

# Sen. Tim Scott's 'Land Of Opportunity' (Zones)

The Presidential Hopeful's Signature Poverty-Fighting Policy Is A Bust

By Luke Goldstein THE AMERICAN PROSPECT

21 April 2023

South Carolina Sen. Tim Scott May Soon Be Joining The Bonfire Of Long-Shot Republican Candidates Hoping To Dethrone Former President Donald Trump For The GOP Nomination In 2024. Earlier This Month, Scott Formed A Presidential Exploratory Committee, Made A Trip To The Key Primary State Of New Hampshire, And Went On A Round Of Media Appearances To Boost His Profile (Where He Mainly Sidestepped Questions About His Stance On A National Abortion Ban). Rumors Have Circulated For Years About Scott's Presidential Ambitions, And There's Every Indication That He Will Run. Scott Seems Intent On Countering Trump's Bleak "American Carnage" View Of A Country In Decline With One Of Sunny Optimism, Returning To Platitudes About "A Land Of Opportunity," As The *Wall Street Journal* Editorial Page Glowingly Dubbed It.

Unfortunately For Scott's Efforts To Set Himself Apart In The Race, The Two-Term Senator's List Of Policy Accomplishments Could *Could Fit On A Cocktail Napkin*. His Signature Legislative Achievement Was An Obscure Measure Included In President Trump's Tax Cuts And Jobs Act That Few Noticed At The Time, But Has Since Wreaked Havoc On Low-Income Areas: OPPORTUNITY ZONES.

This Benign-Sounding Policy Is Intended To Revitalize Poor Urban Communities. In Reality, It Is An Orwellian Disaster That Turns Such Neighborhoods Into Domestic Tax Shelters For The Wealthy. Thus Far, The Opportunity Zone Program Has Mostly Fueled Gentrification And Rampant Speculation In Real Estate, And Even Facilitated Corruption Through The Management Of The Funds That Allocate The Investments. Though Sen. Scott Receives The Lion's Share Of The Blame, Many Others From Both Parties Are Also Implicated, Including Sen. Cory Booker (D-NJ), Who Helped Co-Sponsor The Legislation And Continues To Laud Its Supposed Successes.

The Way The Zones Work Is That Investors And Corporations Can Defer Paying Capital Gains Taxes By Investing Into A Designated Low-Income Zone Through A Qualified Opportunity Fund (QOF), Essentially Acting Like An Investment Vehicle For Interest-Free Loans. The Top Beneficiaries Of The Tax Breaks Are Hedge Funds, Private Equity Firms, And Real Estate Trusts. Amazon, Which Notoriously Built Much Of Its Business Model Around Evading Taxes, Has Strategically Placed Fulfillment Centers And Other Sites Over 170 Opportunity Zones Around The Country.

In The 1980s And '90s, Various Iterations Of These Enterprise Zones Were All The Rage. Former British Prime Minister Margaret Thatcher And Then-President Bill Clinton Experimented With Different Kinds Of Place-Based "Empowerment Zones" That Couched Business-Friendly Tax Write-Offs As Anti-Poverty Programs. These Earlier Zones Were Largely A Flop In Terms Of Achieving Their Stated Goals, But At Least They Were Actually Tied To Some Baseline Of Job Creation. Today, By Contrast, Scott-Booker Opportunity Zones

Don't Even Have That Requirement, And Therefore Are Mainly A Tax Giveaway For Luxury Real Estate Developments.

As Author David Wessel Details In His Recent Book On The Zones, *Only The Rich Can Play*, Silicon Valley Titan And Napster Founder Sean Parker Revived Interest In The Idea And Began Using His Influence To Promote Its Re-Adoption. Opportunity Struck In The Midst Of The 2017 Tax Cut Negotiations, When The Trump Administration Was Facing Backlash For The President's Comments About The Far-Right Rally In Charlottesville. Sen. Scott Used The Media Frenzy To Urge President Trump To Include His Then-Little-Known Legislation In The Tax Bill To Save By Promoting A "Do-Gooder" Project.

Soon After The Enactment Of The Zones, Big Investors Began Lobbying The White House And Trump Aides To Get Preferred Carve-Outs In The Designation Process Deciding Which Areas Would Get Covered As Opportunity Zones For Investment. That's Where Egregious Political Favoritism Came In, Sometimes Making A Mockery Of The Policy's Stated Intentions. A Swanky Ritz-Carlton Hotel Near Portland, Oregon, For Instance, Received Investments From A QOF.

In 2019, Junk Bond King Michael Milken Personally Lobbied His Friend, Then-Treasury Secretary Steve Mnuchin, To Get A Tract Of Land In Nevada That Hardly Qualifies As Distressed Included As An Opportunity Site. As It Turned Out, Milken Owned Property In The Designated Area.

Elsewhere, The Port Covington Neighborhood In Maryland Famously Became An Opportunity Zone After Aggressive Lobbying Efforts By Goldman Sachs As Well As Gov. Larry Hogan, A Former Real Estate Developer, Even Though It Contains Many High-Income Earners And Businesses. The Hedge Fund Run By Former Trump Aide Anthony Scaramucci Ended Up As The Lead Investor Into A QOF That Helped Build A Waterfront Hotel In New Orleans, Run By Billionaire Richard Branson's Virgin Group.

Outside Of Corruption In The Designation Selection, The Zones Have Hardly Achieved The Stated Goals Of Reducing Poverty, According To A Number Of Recent Studies. For One, *Over Half Of The Tax Breaks Went To Just 1 Percent Of The 8,000 Zones And Mostly Financed Luxury Developments.*

To Be Sure, A Certain Segment Of Opportunity Zone Funds Have Gone To Worthwhile Projects That Helped Low-Income Areas. But On The Whole, Many Of The Development Projects That The Funds Finance Likely Would Have Happened Anyway Without The Tax Breaks.

Yet Another Criticism Of The Zones Is That They Give Wealthy Investors Further Incentive To Accelerate Gentrification By Building High-Rise Lofts And Commercial Real Estate. While These Projects May Boost Property Values, Many Residents Get Pushed Out Of The Neighborhoods Before They Can Experience Any Of The Benefits. According To Recent Report From Strategic Actions For A Just Economy, The Designation Of Opportunity Zones In Los Angeles County Increased The Displacement Rates Within Those Areas By 23 Percent. As The

Organization Points Out, The Tax Breaks Going To Wealthy Investors In Those Projects Could Have Instead Financed Affordable-Housing Units.

More Broadly, The Ongoing Disaster Of These Zones Should Be A Lesson In The Failures Of An Economic Philosophy That Holds That The Only Way To Fix A Social-Policy Problem Like Poverty Is To Help The Wealthy Get Even Richer. Unfortunately, It's An Economic Theory That Still Has A Grip On Members Of Both Parties And Holds Back Real Solutions. It's Long Overdue To Put Direct Public Investment And Universal Welfare Programs Back Into The Core Of Poverty-Fighting Policy.

###

Luke Goldstein Is A Writing Fellow At The American Prospect.  
He Previously Worked As A Reporter / Research Associate At The  
Open Markets Institute And Interned At Washington Monthly.