What Determines Where Opportunity Knocks?
Political Affiliation in the Selection and Early Effects of Opportunity Zones

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We examine the role of political affiliation during the selection of Opportunity Zones, a place-based tax incentive enacted by the Tax Cuts and Jobs Act of 2017. We find governors are on average 7.6% more likely to select a census tract as an Opportunity Zone when the tract's state representative is a member of the governor's political party. Further, we find that this effect ranges from 0.0% to 25.6% depending on the state-level information channels governors used to select Opportunity Zones, such as engagement of professional advisors and implementation of public comment procedures. These effects are incremental to local demographic factors that increased the likelihood of selection, such as lower income levels and preceding improvements in local conditions. Analysis of the early response to Opportunity Zones (e.g. commercial real estate transactions, new building permits, and construction employment) shows that initial business investment occurs only in those states where the role of political affiliation was mitigated via the state-level information processes. These results provide evidence relevant for concurrent and future academic literature studying this incentive, for five current Congressional legislative proposals to amend the incentive, and for potential Opportunity Zone investors by informing the extent to which state-level politics and processes affected the implementation of this new incentive.

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1. Introduction

The Tax Cuts and Jobs Act (TCJA) of 2017 included a new tax incentive called Opportunity Zones. This "place-based" provision is intended to stimulate economic development in over 8,000 distressed communities across all fifty states by attracting long-term private sector investment through lower capital gains taxes (U.S. Treasury, 2018).[1] Kevin Hassett, Opportunity Zone architect and chair of the White House's Council of Economic Advisors, stated that Opportunity Zones "could turn out to be one of the most noteworthy provisions in the law 10 years from now (Curry 2018)." As of April 2020, over 620 Opportunity Zone funds reported raising in excess of $10 billion from both individual and corporate investors (Novogradac, 2020).

While it is too early to empirically assess the incentive's long-term effects, understanding the decentralized – and widely criticized – process for selecting the designated Opportunity Zones is an important first step for the nascent academic work examining this policy (Sage et al. 2019; Chen et al. 2019; Arefeva et al. 2020; Frank et al. 2020). Unlike previous federal place-based tax policies, in which the U.S. government determined the areas through an application process (e.g., Enterprise Zones and the New Markets Tax Credit), governors had primary authority and significant discretion in choosing their respective states' qualifying zones. The architects and proponents of Opportunity Zones touted the benefits of engaging with state officials and local communities to inform the selection process (United States Congress Joint Economic Committee 2018), but multiple press accounts allege that such discretion allowed politics to influence

[1] Place-based incentives target discrete populations to improve their local conditions. Specifically, the Opportunity Zones incentive permits both individual and corporate investors to (i) defer and reduce capital gains taxes on realized gains if they immediately reinvest the gains in designated distressed communities, and (ii) exclude future capital gains taxes on the incremental appreciation of that investment if held for ten years or more (Internal Revenue Code Section 1400Z; see example in Lester, Evans, and Tian (2018)).

governors' selections and resulted in a misdirection of the federal tax incentive.[2] These stories have prompted ongoing Congressional responses, including requests for an Inspector General review (Cleaver et al. 2019), new legislation to disqualify some zones (Wyden 2019), a proposal to implement required reporting (Lipton and Drucker 2019), a U.S. Department of Treasury inquiry (Strickler 2020), and possible review of the entire selection process (Scott 2020). In this study, we (i) measure to what extent political affiliation influenced governors' selections of Opportunity Zones; (ii) examine whether the formal information channels used by states in the selection decision altered the influence of political affiliation; and (iii) test whether early business activity differs in politically-affiliated Opportunity Zones.

As a brief overview of the selection process, the U.S. Department of Treasury (Treasury) first published a list of eligible census tracts, which are areas of 2,500-8,000 residents, in early 2018. This list identified over 40,000 eligible census tracts out of 74,000 total tracts in the U.S. Approximately 75% of these eligible tracts were low-income communities (LICs) based on having either i) a poverty rate above 20% or ii) a median household income less than 80% of the local median household income. The remaining tracts were eligible because they were contiguous to an LIC tract and had relatively low household incomes.[3] Using a range of procedures, such as engagement with professional advisors and local community groups, governors had 90-120 days to designate 25% of the eligible census tracts in their states as Opportunity Zones (Yauch 2018).

[2] For example, Maryland, Virginia, and Texas designated areas as Opportunity Zones after lobbyists met with the governor on behalf of important constituents (Ernsthausen and Elliott 2019, Kocieniewski 2019, Giorgi and Norimine 2020, respectively). Additional stories highlight how affiliates and relatives of influential decision makers stand to gain from selected Opportunity Zones (Drucker and Lipton 2019; Braun 2018; Lipton 2020). On June 24, 2020, two Congressional Representatives sent a letter to Secretary Mnuchin asking for details about the selection process (Krishnamoorthi and Tlaib, 2020).

[3] The online appendix contains more details on which census tracts were eligible for selection and discusses the distinction between LIC and contiguous non-LIC census tracts. Only 5% of a state's Opportunity Zones could be contiguous non-LIC tracts.

The Treasury then certified the selections and published the final list in June 2018. Figure 1 depicts both the eligible tracts and the selected Opportunity Zones in the United States.[4]

We begin by examining the relation between demographic characteristics of eligible census tracts and a governor's selection of Opportunity Zones using a linear probability model with state fixed effects. We find that governors selected more distressed communities as Opportunity Zones from the pool of already low-income and high-poverty eligible tracts. Given the 25% unconditional likelihood of selection, a one-percentage point increase in the poverty rate and a $1,000 decrease in median household income are associated with a 2.0% increase and 1.6% increase in the likelihood of selection, respectively.[5] While these results suggest that governors selected communities in a manner consistent with the policy's intent, governors were also 40.0% more likely to select tracts with changes in preceding socio-economic conditions (often framed as "gentrifying" areas). This result validates concerns about the misallocation of federal tax expenditures to communities that were already improving economically, and thus not in need of fiscal stimulus (Gelfond and Looney 2018). Furthermore, this evidence is relevant for future studies measuring the investment response because investors may disproportionately allocate capital to those communities best poised to generate positive investment returns.

After establishing a baseline from these demographic characteristics, we examine our first question regarding the extent to which governors were more likely to select tracts represented by members of the same political party. The increased likelihood of Opportunity Zone selection for politically affiliated areas could occur for two reasons. First, ceding the allocation of this federal

[4] Online Appendix Figure 1 depicts Opportunity Zones in the different regions in the United States.
[5] A one unit change in other demographic characteristics suggest similar effects: a one percentage point change in the employment rate, one unit change in urbanization, and 1,000 person increase in population are associated with a -2.0%, -2.8%, and 2.0% change in the likelihood of selection, respectively, given the 25% unconditional probability of being selected.

tax incentive to governors delegated the decision to those with arguably better information about the localities that will most benefit from the policy. Such information could come through a governor's local political network, thereby influencing the selection decision. This information may be particularly important, given the lack of information through other established channels such as the public or the press (see Figure 2) and given the relatively quick timeframe for selection. Second, relinquishing the decision to governors gives them the ability to support or reward politically aligned representatives and constituencies. In both cases, we may observe that party-affiliated census tracts have a higher likelihood of designation as an Opportunity Zone, but we acknowledge that this analysis alone cannot distinguish between these two explanations. Given prior and concurrent literature studying the role of political affiliation in the allocation and enforcement of tax incentives (Lin et al. 2018; Chen et al. 2018; Aobdia et al. 2019), we focus on quantifying the extent of this effect in this setting.[6] We measure political affiliation using an indicator equal to one if the census tract's state representative from the lower house and governor are members of the same political party. Given the 25% unconditional probability of selection, we find that governors were 7.6% more likely to designate a party-affiliated census tract as an Opportunity Zone, relative to other eligible tracts in the same state with similar demographic characteristics.

A unique feature of this decentralized selection process is that it permits testing the role of information on managerial (governor's) decisions using cross-sectional variation across states. Prior literature demonstrates that information can aid managerial decisions and facilitate monitoring by interested parties (Francis, Huang, Khurana, and Pereira 2009; Shroff, Verdi, and

[6] While findings from the prior literature imply such effect (and thus our first analysis focuses on quantification), governors could select communities aligned with a different party to gain greater political support among an opposing constituency. In this case, political affiliation would be associated with a lower likelihood of designation.

Yu 2014; Loureiro and Taboada 2015; Engel, Gordon, and Hayes 2002). By extension, we expect that the effect of political affiliation will vary based on the governors' use of information channels in their selection decision (e.g., Stiglitz 1999; Goldsmith 1999; Morris and Shin 2002; Strîmbu and González 2018; Kolstad and Wiig 2009; Berliner 2014; Peisakhin and Pinto 2010). We examine the effect of information channels by studying the formal processes each state used to solicit information on the eligible census tracts. For example, if political affiliation reflects governors' rewarding of aligned constituencies, these formal processes could mitigate such effect. Alternatively, if political affiliation reflects an informal information channel through which governors obtained relevant details about tract selection, then these formal processes may complement the political affiliation effect.

We find that the likelihood a governor selected a party-affiliated census tract increases to 25.6% (given the 25% unconditional probability) in states without a formal selection process. In contrast, we find engaging professional advisors completely offsets the role of political affiliation in the selection decision. Implementing additional processes that leveraged other sources of information (such as public comment procedures or an application process) resulted in either no incremental reduction or a full attenuation of the effects attributable to professional engagement. This analysis suggests that the formal information channels used by governors played a critical role in reducing the influence of political networks in the selection decision.

Finally, we examine whether increases in local economic activity within Opportunity Zones vary based on political affiliation to disentangle the information vs favoritism channels. Observing a greater investment response in politically-affiliated areas may support the information channel, whereas observing no different or even a lower investment response would support that the areas

were chosen primarily for political reasons.[7] While the long-term policy objective is to improve local economic conditions for existing residents of Opportunity Zones, concurrent research and survey evidence of Opportunity Zone investment funds suggest that the real estate sector is most likely to benefit first (Chen et al. 2019; Sage et al. 2019; Frank et al. 2020; Novogradac 2020). Thus, we examine three measures from Frank et al. (2020) that serve as leading indicators of business activity in the real estate industry and also can be geo-coded (matched) to the tract (county) level. Specifically, we test whether increases in the number of commercial real estate transactions, new construction building permit applications, and construction employment in selected Opportunity Zones differ based on a tract's political affiliation. Consistent with Frank et al. (2020), we first observe increases across the three outcomes in selected Opportunity Zones relative to the set of eligible-but-unselected areas, suggesting that Opportunity Zone designation is positively associated with subsequent economic activity. However, we do not find that on average politically affiliated tracts have statistically different economic activity. Thus, while politically affiliated tracts had a higher probability of being selected, they have not on average produced greater early outcomes.

We then partition the sample into two subsamples based on the type of formal process employed by states. For states in which the formal processes offset the influence of political affiliation (e.g. those states that engaged professional advisors and incorporated public comments), we find increased economic activity after a tract is selected as an Opportunity Zone, relative to other eligible tracts within the same state. Furthermore, such effects occur in both affiliated and unaffiliated areas, consistent with the fact that political affiliation played little role in those states' selections. In contrast, we do not observe statistically significant early economic outcomes in the

[7] These conclusions rely on important assumptions regarding how representative the type of investment we study is, and if that investment is aligned with the policy's intent. See Section 4.

subsample of states where political affiliation increased the likelihood of selection, irrespective of party affiliation. While not causal, these results demonstrate the importance of these information channels in both the initial selection decision and in the early business outcomes. Additional analysis of other economic activity will be necessary as data become available to further assess the role of political affiliation in the incentive's effectiveness, particularly in states where political affiliation increased the likelihood that a tract was picked.

Our study adds to the nascent academic research studying the Opportunity Zones incentive. We provide the first empirical estimates of political affiliation on the selection decision, which has been implied by many, but not empirically tested, since the list of final Opportunity Zones was announced. Understanding this effect is important and decision-relevant for three groups: academics, policy-makers, and investors. Specifically, the evidence is relevant for both concurrent studies examining this incentive (Sage et al. 2019; Chen et al. 2019; Frank et al. 2020; Arefeva et al. 2020) and future work assessing the efficacy of this policy by demonstrating the factors that future researchers should consider when specifying empirical tests or selecting control samples against which to measure economic outcomes. Furthermore, the evidence informs those evaluating immediate changes to the incentive, including both the White House Opportunity and Revitalization Council (Rascoe 2020) and Congressional members evaluating at least five current proposals to alter the policy (H.R. 6529, 2020; H.R. 6513, 2020; H.R. 5042, 2019; S. 2994, 2019; S. 2787, 2019).[8] Third, the evidence is informative for investors. In addition to providing tax

[8] Legislation includes proposals to disqualify some selected Opportunity Zones and to implement required reporting. There have been several legislative proposals, regulatory actions, and requests for additional changes as recently as late May 2020 in light of the COVID-19 crisis (Kind and Kelly 2020), which has disproportionately affected the economically vulnerable population that the incentive is intended to help (Reeves and Rothwell 2020). For example, the federal government relaxed some of the stringent statutory requirements to further encourage investment in these communities (Coe et al. 2020), and legislation introduced on April 15, 2020 extends the qualifying investment period by four years (Riggleman 2020). Twelve additional proposals to amend Opportunity Zones have been introduced through the 116th Congress.

advantages, the incentive's focus on distressed communities has attracted a wide array of investors, including large asset management firms incorporating Opportunity Zones into their impact investing strategy (Goldman Sachs 2020). The evidence demonstrates both the demographic and political characteristics associated with selection that investors should consider when evaluating in which communities to deploy capital.

We also add to the literature on the role of information in managerial decisions (Francis, Huang, Khurana, and Pereira 2009; Shroff, Verdi, and Yu 2014; Loureiro and Taboada 2015; Engel, Gordon, and Hayes 2002). We extend this work to the public sector, demonstrating how the information channel (via the processes governors selected) is an important mechanism to reduce the influence of political affiliation on the selection decision.

Finally, we contribute to the literature on place-based tax incentives by documenting both the role of political affiliation in the selection process and the early business response to this incentive. Prior literature on earlier place-based policies, such as Enterprise Zones and the New Markets Tax Credit, focus on communities that were predominantly chosen at the federal level (Gurley-Calvez et al. 2009; Harger and Ross 2016; Freedman 2012; Neumark and Kolko 2010; Papke 1993; Billings 2009; Kolko and Neumark 2010). Due to the lack of variation in political affiliation during the selection process, there has been little scope to study how politics affects the allocation and implementation of these incentives. The Opportunity Zone setting permits empirical tests with greater variation across political parties and levels of government, thousands of communities in which to measure political affiliation, and heterogeneity in state-specific processes used during the selection decision. Furthermore, unlike concurrent literature that examines price effects immediately following the incentive, we study real investment and employment outcomes.

