Policy Matters Ohio

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An opportunity to do better

A revamped Opportunity Zone program can succeed where the original came up short

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The federal Opportunity Zone (OZ) program was created in 2017[1] and later made permanent by HR 1,[2] 2025's federal budget bill. The program's goal is to spur investment and job creation in low-income and undercapitalized areas designated as Qualified Opportunity Zones (QOZs), by providing federal tax breaks that reduce, and in some cases eliminate, capital gains taxes for those who invest in QOZs.[3]

In 2018, Ohio designated 320 census tracts as Qualified Opportunity Zones (QOZs) under the first iteration of the program, often referred to as OZ 1.0.[4] These designations will expire at the end of this year.[5]

Under updates made to the program's structure in 2025, QOZs will be selected and remain in place for ten years.[6] Starting July 1, Gov. DeWine has 90 days to designate the next round of up to 25% of Ohio's eligible census tracts for QOZ status.[7] Lessons from the original program should play a central role in shaping OZ 2.0 designations.

OZ 1.0 came up short where it mattered most

Ohio had 1,280 tracts that were eligible for OZ 1.0. Of these, 320 were designated as QOZs.[8] The selection process left out over half of the areas most in need of investment: Of the 100 poorest eligible tracts, only 41 were designated as QOZs.[9] The program missed the mark in part because of a flawed selection process that prioritized investments in areas where developers were already investing.

Criteria for inclusion in Ohio's OZ 1.0 selection list[10] included a need for affordable and

Ohio's state-level Opportunity Zone Credit

The Ohio Opportunity Zone Tax Credit provides a state-level incentive that is distinct from the federal program. Investors who place funds into an Ohio Qualified Opportunity Fund (QOF) and have those funds invested in Ohio Opportunity Zone property receive a non-refundable tax credit equal to 10% of their investment, up to $2 million per biennium. Unlike the federal program, which primarily offers capital gains deferrals and reductions, Ohio's version directly reduces state tax liability, creating a more immediate and guaranteed benefit for investors.

In the FY 2026-2027 budget, the General Assembly doubled the amount allocated to the credit, raising the expenditure to $50 million.* The final analysis of budget bill HB 96 notes that the continuation of this credit depends on the approval of future General Assemblies.

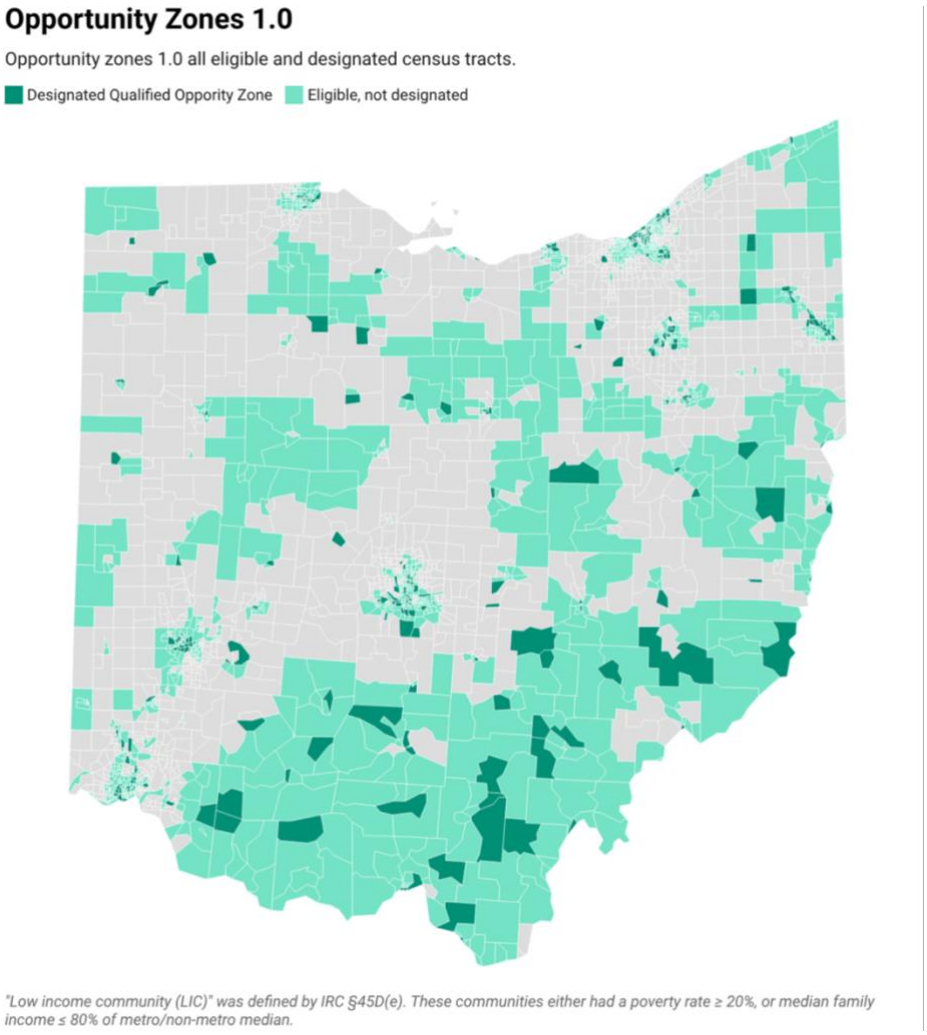
*Ohio Department of Taxation. Greenbook: LBO Analysis of Enacted Budget, pg. 3. August 2025.

