. (2018, October 15). Opportunity Zones: An Analysis of the Policy's Implications. *State Tax Notes*, *90*(3).

Magin, J. L. (2019, October 4). *Hawaii community development entity gets $40M in new markets tax credits*. Pacific Business News.

https://www.bizjournals.com/pacific/news/2019/10/04/hawaii-community-development-entity-gets-40m-in.html

Manausa, J. (2009, April 29). *Understanding Turnover Rate in Your Neighborhood*. Joe Manausa Real Estate. https://www.manausa.com/blog/neighborhood-turnover-rate/

Miculka, C. (2020, June 14). *Big Island Officials Are Frustrated That Opportunity Zones Haven't Drawn New Investment*. Honolulu Civil Beat. https://www.civilbeat.org/2020/06/big-island-officials-frustrated-that-opportunity-zones-havent-drawn-new-investment/

Neumark, D., & Simpson, H. (2014, Aoril). Place-Based Policies. *National Bureau of Economic Research*.

New Markets Tax Credit Coalition. (n.d.). *Hawaii Fact Sheets*. New Markets Tax Credit Coalition.

Novogradac, M. (2020, April 29). *Novogradac Opportunity Funds List Surpasses $10 Billion in Investment*. Novogradac. https://www.novoco.com/notes-from-novogradac/novogradac-opportunity-funds-list-surpasses-10-billion-investment

OECD. (2015). In It Together: Why Less Inequality Benefits All. *OECD*. https://doi.org/10.1787/9789264235120-en

Opportunity Zone Fund Directory. (2021). NCSHA. https://www.ncsha.org/resource/opportunity-zone-fund-directory/

Oxford Languages. (n.d.). *Gentrification*. Oxford Languages.

Rieder, R. (2020, June 24). *Trump's Unsupported Claim About Opportunity Zone Investments*. FactCheck. https://www.factcheck.org/2020/06/trumps-unsupported-claim-about-opportunity-zone-investments/

Ritchie, M. J. (2018, October 9). *Hawaii's Opportunity Zones*. DBEDT. https://invest.hawaii.gov/wp-content/uploads/2018/10/DBEDT.pdf

Simon, M. (2019, March 30). *What You Need to Know About Opportunity Zones*. Forbes. https://www.forbes.com/sites/morgansimon/2019/03/30/what-you-need-to-know-about-opportunity-zones/?sh=662e676c6ae2

State of Hawaii. (2016). *Hawaii Enterprise Zone Program*. DBEDT. https://files.hawaii.gov/dbedt/annuals/2015/2015-bdsd-ez.pdf

Tax Policy Center. (n.d.). *What is the new markets tax credit, and how does it work?* Tax Policy Center. https://www.taxpolicycenter.org/briefing-book/what-new-markets-tax-credit-and-how-does-it-work

Temple, J. (2012, March 1). *Civil Beat Poll – Honolulu Voters Oppose Rail Project*. Honolulu Civil Beat. https://www.civilbeat.org/?p=15051/

Theodos, B., Hedman, C., Meixell, B., & Hangan, E. (n.d.). *Opportunity Zones: Maximizing Return on Public Investment*. Urban Institute. https://www.urban.org/policy-centers/metropolitan-housing-and-communities-policy-center/projects/opportunity-zones-maximizing-return-public-investment

United States Census Bureau. (n.d.). *How the Census Bureau Measures Poverty*. United States Census Bureau. https://www.census.gov/topics/income-poverty/poverty/guidance/poverty-measures.html

US Department of the Treasury. (2018, October 19). *Treasury Releases Proposed Regulations on Opportunity Zones Designed to Incentivize Investment in American Communities*. US Department of the Treasury. https://home.treasury.gov/news/press-releases/sm530

Vorsino, M. (2015, December 4). *Census: Oahu has state's highest concentrations of rich and poor*. Hawaii News Now. https://www.hawaiinewsnow.com/story/30673084/census-figures-show-oahu-has-states-starkest-income-differences/