Understanding these effects is particularly important given the prominence of this incentive and calls for more place-based policies (Austin, Glaeser and Summers 2018).

2. Prior Literature, Research Design, and Sample for Opportunity Zone Selection

2.1 Prior Literature

Limited studies exist that specifically examine the role of political affiliation in the allocation or implementation of tax incentives. One possible reason is that the most common tax policies, such as income tax rates, affect all residents or companies within a particular jurisdiction, and thus generally cannot be directed to particular subsets of a population or to a specific constituency. Another reason is that these tax policies are often correlated with the preferences of the dominant political party (Freedman 2012). There are at least two other ways, however, that governments can more directly allocate tax benefits to particular constituencies. First, governments can grant, assess, or enforce tax differently for particular groups of *recipients*. Prior theoretical and empirical work provides evidence supporting these practices (Hoyt and Toma 1989; Dharmapala 1999; Cotton 2009; Esteller-Moré, Galmarini, and Rizzo 2012). For example, governments can grant specific incentives based on lobbying and political connections, including federal tax incentives (Hulse 1996; Chen et al. 2018) as well as state and local subsidies (Aobdia et al. 2019). Governments can also more weakly enforce tax compliance by politically connected individuals and firms (Lin et al. 2018; Chen et al. 2018), thereby indirectly conveying tax benefits to these groups.

The second way to direct tax benefits to a particular constituency is to grant incentives for particular *locations*, such as through place-based tax incentives (Chaurey 2017; Ku, Schönberg, and Schreiner 2020; Freedman 2012; Baum-Snow and Marion 2009; Kline 2010). However, prior to Opportunity Zones, there was generally limited ability to examine the role of political affiliation

in the implementation of such policies. For example, President Clinton's administration selected, with little outside political influence, the 196 communities that benefited from three federal place-based tax incentives established during his eight-year term – Empowerment Zones, Enterprise Communities, and Renewal Communities (Liebschutz 1995). The Clinton administration also established the New Markets Tax Credit program in 2000. Under this incentive, the U.S. Treasury Community Development Financial Institutions (CDFI) fund has selected approximately 1,000 projects after a lengthy application process that prioritizes allocation of funds proportionately across states (New Markets Tax Credit Coalition 2018). In contrast, the selection of Opportunity Zones was specifically delegated to the states by the federal government, permitting evaluation of the role of political affiliation across thousands of communities and multiple levels of government. Understanding the effect of political affiliation on placed-based incentives is not only important because of the potential misallocation of federal funds, but also because of the distressed communities that they are intended to benefit. Furthermore, this evidence informs whether future policies should similarly cede decision rights to local officials.

2.2 Research Design

We measure the likelihood that political affiliation influenced the selection of Opportunity Zones by estimating the following a linear probability model (LPM) at the census tract level:

$$\begin{aligned} \textit{Selected As Opportunity Zone} = {} & \beta_1 \textit{Poverty Rate} + \beta_2 \textit{Median HH Income} + \beta_3 \textit{Population} + \beta_4 \textit{\% White} \\ & + \beta_5 \textit{ Urban Level} + \beta_6 \textit{\% Educated} + \beta_7 \textit{\% Employment Rate} \\ & + \beta_8 \textit{Socioeconomic Change Score} + \beta_9 \textit{Investment Score} \\ & + \beta_{10} \textit{Same Party} \\ & + \beta_{11} \textit{Same Party X Professional Engagement} \\ & + \beta_{12} \textit{Same Party X Public Comment and Professional Engagement} \\ & + \beta_{13} \textit{Same Party X Application Process and Professional Engagement} \\ & + \beta_{14} \textit{Same Party X All Three Processes} + \textit{State FE} + \epsilon. \end{aligned} \tag{1}$$

We use a LPM because of the inclusion of state fixed effects and for ease of interpretation (especially on the interaction terms (Ai and Norton 2003)).[9] We cluster standard errors by voting district based on the cross-sectional dependence among multiple census tracts in voting districts. The online appendix shows that results are robust to estimation using a logit specification and to alternatively clustering standard errors by state.

The dependent variable *Selected* is an indicator variable equal to one if the tract was selected as an Opportunity Zone from the pool of eligible tracts, or zero otherwise. The first nine variables in Eq. (1) capture demographic characteristics associated with distressed communities. *Poverty Rate* and median household income (*Median HH Income*) reflect the statutory requirements that defined eligible census tracts. The inclusion of these measures permits assessment of whether governors were more likely to pick even more distressed communities from the eligible pool of already low-income tracts. We measure these variables using the same 2011-2015 American Community Survey (ACS) data the Treasury used to identify eligible tracts.[10]

We include five demographic control variables the prior literature shows are associated with political affiliation. We control for *Population* because registered voters from more densely populated tracts are more likely to vote for Democratic candidates (Martin and Webster 2018). We control for percentage of non-Hispanic white residents (*%White*) because of the differences in race across parties (Parker 2019). *Urban Level* controls for the fact that twice as many registered voters in urban areas are Democrats (Parker 2019). *Employment Rate* (% *Educated*) captures the

[9] It is not possible to include tract fixed effects in Eq. (1) because they would be collinear with the variable of interest, *Same Party*.

[10] Based on information from the file titled "List of designated Qualified Opportunity Zones" located at https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx, we replace these values with data from the 2012-2016 ACS for the 49 tracts the federal government identified using these more recent estimates.

proportion of residents employed (with at least a high school education) and controls for factors also correlated with political affiliation (Parker 2019).[11]

To address whether selected areas were improving in preceding periods, we also include two variables from the Urban Institute. Congress recommended that governors consider low income areas with existing business, government, and philanthropic action so as to multiply the impact of the Opportunity Zone incentive (Fikri and Lettieri 2018a). However, critics raised the concern that a governor's selection of these already-improving areas could result in the misallocation of federal tax expenditures if these communities were improving due to other policy interventions or market conditions (Gelfond and Looney 2018).[12] To measure the effects of these trends, we first include *Socioeconomic Change Score*, which is an indicator equal to one for jurisdictions with significant increases between 2000 and 2016 in education level, median income, non-Hispanic white residents, and average housing burden, and zero otherwise (Theodos et al. 2018). We also include *Investment Score*, which ranks census tracts on a scale from 1 (low) to 10 (high) based on commercial and residential lending from 2011 to 2015. This measure is distinct from *Socioeconomic Change* in that it captures one input necessary for development, capital, rather than socioeconomic outcomes from such development. Inclusion of these measures controls for governors' propensity to select already-improving tracts, thereby increasing the probability of a successful policy implementation.

We measure political affiliation, the variable of interest, as an indicator equal to one if the state legislator for the census tract and the governor are of the *Same Party*, and zero otherwise. To

[11] The U.S. Census Bureau explicitly recommends the use of the full population count from the decennial Census, which was most recently conducted in 2010 (US Census Bureau 2019). Other data, such as poverty rates, median income, percentage white/employed/educated, are obtained from the 2011-2015 and 2012-2016 ACS surveys. *Urban Level* is based on the Census 2010 Rural-Urban Commuting Area Codes. Appendix A defines all variables in additional detail. Results are robust to using the logged transformation of *Population* and *Median HH Income.*

[12] For example, Congressional legislation introduced in November 2019 addressed this potential concern by restricting benefits for certain pre-existing proposed projects (Wyden, 2019).

construct this measure, we obtain data from Ballotpedia on the political party of each state's governor and the lower house state representatives who were in office on March 1, 2018, the month prior to the first Opportunity Zone selection. We assign the state representatives to each tract using the 2016 State Legislative Block Equivalency Files from the U.S. Census Bureau. A positive coefficient (β_{10}) captures the extent of political affiliation in the selection process.

We also examine the role of formal channels used by the governors to solicit information for the selection decision. To the extent that political affiliation reflects governors rewarding politically aligned constituencies, we expect that formal processes, which reflect due diligence and greater transparency, will constrain this type of behavior. Alternatively, formal channels that generate information that complements the informal political network channel may accentuate the role of political affiliation in governors' selections.

We gather information on the formal processes that state governments used by reviewing each state's website and related press releases about Opportunity Zones. We identify three types of formal processes: professional engagement, public comment, and application. Based on these three types, we partition the states into five groups. Eighteen states, representing 32% of the eligible tracts, employed only *Professional Engagement*. Twelve states, representing 34% of the eligible tracts, accepted public comments in addition to engaging professionals (*Public Comment and Professional Engagement*). Thirteen states, representing 18% of the eligible tracts, included an application process (*Application and Professional Engagement*). Only two states (2% of eligible tracts) used *All Three Processes*. Finally, five states, or 14% of the eligible tracts, provide no public information about the process used. To test whether information obtained via these processes altered the role of political affiliation in the selection decision, we interact *Same Party* with each

of these four variables in Eq. (1).[13] Because we include state fixed effects when estimating Eq. (1), we omit the main effects of the state-level process variables.

2.3 Sample and Descriptive Statistics

The sample is comprised of all eligible tracts as of the beginning of 2018, which were determined based on data from the 2010 Census as well as the 2011-2015 American Community Surveys. We obtain the lists of both the eligible and selected census tracts from the Treasury Community Development Financial Institutions Fund. Table 1 shows that of the 74,134 total U.S. census tracts, 42,160 were eligible to be selected as an Opportunity Zone. We include 19 tracts that appear on the final list of selected Opportunity Zones but that were not on the original qualifying list. We exclude census tracts from the U.S. territories of American Samoa, Guam, Northern Mariana Islands, and the Virgin Islands because they do not have requisite demographic data from the ACS; we also exclude Puerto Rico because tax law designated all eligible census tracts as Opportunity Zones (IRC Section 1400Z-1(b)(3)). We removed tracts from the District of Columbia because it has neither a governor nor state legislature. Any census tract that is split evenly across two voting districts is dropped because we cannot assign political affiliation. Finally, we require that tracts have demographic data to construct control variables in the empirical tests. The final sample reflects 98.8% of the 41,102 eligible tracts, as well as 98.6% of the 7,801 Opportunity Zones in the fifty states.

Table 2, Panel A presents descriptive statistics for the tract-level variables used in the empirical tests. On average, the eligible communities report a 23.2% poverty rate and median household

[13] Because states bundled the categories together in non-random ways, we are not able to examine each category separately; instead, we examine some categories together. Thus, these groupings span the set of all combinations of processes. We acknowledge that states that we have designated as having no process in place may simply be states for which we found no public disclosure of a process. Only one state (Nevada) used the single process of public comment. For presentation purposes, we include this state in *Public Comment and Professional Engagement*.

income of $41,332. Due to the inclusion of contiguous tracts that were not required to meet the low-income thresholds, we observe that the sample includes areas with lower poverty levels (7.6% at the 5% level) and higher income ($65,088 at the 95% level). The average tract has 4,080 residents, of which 66.6% are white and 89.1% are employed. Approximately 55.0% of the eligible tracts are of the *Same Party* as the state governor. Table 2 also presents descriptive statistics at the state level, showing that the average state has 812.4 eligible tracts and 153.8 selected tracts. Online Appendix Table A1 presents a correlation matrix for these variables. Table 2, Panel B shows the proportion of eligible tracts in each state that are of the *Same Party* as the governor at the time of selection and demonstrates substantial heterogeneity in the sample. States have as few as 0.0% of tracts from the same party (Alaska) and as many as 98.9% (Rhode Island).

Table 3 compares descriptive statistics for selected Opportunity Zones (Column 1) to eligible tracts that were not selected (Column 2). Compared to the unselected tracts, Opportunity Zones have a statistically higher *Poverty Rate* (30.7% compared to 21.5%) and statistically lower *Median HH Income* ($33,666 compared to $43,122), consistent with the intent of Congress that the tax incentives benefit distressed communities. Opportunity Zones are also significantly less populous (difference in means of 141.6 people); less non-Hispanic white (difference in means of 10.9 percentage points); and have a lower proportion of residents that are educated (difference in means of 4.8 percentage points) and employed (difference in means of 3.4 percentage points). On a univariate basis, Opportunity Zones report a 2 percentage point lower proportion of tracts with a state representative from the same party as the governor.[14] While these areas report statistically

[14] Descriptive statistics in Table 3 and untabulated estimation of Eq. (1) including only *Same Party* demonstrate that, absent controlling for any demographic characteristics of the tracts, political affiliation is *negatively* associated with the selection of Opportunity Zones. However, it is critical to include demographic control variables when estimating Eq. (1) to isolate and correctly estimate the magnitude of the association with political affiliation given the extensive literature demonstrating the importance of demographic variables in political choices, as well as the fact that untabulated tests also reveal that party-affiliated tracts are on average wealthier, more populous, more white, and slightly less urban.

significant differences in the level of these variables, Figure 3 shows that these distressed communities on average exhibited similar trends across each of these variables in the periods preceding selection.[15] Inclusion of these variables in Eq. (1) thus permits an evaluation of the extent to which these demographic characteristics factored into governors' selections.

3. The Selection of Opportunity Zones

3.1 Demographic Conditions in Opportunity Zone Selection

Table 4 presents results from first estimating Eq. (1) including only demographic characteristics. First, Column (1) includes only the two statutory requirements. Conditional upon having a high poverty rate and low median household income by virtue of being an eligible tract, governors were more likely to select even more economically distressed tracts. After adding in additional demographic characteristics in Column (2), we find similar effects for these two statutory requirements, as well as statistically significant effects for several of the other measures. Based on a 25% unconditional probability of being a selected, the coefficient of 0.005 on *Poverty Rate* implies that a 1 percentage point change in the poverty rate is associated with a 2.0% higher likelihood of being selected. The coefficient of -0.004 on *Median HH Income*, which was included in the estimation of Eq. (1) in thousands, means that a $1,000 increase in the median household

[15] We explicitly test the extent to which governors were more likely to select the approximately 1,000 communities in the sample with differing pre-period trends by including *Socioeconomic Change Score* in Eq. (1).

income is associated with a 1.6% lower likelihood of being selected.[16] A one-unit change in *Population, Urban Level*, and *Employment Rate* is associated with similarly-sized effects.[17]

Column (3) documents how preceding demographic changes influenced Opportunity Zone selection. We find that tracts where *Socioeconomic Change Score* is equal to one (e.g., those that were improving in periods prior to 2018) were more likely to be selected. The coefficient of 0.100 in Column (3) means that tracts with significant socioeconomic change had a 40.0% increase in the likelihood of selection, given the 25% unconditional probability of selection. This magnitude is the most significant of all demographic variables, suggesting a large effect in both absolute and relative terms. Untabulated analysis using an alternative *Community Change* score based on analysis by the Economic Innovation Group (Fikri and Lettieri 2018b; Fikri and Lettieri 2018a), generates a similar estimate of 44%. Column (4) is estimated including *Investment Score*; the coefficient of 0.009 means that these areas were 3.6% more likely to be selected. In Column (5), we observe that both measures of preceding demographic changes are associated with a higher likelihood of selection, demonstrating that these measures capture distinct trends at the tract-level. Collectively, the evidence suggests changing socioeconomic and lending conditions played an economically important role in the selection of Opportunity Zones, and thus, we control for both measures throughout the remaining analysis. This finding suggests that future economic improvement in these areas could be misattributed to the highly touted, place-based policy when

[16] Because the law permitted states to only designate 25% of their eligible census tracts as an Opportunity Zone, we calculate economic magnitudes throughout the study assuming 25% as the unconditional probability of selection. Thus, a one percentage point change in *Poverty Rate* is associated with a 0.5 percentage point change in the likelihood of selection (coefficient = 0.005, increasing likelihood to 25.5%), which equates to a 2.0% change given the unconditional probability of selection (0.005/.25). The -0.004 coefficient on *Median HHI* implies a -1.6% change (-0.004/.25). We note that eight states with less than 100 eligible census tracts were permitted to select at least 25 tracts (Rev. Proc. 2018-16) and therefore had a slightly higher unconditional probability of selection.

