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Date: February 5, 2020

Position on SB 263: Opposed

My name is Leonard Mills and I am CEO of Verte Opportunity Fund, a Maryland-based, qualified Opportunity Zone Investment Fund (QOF). Verte Opportunity Fund (Verte OZ) is focused on promoting positive economic development by bringing private funding to designated Opportunity Zones in the state of Maryland, and elsewhere. I have spoken to investors and economic development agencies across the country and am well-informed of Opportunity Zone activities in other states.

The federal Opportunity Zone (OZ) initiative was passed with funnel capital gains into real estate and business ventures in economically distressed areas, and thereby promoting positive economic development in those traditionally under-capitalized areas. With the additional incentives provided last year, Maryland is viewed nationally as one of the most progressive in leveraging the Opportunity Zone tax program. And evidence provided by data from the OZ think tank EI (<https://eig.org/oz-activity-map>) indicates that Maryland has seen more than its share of investment activity in the early days of this tax policy. One aspect of the OZ program that has become increasing apparent in these early days is that OZ investors prefer to invest locally, in their own states and cities. Although it is still early, Maryland is off to a good start in attracting investors and fresh capital to distressed areas in the state.

As CEO of Verte OZ, I have set out to raise \$50M in funding to support small businesses in designated OZs. As of today, half of the companies in Verte OZ's dynamic and ever-growing portfolio are based in the state of Maryland and have received investment through our QOF. In 2019, the Verte Opportunity Fund has invested in a revolutionary medical device company that works to commercialize technology developed at Johns Hopkins University. Using the OZ and state incentives, we were able to recruit this firm back to Maryland from Silicon Valley; to the 1100 Wicomico Incubator building in Baltimore City. Verte OZ also invested in an electric vehicle company in 2019, which is co-headquartered in two Maryland OZ's. This company is establishing hubs in OZ's that lease, service, and assemble electric trucks and buses for commercial and municipal fleet operations. It is vital to these investments and others, as well as the Opportunity Zone communities they're impacting, that the state of Maryland continue to maintain a stable and predictable investing climate.

With the passage of SB 263, the OZ investment climate changes deteriorates materially. Under this bill, Maryland would no longer conform to the Federal tax incentives, retroactively back to calendar year 2019. Specifically, investors in Maryland would not receive the OZ tax incentives on their state taxes. Maryland would be one of only a few states that does not conform to the federal OZ tax policies and incentives. This would clearly put MD at a competitive disadvantage relative to most other states. Although investors in Maryland might prefer to invest in the state's businesses and real estate projects, their investment dollars are fungible across state lines. They will simply move their capital to other states and thereby providing needed economic development to those states, rather than Maryland. The OZ program is competitive, and if Maryland legislates less favorable treatment compared to most other states, Maryland loses that competition. And the OZ communities themselves lose the most due to the continuation of a lack of capital for much-needed economic development.

I sincerely thank you for your time and consideration on this matter.

Sincerely,



Dr. Leonard Mills
CEO, Verte Opportunity Fund