Policy Brief
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Kem C. Gardner
POLICY INSTITUTE
THE UNIVERSITY OF UTAH

Designation of Opportunity Zones

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Summary

The Kem C. Gardner Policy Institute has prepared an initial evaluation of census tracts within Utah with significant economic need and market potential. We conducted this research to help Gov. Gary Herbert make an informed decision as he designates "opportunity zones" in Utah as part of the Investing in Opportunity Act.

Through an iterative process that begins by identifying eligible rural communities with a higher likelihood of success, considers regional centers, then focuses on the poorest urban communities, we provide a path to a selection of suggested opportunity zones that balances the needs and potential of urban and rural Utah.[1] Figure 1 and Table 1 provide an overview of the results.

We define economic need based on the statutory definition included in the Investing in Opportunity Act (high poverty or low income). We define economic potential based on the presence of human and physical capital assets. We measure the quality of human capital based on workforce engagement (defined by U.S. Housing and Urban Development using educational attainment, labor force participation, and unemployment). We identify attractive physical capital assets based on the presence of institutions of higher learning, broadband service (of at least 6 mbps download speeds), railroad lines, and interstate highways. These capital assets improve the odds of investment success by providing a high-quality workforce, research and development capabilities, broadband infrastructure, and access to markets.

In addition to this community-specific analysis, we note there are eight rural counties in Utah that have experienced a net job loss since 2010. While urban Utah chalks up impressive economic achievements, many places in rural Utah suffer from a "silent recession."

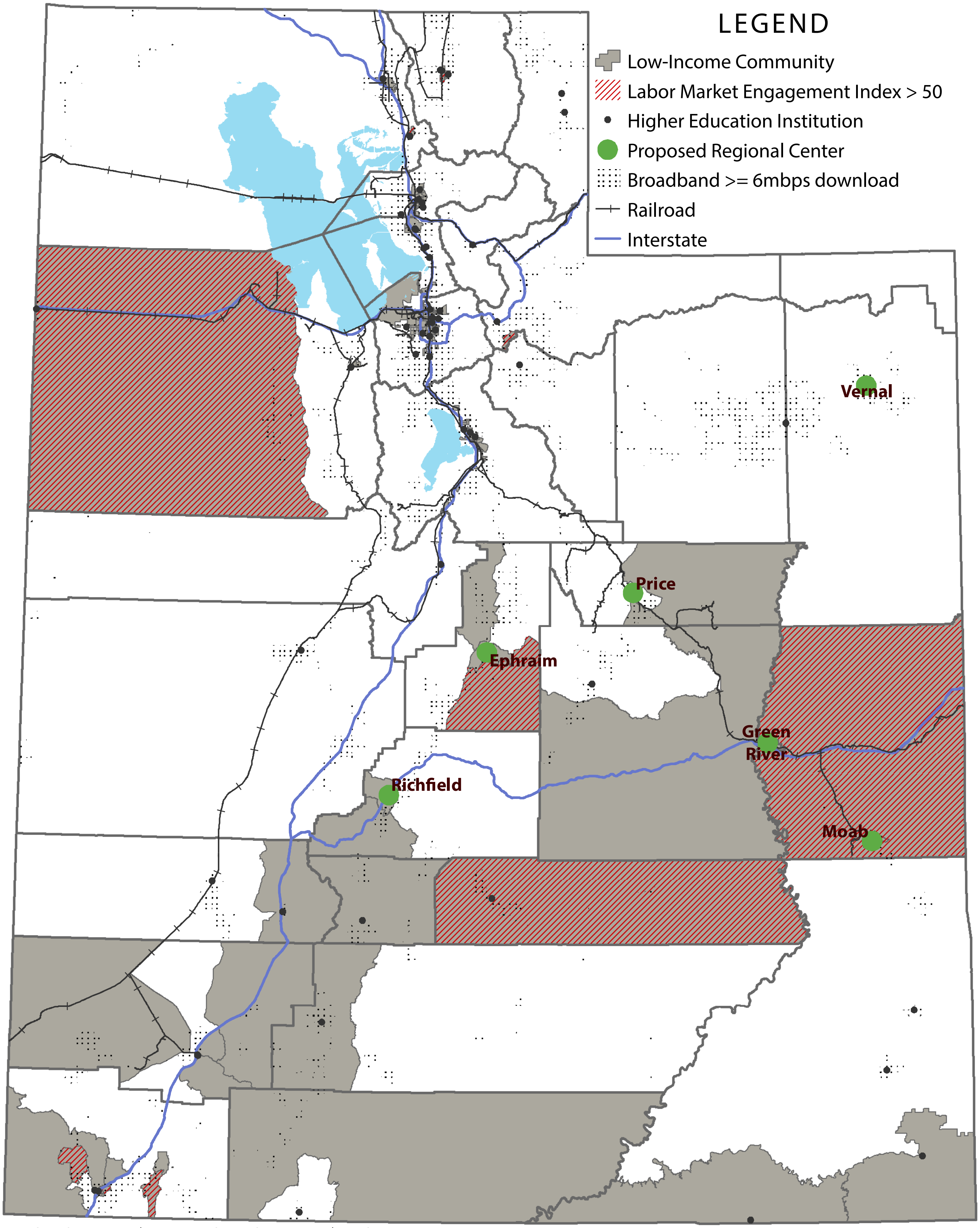
The Investing in Opportunity Act provides a powerful new tool to help distressed rural communities. The critical policy decision will be how many opportunity zones to designate in urban Utah where the economic returns are arguably greater, and how many to designate in rural Utah where the economic needs are greater. We offer an approach that adjusts for tracts with high college-age concentrations and proximity to institutions of higher learning and includes tracts near rural regional centers. The key will be to prioritize opportunity zone designations to meet statewide policy objectives.