[1] Congress.gov. HR1- An act to provide for reconciliation pursuant to title II and V of the concurrent resolution on the budget for fiscal year 2018. Section 13823. December 22, 2017.
[2] HR1. Section 70421: Permanent renewal and enhancement of opportunity zones. July 4, 2025.
[3] "Opportunity zone overview" and "Opportunity Zones Tax Benefits." U.S. Department of Housing and Urban Development. Opportunity Zone Updates.
[4] Ohio Opportunity Zones. About Ohio Opportunity Zones.
[5] U.S. Department of Housing and Urban Development. Opportunity Zone Updates.
[6] Ibid.
[7] "Designation process." Ohio Department of Development. Ohio Opportunity Zone Tax Credit Program.
[8] Ohio Opportunity Zones. About Ohio Opportunity Zones.
[9] Policy Matters analysis of U.S. Census Bureau data.
[10] Ohio Opportunity Zones. Resources.

workforce[11] housing, transportation, infrastructure to support existing businesses and job creation, and downtown development and revitalization. Tracts where developers were already investing (without the incentive) were given higher priority. Identified as having "strong corporate partners," these tracts were given an advantage in the QOZ selection process, limiting the ability of under-invested neighborhoods to compete for designation.[12]

One result of this poor targeting was a high concentration of OZ programs in just a few areas. Analysis from Urban Institute found that between 2020 and 2024, 60% of Ohio's OZ capital was invested in just 2% of funded tracts.[13] Much of the investment flowed to urban areas with more jobs, higher home values, and faster growth in educational attainment.[14]

Research from the U.S. Joint Committee on Taxation found that other states also saw a high concentration of OZ 1.0 capital in urban tracts that were already experiencing growth.[15] This suggests that these outcomes are not a fluke, but rather a consequence of the OZ



[11] Workforce housing refers to housing targeted at middle-income households—typically those earning between 60% and 120% of Area Median Income (AMI)—who earn too much to qualify for traditional low-income housing programs but still face affordability challenges. Congress.gov. Workforce or Middle-income housing: analysis and policy considerations. March 25, 2026.
[12] Policy Matters Ohio. Assessing Opportunity Zones in Ohio. August 2018.
[13] Not every funded tract is a QOZ: 10% of qualifying investments can be made outside designated Opportunity Zones. See Congress.gov, Tax incentives for opportunity zones, Qualified Opportunity Funds
[14] Urban Institute. The geographic spread of opportunity zone capital. October 29, 2025.
[15] Joint Committee on Taxation. Neighborhood-level investment from the U.S. Opportunity zone program. April 15, 2025.

program not sufficiently targeting investment to places with the highest rates of disinvestment and poverty.

When OZ 1.0 designations were made, about a third of Black households across the nation were facing "worst-case" housing needs, meaning they were paying over 50% of their income toward rent and/or living in poor housing conditions.[16] In Ohio between 2010-2018, Black Ohioans were more than twice as likely (20%) to experience housing instability as the state's white population (9%).[17]

OZ 1.0's focus on housing could have helped address these issues — and in fact, Black Ohioans made up 30% of the populations in QOZ tracts,[18] compared to 12% of the state population overall. However, much of the OZ 1.0 funding for real estate projects went to development that exceeded the average rents of the area they were based in.

The Urban Institute found that while OZ-funded housing developments nationwide purportedly were focused on "market-rate residential units," fully 70% of units in multifamily developments that received OZ 1.0 investment had rents exceeding 120% of the tract's median rent.[19]

These findings suggest that OZ capital should not broadly be seen as a vehicle for creating more affordable housing. Projects that *did* create below-market units were found to have access to other subsidy sources, including the Low-Income Housing Tax Credits and the U.S. Department of Housing and Urban Development's HOME Investments Partnership Program.[20] Overall, the structure of the OZ program incentivized projects with high returns for investors, rather than projects that would benefit low-income communities. OZ incentives alone were generally insufficient to drive affordable housing outcomes and instead tended to benefit projects already supported by other public funding incentives.

