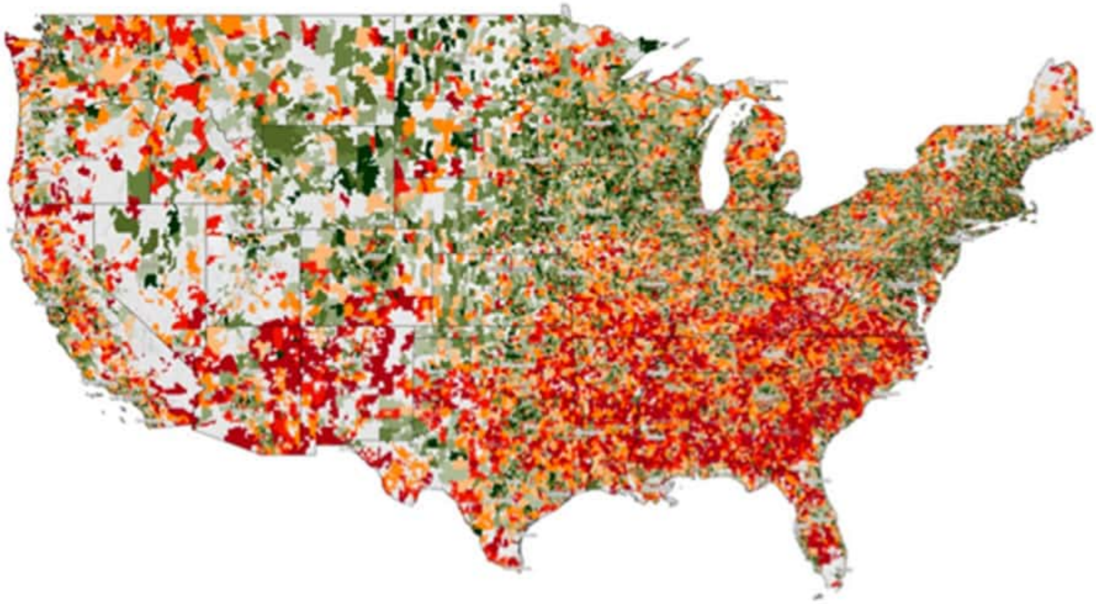

Opportunity Zones: A Technocrat Deception To Plunder America

How much more financial plundering can Americans endure before America is declared an outright Oligarchy and the middle class declared dead?

The Trump Administration has aggressively teamed up with Big Tech billionaires to diversify their fortunes into “underserved areas” by allowing tax deferment on realized capital gains derived from liquidation of their core investments. This is a massive Public-Private Partnership operation that could push as much as $6 trillion of “unlocked capital” into areas that would be turned upside down, and worse, inundated with Smart City technology designed to create a data extraction extravaganza for years to come.

In short, this is an operation of Big Tech, for Big Tech and by Big Tech, but President Trump has aided and abetted their efforts to manipulate government rules for their own self-interest. Undesired consequences will most certainly follow.

Introduction

When President Trump signed the *Tax Cuts and Jobs Act of 2017* in December 2017, few read or understood the small print authorizing the creation of Opportunity Zones. One year later on December 12, 2018, Trump created and signed an Executive Order titled, *Executive Order on Establishing the White House Opportunity and Revitalization Council*, which created a highest-level committee that includes the very top leadership of the Administration: the Secretaries of the Treasury, Agriculture, Interior, Commerce, Labor, Health and Human Services, Transportation, Energy and Education; the Administrators of the EPA and the Small Business Administration; the Chairmen of the Council of Economic Advisers and the Council on Environmental Quality and a few other assorted big-wigs.