[17] Interpreting the results from Column 2 of Table 4 using a 25% unconditional probability of selection, a 1,000 person increase in population increases the likelihood of selection by 2.4%, a one unit increase on the scale (from 1 to 10) in *Urban Level* is associated with 3.2% decrease in the likelihood of selection, and a one percentage point increase in *Employment Rate* decreases the chances of being selected by 2.0%.

actually driven by their preexisting positive economic trends. Furthermore, investors may allocate greater capital to these areas given the higher likelihood of positive returns.

3.2 Political Affiliation in Opportunity Zone Selection

Table 5 reports results after estimating Eq. (1) including our variable of interest, *Same Party*. In Column (1), we find a positive and statistically significant coefficient of 0.019, meaning that a governor was 7.6% more likely to select politically aligned tracts as Opportunity Zones given the 25% unconditional probability of being selected. We find that the demographic variables continue to exhibit the same size and significance as in Table 4, implying that the effect of political affiliation is incremental to local economic conditions.

Having quantified the extent to which political affiliation affects the allocation of place-based tax incentives, we examine whether states' formal processes altered the effect of political affiliation on governors' designation of Opportunity Zones. Specifically, we examine the coefficient on *Same Party* for the five state groupings described previously. Given the coefficient on *Same Party* captures the effect for states with no formal selection process and that the other four groups are mutually exclusive and span the set of all combinations, the interaction terms measure the effect attributable to the selection processes of each of the four groupings relative to no process in place. We interpret positive (negative) coefficients on the interaction terms as meaning that states with these processes in place were more (less) likely to grant Opportunity Zone status to politically aligned census tracts relative to states with no process in place.

Table 5, Column 2 reports results from estimating Eq. (1) including these interaction terms. We find that, for the states with no formal process, political affiliation increases the likelihood of selection by 25.6% (coefficient on *Same Party* of 0.064) given the 25% unconditional probability of being selected. We find that *Professional Engagement* completely attenuates the effect of *Same*

Party based on the *Same Party X Professional Engagement* coefficient of -0.065. The coefficient of -0.061 on *Public Comment and Professional Engagement* provides a similar conclusion. Untabulated analysis shows that the difference between the coefficients of -0.065 and -0.061 is not statistically significant (p=0.55), implying that public comment adds little value relative to professional engagement. The statistically insignificant coefficients of -0.023 on *Application and Professional Engagement* and 0.010 on *All Three Processes* suggests that adding an application to the selection process has minimal to no effect on the role of political affiliation and negates the effect of professional engagement.[18] Overall, the results in Column (2) suggest that political affiliation reflects governors' preferences to reward aligned constituencies and that professional engagement procedures attenuate such effect.

One concern is that these results are driven by those states with little heterogeneity in political party. Indeed, Panel B of Table 2 shows that some states have a high concentration of *Same Party* tracts, meaning that some governors had few areas of opposing political representation from which to select. To ensure that these states do not drive our results, we estimate Eq. (1) after dropping states with greater than 80% (six states), 70% (11 states), or 60% (15 states) of the eligible tracts affiliated with the same party and report results in Table 5, Columns (3) through (5). We continue to find significant coefficients of similar size on *Same Party* and its interactions with the process variables, mitigating concerns that the results are driven by states with little variation in political affiliation.

The Online Appendix presents additional analyses documenting heterogeneous effects. For example, Online Appendix Table A3 shows that political affiliation and state processes influence

[18] One possible explanation for this lack of effect for applications (even when utilized with professional engagement) is that the relationship between the governor and politically-aligned state representatives encourages greater applications from these areas, thereby biasing the applicant pool. Another explanation is that the application "window dresses" the process to make the selection of politically-aligned tracts appear less so.

a governor's selection only within the low-income (not contiguous) communities. Online Appendix Table A4 examines variation based on the governor's political party, finding that the role of political affiliation and the selection processes in Opportunity Zone designation is statistically significant in only Republican-led states.

4. Variation in Early Business Response based on Political Affiliation

Our previous evidence demonstrates the role of political affiliation in the allocation of place-based tax incentives and shows how information obtained through specific processes affect the implementation of the Opportunity Zones incentive. In this section, we study whether the initial business response to this policy varies based on political affiliation.

As previously discussed, the greater likelihood of selection attributable to *Same Party* could reflect either better information via political networks or the allocation of federal tax incentives to politically aligned constituents or elected officials. One possible explanation for the attenuated effect of *Same Party* with the use of *Professional Engagement* (Table 5, Columns (2) through (5)) is that this process mitigates governors' propensity to reward aligned constituencies. We attempt to further disentangle the information or favoritism explanations by examining whether early business responses documented in concurrent work (Frank et al. 2020) vary based on the political affiliation of the tract. Observing a greater investment response in the politically-affiliated areas suggests that a governor's political network provided better information about the probability of the designation encouraging economic activity. Conversely, observing no different, or even a lower, investment response suggests that selected affiliated tracts were chosen primarily for political reasons. Two key assumptions necessary to support these conclusions are that the early economic responses we examine are i) representative of all possible Opportunity Zone investment and ii) aligned with the policy's intent to improve low-income communities. Under these

assumptions, observing greater responses in the party-affiliated areas supports the political network providing an information channel.[19]

We examine three outcomes in the real estate sector, as this sector was expected to be the first to benefit from the incentive.[20] Specifically, we test whether early economic activity in *Same Party* Opportunity Zones is different from that in unaffiliated Opportunity Zones and in eligible-but-unselected party-affiliated areas, as compared to each group's economic activity prior to the governors' selection of Opportunity Zones. We use a generalized triple differences strategy, for which we estimate the following specification:

$$Local\ Business\ Outcome = \beta_1 Selected\ X\ Post + \beta_2 Same\ Party\ X\ Post + \beta_3 Selected\ X\ Post\ X\ Same\ Party + Controls + Tract\ Fixed\ Effects + Year\text{-}Quarter\ Fixed\ Effects + \epsilon \quad (2)$$

The three local business outcomes include *Ln(# Commercial Transactions)*, *Ln(# New Construction Permits)*, and *Ln(# Construction Employees)* following Frank et al. (2020) and are measured for the period 2016 through part or all of 2019 (depending on data availability).

Table 6, Panel A shows the selection steps for each of the three samples used when estimating Eq. (2). *Ln(# Commercial Transactions)* is the natural logarithm of the number of arms' length commercial real estate transactions from 2016 through the first quarter of 2019 based on property deed data obtained from CoreLogic. We first obtain all commercial transactions from Corelogic and exclude partial sale transactions, transactions of non-qualifying or public sector properties

[19] These assumptions may not hold, particularly if some types of investment (such as luxury condo building) do not generate positive externalities (such as job creation) in the local area.

[20] Consistent with this expectation, concurrent research examines residential real estate prices (Chen et al. 2019) and commercial real estate prices (Sage et al. 2019) in the few months immediately following the selection of the Opportunity Zones. While these studies focus on the real estate sector, they find minimal or transitory effects, likely due to the regulatory uncertainty about the incentive which delayed investor participation during the 2018 period studied in these papers. Furthermore, studies of price effects reflect investor anticipation of the policy's effects but do not capture actual investment activity, which is the focus of this analysis. For completeness, Online Appendix Table A5 replicates Chen et al. (2019) and studies variation in the residential real estate market based on political affiliation; it is not possible to replicate the results in Sage et al. (2019) due to their use of confidential data, but we similarly examine the commercial real estate market through use of commercial transaction data.

(such as hospitals, parking, amusement facilities, transportation, utilities, and exempt properties), and transactions missing relevant address or latitude/longitude data necessary to geocode to a census tract. We require a tract to have at least one transaction per quarter throughout the sample period from 2016 through the first quarter of 2019 (the most recent period through which data are available) to mitigate concerns about data coverage, and we geocode each property to the corresponding census tract using latitude and longitude information. We aggregate the total number of transactions to the tract-level on a quarterly basis. After merging with the sample of 40,620 tracts used in the preceding tables, 20,614 distinct tracts remain. These tracts correspond to 267,982 tract-quarters containing over 1.3 million commercial real estate transactions.

Ln(# New Construction Permits) is the natural logarithm of the number of building construction permits from 2016 through the end of 2019. These building permits cover activity in 17 U.S. cities across 13 different states and are obtained from cities' websites or from the federal website data.gov.[21] Specifically, we search for "building permits" on data.gov, a federal government website that aggregates data from various government websites. We then augment the dataset by searching the websites for the 20 largest cities in the United States, and for those not already obtained from data.gov, download available data; see Table 6 for a list of these cities. Similar to the commercial real estate transactions, we geocode each building permit to the corresponding census tract using either latitude/longitude or address information and aggregate the number of transactions and the number of building permits to the tract-level on a quarterly basis.

[21] We assume that these permits are representative of all permitting activity, but it is not possible to validate this assumption without additional publicly available data. To ensure the data capture the types of projects eligible for Opportunity Zone treatment, we restrict the sample to construction permits for new structures. Some projects that are not new construction may qualify if they "substantially improve" an existing property (IRC§ 1400Z-2(d)(2)(D)(ii)); however, the descriptions in the building permit data to not allow us to identify whether any such improvement meets this definition and thus we drop these permits from the sample.

The final sample of 3,883 tracts (62,128 tract-quarters) includes over 100,000 building permits for new structures.

Ln(# Construction Employees) is the natural logarithm of the total number of employees in the construction industry at the county level in each quarter obtained from the Bureau of Labor Statistics from 2016 through 2019. While the county-level measurement is less granular than the available data for the other two outcomes, this measurement also permits inclusion of construction employees at any company within the local area that could be deployed to work on new building projects in a low-income tract. The 40,620 tracts in the sample correspond to 2,913 distinct counties. We retain counties where either none of the eligible tracts or all of the eligible tracts were of the *Same Party* given the bimodal distribution of the data, which reduces the sample by 599 counties. We drop any county without construction employees, or any county that is not observed during the entire sample period, to ensure a balanced panel. The final sample includes 1,834 distinct counties (29,344 county-quarters) with requisite data for the sixteen quarters between January 2016 and December 2019, which is the most recent quarter with available data. As of the fourth quarter of 2019, these counties employ over 2.25 million construction workers.

As with the analysis presented in Tables 4 and 5, we estimate these outcomes on the sample of eligible tracts identified by Treasury. *Selected* and *Same Party* are as defined previously. *Post* is an indicator equal to one beginning in the third quarter of 2018 based on the final publication of the selected tracts in June 2018. The coefficient on *Selected X Post* (β_1) reflects the average effect of selection as an Opportunity Zone on early outcomes in the non-*Same Party* tracts, relative to the eligible-but-unselected tracts. The coefficient on *Selected X Post X Same Party* (β_3) tests whether the effect of selection on early outcomes varies based on political affiliation. Unlike in Eq. (1) where we could not include tract-fixed effects because the variable of interest was *Same*

Party (which only varies at the tract-level and was measured in one period in the earlier sample), our generalized difference research design includes both tract-quarter and tract-fixed effects. Therefore, we exclude both the main effects and interaction of *Selected* and *Same Party* (which vary at the tract-level), as well as *Post* (which varies at the year-quarter level). Following our previous models, we control for *Poverty Rate*, *Median HH Income*, *Population*, *% White*, *% Education*, and *Employment Rate*.[22] Standard errors are clustered by tract (county).[23]

Table 6, Panel B presents descriptive statistics for the three samples. On average, there are 4.95 commercial real estate transactions in a tract-quarter, 1.62 building permits for new construction in a tract-quarter, and 1,173.7 construction employees working in a county-quarter. The demographic characteristics in Columns (1) and (2) confirm that the samples used to test commercial real estate transactions and building activity are similar, despite the differing data sources and sample sizes. The lower *Poverty Rate* and higher *Population* in Column (3) is attributable to measurement at the county rather than tract level.

Table 7 presents results from estimating Eq. (2) for *Ln(# Commercial Transactions)* (Panel A), *Ln(# New Building Permits)* (Panel B), and *Ln(# Construction Employees)* (Panel C). Column (1) in each panel presents results for the full samples. For all three outcomes, the positive and statistically significant coefficient on *Selected X Post* suggests that Opportunity Zone designation in politically unaffiliated areas is associated with more commercial transactions, building activity, and construction employment as compared to unselected, but eligible, tracts over the same period. We also observe consistently negative, but insignificant, coefficients on *Selected X Post X Same Party* in Column (1) across all three outcomes, implying no differential effect in politically

[22] We do not control for *Urban Level* or whether a tract was identified as already-improving at the time of selection based on *Socioeconomic Change Score* and *Investment Score*, as these are tract invariant features that are captured through the inclusion of tract fixed effects. Results are robust to alternatively dropping already-improving tracts.
[23] Results are robust to alternatively clustering by state.

affiliated tracts. These results suggest that political affiliation, which increased the likelihood of selection as reported in Table 5, Column 1, on average did not provide better information about the potential for early outcomes.

The next two columns report reports after partitioning the sample based on the processes that governors used to select tracts. Specifically, we examine how outcomes vary across states with no role (Column (2)) or a large role (Column (3)) for political affiliation, based on whether the state engaged professional advisors and used public comment procedures (Column (2)) or incorporated an application procedure / had no process (Column (3)).

Across all three outcomes reported in Column (2), we find that a positive and statistically significant β_1 coefficient on *Selected x Post*. That is, the early business response appears to occur in those states where the role of political affiliation was completely offset through the selection process used. In contrast, the β_1 coefficient is insignificant for all three outcomes reported in Column (3), implying that the selected Opportunity Zones have experienced no greater outcomes relative to the eligible-but-unselected areas in those states where political affiliation had a significant effect in the selection decision.