OZ 1.0 appears to have been even less effective at creating jobs than it was at creating affordable housing. [21] For the most part, the program shifted jobs geographically, rather than creating many new ones. In fact, about 84% of the jobs created nationwide due to OZ 1.0 were offset by declines in workplace jobs in nearby low-income communities.[22]

IRS guidance for OZ 1.0 does not include clear standards for assessing the quality of jobs created by a project. However, a lack of standards should not mean a lack of expectations. Job creation should mean new, family sustaining jobs that lift people out of poverty. Objective assessments of OZ 1.0 offer little evidence to indicate success by that measure.

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[16] U.S. Office of Policy Development and Research. Worst case housing needs 2021 report to Congress. September 30, 2021. This data covers 2019, just after Opportunity Zone 1.0 designations were made.
[17] Ohio Capital Journal. Nearly half of Ohioans don't make enough to be economically secure, report says. March 20, 2026
[18] Ibid.
[19] Urban Institute. Insights into opportunity zone project types. October 29, 2025.
[20] Ibid.
[21] Novogradac. Residential Investment remains leading focusing for QOFs tracked by Novogradac. February 2, 2023.
[22] National Bureau of Economic Research. Employment outcomes in Opportunity Zones. March 1, 2026.

Lessons and recommendations for OZ 2.0

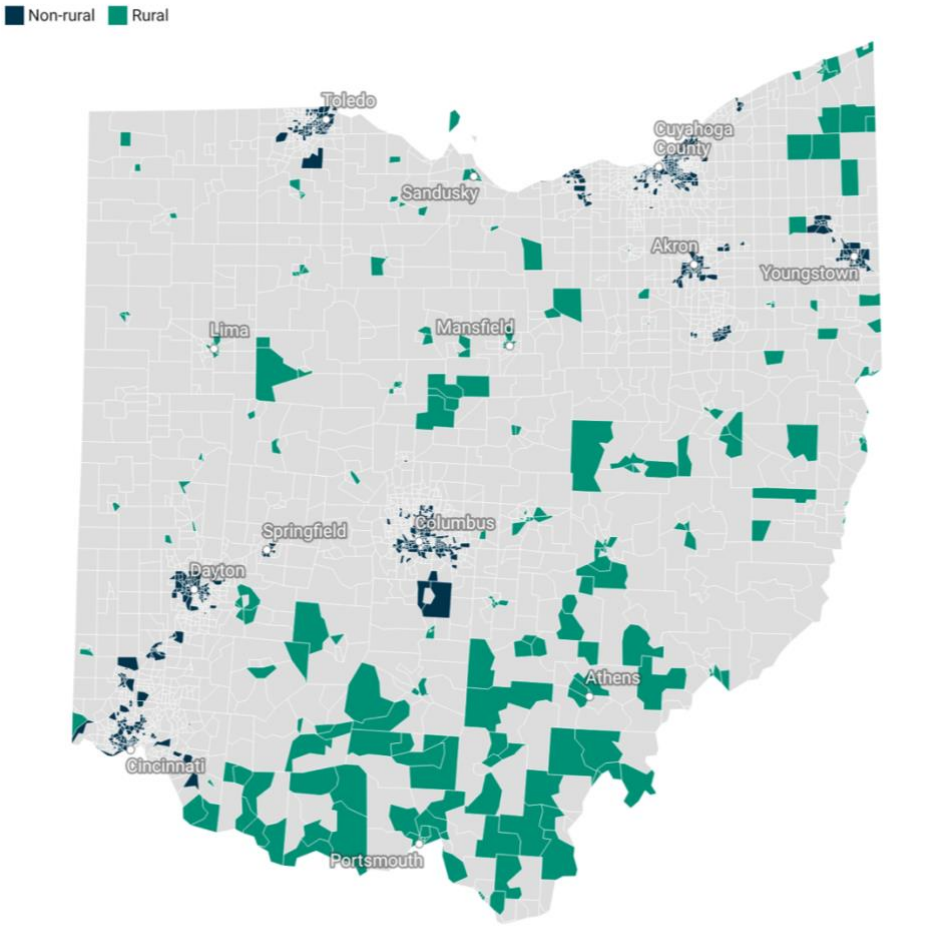
Changes under OZ 2.0 have reduced the number of tracts eligible for designation. As a result, eligible Ohio tracts have declined from 1,647 to 1,032.