Background and Analysis

The Tax Cut and Jobs Act passed by Congress incorporated the Investing in Opportunity Act, which allows the creation of "opportunity zones" in each state, with up to 25 percent of the eligible census tracts designated by the governor. Eligible tracts must be "low-income communities," where the poverty rate for the tract is at least 20 percent, or in the case of a tract not located within a metropolitan area, the median family income of the tract does not exceed 80 percent of statewide median family income, or in the case of a tract located within a metropolitan area, the median family income does not exceed 80 percent of the greater of statewide median family income or the metropolitan area median family income.

Based on 2012–16 American Community Survey data, there are 186 tracts in Utah that meet the "low-income community" requirements (see Figures 2 and 3).[2,3] Of these, 107 have a poverty rate of at least 20 percent and 163 meet the family income requirement; 92 tracts meet both requirements. Salt Lake County has 67 low-income tracts, 37 are in Utah County, 22 are in Weber County, and

Figure 1: Low-Income Communities and Regional Centers in Utah with High Labor Market Engagement and Selected Infrastructure



Map by John Downen | Kem C. Gardner Policy Institute | March 2018

Davis County has 11, leaving 49 tracts off the Wasatch Front. Median family income among the low-income communities ranges from a high of $87,981 (±$19,155) in tract 9644.02 in Summit County to $16,042 (±$9,158) in tract 16.02 in Utah County, home of Brigham Young University and a population that is 95 percent college-aged. The poverty rate in these communities ranges from just 4.2 percent (±1.9 percentage points) in tract 9606.01 in Box Elder County to 77.8 percent (±10.7 percentage points) in tract 16.02 in Utah County.

The act provides guidance for nominating opportunity zones, including creating zones that are "geographically concentrated and contiguous clusters of population census tracts"; are "currently the focus of mutually reinforcing state, local, or private economic development initiatives"; and "have demonstrated success in geographically targeted development programs." The governor may nominate up to 47 tracts to be opportunity zones.[4]

Human Capital Assets

The Gardner Policy Institute used the U.S. Department of Housing and Urban Development's (HUD) labor market engagement index as a proxy for a low-income community's suitability for investment and thus consideration as an opportunity zone. HUD calculates the index for every census tract in the United States. The index provides a measure of a community's level of human capital and degree of workforce participation. It combines the share of the population 18 and older with a bachelor's degree or higher, the share of the civilian population 16 and older that is working or actively looking for work (labor force participation rate), and the unemployment rate, with higher scores indicating greater engagement.[5]

Since the Wasatch Front functions essentially as a single labor market, we selected only non–Wasatch Front (mostly rural) low-income tracts with a labor market engagement index score greater than 50 (see Table 2 and Figure 4). This yielded 19 tracts in Box Elder (2), Cache (8), Grand (2), Sanpete (1), Summit (1), Tooele (1), Washington (3), and Wayne (1) counties.

