

Activating Rural Investments in the Next Round of Opportunity Zones

Recommendations for States

March 2026



**PARTNERS FOR RURAL
TRANSFORMATION**



HAC

Housing Assistance Council

Hope 
credit union
enterprise corporation
policy institute

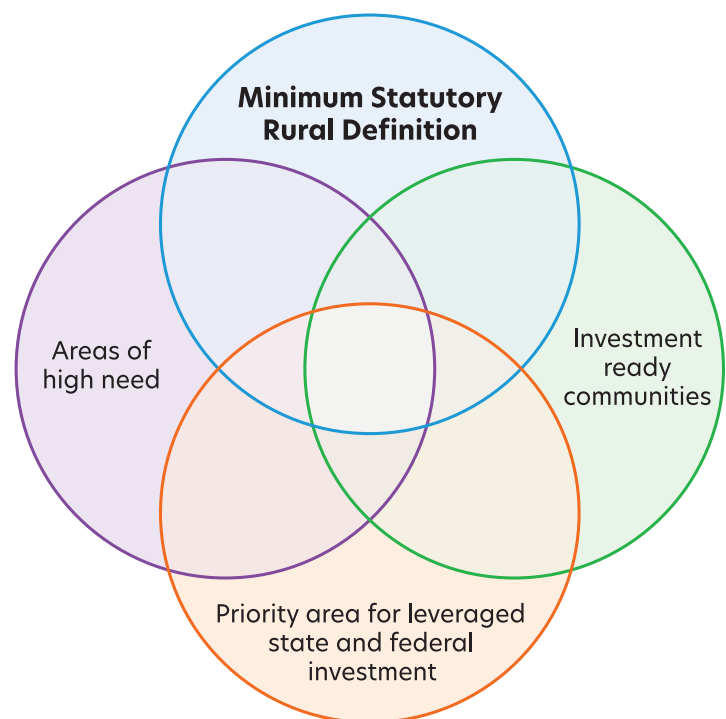
This year, states have a once-in-a-decade opportunity to increase private investments in economically distressed rural communities. As others have [noted](#), the first round of OZs suggest that the most distressed and remote rural communities may not offer sufficient potential investment returns to attract OZ 2.0 investors. While the tension between targeting need versus investment returns within the OZ mechanism can be real, we believe the enhanced rural tax benefits in OZ 2.0 coupled with the following recommendations make it possible for states to strike an effective balance. Now is the time to ensure this opportunity does not bypass rural communities. Rural community leaders stand ready with solutions to deploy these investments to build towards their future. This brief provides guidance to state leaders to help ensure private capital - catalyzed by the next round of Opportunity Zone (OZ) designations - reach rural areas, particularly those experiencing persistent poverty.

The timeline for state governors to designate their OZ communities begins July 1, 2026, and states should take immediate steps to ensure a thoughtful selection process that includes the voices and perspectives of people in rural markets. A high-impact rural OZ designation strategy will need to consider: 1) areas of high need, 2) priority areas for leveraged state/federal investment, and 3) investment-ready communities, layered on top of the statutory definition of rural OZs. This layering will identify locations to maximize private investments in rural areas across each particular state. These additional categories are essential to OZ designation consideration. Without them, the statute's overly broad definition of "rural" could overlook Native and rural places that are teeming with projects and innovative ideas.

High-Impact Rural OZ Designation

Opportunity Zones attract private capital.

Opportunity Zones are census tracts designated by the U.S. Department of Treasury as meeting its definition of low-income or rural areas. State governors choose which of these eligible census tracts they would like to select as the Opportunity Zones for their state. Once the Zones are selected, certain types of private capital infusions into Opportunity Zones are eligible for tax benefits, making them more attractive for private investors to put money into development they might not otherwise support. Opportunity Zone designations remain for 10 years, and we are coming up on the second round of the designation process.



A combination of elements should be considered to maximize impact of rural OZ designations beyond the minimum statutory rural definition: Identify areas of need, investment ready communities, and priority for leveraged state and federal investment.

The Opportunity Zones 1.0 experience demonstrated the success and possibility of rural community investments. **See case studies in Appendix A.** The first round of Opportunity Zones generated an estimated \$120 billion in investment nationwide between 2018 and 2025, but only a small share of that investment reached projects in rural communities, and even less reached areas experiencing persistent poverty. Furthermore, while 26 states designated a total of [248 census tracts](#) that included Tribal Nations land, little is known about the impact of OZs in Native communities.