The EO instructs the Council to "work across agencies" to "assess the actions each agency can take under existing authorities to prioritize or focus Federal investments and programs on urban and economically distressed communities, including qualified Opportunity Zones." The object is to "minimize all regulatory and administrative costs and burdens." Furthermore, the EO uses the phrase "public and private investment" no less than six times and then stresses that the Council must evaluate,

> *"whether and how Federal technical assistance, planning, financing tools, and implementation strategies can be **coordinated across agencies** to assist communities in addressing economic problems, engaging in comprehensive planning, and **advancing regional collaboration**."*

There are three immediate problems with this Executive Order. First, Public-Private Partnerships have developed over the years as a mainstay of the United Nations to finance Sustainable Development and in particular, infrastructure that supports its Sustainable Development Goals. Second, blanket cross-agency coordination can be a dangerous vehicle to create policies that represent no agency in particular, and that no single agency would ever create by itself. Third, the term *collaboration* is a buzzword for *collaborative governance* that brings many types of stakeholders to the table to make binding decisions outside of traditional citizen representation or accountability. Furthermore, *regional* collaboration adds an additional dimension that promotes regionalism, which is patently unconstitutional. Article 4, Section 4 of the U.S. Constitution states that "The United States shall guarantee to every State in this Union a Republican Form of Government." Regionalism is not a Republican Form of Government, period.

The Tax Cuts and Jobs Act of 2017

Opportunity Zones were created in Section 13823 of this 131 page bill, the summary of which states:

> *This section authorizes the designation of opportunity zones in low-income communities and provides various tax incentives for investments in the zones. Taxpayers may temporarily defer the recognition of capital gains that are invested in opportunity zones. Investments in opportunity zones or opportunity funds that are held for at least five years are eligible for capital gains tax reductions or exemptions, depending on how long the investment is held.*

The governor of each state is given authority to define the Opportunity Zones within their state boundaries, which are then submitted to the Department of the Treasury for automatic certification. Zones are supposed to be low income or under-advantaged communities, but several governors have stretched the definition to include prime development areas as well.

Thus far, over 8,700 of these Zones have been established nationwide. (An interactive map can be seen here and the IRS Q&A page is here.) Obviously, this is no small undertaking. According to Smart Growth America, currently designated OZs represent 10 percent of America's landmass, containing 30 million people. It adds,

> *The newly created Opportunity Zones program will likely go down as the **largest and most significant federal community development initiative in U.S. history,** with **trillions of dollars***

> ***in new private investment*** *about to start flowing into pre-designated low-income communities around the country.*

It is noteworthy that one survey of state Opportunity Zone designation procedures revealed that less than 10 percent of states published their draft selections for public comment and only one-quarter of states formed a citizen advisory panel. Thus, the public has been largely left in the dark.

The IRS issued its first set of rules in early 2018 with little fanfare or public interest. However, when the second set of rules were released in October 2018, the barn doors were thrown open and the free-for-all began. *The New Orleans Advocate* noted on May 19 that "It's like the Wild West out there now". The article elaborated:

> *It's not only the last-minute rules-setting that has given the Opportunity Zone scheme a sense of anarchy: Literally anyone can set up a qualifying OZ fund, and* ***there is no formal way yet for the government to track them and determine if they're directing investment to truly deprived areas as intended.***

The Economic Innovation Group

The brains and lobby effort behind the *Tax Cuts and Jobs Act of 2017* is now known to be **The Economic Innovation Group** (EIG), which, by its own admission, was the original creator of the Opportunity Zone concept in a 2015 paper titled *Unlocking Private Capital to Facilitate Economic Growth in Distressed Areas*. EIG boasts that "the idea has since been championed by a wide-ranging coalition of investors, entrepreneurs, community developers, economists, and other stakeholders."

Subsequently, Sen. Cory Booker (D-NJ) and Sen. Tim Scott (R-SC) introduced Senate bill S.293, the *Investing in Opportunity Act* into the 115^{th} Congress on February 2, 2017. Matching legislation was introduced in the House by Rep. Patrick Tiberi (R-OH). While both bills were stuck in committee, the key provisions were slipped into the *Tax Cuts and Jobs Act of 2017* which was passed and then signed into law by President Trump.

Such a skillful, persistent and successful lobbyist effort begs the question, "*Who are these people, anyway?*" I'm glad you asked.