Physical Capital Assets

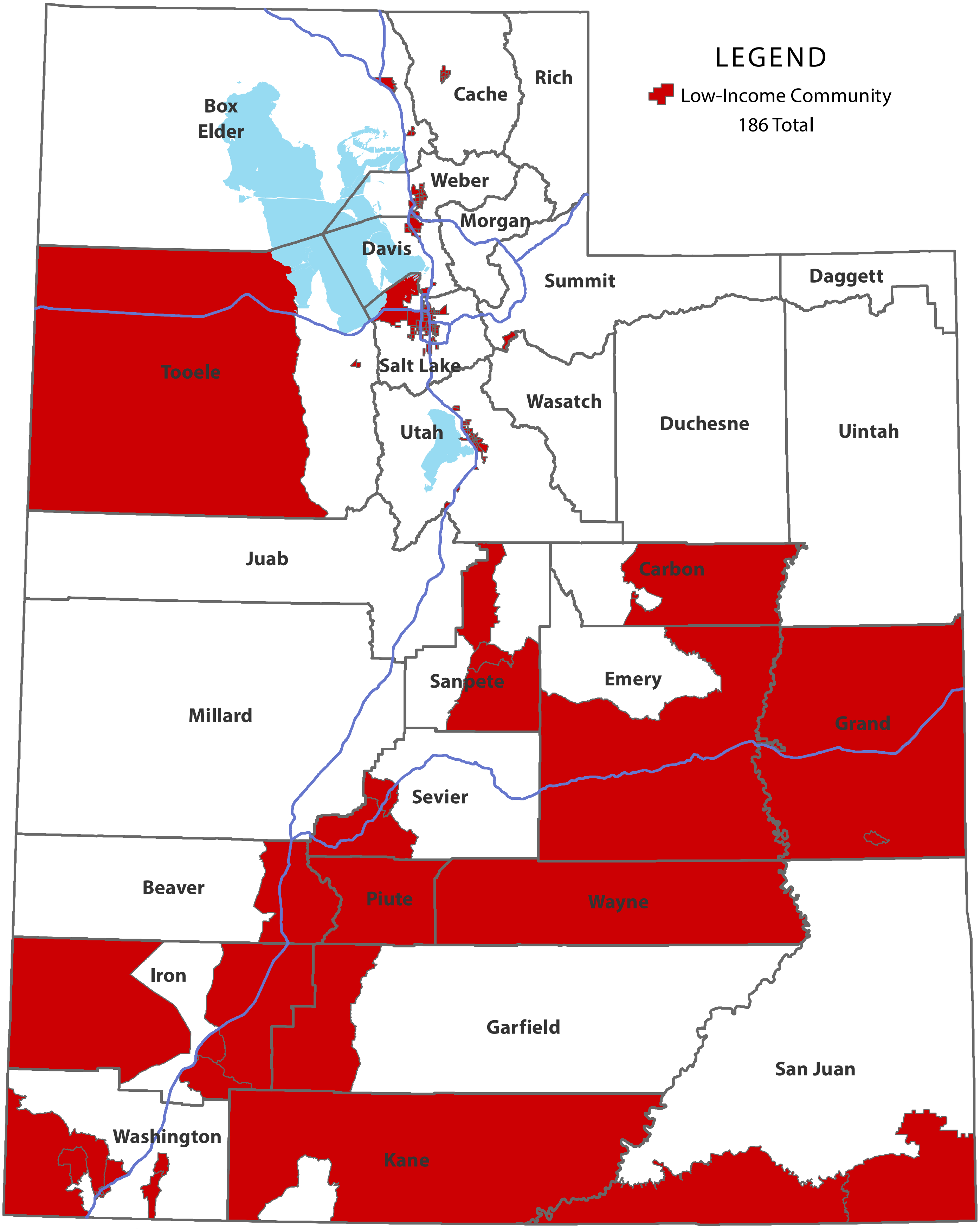
Figure 1 shows the presence of universities, colleges, and technical colleges; broadband service of at least 6 mbps download speeds; railroad lines; and interstate highways in relation to the eligible low-income communities. This

Table 1: A Data-Driven Approach to Urban-Rural Opportunity Zone Designation

County/Tract	Number of Tracts	Notes	Recommendation
Low-income census tracts in Utah that qualify as opportunity zones	186	Governor can designate only up to 47 tracts.	
Qualifying census tracts outside of the Wasatch Front	49	Not all of these tracts have attractive investment opportunities.	
LME index score > 50	19	These include qualifying tracts with attractive labor market dynamics.	Include all of these tracts as opportunity zones because of the labor market advantages.
High college-age concentration or proximity to institutions of higher learning	20	Located near BYU, USU, UofU, and Dixie	Omit these because the low-income status is due to the high concentration of college students.
Low-income census tracts near regional centers	7	Includes census tracts near Ephraim, Richfield, Price, and Green River	Include these tracts as opportunity zones because of their proximity to important regional centers.
Poorest census tracts in Wasatch Front counties	30	These tracts are the areas of greatest economic need (based on median family income or poverty rate) in Davis, Salt Lake, Utah, and Weber counties.	Include 26 of these tracts as opportunity zones based on local input.