Now, with the authorization of a second round of Opportunity Zone designations that begins this year (Opportunity Zones 2.0), states again have a chance to spur these investments into some of the hardest to reach rural communities. As described below, Opportunity Zones 2.0 includes enhancements and incentives that will make rural projects more attractive to investors.

Opportunity Zones 2.0 increased rural incentives.

The 2025 Reconciliation Act created a second round of Opportunity Zones to drive investment into housing and community development projects across the nation, with a rural focus. States will play a critical role in determining where future Opportunity Zone investment flows in each state.


The time is now.


States are responsible for designating qualified Opportunity Zones from among the eligible census tracts. Beginning July 1, 2026, governors will have 90 days to nominate Opportunity Zone 2.0 tracts by the end of September 2026 (with the option of 30-day extensions to the end of October), with eligibility for new investment commencing in January 2027. The time is now for states to develop and execute strategies to make purposeful and high-impact tract selections. The new round of Opportunity Zone designations presents an incredible opening to bring private investments into economically distressed rural areas. This intentional planning is critical because it will be another decade before governors will be able to designate additional OZs.

Here are some basics about Opportunity Zones 2.0 to keep in mind:

- States are permitted to select only 25% of eligible tracts as OZs (with a minimum of 25 per state), so states can apply their own criteria when making selections.
- There is no federal requirement that states designate a minimum number of rural tracts as OZs, so states have the responsibility to ensure rural communities benefit from OZs.

Opportunity Zones 2.0 Rural Enhancement

30% Step-Up in Basis for Rural OZ Investments 

 Reduction in Substantial Improvement Test, down to 50% for projects in Rural OZs

- The Treasury Department has not yet determined what census tracts – rural or non-rural – are eligible for designation. While official maps may not be available until June, entities like [Novogradac](#), [Urban Institute](#), and [Economic Innovation Group](#) (EIG) have created predictive maps of eligible tracts in each state, using well-informed methodologies.

And, specifically for rural communities, Opportunity Zones 2.0 includes the following tax incentives for private investors:

- 30% step-up in basis points for investments into rural opportunity zones, up from 10% in OZ 1.0. This allows private investors who fund a project in a rural OZ to pay less in taxes.
- A 50% threshold for showing substantial improvement to rehabilitation projects in rural OZs, down from 100% threshold in OZ 1.0, and for urban communities under OZ 2.0. This lowers the mandated threshold for rehabilitating rural buildings, allowing rural projects that improve (not completely replace or re-do) structures to be eligible for OZ project standards.

With the selection time frame quickly approaching, and the possibilities that may exist due to these increased incentives, below are recommendations for state leaders to ensure these investments reach rural communities ready to capitalize on them, including areas of persistent poverty.

Recommendations

Engage rural communities, Native communities, and practitioners to guide your state's rural OZ designation decisions.

States should conduct early, targeted outreach to rural communities and community development practitioners. Hearing directly from rural communities and potential project sponsors will help your state understand where and how OZ 2.0 can have the greatest impact. An effective way to achieve this outcome is to engage with Community Development Financial Institutions (CDFIs), Native CDFIs, nonprofit developers, and community leaders who are working in your state's rural communities.

Here are some examples of rural voices that can help your state make meaningful rural OZ designations:

- CDFIs with track records of investing in rural areas of persistent poverty, and focused on specific rural needs, including those of Native communities.
- Rural community development corporations and nonprofit developers that are working on rural and Native housing, and community development projects.

- Local or regional planning entities who are responsible for Comprehensive Economic Development Strategies or other state housing and community development planning in rural areas.
- Key anchor institutions based in and serving rural communities, including health care, education, utilities, and human service agencies.
- Representatives from rural communities, including local leaders and municipal officials. Outreach should include federally recognized Tribes and Native-focused community development organizations.

Things to look for when engaging with rural leaders in your state include:

1. Identify where there is local leadership at the community level seeking to advance strategic plans for the future of their community.
2. Identify where there is availability for technical assistance to rural communities at the local or regional level.
3. Align with the presence of anchor institutions that will benefit from sustained investment over the next decade, such as rural hospitals, institutions of higher education, and other community facilities.

Create rural maps that capitalize on your state's unique rural needs and community development goals.

As states make OZ designations, there is a unique opportunity to utilize mapping tools to designate rural areas where investment is most needed and where it can also leverage additional investment incentives. These overlays should work in tandem with the stakeholder engagement outlined above to identify community-based plans and local leadership for future development needs.

