Center for Faith
U.S. Department of Housing and Urban Development

The HUD Center for Faith is conducting a series of conferences around the country entitled: "Opportunity Zones: Economic Development and Community Revitalization by the Power of Faith." These conferences are designed to encourage the faith and business communities to participate in economic and community development within Opportunity Zones ("OZ") and to discuss the importance of faith-based organizations in family formation and community revitalization, especially in these distressed communities.

OZ are economically distressed communities that are in designated census tracts. The OZ incentives, established in 2017 by the Tax Cuts and Jobs Act ("OZ 2017"), have been updated and made permanent through the next phase of OZ under the Working Families Tax Cuts Act that became law in 2025 under President Trump ("OZ 2025"). OZ tax incentives provide a tremendous way to bring investments, jobs, business expansion, and business development to a community. The OZ initiative is not a top-down government program from Washington but an incentive to spur private and public investment in America's underserved communities.

This landmark policy, among other things, **has incentivized over $112 billion of private investment into OZ, making it the largest economic development program in U.S. history. It has lifted more than one million Americans out of poverty, spurred the creation of more than half a million jobs, and resulted in the addition of more than 400,000 housing units.** OZ 2025 is expected to support billions in investments, spur the creation of millions of new jobs, and facilitate construction of hundreds of thousands of new homes and community and economic development projects. In alignment with President Trump's new Executive Order, *Removing Barriers to Building Homes,* HUD will also increase efforts to expand the housing supply by aligning OZ incentives with single-family home development and the New Markets Tax Credit programs.

A common misconception about OZ is that it is a grant program. **IT IS NOT A GRANT PROGRAM.** If requirements are satisfied, OZ provide tax incentives. The OZ 2025 tax incentives (effective on January 1, 2027 for the newly designated OZ census tracts) are: 1.) a five-year deferral of capital gains taxes for money invested into a fund that invests in an OZ and is held for five years with a discount of 10% (or 30% for rural investments) upon payment of the tax; and 2.) elimination of any capital gains taxes on that investment if held for ten years or

more. The tax incentives are available to individuals and entities allowing for multiple financing options.

With respect to OZ 2025, here are three basic examples to help illustrate these massive tax incentives.

INDIVIDUAL INVESTOR

- Gavin has a $100,000 gain from a stock investment. If he sold the stock, he would be subject to capital gains taxes. He hears about OZ from his pastor and invests the $100,000 into an existing Qualified Opportunity Fund ("QOF") which in turn invests in constructing and operating a furniture factory in a rural OZ. Gavin holds the investment in the fund for five years, pays the capital gains tax at that time, and receives a 30% step up in basis reducing his tax burden by 30% on his original gain. He holds the investment in the fund for ten years, and his investment grows to $300,000. Gavin pays no capital gains tax on the $200,000 appreciation.

LARGE ENTITY INVESTOR

- A Fortune 500 corporation ("Corporation") has a $100,000,000 gain from a sale of an asset. Corporation invests the $100,000,000 into a QOF which in turn invests in constructing a large mixed-use project consisting of multifamily housing, retail, health care, and commercial space in an urban OZ. Corporation holds the investment in the fund for five years, pays the capital gains tax at that time, and receives a 10% step up in basis reducing their tax burden by 10%. Corporation holds the investment in the fund for ten years, and the investment grows to $300,000,000. Corporation pays no capital gains tax on the $200,000,000 appreciation.

REGIONAL ENTITY INVESTOR

- A regional business ("Investor") invests its gains in a QOF that invests in a local cattle business in a rural OZ that is looking to expand operations. The Investor will hold the investment in the QOF for at least ten years and will receive the rural OZ benefits noted above, and the local farming business is able to grow its business.

Churches, other houses of worship, and organizations inspired by faith ("FBOs") can and should play a vital role in community and economic development within OZ. Below are several, among many others, non-monetary and monetary reasons FBOs should engage in the OZ conversations in their communities. (Please note that references to church include all houses of worship).