Source: Kem C. Gardner Policy Institute

Figure 2: Low-Income Communities in Utah



Map by John Downen | Kem C. Gardner Policy Institute | March 2018 type of infrastructure improves the odds of investment success because of the research and development capabilities, connection to the information highway, and access to markets for both labor and finished products and services. All of the low-income communities except those in San Juan County have at least some high-speed internet access. Twenty-nine low-income tracts contain a university, college, or technical college, including satellite campuses. There are over 50 higher-education institutions that are within 10 miles of one of Utah's low-income communities. Railroad lines cross 57 low-income communities and 162 are within 5 miles of a railroad. Finally, 71 low-income tracts are crossed by an interstate highway and 163 are within 5 miles of an interstate.

Table 2: Non–Wasatch Front Low-Income Census Tracts with High Labor Market Engagement

County/Tract	LME Index	Median Family Income	Poverty Rate
Box Elder			
9606.01	64	$50,874	4.2%
9607.01	57	$50,871	9.7%
Cache			
5.01	71	$34,905	24.0%
5.02	83	$35,444	26.1%
6.00	53	$40,156	43.7%
7.02	52	$17,713	52.9%
8.00	75	$26,146	41.4%
9.00	77	$36,161	23.5%
10.01	66	$56,339	9.8%
10.02	59	$45,058	22.0%
Grand			
2.00	61	$54,375	11.2%
3.00	69	$49,789	21.9%
Sanpete			
9725.00	52	$55,658	10.8%
Summit			
9644.02	88	$87,981	21.7%
Tooele			
1306.00	60	$34,554	25.3%
Washington			
2704.00	58	$55,918	12.1%
2709.01	52	$50,944	21.5%
2711.00	52	$54,912	17.9%
Wayne			
9791.00	69	$53,750	13.7%

Source: Kem C. Gardner Policy Institute analysis of data from the U.S. Census Bureau's 2012–16 ACS and U.S. Department of Housing and Urban Development.

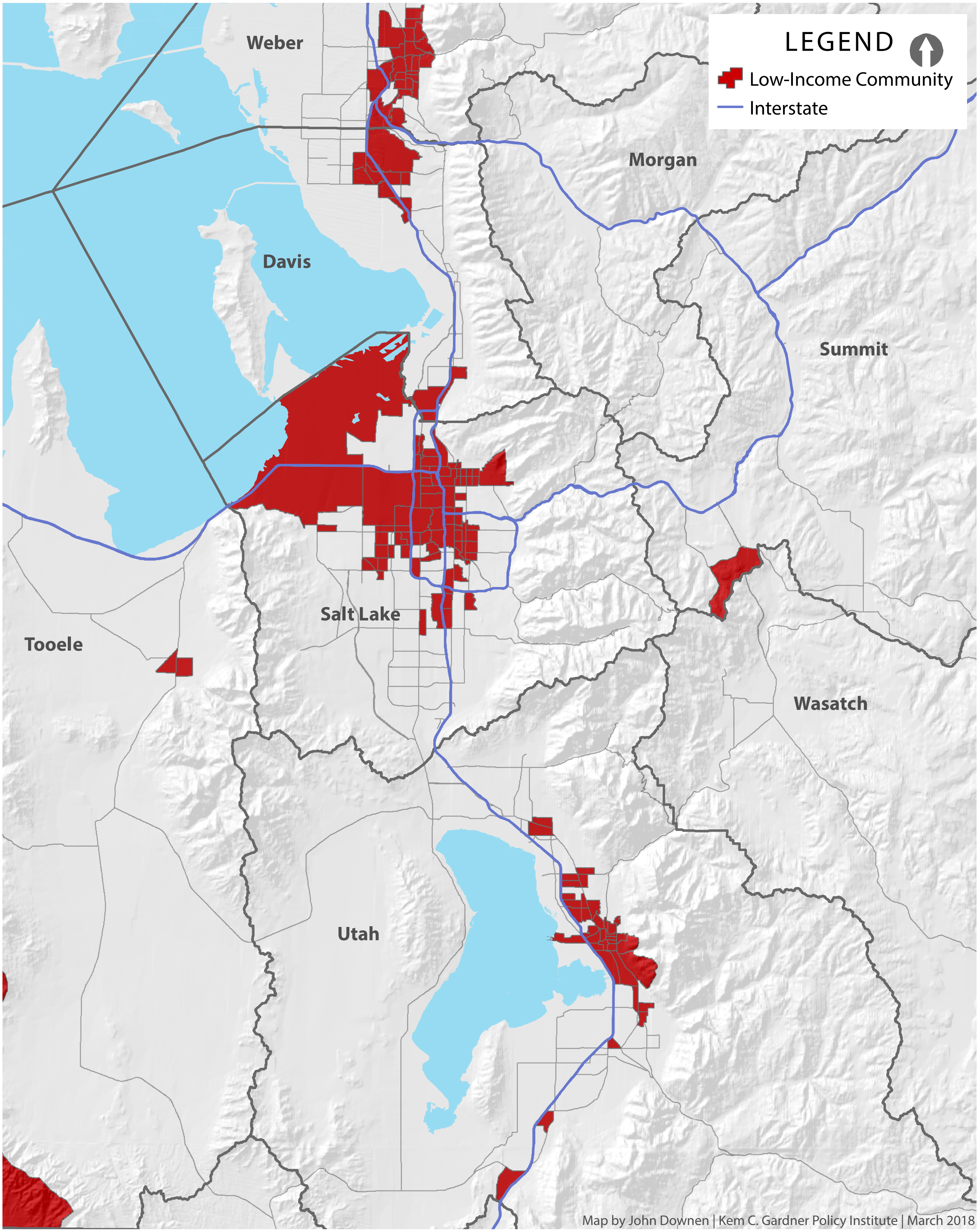
Utah's Silent Recession and Regional Centers