States should take this more tailored look in their rural OZ selection process because the law that created Opportunity Zones 2.0 uses an overly broad definition for designating eligible rural census tracts. For example, Atlantic City, New Jersey, meets the definition of a "rural Opportunity Zone."

While states must comply with the limitations of the OZ 2.0 definitions set in legislation, states should utilize their registered [National States Geographic Information Council member entities](#) to create targeted overlays for anticipating OZ eligibility maps that are more meaningful to each state's rural community and economic development needs and goals.

There are two goals in creating more targeted state maps:

- 1. to drive investment where it is needed most, and**
- 2. to align rural OZ designations with other targeted state community development and infrastructure investment programs.**

The following sections discuss each of these more in turn, providing more context for the selection of rural OZ tracts.

Create maps to drive investment where it is needed most.

The official OZ 2.0 definition of rural is purely based on population data. States should go beyond basic population numbers, and identify rural communities that would measurably benefit from investments in employment opportunities, access to financial services, affordable housing, and community infrastructure. **It is recommended that states select a subset of eligible tracts that also meet the definition of persistent poverty areas and the definition of rural under the Federal Housing Finance Agency's Duty to Serve program.**

Using these two overlays will enrich your list of potential rural OZs, and create a list of tracts where OZ designation can be a catalyst for creating rural prosperity and addressing persistent poverty. In addition, the definitions for both of these layers – persistent poverty and Duty to Serve – also align with other levers for investment incentives into these communities, which is discussed further in the next section as an additional consideration.

Persistent Poverty and Duty to Serve Map Overlays

- A persistent poverty county is defined by the U.S. Treasury Department's CDFI Fund as "any county, including the county equivalent areas in Puerto Rico, that has had 20 percent or more of its population living in poverty over the past 30 years." A list of persistent poverty counties is available [here](#) from the CDFI Fund.
- Rural areas are defined as follows by the Federal Housing Finance Agency for purposes of Fannie Mae and Freddie Mac's statutory Duty to Serve requirements to reach rural communities. A list of these counties is available [here](#).

(i) A census tract outside of a metropolitan statistical area as designated by the Office of Management and Budget; or

(ii) A census tract in a metropolitan statistical area as designated by the Office of Management and Budget that is:

- A. Outside of the metropolitan statistical area's Urbanized Areas as designated by the U.S. Department of Agriculture's (USDA) Rural-Urban Commuting Area (RUCA) Code #1, and outside of tracts with a housing density of over 64 housing units per square mile for USDA's RUCA Code #2; or*
- B. A colonia census tract that does not satisfy paragraphs (i) or (ii)(A) of this definition.*

Create maps that align rural OZ designations with other targeted state community development and infrastructure investment programs.

Rural Opportunity Zone investments can amplify and leverage preexisting state community development goals. To effectively combine other lines of investment, states must ensure alignment between rural OZ designations and important programs around broadband, housing, and economic development. Examples in four key categories of investment alignment include:

- **Broadband Infrastructure:** Opportunity Zones have a track record of supporting expansion of broadband in rural communities. States can add mapping layers to ensure areas that need broadband infrastructure are prioritized. Broadband investments in rural OZs could drive opportunities for remote work hubs, virtual health-care expansion, cutting edge agriculture advancements, and small business growth. States should explicitly prioritize tracts where broadband is needed as a spark for broader economic revitalization.
 - States can overlay OZ eligibility with Federal Communications Commission [broadband availability maps](#), [BEAD priority areas](#), and [Digital Equity Act planning zones](#) to ensure OZ designations reinforce existing federal and state broadband deployment priorities.
 - Rural OZs offer private capital to leverage public investments through programs like [BEAD](#), [ReConnect](#), [Middle Mile Grants](#), and state broadband funds.
- **Census Tracts within Federally Designated Native lands:** While some Native or Tribal lands were designated OZs during the program's first round, few examples exist of states coordinating resources to ensure investment flow to these areas. States should identify opportunities to overlay rural designations with [federally recognized Native lands](#), and ensure the other recommendations to coordinate technical assistance and additional capital also prioritize these areas.
- **Housing:** The first iteration of Opportunity Zones led to significant investment into market-rate housing, including rental and homeownership. States can take steps to ensure more OZ investment in the second iteration of the program supports low-to-moderate income by designating rural areas that are also prioritized by the state's plans to distribute major forms of housing capital.
 - Review your state's Qualified Allocation Plan and Consolidated Plan for rural geographic priorities.
 - Consult with the state housing finance agency regarding the importance of [Difficult to Develop Areas and Qualified Census Tracts](#) that can increase the likelihood of OZs to leverage private activity bonds through the state's Low-Income Housing Tax Credit program.
- **Economic Development:** While most OZs focus on real estate development, rural communities need strong operating businesses to occupy and anchor newly developed commercial spaces. Significantly, rural communities compete for OZ

investments on an equal footing with their urban/suburban counterparts given a similar prospect for appreciation such as for small businesses. Pairing rural OZ designations with state and federal economic development programs can ensure OZ-inspired real estate development supports growth in local businesses.

