

Good afternoon, my name is Venroy July, and I am a partner in the Corporate & Securities Practice group at Miles & Stockbridge, P.C.

With the passage of the Opportunity Zone Tax Law, Congress provided a powerful tool to incentivize the investment into historically underserved communities. However, while the premise of the opportunity zone law is sound, to increase the investment in historically underinvested communities, it has been open to scrutiny because of the law's requirement of capital gains as a basis for participation. This has justifiably resulted in concern that this legislation will simply be utilized as a funding source for gentrification. As it stands the law largely limits participation to the very wealthy, those with sufficient capital gains to reap the greatest benefits, to make the largest investments.

However, while the federal legislation does have its limits, those from within the white house, and parties that were instrumental in having the law passed, have themselves indicated that more has to be done at the state and local levels to maximize the potential of the law. HB1301 takes a step in that direction by providing a tax break and therefore an incentive for the investment in Opportunity Zones that may not be the most attractive, but which nonetheless require investment. The reality is that many of today's Opportunity Zones, are yesterday's redlined neighborhoods. This law serves to alleviate (not eliminate) one of the most obvious obstacles to revitalizing many of those neighborhoods – property taxes. It does so by providing a tax break on the value that is created by the development of those neighborhoods, value that likely would otherwise not have been created outside of this incentive. In that way it is consistent with the CHAP credits law that are currently in existence.

HB1301 permits all Marylanders, including those from these very communities in need, those who have a deeper connection to the development of those neighborhoods which may be different from the purely economic returns that will drive much of the investment flowing into certain communities, an incentive to fight blight and to create value in previously underinvested properties. But it does so in a sound way by providing property tax relief to those value creators, such that they are not immediately burdened with a dramatically increased property tax for creating value in these neighborhoods. In that way the interests of the developer and the municipality are aligned, and can serve as a basis for additional steps to bring about the development of those neighborhoods.

For these reasons, I express my support for HB1301 and its market driven approach to addressing the historical imbalances in these communities.