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Novogradac Opportunity Funds List Surpasses \$10 Billion Mark

OZ Investment Poised to Play Crucial Role in Recovery from COVID-19 Pandemic

SAN FRANCISCO—As the COVID-19 pandemic wreaked havoc across America, investment in qualified opportunity funds (QOFs) surpassed a milestone, and opportunity zones (OZs) investment is poised to play a key role to help spur a COVID-19 recovery in some of the nation’s hardest-hit communities.

QOFs on the [Novogradac Opportunity Funds List](#) surpassed \$10 billion in equity raised (and the total invested in all QOFs is likely significantly more than that). Nearly all of the \$10 billion-plus was raised before March 13, the date President Donald Trump declared a national emergency to combat the spread of COVID-19 in the U.S. Anecdotal evidence since March 13 suggests QOFs are seeing a pause in new investment as the nation struggles to react to the pandemic.

“It’s very difficult to say precisely how the market has been affected,” said John Lettieri, president and CEO at the [Economic Innovation Group \(EIG\)](#), a bipartisan public policy organization that champions the use of the OZ incentive. “It certainly hasn’t helped. COVID-19 has been massively disruptive to opportunity zones in the same way that it’s been massively upsetting to the entire economy.”

However, OZ investment is situated to help some of the hardest-hit, low-income communities during the post-pandemic recovery.

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“There is significance to reaching this milestone of \$10 billion invested, but the COVID-19 pandemic certainly puts this achievement in a different light,” said Michael J. Novogradac, CPA, managing partner of Novogradac. “We’re most encouraged by the fact that hundreds of QOFs have raised billions of dollars, surpassing the federal government’s initial expectations. That provides a broad base for investment in distressed communities, to help spur a COVID-19 recovery.”

The latest figure of \$10.09 billion raised by 406 QOFs compares to \$6.72 billion in early January. The total number of QOFs on the list is now 621, compared to 502 in January. The 406 QOFs that report having raised funds compares to 292 in January—and the 406 QOFs have an average equity raise of \$24.9 million. Twenty-two funds report having raised at least \$100 million.

The COVID-19 pandemic looms large, but there’s optimism that OZ investment will be crucial.

“In the short term, it’s tough to gauge where the market goes,” said Steve Glickman, founder and CEO of [Develop LLC](#), a leading advisory firm for OZs and co-founder of EIG. “Everyone’s more focused on the urgent ... the first real test of the [OZ] marketplace will be this summer. That’s when capital gains from 2019 partnerships roll over, gains from public equities sales in February and March approach their deadlines and I expect some of the [COVID-19-related] restrictions will begin to be rolled back. There will be a lot of activity in Q3.”

Novogradac, a national accounting and consulting enterprise, tracks QOFs, which invest in the economically distressed areas that were targeted for investment by the OZ incentive provision in 2017 tax reform legislation.

COVID-19 OZ investment deadline relief came April 10, when the Internal Revenue Service issued a notice that extended the deadline until July 15 for taxpayers whose 180-day deadline to invest capital gains falls on or after April 1 and before July 15.

“That’s another reason to expect investment this summer,” said Glickman. “If someone had a rollover from last October or November, they now have until July to reinvest.”

Novogradac partner John Sciarretti, CPA, is the head of the Opportunity Zones Working Group. He hopes the federal government provides additional temporary relief to assist OZ investors.

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“The Opportunity Zones Working Group [submitted a letter to the Department of Treasury](#) asking for a number of OZ-related deadlines to be extended due to the COVID-19 pandemic,” said Sciarretti. “One example relates to the 180-day investment window for capital gains. As part of a more expansive list of tax-filing and payment deadline extensions to July 15, the IRS included an extension of the 180-day investment window for some investors to July 15. We asked for greater flexibility in the 180-day investment window and our hope is that Treasury will consider that and our other recommendations and will release more targeted OZ-related COVID-19 tax relief.”

Residential and commercial investment continues to be the focus for the majority of QOFs on Novogradac’s list. Of the \$10.09 billion raised by QOFs on the Novogradac Opportunity Funds List, 73 percent was raised by those with at least some focus on residential investment and 61 percent was raised by those with at least some focus on commercial investment. Due to the number of QOFs with multiple areas of focus, the percentages add up to more than 100.

With the QOFs on the Novogradac list surpassing the \$10 billion mark in equity raised and looming deadlines for investment, the OZ incentive may be in for a significant summer. An incentive that continues to surpass investment expectations is positioned to play an outsized role in helping some of the nation’s hardest-hit communities recover from the COVID-19 pandemic.

Novogradac publishes the [2019 Opportunity Zones Handbook](#), the [Introduction to Opportunity Zones booklet](#), the monthly [Novogradac Journal of Tax Credits](#) and the weekly [Tax Credit Tuesday podcast](#). Novogradac leads the [Opportunity Zones Working Group](#), which regularly submits comments on the OZ incentive to the Treasury Department.

About Novogradac

Novogradac began operations in 1989 and has grown to more than 600 employees and partners with offices in more than 25 cities. Tax, audit and consulting specialty practice areas for Novogradac include affordable housing, opportunity zones, community development, historic rehabilitation and renewable energy.

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