- [New Markets Tax Credits](#) (NMTCs) are commonly paired with OZ investments. Matching rural OZ designations with the state's NMTC eligible areas could enhance how the programs impact rural projects.
- If a state has rural-focused business development programs in targeted industries or geographic regions, consider overlaying eligibility maps with rural OZ designation.
- States can use OZ 2.0 to reinforce workforce development strategies, prioritizing tracts near training centers, community colleges, or major employers seeking expansion.

Take an active role in driving OZ investment into rural OZs by creating priority in other state funding programs and consider creating “last mile” technical assistance.

States can take a step beyond aligning eligibility maps between OZs and other state/federal programming, and take a more active role in driving investment into rural OZs. By creating a competitive priority for projects in rural Opportunity Zones within preexisting state programs for housing and community development, states can help attract resources that can be leveraged to draw in investors and amplify the impact of rural OZ designations. States that plan for resources like Community Development Block Grants, water/wastewater, and other community and economic development resources could provide a competitive advantage for projects or communities if intentionally designated as rural OZs.

One of the easiest ways states can assess alignment opportunities is by creating a **rural Opportunity Zone leverage funding matrix**, with an inventory of your state's other housing and community development resources. The outreach you undertake to engage rural leaders in your state could also provide feedback on prioritization criteria. That list could be useful for potential rural OZ project sponsors, but will also allow states to assess whether there are programs that can proactively be marketed to enhance rural OZ utilization. States can use the matrix to identify which programs provide a competitive benefit for projects in rural OZs.

States can also help **drive OZ investment into rural areas through technical assistance programs**. Many rural regions and communities lack experience engaging private investors and setting up or managing Opportunity Zone Funds. Preexisting state technical assistance programs could be used for projects to pursue investors, or take on administrative costs to bring needed legal or other experience to rural projects. During Opportunity Zones 1.0, multiple states used technical assistance to link rural projects to investors. CDFIs, Native-led organizations operating on Tribal lands, and other regional rural-focused community development organizations are well positioned as potential technical assistance provid-

ers, to either support the establishment of an OZ Fund or support projects in identifying potential investors.

One example of state technical assistance is in Indiana, where the state Office of Community and Rural Affairs, in collaboration with the Purdue Center for Regional Development, established the [Rural Opportunity Zone Initiative](#) (ROZI). Funded, in part, by a Rural Business Enterprise Grant from USDA Rural Development, the program focuses on helping rural communities develop marketing plans and investment prospectus models for investors.

Create an assessment tool that accounts for the above activities.

States took a wide spectrum of approaches to designation of Opportunity Zones during the first iteration of the program. OZ 2.0 offers states a chance to create a more systematic and holistic approach that ensures rural communities are both appropriately selected and resourced to capitalize on OZs. While each state may have unique factors that could help shape its decision making, establishing a clear decision making rubric can be a powerful step to ensuring high-impact selections are made in a transparent manner.

A basic tool might look like this illustration. It could help prioritize rural OZs for selection, incorporating the evaluation factors of community readiness, existence of high needs, and alignment with other existing investment incentives.

Example Rubric for Assessing Potential Rural OZ Designations	
Threshold:	Point Scale
Criteria: Engagement Outcomes	
Tract is served by CDFIs	0-5
Local leadership is engaged and promoting readiness	0-3
Alignment and collaboration with anchor institutions (economic, health, education, community facilities)	0-3
Total	0-11
Criteria: Mapping Layers	
Area of Persistent Poverty	0-5
Area meets Duty to Serve definition	0-5
Area with Federally Recognized Native Lands	0-5
Aligns with Broadband needs/programs	0-5
Aligns with statewide housing goals and priorities	0-5
Aligns with Economic Development goals and priorities	0-5
Total	0-30
Criteria: Priority at State and Technical Assistance	
Priority in Broadband Funding Programs	0-3
Priority in Infrastructure Funding Programs	0-3
Priority in Housing Funding Programs	0-3
Presence of Technical Assistance	0-5
Total	0-14

Start Planning Now

States have a once-in-a-decade opportunity to drive transformative investments into underserved rural communities and further their communities' future. With the time quickly approaching for states to designate the next round of Opportunity Zones, states must start planning now to ensure that rural communities are able to benefit from these private capital infusions. This brief provided four recommendations on how states can approach an engagement and assessment strategy for their OZ selection processes to ensure rural communities, particularly rural areas of persistent poverty, are meaningfully considered in any such selection process.