This evidence suggests that political affiliation in the selection process is negatively associated with the extent of early outcomes in these communities. One possible reason for this finding is that certain selection processes, such as engagement of professional advisors, both reduces the role of political affiliation and more broadly informs the selection of areas that are more likely to attract initial business investment. Alternatively, the process variables are correlated with other factors that drive greater initial investment. Although we cannot causally conclude that the process variables reduce the role of political affiliation and thus drive better local outcomes, finding similar results across all three datasets suggests that the information process variables may well be an

important mechanism when evaluating both the selection of the zones and the subsequent economic response.

We further examine the results in Column (2) to assess whether the positive outcomes observed vary at the tract-level based on political affiliation. Because political affiliation should have no role in these states by virtue of being offset via the engagement of professional advisors, then we should similarly observe no variation in outcomes based on political affiliation. In Column (2), we indeed find this effect: we consistently observe negative but mostly statistically insignificant coefficients. This evidence implies little to no variation attributable to political affiliation in these states, consistent with the process variables sufficiently attenuating affiliation in the section decision and in the subsequent investment response.

Additional long-run evidence on business outcomes, as well as other investment types, will be necessary to further assess the role of political affiliation in the effectiveness of the Opportunity Zones incentive, particularly in those states that used other processes or no processes at all (Column 3). This additional evidence using more recent data when available are particularly important given significant increases in investor activity since final regulatory guidance was published on December 19, 2019. Thus, this evidence should be viewed as an initial assessment based on the earliest observable investment in these areas.

5. Conclusion

We find that tracts with the same political affiliation as the governor are, on average, 7.6% more likely to be selected as Opportunity Zones. Further analyses reveal that the effect of political affiliation on the governor's selection varies by the type of formal process chosen: the magnitudes range from 0.0% for states that engaged professional advisors in the selection process to 25.6% for states with no formal process in place. Finally, we find that greater economic activity occurs

only in Opportunity Zones within those states where the formal processes mitigated the role of political affiliation in the selection decision and that the higher activity occurs irrespective of the political affiliation of the tracts within these states. In contrast, we do not observe significant early economic activity in Opportunity Zones, irrespective of political affiliation, in states where the formal processes did not mitigate the political affiliation effect.

While documenting important effects of political affiliation on the designation of place-based incentives, further work studying long-run investment is necessary to assess whether political affiliation is ultimately beneficial or detrimental to the success of the policy. Additional research on outcomes such as employment, poverty, and income levels will be necessary once data are available to further determine whether political alignment reflected superior knowledge and better gubernatorial decisions, or if this alignment may have dampened the effectiveness of the incentive. Future empirical research will be critical for evaluating the efficacy of this place-based policy to change low-income communities and address societal concerns about rising domestic inequality.

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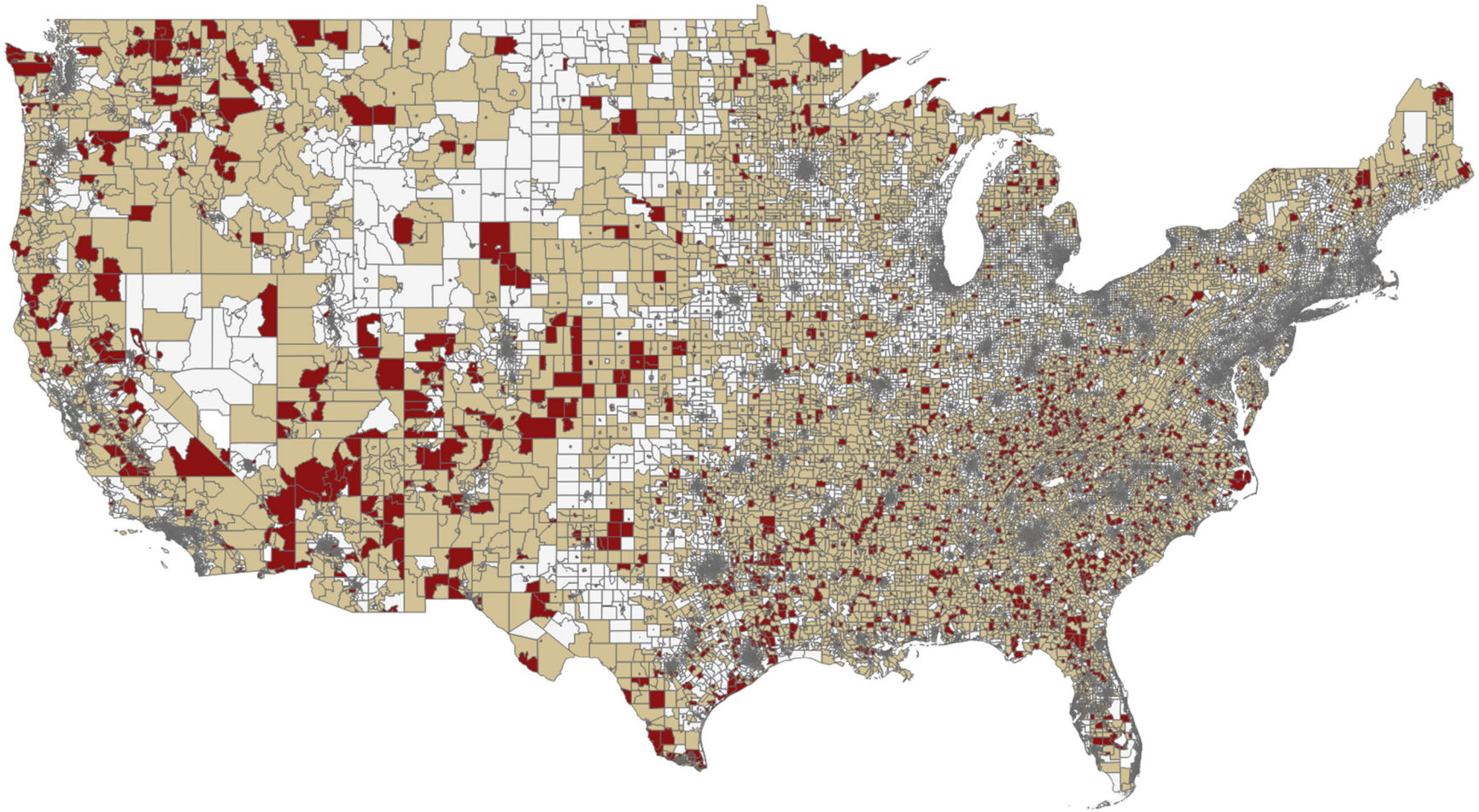
Appendix A. Variable Definitions

Name	Definition
All Three Processes	An indicator equal to one if the governor used three processes (Professional Engagement, Public Comment, and an Application process) to select Opportunity Zones, or zero otherwise. Processes were identified based on review of each state's Opportunity Zone website and related press coverage.
Application and Professional Engagement	An indicator equal to one if the governor used two processes (Professional Engagement and Application) to select Opportunity Zones, or zero otherwise. Processes were identified based on review of each state's Opportunity Zone website and related press coverage.
Employment Rate	The number of individuals in the labor force that are working, either in civilian or Armed Forces, scaled by the total labor force of the tract. Data are obtained from the 2011-2015 ACS survey, with the exception of 49 tracts for which the Opportunity Zones process permitted use of the 2012-2016 data.
Investment Score	A score from 1 to 10 developed by the Urban Institute to rank tracts on the amount of investment flows they have recently received (Theodos, 2018). The score is derived based on commercial lending, multifamily lending, single-family lending, and small business lending and is based primarily on 2011-2015 data from CoreLogic, Home Mortgage Disclosure Act records, and the Federal Financial Institutions Examination Council.
Ln(# Commercial Real Estate Transactions)	The natural logarithm of the number of arms' length commercial real estate transactions in a tract based on property deed transaction data from Core Logic. Partial sales, or sales related to non-qualifying or public-sector properties (such as hospitals, transportation, utilities, and exempt) are excluded.
Ln (# Construction Employees)	The natural logarithm of the number of employees in the construction industry in a county using quarterly Bureau of Labor Statistics data.
Ln(# New Construction Permits)	The natural logarithm of the number of new construction building permits in a census tract based on publicly available data for Arlington, VA; Austin, TX; Chicago, IL; Hartford, CT; Honolulu, HI; Los Angeles, CA; Bethesda, MD; Dallas, TX; New York, NY; Philadelphia, PA; Phoenix, AZ; San Diego, CA; San Francisco, CA; San Jose, CA; Seattle, WA; Sioux Falls, SD; and Somerville, MA.
Median HH Income	The median household income in each census tract as reported in the 2011-2015 ACS data, with the exception of 49 tracts for which the Opportunity Zones process permitted use of the 2012-2016 data. This amount is divided by 1,000 when estimating Eq. (1).
%White	The proportion of non-Hispanic white residents in the census tract, from the 2011-2015 ACS data, with the exception of 49 tracts for which the Opportunity Zones process permitted use of the 2012-2016 data.
Population	The total population of the census tract from the 2010 Census. This amount is divided by 1,000 when estimating Eq. (1).
Poverty Rate	The proportion of residents whose ratio of income to the poverty threshold is less than or equal to 0.99, scaled by the number of residents. This proportion

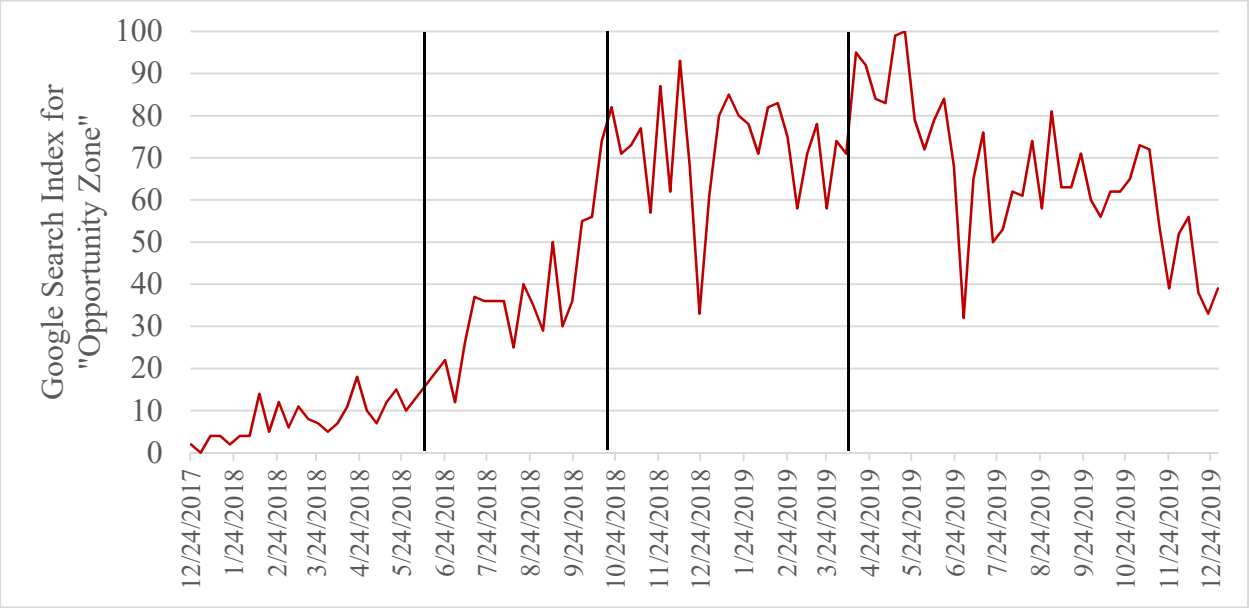
	uses 2011-2015 ACS data, with the exception of 49 tracts for which the Opportunity Zones process permitted use of the 2012-2016 data. The ratio is multiplied by 100 when estimating Eq. (1).
Professional Engagement	An indicator equal to one if the governor used one process (Professional Engagement) to select Opportunity Zones, or zero otherwise. Professional engagement entails both external advisors and agencies within the state government. Processes were identified based on review of each state's Opportunity Zone website and related press coverage.
Same Party	An indicator equal to one if the state representation to the state's lower house is of the same political party as the state's governor, and zero otherwise. Representatives and party affiliation are measured as of March 2018, the month preceding the first submission of Opportunity Zone selections. Data are obtained from Ballotpedia.
Selected	An indicator equal to one if the tract was selected as an Opportunity Zone, or zero otherwise.
Socioeconomic Change Score	An indicator developed by the Urban Institute to identify those jurisdictions with high levels of socioeconomic change (Theodos, 2018). The Urban Institute created this indicator by calculating Z-scores using values between 2000 and 2015 for the following: i) percentage point change in share of residents with bachelor's degree or higher, ii) dollar change in median family income, iii) percentage point change in the share of non-Hispanic white residents, and iv) change in average housing burden. Any tract that was one standard deviation or more above the mean Z-score is flagged as having significant socioeconomic change.
Urban Level	A score from 1 to 10 based on the extent to which the area is rural (1) and urban (10). The score is based on the Census 2010 Rural-Urban Commuting Area Codes and is calculated by inverting the codes for interpretation purposes.

Figure 1. U.S. Maps of Opportunity Zones



This figure maps the census tracts governors selected as Opportunity Zones (red), as well as the eligible tracts not selected (tan).

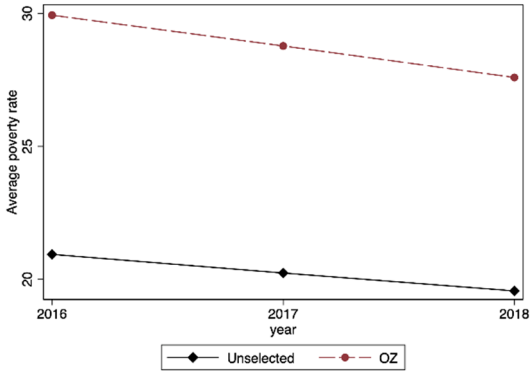
Figure 2. Google Searches for "Opportunity Zone"



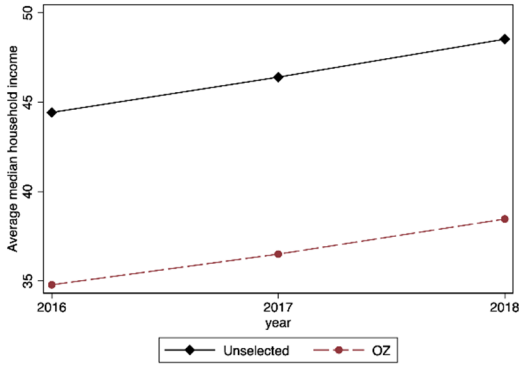
This figure depicts the Google Trends search index for "opportunity zone" for the week of December 22, 2017, to December 21, 2019, for searches within the United States. The figure shows that search spikes around announcement of the selected Opportunity Zones in June 2018, after release of the Proposed Regulations in October 2018, and after release of the Temporary Regulations in April 2019. These data can be obtained from https://trends.google.com/trends/explore?date=2017-12-22%202019-12-31&geo=US&q=%22opportunity%20zone%22.