1. In many areas, the local church is still the bedrock of the community. The church can lead the way to accomplish unique redevelopment goals which fit community needs, unite communities, and thus benefit the church.
2. FBO participation would provide incentives to investors as they consider investment opportunities in a community, as safety, health, and welfare concerns are more likely to be addressed with engaged FBOs.
3. Many underutilized or closed churches and affiliated underutilized or unused real property (thousands of acres across the nation) are located within an OZ. This allows for investment opportunities and revitalization that can produce win-win-win situations for churches and investors and benefits for the local community.
4. As the projected additional billions of dollars of private investment flow into Opportunity Zones, FBOs and the business community should engage in discussions about economic development and community revitalization; opportunities are likely to emerge where investors financially support FBO ministries related to homelessness, health and welfare, education, job training, addiction treatment, food and clothing distribution, and other areas of assistance for the less fortunate in society.
5. A church or FBO can establish their own QOF and take advantage of the tax incentives to raise funds to invest in an operating business or real estate for the benefit of the congregation and community. Or they may leverage an existing QOF to invest in their community. There are currently QOFs that are faith-focused and mission focused.
6. OZ investments often bring new jobs or lure back old jobs to communities.
7. OZ investments often bring new businesses and services to communities.
8. As communities are revitalized because of the investments and collaboration with FBOs, the church benefits from the growing communities.
9. Governors are currently working on nominating their new OZ (census tracts) to submit to the U.S. Department of Treasury. Churches should take the lead to advocate for their communities that are eligible to be nominated. Treasury will certify and designate the new ten-year OZ map at the end of 2026, and it will be in effect January 1, 2027.
10. Churches can be great conveners of stakeholders, including local government, nonprofits, investors, community residents, etc. Through this strategic convening, churches can help guide the conversation on the most important needs of communities and what investment opportunities should be highlighted. The best investment is not always from large businesses or investors outside the community; it is often from local businesses and investors who want to see their community flourish.
11. Churches can help to ensure the incoming investments benefit the community.
12. Churches can help the community prepare for investment by providing job training, financial literacy programs, homeownership programs, and entrepreneur training, some of which may be funded by incoming investors.
13. Churches can help shape the development of the community by advocating for attainable housing and encouraging local hiring.

14. If their area recently went through a natural disaster, the church is the main source of hope for the area and can help investors quickly assess community needs.
15. There are many different structures for churches to use for OZ investment. There are also many examples of churches leveraging local and regional investor capital gains with their land or properties for faith-focused aligned goals.

With respect to OZ 2025, here are two basic examples to illustrate how FBOs can engage.

UNUSED PROPERTY

- A church in an OZ sits on ten acres, and they own another twenty undeveloped acres a mile away. Utilizing the OZ tax incentives to attract investment, the church sells the undeveloped land to a regional business that constructs and operates a modular home factory that employs people from the local community. The church uses the proceeds from the sale of the property to rehabilitate their sanctuary and expand their ministries. The church and modular home manufacturer met at an OZ conference during a networking session.

FBO FUND

- A group of churches in a rural OZ establish a QOF that is owned and operated by Christian businessmen from the region who seek the tax incentives, are looking for good investment opportunities, and want to serve the Lord. Employing the OZ tax incentives, the fund raises $25 million and invests in a for-profit 50-bed hospital that benefits the entire community.

As Secretary Turner often says, HUD can be most impactful when we serve as a convener and facilitator. Our conferences are designed to encourage FBOs and the business community to participate in economic and community development within OZ and to discuss the importance of FBOs in family formation and community revitalization, especially in these distressed communities. To help shape collaborative strategies to address the causes, challenges, and possibilities within OZ, we seek to convene investors, local and state governments, FBOs, Center for Faith staff from other agencies (such as HHS, SBA, Commerce, Labor, and Education), HUD's regional representatives, and other stakeholders.

These invitation-only conferences will feature panels covering such topics as listed below.

1. Opportunity Zones: Providing Business Opportunities and Meeting Community Needs.
2. Faith in Action in Opportunity Zones.
3. Funding Projects in Opportunity Zones.

4. Attainable Housing Options in Opportunity Zones.
5. Federal Resources: The Centers for Faith

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OZ FAQs – Opportunity zones frequently asked questions | Internal Revenue Service
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