The Founder and Executive Chairman of EIG is **Sean Parker**, a well-known black-hat hacker in his youth who co-founded Napster at age 18 to illegally share copyrighted music for free, without authorization from the creators. At age 25, Parker joined Mark Zuckerberg in 2004 when Facebook was only 5 months old, and became its first President shortly thereafter. Parker is credited with convincing Zuckerberg that Facebook could one day be something "really big". Forbes Magazine lists Parker as a venture capital investor and philanthropist.

Other members of EIG's Founders Circle include:

- **Ted Ullyot** – General Council of Facebook from 2008 to 2013
- **Ron Conway** – Founder of SV Angel and included in 2010's Vanity Fair 100 most influential people in the Information Age
- **Dan Gilbert** – Founder and Chairman of Quicken Loans, Inc. And a leading venture capitalist specializing in technology companies
- **Rebecca Lynn** – Ranked #23 out of 100 top tech investors on Forbes 2015 Midas List
- **Joseph Sanberg** – Private and public-sector entrepreneur and investor; he is a board member of the Sierra Club Foundation
- **Dana Settle** – Former investment banker at Lehman Brothers, she is a leading venture capitalist specializing in high-tech startups.

In short, every one of these people are key players in the Big Tech/venture capital world, especially on the West Coast.

Furthermore, they have close connections with some top economists who are listed on their Economic Advisory Board:

- **Jared Bernstein, PhD** – Chief Economist and Economic Adviser to Vice President Joe Biden, executive director of the White House Task Force on the Middle Class, and a member of President Obama's economic team.
- **Austan Goolsbee** – Former chairman of President Barack

Obama's Council of Economic Advisers, cabinet member and chief economist for the President's Economic Recovery Advisory Board

- **Kenneth Rogoff** – Former Chief Economist at the International Monetary Fund
- **Matthew Slaughter, PhD** – Professor of International Business at Dartmouth, Senior Fellow at the Council on Foreign Relations, advisory committee member of the Export-Import Bank of the United States and advisor to the McKinsey Global Institute.

The EIG Policy Council generally follows the same lines as the Founders Circle but for this discussion, it has one noteworthy member: **Chris Camacho** of Phoenix, Arizona.

Camacho is President and CEO of the Greater Phoenix Economic Council (GPEC), which he has used to spearhead a public-private partnership called **Smart Region Initiative** (SRI). This is a three-way collaboration between Arizona State University, GPEC and the managing partner Arizona Institute for Digital Progress.

Camacho is a hard-nosed business development expert and an unequalled promoter of unconstitutional regionalism. One Phoenix journal reported Camacho as saying,

> *"No one market across the country has unified multiple jurisdictions. There's been strategies to do smart cities in various places, but we're talking about, 'how do we connect the entire region.'"*

Indeed, the **Smart Region Initiative** is being billed as the very *first* national attempt to create a regional authority to implement uniform smart city technology across 22 cities and 4.2 million people. National and even global eyes are watching to see what happens next in the Valley of the Sun, and if this regionalism takeover is successful here, it will be used as a model for similar public-private partnerships all across across America and around the world.

While this writer intends to thoroughly cover the Smart Region Initiative movement in a separate report, it is important to see the potential connection between Opportunity Zones and Smart Region Initiatives. Both are full of venture capitalists specializing in Big Tech initiatives like the Internet of Things, Smart City surveillance technology and most importantly, *data*, which many are calling the "new oil" of the 21st century. Both are new, riddled with Public-Private Partnerships and promote similar unconstitutional practices.

The Counter-Argument

Some will undoubtedly argue that these billionaires and venture capitalists are simply acting as benevolent benefactors who are sharing their wealth with poor communities; or that they are merely seeking to diversify their investments.

This is a logical absurdity and terribly naive. For high-velocity money extracted from Big Tech, there is no return on buying real estate or starting businesses in poor communities. Investors always put their capital into the areas of highest possible returns.

On the other hand, if data collection is the target, which *is* high-return, then Opportunity Zones fit the bill perfectly.

Who will manage the OZ Funds?