Figure 3. Demographic Differences in Eligible Communities

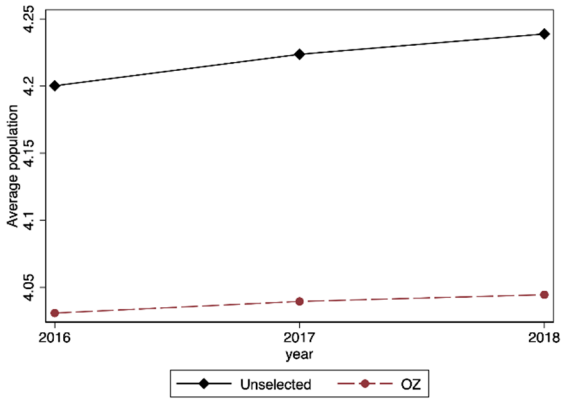
Panel A: Poverty Rate



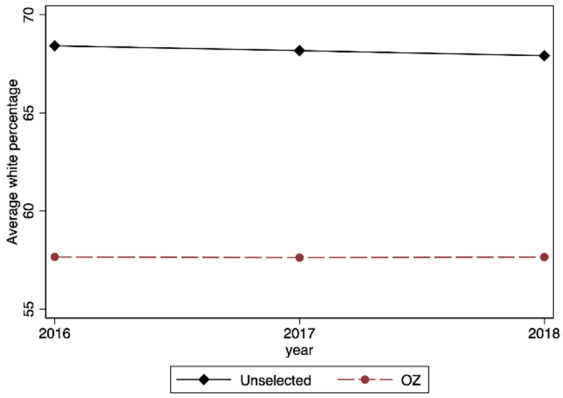
Panel B: Median Household Income



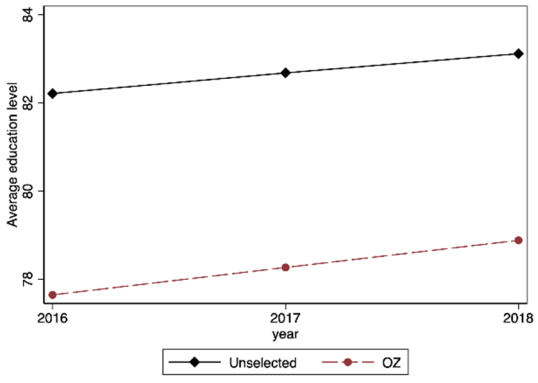
Panel C: Population



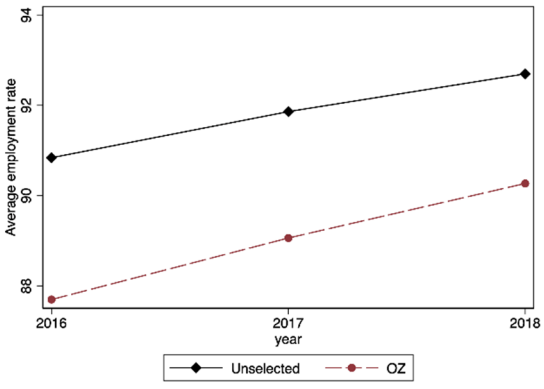
Panel D: White percentage



Panel E: Education Level



Panel F: Employment Rate



This figure plots differences in demographic characteristics across the selected Opportunity Zones as well as the eligible-but-unselected communities for the period 2016 through 2018. Data are obtained from the U.S. Census American Community Survey data. All variables are defined in Appendix A.

Table 1. Sample Selection

	Total U.S. Census Tracts	Total Tracts in Sample
All U.S. Census Tracts	74,134	
Less: Tracts that do not meet statutory requirements	(31,974)	
Eligible census tracts per U.S. Treasury CDFI in 2017	42,160	42,160
Plus: Tracts selected not on original qualifying list	19	19
Less: Territories and the District of Columbia	(1,077)	(1,077)
Total eligible census tracts in the 50 states	41,102	41,102
Less: Census tracts split across two voting districts		(109)
Less: Census tracts with missing demographic data		(373)
Total eligible census tracts with requisite data	41,102	40,620
Less: Census tracts not selected	(33,301)	(32,929)
Opportunity Zones in the 50 states	7,801	7,691

This table presents the sample selection criteria for the sample used to study the selection of Opportunity Zones. Data on eligible and selected tracts are obtained from the U.S. Department of the Treasury Community Development Financial Institutions Fund (CDFI). We include 19 tracts selected but not on the original qualifying list. We exclude census tracts from the U.S. territories of American Samoa, Guam, Northern Mariana Islands, and the Virgin Islands because they do not have requisite demographic data from the ACS; we also exclude Puerto Rico because IRC Section 1400Z-1(b)(3) designated all eligible census tracts as Opportunity Zones. Finally, we removed tracts from the District of Columbia because it has neither a governor nor a state legislature. Any census tract that is split evenly across two voting districts is dropped because we cannot assign political affiliation. Finally, we require that tracts have demographic data to construct control variables in the empirical tests. The final sample reflects 98.8% of the 41,102 eligible tracts, as well as 98.6% of the 7,801 Opportunity Zones in the fifty U.S. states.

Table 2. Descriptive Statistics

Panel A: Descriptive statistics for the full sample

	N	Mean	Median	Std. Dev.	5%	95%
Census tract-level variables						
Poverty Rate	40,620	23.22	20.87	12.40	7.59	47.09
Median HH Income	40,620	41,331.88	40,417.00	13,898.00	20,786.50	65,088.50
Population	40,620	4,080.37	3,854.00	1,810.86	1,620.00	7,222.00
%White	40,620	66.55	74.27	27.92	7.96	97.85
Urban Level	40,620	8.57	10.00	2.61	1.00	10.00
% Educated	40,620	80.88	83.34	11.59	57.71	95.04
Employment Rate	40,620	89.13	90.35	6.16	77.37	96.59
Same Party	40,620	0.55	1.00	0.50	0.00	1.00
Socioeconomic Score	40,620	5.49	5.00	2.87	1.00	10.00
Investment Score	40,620	0.02	0.00	0.15	0.00	0.00
State-level variables						
# Eligible Tracts	50	812.40	657.50	830.48	82.00	2,534.00
# Selected Tracts	50	153.82	123.00	163.71	25.00	497.00
% Democrat Governor	50	0.32	0.00	0.47	0.00	1.00
Professional Engagement	50	0.36	0.00	0.48	0.00	1.00
Public Comment and Professional Engagement	50	0.24	0.00	0.43	0.00	1.00
Application and Professional Engagement	50	0.26	0.00	0.44	0.00	1.00
All Three Processes	50	0.04	0.00	0.20	0.00	0.00

This table presents descriptive statistics at the census tract level and at the state level about the sample of eligible Opportunity Zones. All variables are defined in Appendix A.

Table 2. Descriptive Statistics (continued)

Panel B. Governors' Political Affiliation

	Political Affiliation			Political Affiliation	
State	Governor's Political Affiliation	% Eligible Tracts of Same Party	State	Governor's Political Affiliation	% Eligible Tracts of Same Party
Alabama	Republican	0.499	Montana	Democratic	0.478
Alaska	Independent	0.000	Nebraska	Republican	0.524
Arizona	Republican	0.443	Nevada	Republican	0.214
Arkansas	Republican	0.644	New Hampshire	Republican	0.450
California	Democratic	0.717	New Jersey	Democratic	0.815
Colorado	Democratic	0.674	New Mexico	Republican	0.383
Connecticut	Democratic	0.812	New York	Democratic	0.775
Delaware	Democratic	0.658	North Carolina	Democratic	0.415
Florida	Republican	0.582	North Dakota	Republican	0.768
Georgia	Republican	0.519	Ohio	Republican	0.446
Hawaii	Democratic	0.910	Oklahoma	Republican	0.557
Idaho	Republican	0.827	Oregon	Democratic	0.599
Illinois	Republican	0.295	Pennsylvania	Democratic	0.571
Indiana	Republican	0.494	Rhode Island	Democratic	0.989
Iowa	Republican	0.486	South Carolina	Republican	0.533
Kansas	Republican	0.562	South Dakota	Republican	0.750
Kentucky	Republican	0.573	Tennessee	Republican	0.665
Louisiana	Democratic	0.555	Texas	Republican	0.506
Maine	Republican	0.533	Utah	Republican	0.777
Maryland	Republican	0.321	Vermont	Republican	0.393
Massachusetts	Republican	0.119	Virginia	Democratic	0.427
Michigan	Republican	0.392	Washington	Democratic	0.499
Minnesota	Democratic	0.509	West Virginia	Republican	0.586
Mississippi	Republican	0.491	Wisconsin	Republican	0.451
Missouri	Republican	0.593	Wyoming	Republican	0.855

This table presents the political party of each governor and the percentage of eligible census tracts that are of the same party as the governor within each state.

Table 3. Comparison of Selected and Unselected Tracts

	Opportunity Zones *n=7,691* (1)	Tracts Not Selected *n=32,929* (2)	Difference ((1)-(2)) (3)	
Poverty Rate	30.72	21.47	9.25	***
Median HH Income	33,665.79	43,122.40	-9,456.61	***
Population	3,965.57	4,107.18	-141.61	***
%White	57.68	68.62	-10.94	***
Urban Level	8.56	8.57	-0.01	
% Educated	77.01	81.78	-4.77	***
Employment Rate	86.36	89.78	-3.42	***
Same Party	0.53	0.55	-0.02	**
Investment Score	5.33	5.53	-0.21	***
Socioeconomic Change	0.03	0.02	0.01	***

This table presents mean values for the variables used in the empirical tests for the subsamples of selected Opportunity Zones in Column (1) (n=7,747) and the tracts not selected in Column (2) (n=33,088). Column (3) tests for differences in mean values across these two subsamples. The asterisks *, **, and *** indicate statistical significant at the 10%, 5%, and 1% levels, respectively.

Table 4. Opportunity Zone Selection and Demographic Considerations

	Dependent Variables: Indicator = 1 if Selected as Opportunity Zone				
	(1)	(2)	(3)	(4)	(5)
Poverty Rate	0.006***	0.005***	0.005***	0.005***	0.005***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Median HH Income	-0.004***	-0.004***	-0.004***	-0.004***	-0.004***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Population		0.006***	0.006***	0.004***	0.005***
		(0.001)	(0.001)	(0.001)	(0.001)
% White		-0.000***	-0.000***	-0.000***	-0.000***
		(0.000)	(0.000)	(0.000)	(0.000)
Urban Level		-0.008***	-0.008***	-0.011***	-0.011***
		(0.001)	(0.001)	(0.001)	(0.001)
% Educated		-0.000	-0.000	-0.000	-0.000
		(0.000)	(0.000)	(0.000)	(0.000)
Employment Rate		-0.005***	-0.005***	-0.005***	-0.005***
		(0.001)	(0.001)	(0.001)	(0.001)
Socioeconomic Change Score			0.100***		0.087***
			(0.019)		(0.019)
Investment Score				0.009***	0.008***
				(0.001)	(0.001)
Observations	40,620	40,620	40,620	40,620	40,620
State Fixed Effects	0.102	0.108	0.110	0.112	0.113
R-squared	Yes	Yes	Yes	Yes	Yes

This table presents results from a linear probability model examining the role of demographic conditions in governors' decisions to designate a census tract as an Opportunity Zone. Appendix A provides the variable definitions. Standard errors are presented in parentheses. Each specification includes state fixed effects, and standard errors are clustered by voting district. The asterisks *, **, and *** indicate statistical significant at the 10%, 5%, and 1% levels, respectively.

Table 5. Opportunity Zone Selection and Political Affiliation

	Dependent Variables: Indicator = 1 if Selected as Opportunity Zone				
			Dropping 6 states with > 80% eligible zones same party	Dropping 11 states with > 70% eligible zones same party	Dropping 15 states with > 60% eligible zones same party
	(1)	(2)	(3)	(4)	(5)
Same Party	**0.019*** **	**0.064*** **	**0.064*** **	**0.056*** **	**0.056*** **
	(0.005)	**(0.018)**	**(0.018)**	**(0.018)**	**(0.018)**
Same Party X Professional Engagement		**-0.065*** **	**-0.062*** **	**-0.054*** **	**-0.054*** **
		(0.019)	**(0.020)**	**(0.020)**	**(0.020)**
Same Party X Public Comment and Professional Engagement		**-0.061*** **	**-0.061*** **	**-0.050** **	**-0.041***
		(0.020)	**(0.020)**	**(0.021)**	**(0.022)**
Same Party X Application and Professional Engagement		**-0.023**	**-0.022**	**-0.015**	**-0.013**
		(0.021)	**(0.021)**	**(0.021)**	**(0.021)**
Same Party X All Three Processes		**0.010**	**0.013**	**0.017**	**0.018**
		(0.027)	**(0.029)**	**(0.029)**	**(0.029)**
Poverty Rate	0.005***	0.005***	0.005***	0.004***	0.004***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Median HH Income	-0.004***	-0.004***	-0.004***	-0.005***	-0.004***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Population	0.005***	0.005***	0.005***	0.005***	0.005***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
% White	-0.000***	-0.000***	-0.000***	-0.001***	-0.001***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Urban Level	-0.010***	-0.010***	-0.010***	-0.010***	-0.009***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
% Educated	-0.000	-0.000	-0.000	0.000	0.000
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
Employment Rate	-0.006***	-0.006***	-0.006***	-0.006***	-0.007***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Socioeconomic Change Score	0.087***	0.090***	0.086***	0.072***	0.067***
	(0.019)	(0.019)	(0.019)	(0.021)	(0.022)
Investment Score	0.008***	0.008***	0.008***	0.008***	0.008***
	(0.001)	(0.001)	(0.001)	(0.001)	(0.001)
Observations	40,620	40,620	38,989	31,680	29,413
State Fixed Effects	Yes	Yes	Yes	Yes	Yes
R-squared	0.113	0.114	0.115	0.106	0.107

This table presents results from a linear probability model examining the role of political affiliation and demographic conditions in governors' decisions to designate a census tract as an Opportunity Zone. Appendix A provides the variable definitions. Standard errors are presented in parentheses. Each specification includes state fixed effects, and standard errors are clustered by voting district. The asterisks *, **, and *** indicate statistical significant at the 10%, 5%, and 1% levels, respectively.