The previous iteration allowed states to designate tracts that shared a border with a low-income community (LIC) — even if the designated tracts themselves did not qualify as low-income. That practice is now explicitly prohibited. Qualifying as a LIC is also somewhat harder, with stricter income and poverty thresholds.[23]

OZ 2.0 also introduced new incentives for Rural Opportunity Zones,[24] defined as any area that is neither 1) a city or town with a population greater than 50,000 inhabitants nor 2) an urbanized area contiguous and adjacent to such a city or town. See map 2 to view all eligible tracts.

There is limited data on the impact of OZ 1.0 on Black and Hispanic / Latine populations, but persistent economic disparities suggest that the program often failed to deliver meaningful benefits to these communities.[25] Changes to OZ 2.0 has increased the share of Black and

All eligible census tracts for Opportunity Zone 2.0 designation



Section 70421(b)(1) of the One Big Beautiful Act Bill revises §1400Z-1(c)(1) to create slighter tighter definition of a low-income community (LIC). To be OZ 2.0 eligible tract, a community must either have: (i) median family income ≤ 70% of area MFI, or (ii) poverty rate ≥ 20% and MFI ≤ 125% of area median.

Map: Policy Matters Ohio, 2026 • Source: Internal Revenue Service. Rev. Proc. 2026-14. See the link in appendix section for a spreadsheet of the full list of eligible census tracts for designation. • Created with Datawrapper

[23] U.S. Department of Housing and Urban Development. Opportunity Zone Updates.

[24] See the "Opportunity zone 'rural area' benefits" section. U.S. Department of Housing and Urban Development. Opportunity Zone Updates.

[25] Urban Institute. Update 2023: Measuring the true costs of economic security. March 2026

Hispanic/Latine residents in eligible areas, with Black communities now accounting for 28% of the eligible population and Hispanic and Latine communities making up 7%.[26] The tract selection process should consider the needs of these communities and ask whether proposed projects address those needs.

Many OZ 1.0 projects failed to address the needs of the communities in which they were situated, [27] in large part because the program did not require investments to align with locally identified priorities or incorporate meaningful community input.[28] Policymakers again failed to include those requirements in OZ 2.0. As a result, the same dynamics—capital flowing disproportionately into market-rate real estate, limited job creation, and weak accountability to housing needs — are likely to persist. Without stronger guardrails, this mismatch between investment patterns and community need risks further entrenchment, rather than addressing the inequities highlighted above.

Because the Ohio tracts selected over the next 90 days will remain in place for the next decade, it is even more important to apply lessons from OZ 1.0. The governor should

- Prioritize neighborhoods with the most concentrated poverty[29] to ensure designations benefit areas with the greatest need.
- Promote more equitable investment by avoiding tracts already attracting significant private capital.[30]
- Consider whether an area needs affordable, workforce, or market rate housing, and only select tracts were the proposed project meets the need.
- Center community input by selecting tracts where resident engagement has meaningfully shaped priorities.

Ohio now faces both an opportunity and an obligation to correct course. If OZ 2.0 continues to function primarily as an incentive for costly rental developments in already thriving areas, the General Assembly should be prepared to permanently sunset the Ohio Opportunity Zone tax credit and decouple from the federal program. Policymakers must learn from the shortcomings of the first cycle, implement stronger safeguards, and ensure that designations genuinely benefit communities still struggling with disinvestment and poverty.

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[26] Policy Matters Ohio analysis of U.S. Census Bureau data. Under OZ 1.0 Black and Hispanic/Latine individuals accounted for 12% and 3%[26] of Ohio's population, respectively, they represented 20% and 4% of the population in eligible tracts, and 30% and 5% of the population in tracts that received OZ designation.

[27] Stanford Social Innovation Review. How to ensure opportunity zone investments strengthen local communities. September 6, 2029.

[28] Urban Institute. Can Opportunity Zones address concerns in the small business economy?. October 17, 2019.

[29] Concentrated poverty refers to the spatial clustering of economic disadvantage, operationalized as the proportion of individuals residing in census tract where 40 percent or more of the population lives below the federal poverty threshold. These lower income tracts often have a disproportionate share of people receiving social safety net benefits. Federal Reserve. Suitability of a county-level income definition for analysis of lower-income communities. Pg 3. June 2025.

[30] This tool from the Urban Institute offers a starting point for identifying tracts likely to attract investment even without OZ designation. These tracts should not be prioritized for designation. Urban Institute. Informing 2026 Opportunity Zone selections for state and local decision makers. March 9, 2026.