In addition to census tract–level analysis, we evaluated counties in Utah with the greatest economic need, as measured by job growth. Figure 5 shows counties that have experienced a net gain or a net loss in jobs since 2010. While urban Utah benefits from eight years of economic expansion, eight rural counties continue to contract. This urban-rural divergence attracts the focus of Utah decision makers.

Based on our economic analysis of need and opportunity at the county and census tract level, as well as conversations with rural economic development professionals, we identify these regional centers in rural Utah as prioritized areas for investment[6]:

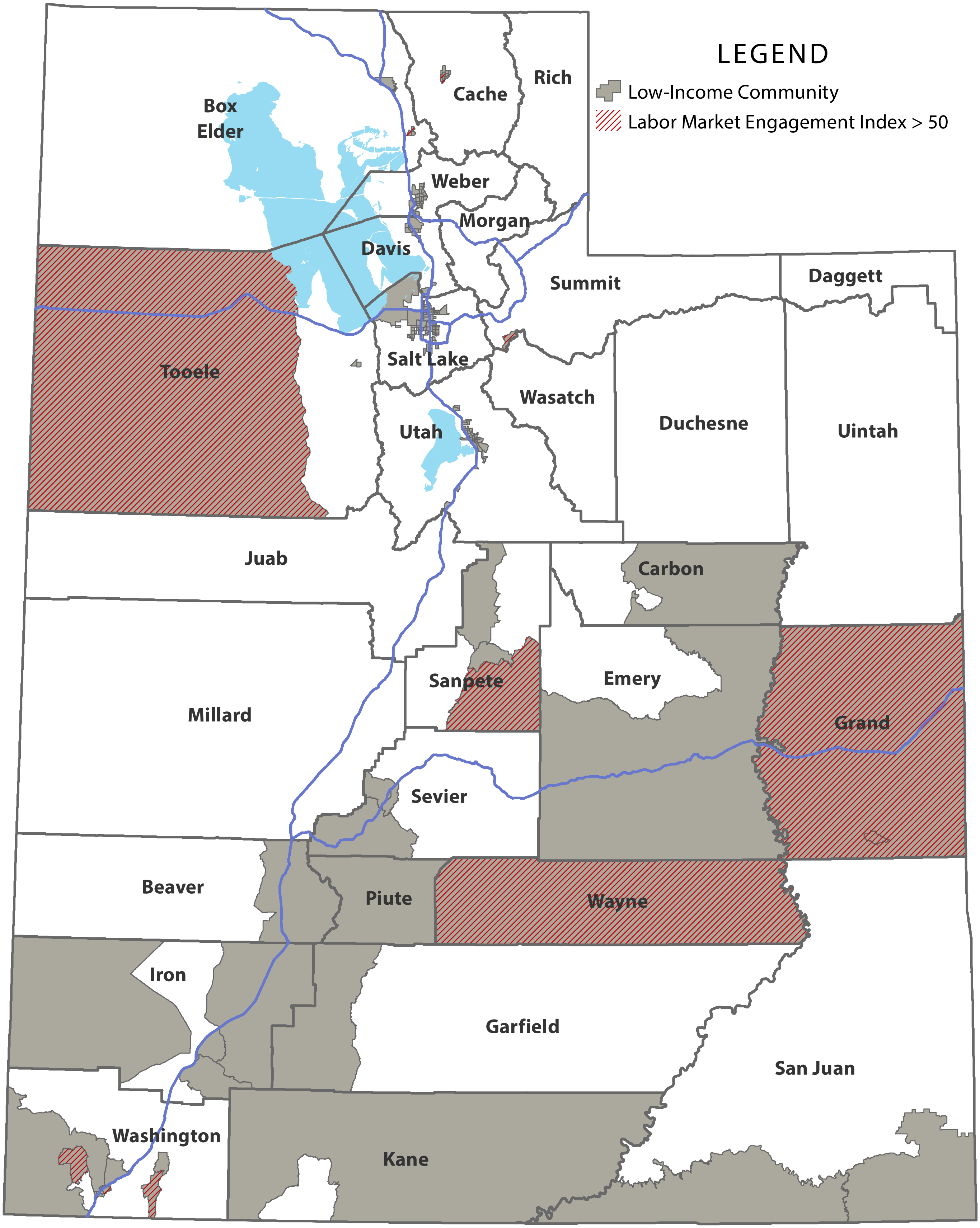
- *Price, Carbon County* – Price is the county seat and benefits from Utah State University Eastern, an extensive transportation network, and relatively close proximity to urban Utah. Price serves as the regional center for Utah's coal country and resides in close proximity to beautiful natural areas.
- *Moab, Grand County* – Moab is the county seat and benefits from USU satellite campus (which attracts non-locals to the area), tourism, and the development of Spanish Valley. It is one of the few prosperous areas in eastern Utah and is poised to continue to benefit surrounding communities. Moab is located in a county with both a high labor market engagement index and low-income characteristics.
- *Green River, Emery County* – Green River benefits from its proximity to I-70 and Grand Junction, Colorado. It is closer to the Wasatch Front than Moab and is near beautiful natural areas.
- *Ephraim, Sanpete County* – Ephraim is the hub of the county and benefits extensively from Snow College. Walmart chose Ephraim for its store in the area, which attests to Ephraim's relevance as a regional center.
- *Richfield, Sevier County* – Richfield is the county seat and benefits from its proximity to I-70. It serves as a regional center to surrounding counties with great need. Investment here would spread benefits well beyond the city.
- *Vernal, Uintah County* – Vernal is the county seat and serves as a regional center for Utah's oil and gas industry. While it does not qualify as a low-income community, we believe this occurs because the data at the tract level include 2012–2016 and Vernal was booming during the first two years of this period. We flag it for special consideration.