Table 6. Sample and Descriptive Statistics for Real Estate Outcomes

Panel A: Samples to test real estate response to Opportunity Zone selection

	# Distinct Tracts				# Distinct Counties	
	Commercial Real Estate		Building Permits		Construction Employment	
	(1)	(2)	(3)	(4)	(5)	(6)
Eligible tracts (counties) in selection analysis		40,620		40,620		2,913
Less: Tracts not observed in data	(19,984)	20,636	36,730	3,890		
Less: Tracts (counties) missing control variables	(22)	20,614	(7)	3,883	(480)	2,433
Less: Counties with mixed same party %					(599)	1,834
Total tracts (counties) in sample		20,614		3,883		1,834
Total tract (county)-quarter observations		267,982		62,128		29,344
# Transactions/Permits/Employees reflected in sample		1,327,425		100,900		2,251,698

This panel presents the criteria used to construct the three samples used to study the role of political affiliation on the local economic response to Opportunity Zone selection. Columns (1) and (2) present the sample steps to study the number of commercial real estate transactions; Columns (3) and (4) present the sample of building permits; and Columns (5) and (6) present the county-level BLS sample used to study construction employment. The building permits sample includes observations from 17 cities in 13 different states, including: Arlington, VA; Austin, TX; Chicago, IL; Hartford, CT; Honolulu, HI; Los Angeles, CA; Bethesda, MD; Dallas, TX; New York, NY; Philadelphia, PA; Phoenix, AZ; San Diego, CA; San Francisco, CA; San Jose, CA; Seattle, WA; Sioux Falls, SD; and Somerville, MA.

Table 6. Sample and Descriptive Statistics for Real Estate Outcomes (cont'd.)

Panel B. Descriptive Statistics for Commercial Real Estate, Building Permits, and Construction Employment

	Commercial Real Estate *n = 267,982* (1)	Construction Building Permits *n = 62,128* (2)	Construction Employment *n=29,344* (3)
# Commercial Transactions in Tract-Quarter	4.95		
Ln(# Commercial Transactions) in Tract-Quarter	1.32		
# Building Permits for New Construction in Tract-Quarter		1.62	
Ln (# Building Permits) in Tract-Quarter		0.48	
# Construction Employees in County-Quarter			1,173.73
Ln(# Construction Employees) in County-Quarter			5.98
Selected	0.19	0.22	0.21
Same Party	0.55	0.65	0.68
Poverty Rate	21.23	24.10	15.75
Median HH Income	44,737.57	48,224.62	50,157.55
Population	4,118.06	4,181.56	59,635.00
% White	68.61	41.07	85.30
% Educated	83.83	76.03	86.17
Employment Rate	91.76	90.59	93.88

This panel presents mean values for the variables used in testing whether the relation between Opportunity Zone designation and local business activity varies with political affiliation of the tract or county. The three business activity measures include tract-level commercial real estate transactions (Column (1)), tract-level new construction building permits (Column (2)), and county-level construction employment (Column (3)). All variables are defined in Appendix A

Table 7. Local Economic Outcomes in Opportunity Zones

Panel A: Commercial Real Estate Transactions

	Dependent Var: Ln(# Commercial Real Estate Transactions)		
	All Areas	Prof. Engagement & Public Comment	Other Processes or No Process
	(1)	(2)	(3)
Selected X Post	0.025**	0.036**	0.004
	(0.011)	(0.015)	(0.018)
Selected X Post X Same Party	-0.018	-0.025	-0.005
	(0.015)	(0.019)	(0.026)
Observations	267,982	181,207	86,775
Tract FE?	Yes	Yes	Yes
Year-Quarter FE?	Yes	Yes	Yes
R-squared	0.639	0.638	0.639

Panel B: New Construction Building Permits

	Dependent Var: Ln(# New Construction Permits)		
	All Areas	Prof. Engagement & Public Comment	Other Processes or No Process
	(1)	(2)	(3)
Selected X Post	0.037**	0.103***	0.016
	(0.017)	(0.032)	(0.020)
Selected X Post X Same Party	-0.013	-0.080**	-0.015
	(0.026)	(0.038)	(0.057)
Observations	62,128	42,016	20,112
Tract FE?	Yes	Yes	Yes
Year-Quarter FE?	Yes	Yes	Yes
R-squared	0.606	0.538	0.720

Panel C: Construction Employees

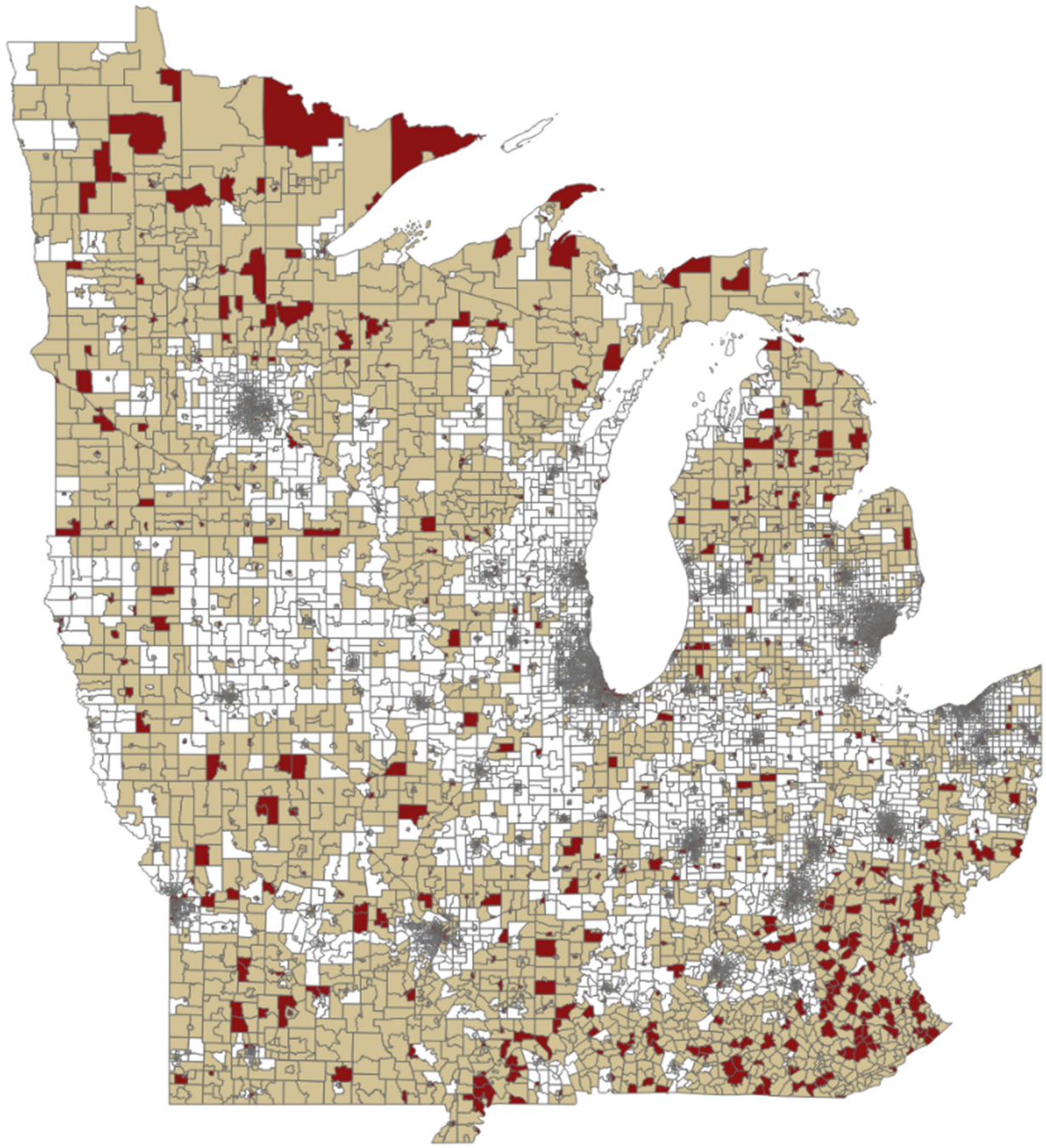
	Dependent Var: Ln(# Construction Employees)		
	All Areas	Prof. Engagement & Public Comment	Other Processes or No Process
	(1)	(2)	(3)
Selected X Post	0.030**	0.029**	0.033
	(0.013)	(0.015)	(0.029)
Selected X Post X Same Party	-0.017	-0.018	-0.022
	(0.017)	(0.020)	(0.032)
Observations	29,344	15,376	13,968
County FE?	Yes	Yes	Yes
Year-Quarter FE?	Yes	Yes	Yes
R-squared	0.988	0.989	0.987

This table presents results from testing the difference in the number of commercial real estate transactions in Panel A (measured at the tract-level), new construction permits in Panel B (measured at the tract-level), and construction employees in Panel C (measured at the county-level) in selected Opportunity Zones after June 2018, as compared to the same areas in the period of January 2016 through June 2018, and as compared to the difference in the eligible-but-not selected areas over the same period. All variables defined in Appendix A. Standard errors are presented in parentheses and are clustered by tract. The asterisks *, **, and *** indicate statistical significant at the 10%, 5%, and 1% levels, respectively.

Online Appendix - Not for Print Publication

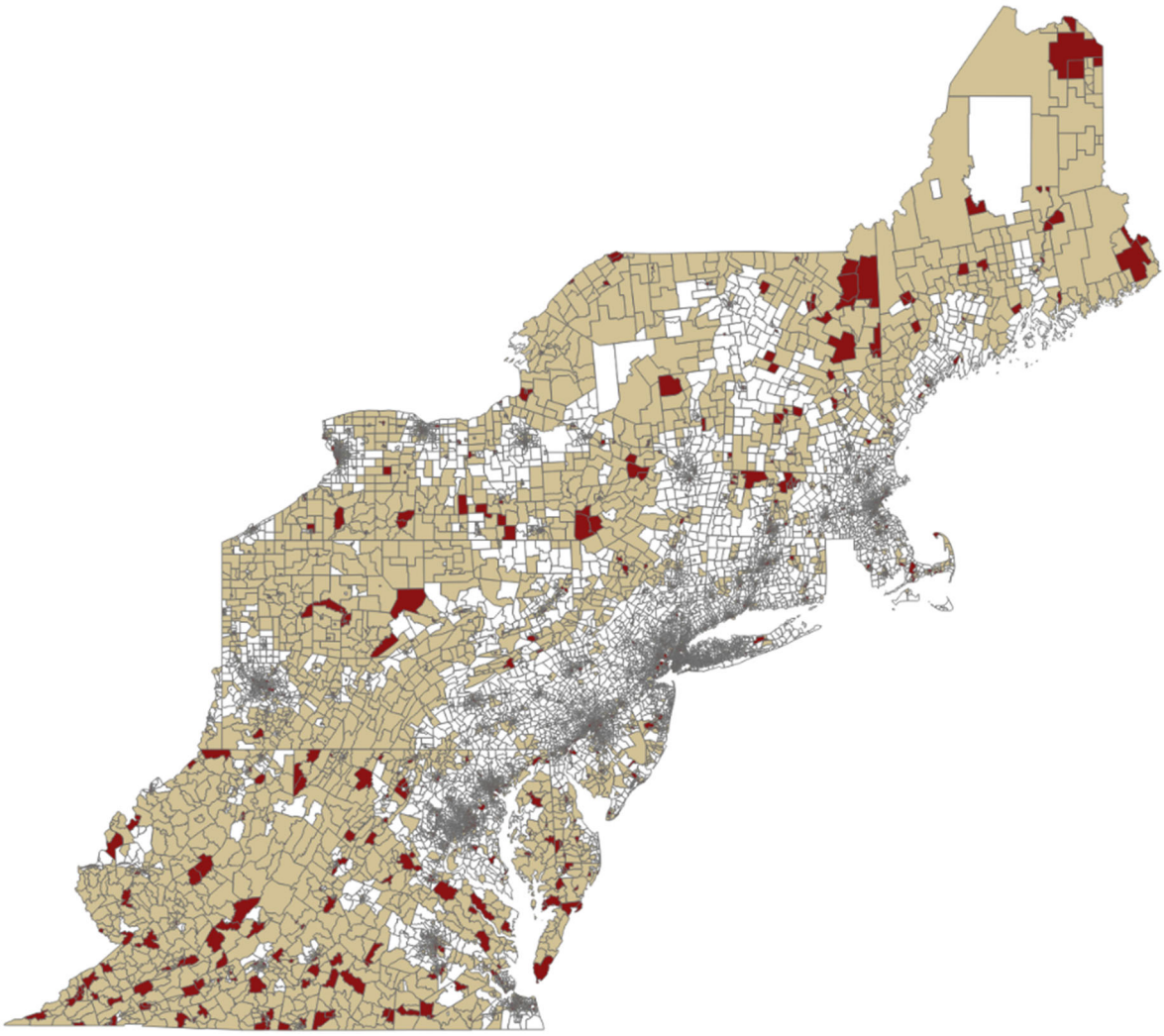
Figure 1A. Regional Maps of Opportunity Zones

Panel A. Midwest



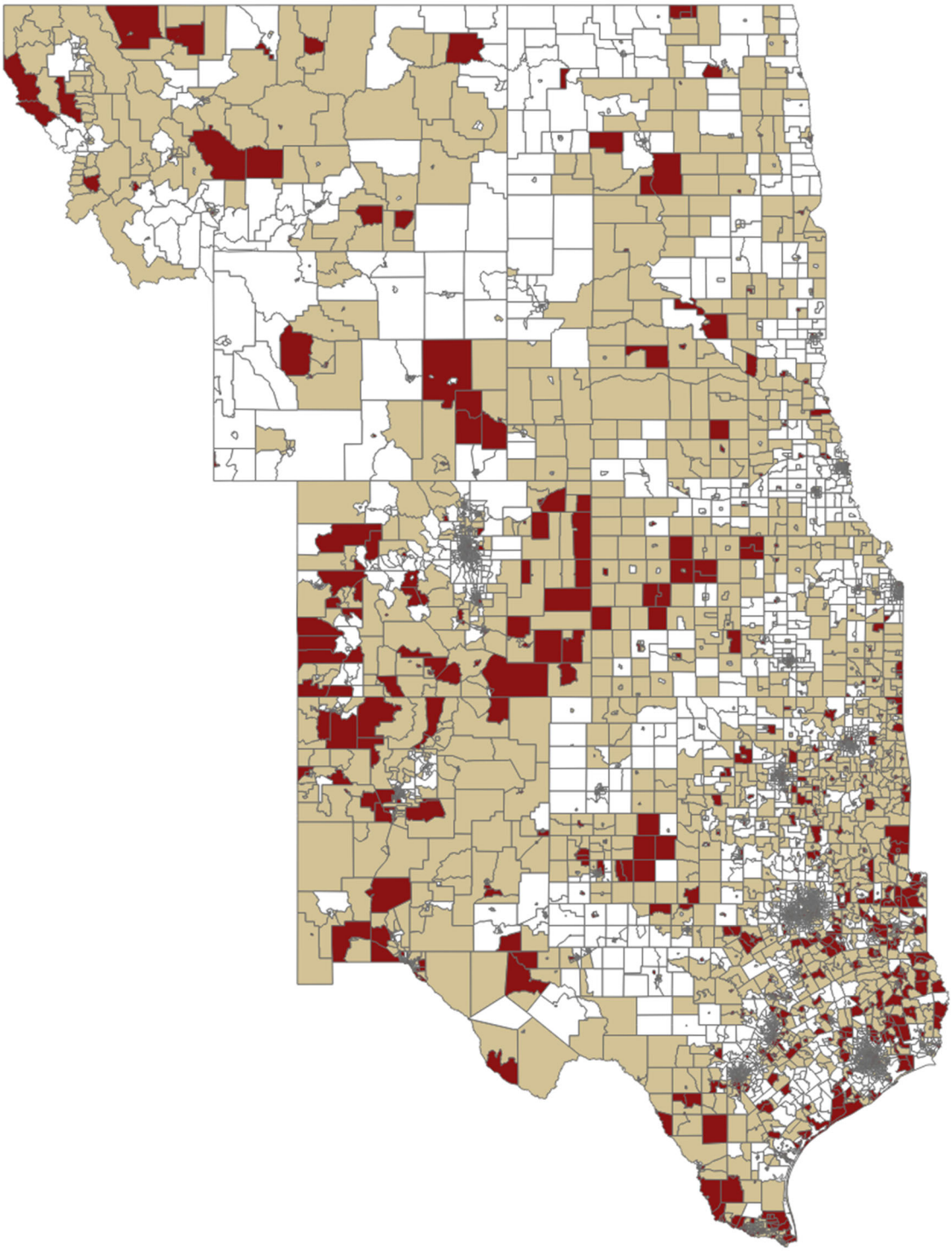
This figure maps the selected Opportunity Zones in the Midwest. The red tracts are those selected pursuant to the list of final tracts from the U.S. Treasury CDFI website; the tan tracts are those that were eligible but not selected.

