



Amplifying Foundation Giving with Opportunity Zones

Charitable Foundations have a unique opportunity to get out of the box to amplify the impact of their charitable giving by embracing Opportunity Zones and coupling their investments with those of high net worth investors looking to secure the long-term tax benefits from the new tax law.

In 2017, Americans gave more than \$400 billion (\$410.02 billion according to [Giving USA 2018: The Annual Report on Philanthropy for the Year 2017](#), published by the IUPUI Lilly Family School of Philanthropy) to charity, yet many of these Opportunity Zone communities fail to see any meaningful investment from this massive amount of charitable giving.

Now consider what might happen if some of that charitable giving was directed to supporting Opportunity Zone community development. Where are the challenge grants? Where are the public/private endeavors that can move the needle? Where is the support for new technologies that can address climate change, food shortages and fresh water supplies?

The basic economic requirement to resuscitate a floundering community is the creation of jobs and jobs require business investment. So where are the charitable activities designed to drive investments in these neighborhoods that create jobs and build economic activity?

A Different Twist

Here is an example of a project that marries a traditional commercial real estate project with an alternative power generation project.

A real estate developer builds a new regional distribution center for a major retailer. On an adjacent property, an alternative power provider builds a waste to energy facility to convert farm waste. The developer and the alternative energy provider enter into a Power Purchase Agreement (“PPA”) to supply the warehouse’s required power supporting 24-hour operation for the next 10 years.

This project accomplishes:

- 1) Job creation in two businesses (warehouse and alternative power generation);
- 2) Takes both businesses off the power grid with a “green” solution;
- 3) Improves the tax base of the local community; and
- 4) Provides a potential source of low cost energy for the local community.

For a foundation with a mandate to invest in environmentally focused opportunities, this investment provides both a real estate and private equity investment on mission and within the scope of their investment policy. Locating the investment in an Opportunity Zone reduces NIMBY risk by targeting communities likely to embrace the project. More importantly, the foundation can leverage this strategy by anchoring the investment but bringing in third party Opportunity Zone investors. The foundation, working with high net worth investors to provide additional investment dollars for each project, maximizes the impact of the foundation’s investment dollars enabling the funding of more investments. As a result, the foundation exponentially increases the number of communities it impacts and broadens the scope of the positive environmental impact of its investment activities.



Not in My Backyard (“NIMBY”)

Many areas of the country are not interested in building facilities that support the development of new technologies for energy production, wetland restoration or large distribution facilities. The mantra is NIMBY – “not in my backyard.” Yet many of these Opportunity Zone communities would welcome such investment.

JMP sees many opportunities to couple charitable giving with Opportunity Zone investing supporting these necessary new technologies through initiatives designed to meet the mission of the charitable foundation while creating growth in OZ communities. Here are a few examples:

- 1) Waste to Energy – There are numerous new technologies that convert waste to energy such as those that convert animal/farm waste or plastics otherwise destined for landfills into “green” energy.
- 2) Alternative Farming – There are alternative farming methods designed to regenerate soil biology and reforestation methodologies designed to enhance farming yields and improve rural levels of carbon sequestration. In addition, indoor vertical farming is accelerating representing an ideal “urban” farming initiative that creates jobs, improves food quality and reduces environmental impact from distribution.
- 3) Environmentally Friendly Production – There are developing technologies that produce new types of construction materials that either recycle existing materials into eco-friendly products or technologies that enable new construction to be more energy self-sufficient (solar panels, photo voltaic windows and skylights that capture UV energy, etc...).

For many communities and areas of the country, specifically those in Opportunity Zones, embracing these initiatives would be welcome.

Summary

JMP is committed to realizing the desired impact that Congress had in mind when they approved the tax benefits associated with Opportunity Zone investing. Coupling these investments with a foundation’s impact investing significantly enhances the results achieved by the new law along with amplifying the impact of the charitable giving. If you would like to learn how JMP can help your foundation amplify its investments, please let us know.

For more information on JMP’s solutions for Opportunity Zone investors, contact Sam Weiser at 312-375-8796 or sam@jmpoppzoneservices.com.

About JMP OppZone Services LLC – JMP OppZone Services (“JMP”) assists investors interested in taking advantage of the tax deferral opportunities associated with Opportunity Zone investments. JMP also assists project sponsors in creating commingled vehicles to pool assets to fund investments in Opportunity Zone locations. JMP provides investors with a platform that provides maximum flexibility to leverage the benefits of the law and corresponding regulations. We can assist with getting the clock started on the deferral and holding periods. Through our network of professionals, JMP assists with structuring and support services to form the QOF creating a structure through an underlying investment in a Qualified Opportunity Zone Business (“QOZB”) that provides the investor with time to evaluate, select and invest in appropriate Opportunity Zone investments.

This document is intended to provide information to help investors understand aspects of the relevant regulations issued by the Treasury related to Opportunity Zone investing. Nothing contained in is this document should be considered legal or tax advice and investors should consult their legal and tax advisors before making any decision to defer capital gains or make an investment in Qualified Opportunity Zone Property or a Qualified Opportunity Zone Business.