Figure 3: Low-Income Wasatch Front Communities



Source: Kem C. Gardner Policy Institute analysis of U.S. Census Bureau 2012–16 ACS data.

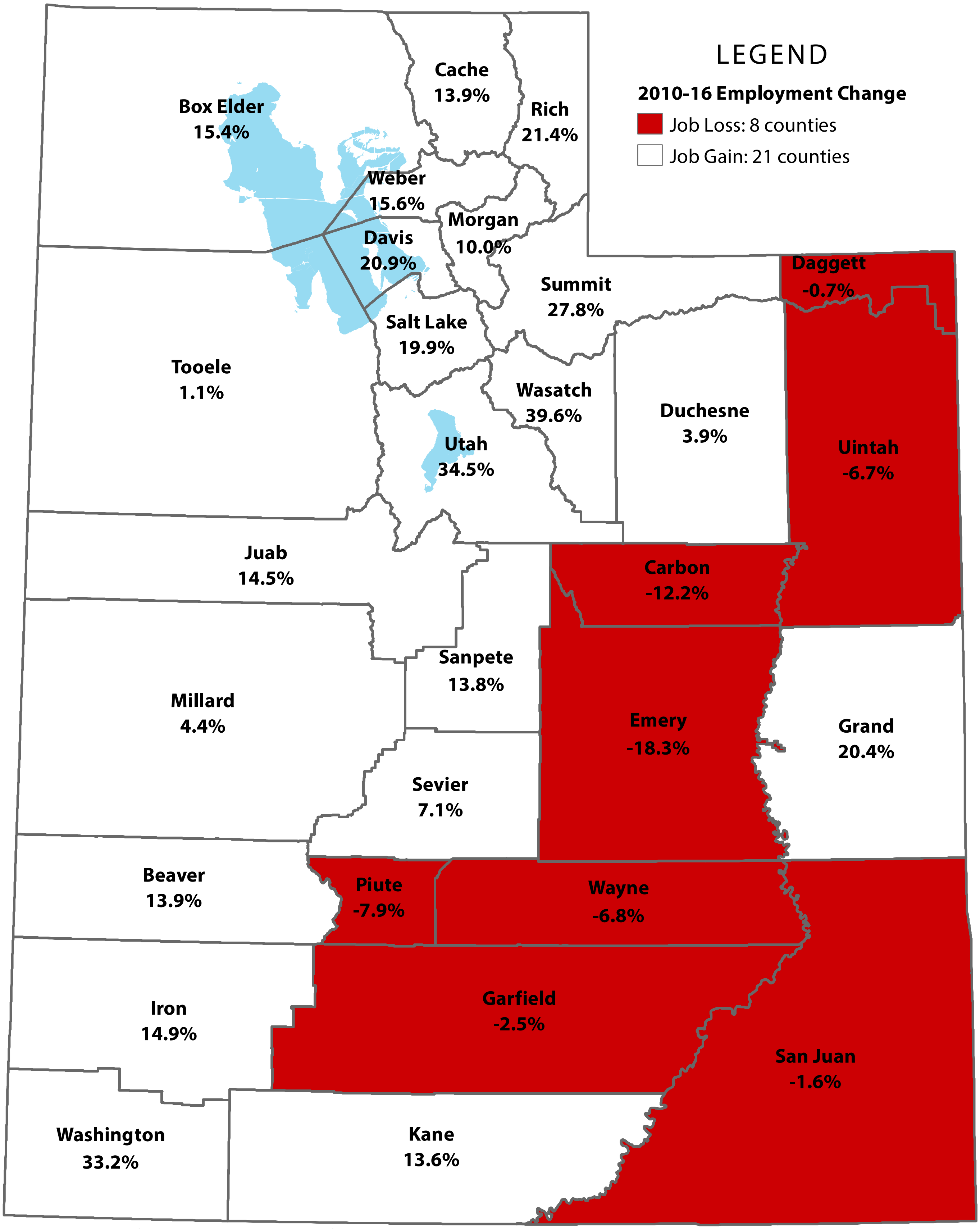
Figure 4: High Labor Market Engagement in Low-Income Communities in Utah



Map by John Downen | Kem C. Gardner Policy Institute | March 2018

Source: Kem C. Gardner Policy Institute analysis of U.S. Census Bureau 2012–16 ACS and US. Department of Housing and Urban Development data.

Figure 5: County Employment Change Since 2010



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Source: Kem C. Gardner Policy Institute analysis of Bureau of Labor Statistics data.

Table 3: Recommended Opportunity Zones

Off–Wasatch Front: 21			Wasatch Front Poorest: 26	
County/Tract	**Median Family Income**	**Poverty Rate**	**Tract, County**	**Poverty Rate**
Box Elder			Census Tract 2012, Weber County	49.2%
9606.01	$50,874	4.2%	Census Tract 28.01, Utah County	43.6%
9607.01	$50,871	9.7%	Census Tract 2011, Weber County	42.9%
Cache			Census Tract 2018, Weber County	42.7%
5.01	$34,905	24.0%	Census Tract 1029, Salt Lake County	42.3%
10.01	$56,339	9.8%	Census Tract 2009, Weber County	40.1%
10.02	$45,058	22.0%	Census Tract 2019, Weber County	38.4%
Carbon			Census Tract 1133.07, Salt Lake County	37.8%