Panel B. Northeast Region



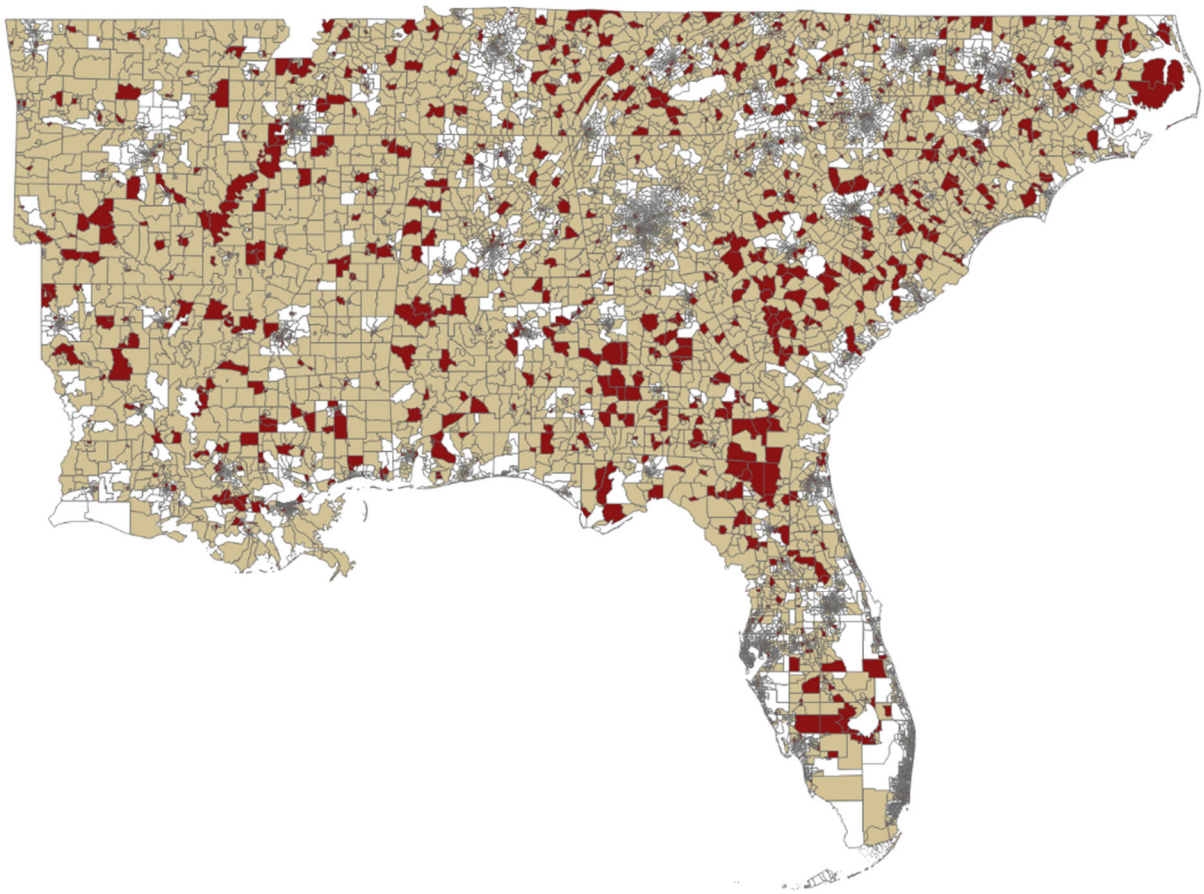
This figure maps the selected Opportunity Zones in the Northeast. The red tracts are those selected pursuant to the list of final tracts from the U.S. Treasury CDFI website; the tan tracts are those that were eligible but not selected.

Panel C. Central Region



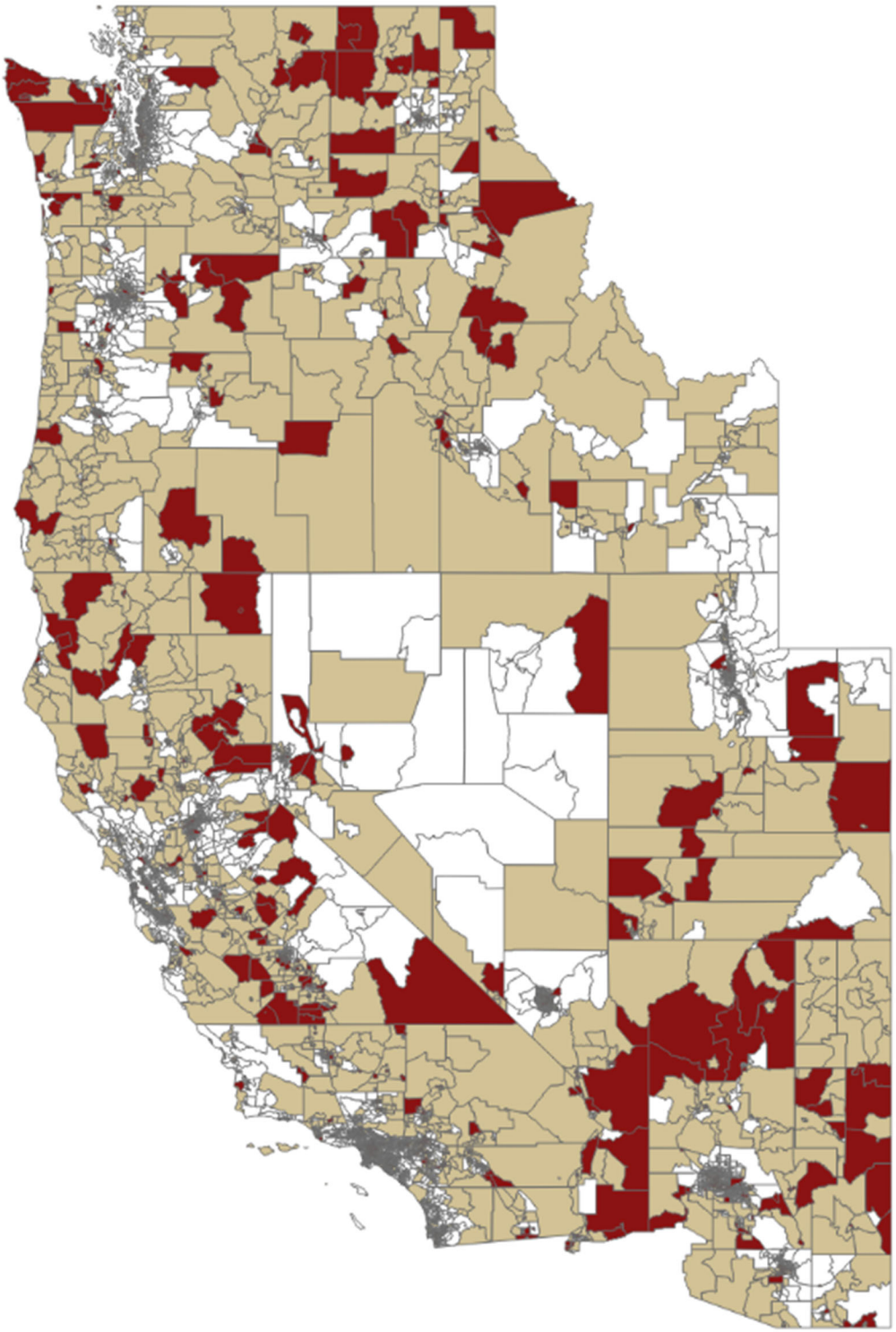
This figure maps the selected Opportunity Zones in the Central region. The red tracts are those selected pursuant to the list of final tracts from the U.S. Treasury CDFI website; the tan tracts are those that were eligible but not selected.

Panel D. Southeast



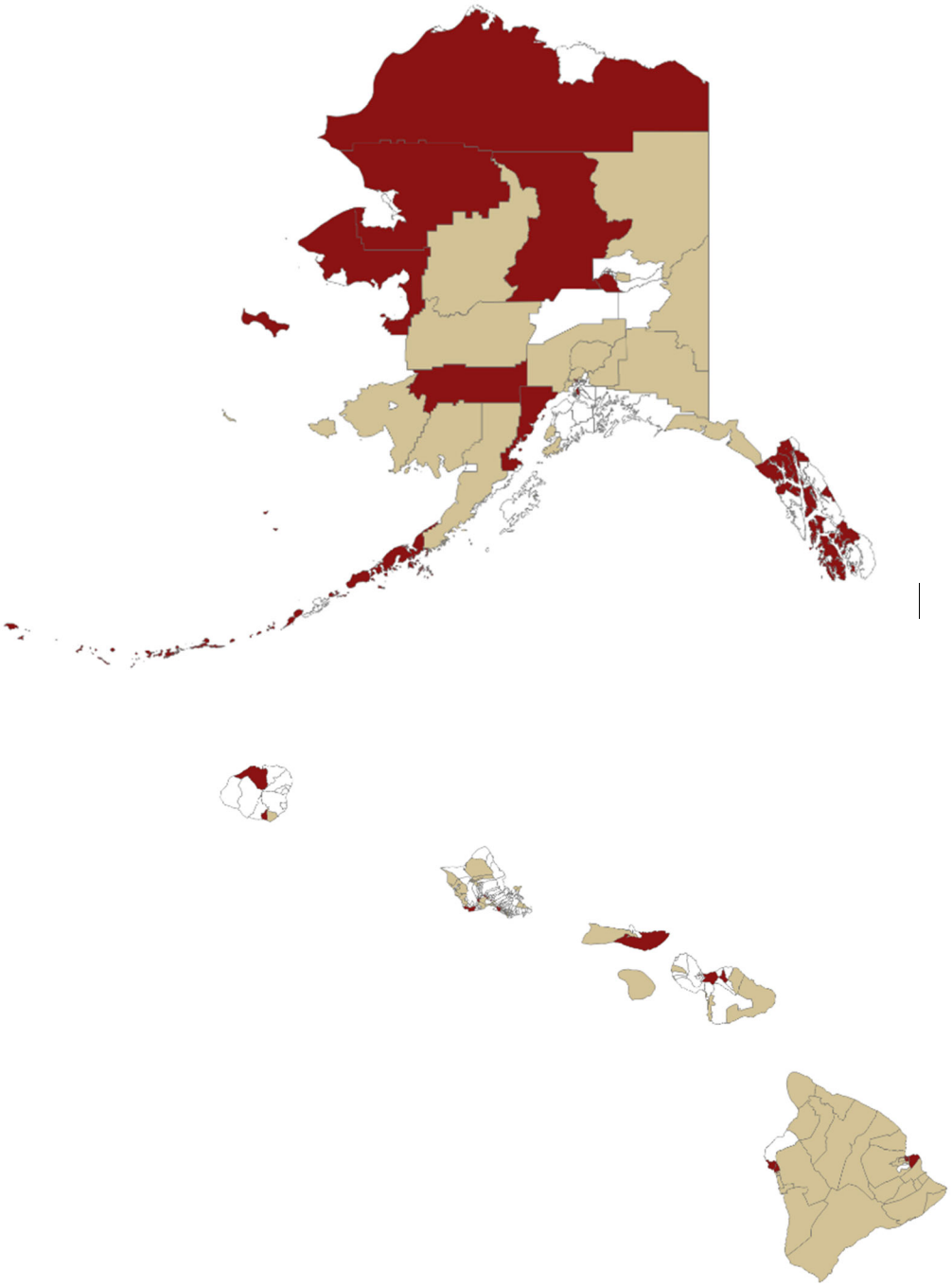
This figure maps the selected Opportunity Zones in the Southeast. The red tracts are those selected pursuant to the list of final tracts from the U.S. Treasury CDFI website; the tan tracts are those that were eligible but not selected.

Panel E. Pacific West and Southwest



This figure maps the selected Opportunity Zones in the Pacific West and Southwest. The red tracts are those selected pursuant to the list of final tracts from the U.S. Treasury CDFI website; the tan tracts are those that were eligible but not selected.

Panel F. Alaska and Hawaii



This figure maps the selected Opportunity Zones in Alaska and Hawaii. The red tracts are those selected pursuant to the list of final tracts from the U.S. Treasury CDFI website; the tan tracts are those that were eligible but not selected.