For the most part, every Opportunity Zone Fund will typically have a managing partner that makes all decisions for investment, structuring and accounting. Investors will simply pick a fund or fund manager in which to invest. Who are these fund managers? One needs to look no further than EIG's Opportunity Zones Coalition page to get the idea: This page lists 49 such would-be managers with names like Reinvestment Fund, Riaz Capital, Newark Venture Partners, Ur Opportunity, KeyBank, Institute for Portfolio Alternatives, Fund for Our Economic Future, Calvert Impact Capital, Bridge Investment Group, etc. Some of these will very likely end up with tens of billions under their direct management.

Case Study: How Erie, PA Uses Opportunity Zones To

Fund Its Smart City Makeover

On March 4, 2019, *Government Technology* reported that *Erie, Pa., Wants to Overlay Security Tech into Its Smart City.* The article states,

> *Eight "opportunity zones" throughout the city could soon see new smart city technology equipped with license plate-reading cameras and facial recognition capabilities. Officials say the goal is to boost safety and spur investment.*
>
> *Additional security cameras, LED lighting and free public Wi-Fi were introduced to downtown Erie in 2018 as part of a pilot program for what's known as smart city technology.*
>
> *Mayor Joe Schember's administration and other local officials want to bring the same technology to local neighborhoods targeted for reinvestment under the federal Opportunity Zone program.*
>
> *Schember, in an interview last week, said his administration — working with the Erie Innovation District and others — is working to bring "secure smart city" equipment and technology over the next 12 months to the eight Opportunity Zones in the Erie region that have been designated by Gov. Tom Wolf's office and certified by the U.S. Treasury Department.*
>
> *According to Schember, that would include* ***security cameras that could read license plates and have facial-recognition capabilities****;* ***energy-efficient LED street lights****; and* ***free Wi-Fi in public spaces*** *throughout the Opportunity Zone tracts. The intent is to make those areas safer and more attractive for investment.*
>
> *"It's kind of an aggressive goal. ... But let's get these areas done and within the next three years,* ***I'd like to see that technology throughout the entire city,****" Schember said.*

Needless to say, Erie got the message of how Opportunity Zones could best serve its pressing need to get someone else to pay for its Smart City makeover. Once a beachhead is established in a lower-income area, which can hardly protest anything the city does, rolling out to the rest of the city will be a cake-walk. Furthermore, the early city "partners" (tech providers and investors) will have their foot in the door and will be eager participants.

But, why would anyone be eager to pour money into low income or *underserved* areas? There are three good reasons. First and foremost, the value of data collection is found in all living human beings, regardless of their socio-economic status. Second, the early-bird gets the worm for the rest of the data plundering operation in other parts of the city or region. Third, once embedded, the data stream continues to pump into the coffers of those who "own" the collection infrastructure.

Conclusion

It's time to face the dark reality of the *Tax Cuts and Jobs Act of 2017*. The promised tax cut for individuals was largely a myth. Conversely, tax cuts for the wealthy and corporations were ostentatious. A just-released report by the Congressional Research Service confirms this: "the main consequence was that real tax rates for corporations fell by nearly half while individual income taxes barely budged." The key sentence in the report states,

> *"From 2017 to 2018, the estimated average corporate tax rate fell from 23.4% to 12.1% and individual income taxes as a percentage of personal income fell slightly from 9.6% to 9.2%."*

Thus, a Republican-led Congress betrayed the American people, and President Trump offered no rebuke to get it right. Instead, he eagerly signed the Jobs Act into law and subsequently created an Executive Order to insure the streamlining of its provisions throughout all levels of government agencies.

It should be duly noted and with alarm that this kind of globalization transcends the ideological labels of Republican or Democrat, liberal or conservative, left-wing or right-wing, etc. Technocrats are apolitical on one hand, but will use or manipulate any convenient political platform to advance their own goals.

After realizing that the door was open for the rich to get richer with the Jobs Act, one can almost picture the resulting feeding frenzy of lobbyists to get their favorite loophole into the text. The Economic Innovation Group was able to claw their way into the mix to ensconce Opportunity Zones on behalf of their super-rich Big Tech/venture capitalist cronies.

To repeat the question, how much more financial plundering can Americans endure before America is declared an outright Oligarchy and the middle class declared dead?