3	$49,226	27.7%	Census Tract 1028.02, Salt Lake County	35.3%
Emery			Census Tract 1114, Salt Lake County	35.1%
9765	$53,512	18.0%	Census Tract 1028.01, Salt Lake County	34.8%
Grand			Census Tract 1116, Salt Lake County	34.2%
2	$54,375	11.2%	Census Tract 1019, Salt Lake County	34.1%
3	$49,789	21.9%	Census Tract 2013.02, Weber County	33.3%
Sanpete			Census Tract 1256, Davis County	30.1%
9722	$55,093	18.9%	Census Tract 1257.01, Davis County	29.9%
9724	$40,774	28.9%	Census Tract 1027.02, Salt Lake County	29.3%
9725	$55,658	10.8%	Census Tract 1115, Salt Lake County	29.2%
Sevier			Census Tract 1027.01, Salt Lake County	28.7%
9753	$52,901	19.4%	Census Tract 1003.08, Salt Lake County	28.6%
9754	$54,423	19.9%	Census Tract 28.02, Utah County	28.5%
9755	$54,401	10.3%	Census Tract 9.01, Utah County	28.4%
Summit			Census Tract 1026, Salt Lake County	27.6%
9644.02	$87,981	21.7%	Census Tract 1118.02, Salt Lake County	27.4%
Tooele			Census Tract 7.03, Utah County	27.3%
1306	$34,554	25.3%	Census Tract 12.01, Utah County	27.0%
Washington			Census Tract 1018, Salt Lake County	27.0%
2704	$55,918	12.1%	Census Tract 1021, Salt Lake County	26.8%
2709.01	$50,944	21.5%	Census Tract 1138.02, Salt Lake County	26.4%
2711	$54,912	17.9%	Census Tract 1133.05, Salt Lake County	26.3%
Wayne				
9791	$53,750	13.7%		