Table A1. Correlation Matrix of Key Variables

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)
(1) *Selected Zone*		**-0.01**	**0.28**	**-0.26**	**-0.03**	**-0.14**	0.00	**-0.16**	**-0.21**	0.00	-0.01	0.00	0.00	**-0.03**	**0.03**
(2) *Same Party*	**-0.01**		**-0.11**	**0.10**	**0.04**	**0.11**	**-0.08**	**0.02**	**0.12**	**-0.09**	**0.07**	**0.03**	0.00	**0.03**	**0.01**
(3) *Poverty Rate*	**0.29**	**-0.10**		**-0.74**	**-0.13**	**-0.43**	**0.15**	**-0.46**	**-0.54**	**-0.03**	**-0.08**	**0.05**	**0.02**	**-0.14**	**0.02**
(4) *Median HH Income*	**-0.28**	**0.11**	**-0.79**		**0.18**	**0.26**	**0.02**	**0.41**	**0.47**	0.01	**0.07**	**-0.02**	**-0.04**	**0.24**	**0.08**
(5) *Population*	**-0.03**	**0.05**	**-0.11**	**0.19**		**-0.04**	**0.10**	**-0.04**	**0.12**	**-0.04**	**-0.03**	-0.01	0.00	**0.14**	**-0.07**
(6) *% White*	**-0.14**	**0.11**	**-0.46**	**0.29**	**-0.04**		**-0.41**	**0.57**	**0.42**	**0.12**	**0.02**	**-0.02**	**0.09**	**0.07**	**-0.04**
(7) *Urban Level*	0.00	**-0.10**	**0.17**	**-0.02**	**0.05**	**-0.5**		**-0.11**	**-0.14**	**-0.10**	**0.02**	**0.05**	-0.01	**0.21**	**0.10**
(8) *% Educated*	**-0.17**	**0.02**	**-0.51**	**0.47**	**-0.03**	**0.53**	**-0.08**		**0.32**	**0.08**	**0.07**	**-0.04**	**0.03**	**0.18**	**0.05**
(9) *Employment Ratio*	**-0.19**	**0.10**	**-0.50**	**0.47**	**0.07**	**0.41**	**-0.17**	**0.40**		**0.04**	**0.06**	**-0.13**	**0.00**	**0.19**	**0.03**
(10) *Application Process*	0.00	**-0.09**	**-0.03**	**0.01**	**-0.04**	**0.12**	**-0.11**	**0.09**	**0.02**		**-0.32**	**-0.34**	**-0.07**	0.00	**-0.02**
(11) *Professional Engagement*	-0.01	**0.07**	**-0.09**	**0.06**	**-0.03**	**0.02**	**0.02**	**0.09**	**0.06**	**-0.32**		**-0.49**	**-0.11**	0.00	**0.03**
(12) *Public Comment*	0.00	**0.03**	**0.05**	**-0.02**	0.00	**-0.02**	**0.06**	**-0.06**	**-0.12**	**-0.34**	**-0.49**		**-0.11**	0.00	-0.01
(13) *All Three Processes*	0.00	0.00	**0.01**	**-0.04**	0.00	**0.09**	0.00	**0.04**	0.00	**-0.07**	**-0.11**	**-0.11**		0.00	**-0.01**
(14) *Investment Score*	**-0.03**	**0.03**	**-0.15**	**0.24**	**0.15**	**0.05**	**0.22**	**0.16**	**0.2**	0.00	0.00	0.00	0.00		0.12
(15) *Socioeconomic Change*	**0.03**	**0.01**	**0.03**	**0.06**	**-0.08**	**-0.05**	**0.08**	**0.05**	**0.03**	**-0.02**	**0.03**	-0.01	**-0.01**	**0.12**	

This table reports correlations for dependent and independent variables. We report Pearson coefficients above the diagonal and Spearman coefficients below the diagonal. Numbers in bold indicate statistical significance at the 5% level. We define all variables in the online appendix.

Table A2. Opportunity Zone Selection – Alternative Estimation

Panel A: Logit Estimation

	Dependent Variable: Indicator = 1 if Selected as Opportunity Zone			
	Coefficients		Marginal Effects	
	(1)	(2)	(3)	(4)
Same Party	**0.129*** **	**0.449*** **	**0.017*** **	**0.060*** **
	(0.041)	**(0.124)**	**(0.006)**	**(0.017)**
Same Party X Professional Engagement		**-0.463*** **		**-0.062*** **
		(0.138)		**(0.019)**
Same Party X Public Comment and Professional Engagement		**-0.444*** **		**-0.060*** **
		(0.144)		**(0.019)**
Same Party X Application Process and Professional Engagement		**-0.139**		**-0.019**
		(0.149)		**(0.020)**
Same Party X All Three Processes		**0.086**		**0.012**
		(0.199)		**(0.027)**
Poverty Rate	0.019***	0.020***	0.003***	0.003***
	(0.002)	(0.002)	(0.000)	(0.000)
Median HH Income	-0.048***	-0.047***	-0.006***	-0.006***
	(0.003)	(0.003)	(0.000)	(0.000)
Population	0.050***	0.051***	0.007***	0.007***
	(0.010)	(0.010)	(0.001)	(0.001)
% White	-0.003***	-0.003***	-0.000***	-0.000***
	(0.001)	(0.001)	(0.000)	(0.000)
Urban Level	-0.078***	-0.074***	-0.011***	-0.010***
	(0.007)	(0.007)	(0.001)	(0.001)
% Educated	-0.004*	-0.005**	-0.000*	-0.001**
	(0.002)	(0.002)	(0.000)	(0.000)
Employment Rate	-0.029***	-0.029***	-0.004***	-0.004***
	(0.004)	(0.004)	(0.001)	(0.001)
Socioeconomic Change	0.653***	0.675***	0.088***	0.091***
	(0.118)	(0.119)	(0.016)	(0.016)
Investment Score	0.056***	0.057***	0.008***	0.008***
	(0.006)	(0.006)	(0.001)	(0.001)
Observations	40,620	40,620	40,620	40,620
State FE	Yes	Yes	Yes	Yes
Pseudo R-squared	0.118	0.117	0.118	0.117
Log Likelihood	17,407	-17,386	17,407	-17,386

This panel presents coefficients (Columns (1)-(4)) and marginal effects (Columns (5)-(8)) for logit specifications that test the relation between the likelihood of being selected as an Opportunity Zone and demographic and political variables. All variables are defined in the online appendix. Standard errors are presented in parentheses. Each specification includes state fixed effects, and standard errors are clustered by voting district. The asterisks *, **, and *** indicate statistical significant at the 10%, 5%, and 1% levels, respectively.

Panel B: Estimation with Alternative Standard Error Clustering

	Dependent Variable: Indicator = 1 if Selected as Opportunity Zone	
	(1)	(2)
Same Party	**0.019****	**0.064****
	(0.009)	**(0.027)**
Same Party X Professional Engagement		**-0.065****
		(0.028)
Same Party X Public Comment and Professional Engagement		**-0.061****
		(0.028)
Same Party X Application Process and Professional Engagement		**-0.023**
		(0.032)
Same Party X All Three Processes		**0.010**
		(0.031)
Poverty Rate	0.005***	0.005***
	(0.001)	(0.001)
Median HH Income	-0.004***	-0.004***
	(0.001)	(0.001)
Population	0.005***	0.005***
	(0.002)	(0.002)
% White	-0.000**	-0.000***
	(0.000)	(0.000)
Urban Level	-0.010***	-0.010***
	(0.002)	(0.002)
% Educated	-0.000	-0.000
	(0.001)	(0.000)
Employment Rate	-0.006**	-0.006*
	(0.003)	(0.003)
Socioeconomic Change	0.087***	0.090***
	(0.018)	(0.018)
Investment Score	0.008***	0.008***
	(0.001)	(0.001)
Observations	40,620	40,620
State FE	0.113	0.114
Pseudo R-squared	Yes	Yes

This panel presents coefficients for linear probability specifications that test the relation between the likelihood of being selected as an Opportunity Zone and demographic and political variables. All variables are defined in the online appendix. Standard errors are presented in parentheses. Each specification includes state fixed effects, and standard errors are clustered by state. The asterisks *, **, and *** indicate statistical significant at the 10%, 5%, and 1% levels, respectively.

Table A3. Opportunity Zone Selection: LIC vs. Non-LIC Contiguous

	Dependent Variable: Indicator = 1 if Selected as Opportunity Zone and is LIC Tract		*Dependent Variable: Indicator = 1 if Selected as Opportunity Zone and Non-LIC Contiguous Tract*	
	Sample of Eligible Tracts (1)	Sample of LIC Tracts (2)	Sample of Eligible Tracts (3)	Sample of Non-LIC Tracts (4)
Same Party	**0.064*** **	**0.083*** **	**-0.001**	**0.005**
	(0.018)	**(0.023)**	**(0.001)**	**(0.005)**
Same Party X Professional Engagement	**-0.067*** **	**-0.081*** **	**0.002**	**0.003**
	(0.019)	**(0.026)**	**(0.002)**	**(0.007)**
Same Party X Public Comment and Professional Engagement	**-0.059*** **	**-0.082*** **	**-0.001**	**-0.009**
	(0.020)	**(0.027)**	**(0.002)**	**(0.008)**
Same Party X Application Process and Professional Engagement	**-0.028**	**-0.026**	**0.005** **	**0.009**
	(0.020)	**(0.028)**	**(0.002)**	**(0.008)**
Same Party X All Three Processes	**0.008**	**0.029**	**0.002**	**-0.006**
	(0.027)	**(0.036)**	**(0.004)**	**(0.020)**
Poverty Rate	0.005***	0.004***	-0.000***	0.001**
	(0.000)	(0.000)	(0.000)	(0.000)
Median HH Income	-0.004***	-0.005***	0.000***	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Tract Population	0.005***	0.008***	0.000	0.000
	(0.001)	(0.002)	(0.000)	(0.001)
% White	-0.000***	-0.000**	-0.000	-0.000**
	(0.000)	(0.000)	(0.000)	(0.000)
Urban Level	-0.009***	-0.015***	-0.000*	-0.001*
	(0.001)	(0.001)	(0.000)	(0.001)
% Educated	-0.000	-0.000	0.000	-0.000
	(0.000)	(0.000)	(0.000)	(0.000)
Employment Rate	-0.005***	-0.006***	-0.000**	-0.001*
	(0.001)	(0.001)	(0.000)	(0.000)
Socioeconomic Change	0.082***	0.093***	0.008**	0.049**
	(0.018)	(0.022)	(0.004)	(0.019)
Investment Score	0.008***	0.011***	0.000*	0.001
	(0.001)	(0.001)	(0.000)	(0.000)
Observations	40,620	30,447	40,620	10,173
State FE	Yes	Yes	Yes	Yes
R-squared	0.121	0.072	0.007	0.017

This table presents results from linear probability specifications that test the relation between the likelihood of being selected and demographic and political variables after partitioning the sample based on whether the tract was low income (LIC) or contiguous to a low-income area. Two unique features of the eligibility pool could result in the selection of tracts that were not necessarily low-income. First, data from the 2010 U.S. Census defined the boundaries of census tracts, and poverty and median household income data from the U.S. Census American Community Survey 5-Year Data (primarily 2011-2015) determined eligibility. Consequently, some census tracts could have experienced demographic shifts between these earlier measurement dates and the 2018 Opportunity Zones selection date. Second, contiguous tracts were not required to meet the same poverty thresholds. However, the law limited contiguous eligible contiguous tracts to only those in which the median household income did not exceed 125% of the neighboring LIC tract. Furthermore, the law stipulated that only 5% of the governor's selection could be contiguous zones. While untabulated descriptive statistics confirm that the average poverty rate of 28.7% (median income of $45,877) is higher (lower) than the national poverty rate (median income) of 15.1% ($69,946), suggesting that the selected areas were indeed distressed, there has been much discussion about contiguous tracts, as they were eligible based only on their proximity to LIC tracts. The table above presents results from separately estimating Eq. (1) for LIC and non-LIC contiguous tracts. We find that political affiliation and the state processes influence selections within only the LIC communities. All variables are defined in Appendix A. Each specification includes state fixed effects, and standard errors are clustered by voting district. Standard errors are presented in parentheses. Asterisks *, **, and *** indicate statistical significant at the 10%, 5%, and 1% levels, respectively.

Table A4. Political Affiliation Based on Governor's Political Party

	Dependent Variable: Indicator = 1 if	
	States with Democrat Governor	States with Republican Governor
	(1)	(2)
Same Party	**0.057**	**0.056*** **
	(0.085)	**(0.018)**
Same Party X Professional Engagement	**-0.072**	**-0.056*** **
	(0.086)	**(0.020)**
Same Party X Public Comment and Professional	**-0.071**	**-0.038**
	(0.086)	**(0.024)**
Same Party X Application and Professional Engagement	**-0.009**	**-0.019**
	(0.089)	**(0.021)**
Same Party X All Three Processes		**0.015**
		(0.028)
Poverty Rate	0.007***	0.004***
	(0.001)	(0.000)
Median HH Income	-0.003***	-0.005***
	(0.000)	(0.000)
Population	0.003	0.006***
	(0.002)	(0.002)
% White	-0.000	-0.001***
	(0.000)	(0.000)
Urban Level	-0.008***	-0.010***
	(0.002)	(0.001)
% Educated	-0.001***	0.000
	(0.000)	(0.000)
Employment Rate	-0.003***	-0.007***
	(0.001)	(0.001)
Socioeconomic Change	0.104***	0.074***
	(0.027)	(0.024)
Investment Score	0.007***	0.009***
	(0.001)	(0.001)
Observations	16,031	24,524
State FE	Yes	Yes
R-squared	0.127	0.108

This table presents results from linear probability specifications that test the relation between the likelihood of being selected and demographic and political variables after partitioning the sample on the political party of each state's governor. Coefficients for the interaction term *Same Party X Three Processes* is not tabulated in Column (1) because the two states implementing all three processes have Republican governors. 33 states had Republican governors, and 16 had Democratic governors. We drop Alaska from this analysis because its governor at the time of selection was an Independent. All variables are defined in the online appendix. Each specification includes state fixed effects, and standard errors are clustered by voting district. T-statistics are presented in parentheses. The asterisks *, **, and *** indicate statistical significant at the 10%, 5%, and 1% levels, respectively.

Table A5. Variation in Residential Real Estate Housing Price Index following Chen et al. (2019)

	Dependent variable: Federal Housing Finance Agency (FHFA) Repeat Sales-Indices for Single-Family Homes				
	Chen et al. Table 1, Col. 1	*Current Sample*			
	(1)	(2)	(3)	(4)	(5)
f	**0.248**	**0.291**	**0.153**	**0.207**	**0.102**
	(0.221)	**(0.221)**	**(0.344)**	**(0.221)**	**(-0.344)**
*Same Party * 2018*			-0.490**		-0.304
			(0.191)		(-0.191)
Selected*Same Party*2018			**0.253**		**0.191**
			(0.449)		**(0.446)**
Distinct (N1, N0)	2,674; 10,198	2,680; 10,148	2,680; 10,148	2,680; 10,148	2,680; 10,148
Observations	64,360	64,140	64,140	64,010	64,010
Control variables	No	No	No	Yes	Yes
Clustering	Tract	Tract	Tract	Tract	Tract
Tract FE?	Yes	Yes	Yes	Yes	Yes
Year FE?	Yes	Yes	Yes	Yes	Yes
R-squared	0.250	0.250	0.250	0.258	0.258

This table presents results from replicating Chen et al. (2019), who study changes in the residential real estate housing price index after an area is selected as an Opportunity Zone. Column (1) reports the result reported in Chen et al. (2019), Table 1, Column (1) using their same sample; Columns (2) through (5) report results on the sample of tract observations used in this manuscript. Each specification includes tract and year fixed effects, and standard errors are clustered by tract. Standard errors are presented in parentheses. Asterisks *, **, and *** indicate statistical significant at the 10%, 5%, and 1% levels, respectively.