Note: The Wasatch Front poorest tracts exclude tracts containing and around the University of Utah, Brigham Young University, and Weber State University, which are low-income because of large student populations.

Source: Kem C. Gardner Policy Institute and U.S. Census Bureau, 2012–16 ACS.

Balancing Urban and Rural

Because the Wasatch Front has seen significant economic growth since 2010, the Gardner Policy Institute built up its analysis beginning from rural communities. The state has 186 low-income census tracts, 49 of which are off the Wasatch Front. Among those, 19 have a labor market engagement (LME) index score above 50.

Several of the census tracts in this analysis are home to high concentrations of college students, which is likely what qualified the tracts as low income. There are 17 census tracts in the state where the share of the population aged 18 through 24 is greater than one-third. Of these, 11 are in Utah County near Brigham Young University, four are in Cache County at or near Utah State University (plus an additional adjacent tract with a 31 percent college-age share), one is in Salt Lake County at the University of Utah, and one is in Washington County at Dixie State University. Removing these tracts, plus two more adjacent to the University of Utah and one adjacent to Weber State University, makes room for the nomination of additional low-income rural tracts.

Beginning with the 19 rural tracts with high LME scores, if we replace the five high–college-age-population tracts near USU with the five low-income tracts around Ephraim and Richfield,[7] and add Price and Green River,[8] then the remainder of the 47 tracts for nomination could be selected from among the poorest Wasatch Front tracts. Table 3 provides the Gardner Policy Institute's recommended opportunity zones, with 21 off the Wasatch Front and the 30 poorest Wasatch Front tracts, using the poverty rate as the more inclusive measure.

Conclusions

The Investing in Opportunity Act provides a rare opportunity to incentivize investment in communities throughout Utah with great economic need. It's critical that this investment also be directed toward areas with the greatest potential to realize a return on investment. Our analysis combines these two objectives and identifies 47 census tracts, including six regional centers, with economic need and potential.

We also emphasize that Utah faces a public policy imperative to address economic need in rural Utah. While not all areas in rural Utah offer suitable market conditions, our analysis suggests several targeted rural communities where attractive investment opportunities may exist. We follow an approach that prioritizes rural low-income communities with high labor market engagement, includes rural regional centers, and focuses on the poorest of the Wasatch Front's low-income tracts.

Endnotes

1. There are many reasonable ways to define urban and rural areas in Utah. In this research our focus is on the Wasatch Front, which we define as Davis, Salt Lake, Utah, and Weber counties and refer to as urban, and off the Wasatch Front, which we refer to as rural.

2. There are 186 tracts that meet either the 80 percent median family income requirements or the 20 percent poverty rate requirement. Ninety-two tracts meet both requirements; 79 meet only the income requirements; 15 meet only the poverty rate requirement. The state median family income from the 2012–16 ACS was $71,058. The Salt Lake City and Ogden-Clearfield metropolitan areas had higher median family incomes of $74,749 and $73,841, respectively.

3. Our analysis uses the 2012–16 American Community Survey. Other analyses use the 2011–15 ACS to determine eligible low-income tracts. Enterprise Community Partners has created an Opportunity Zone Eligibility Tool and associated data that allow users to compare the results from either version of the ACS. The tool also lets users explore the presence of other federal place-based programs and filter results based on Enterprise's own Opportunity Outcomes filters. The Eligibility Tool is available at http://www.enterprisecommunity.org/opportunity360/opportunity-zone-eligibility-tool.

4. Twenty-five percent of 186 is 46.5.

5. Index scores range from 1 to 100.

6. Observations are based on analysis by the Kem C. Gardner Policy Institute and conversations with rural economic development professionals at the Center for Rural Life and Rural Community Consultants.

7. These are tracts 9722 and 9724 in Sanpete County and tracts 9753, 9754, and 9755 in Sevier.

8. Moab is included among the low-income rural tracts with high LME scores. Vernal is not an eligible low-income community.

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