For further information, please contact HAC, PRT, or HOPE.

PRT:

Jay Tilton

Director of Communications and Public Affairs

jay@pfmt.org | (859) 208-7600

pfmt.org

HAC:

Leslie Strauss

Senior Policy Analyst

leslie@ruralhome.org | (202) 869-4868

ruralhome.org

HOPE:

Diane Standaert

Senior Policy Advisor

diane.standaert@hope-ec.org

hopepolicy.org



**PARTNERS FOR RURAL
TRANSFORMATION**



HAC

Housing Assistance Council



Appendix A - Rural Successes: OZ 1.0 Case Studies

Mill Creek, Brookhaven, Mississippi

Community Background

In 2019, the HOPE Opportunity Zone Fund invested \$1.5 million in the Mill Creek Development, building a 48-unit rental community of detached single-family homes located in the rural southwest Mississippi community of Brookhaven, where 25% of the population of 12,000 lives in poverty.

Project Overview

With a total of more than \$7 million invested, the HOPE Opportunity Zone Fund has supported the development of six affordable housing projects in Mississippi and Louisiana, resulting in 235 total units. Through the creation of the Opportunity Zone Fund (OZF), HOPE aimed to establish a sustainable, mission-driven equity product that enables developers to build high-quality affordable housing in economically distressed communities across the Deep South. HOPE also strategically leveraged Opportunity Zone investments with other funding sources to maximize project impact and strengthen the long-term viability of affordable housing in underserved areas.

Opportunity Zone Leverage

The innovative transaction paired Opportunity Zone Fund equity from private investors with Low-Income Housing Tax Credits (LIHTC), the first such pairing in Mississippi. The favorable loan terms that HOPE created by utilizing the federal and state initiatives enabled the developer to lease the homes at affordable rates, and developed a replicable model for Opportunity Zones to benefit underserved communities nationwide.

Community Impact

Mill Creek delivered high-quality, energy-efficient housing to families in Brookhaven. Developers working closely with the City of Brookhaven helped ensure the community blends seamlessly with the surrounding area, featuring unique elevations, open-concept layouts, and modern amenities that rival market-rate housing. Since opening, Mill Creek has provided families with a welcoming neighborhood atmosphere, complete with sidewalks, green spaces, and a community center that fosters resident engagement. A combination of thoughtful planning, durable construction, and sound management has contributed to its ongoing success.

In addition to Mill Creek in Brookhaven, HOPE Opportunity Zone Fund has supported the development of affordable housing in Canton, Richland, and Sunflower, Mississippi and Baton Rouge, Louisiana. All of these developments used combinations of several funding sources, including Opportunity Zones, loans, grant funds, LIHTC, and Historic Tax Credits.

Carillon Oaks Senior Assisted Living and Memory Care Facility, Heflin, Alabama

Community Background

The Carillon Oaks Senior Assisted Living and Memory Care Facility Center is located in Heflin, Alabama, a small rural community in Cleburne County with a population around 3,421 and a median household income of approximately \$46,750. The area lacks important community facilities, and has limited access to specialized services and economic development. Heflin historically has lacked high-quality senior care facilities, which tend to concentrate in urban centers and wealthier regions.

Project Overview

This project involved the historic revitalization of the long-vacant Cleburne County High School and the development of a new memory care building as part of a larger assisted living complex. The total project cost was approximately \$12-13 million, and development transformed the formerly unused historic structure into a senior living facility that includes 39 assisted-living beds, 16 memory care beds, and a range of resident amenities such as a bistro, chapel, beauty salon, and community gathering spaces.

Opportunity Zone Leverage

Carillon Oaks Heflin was among the first projects in Alabama to layer multiple incentive programs in a rural setting, including Opportunity Zone, New Markets Tax Credits, and state and federal historic rehabilitation tax credits. The development team structured part of the financing as a Qualified Opportunity Fund to incorporate the OZ benefit, alongside a \$7 million NMTC allocation provided by a community development partner. Other parts of the project were funded by a CDFI, a Community Development Entity, and OZ private investors. These layered incentives were essential to making the project financially viable, as developers noted the project likely would not have moved forward without any one portion of the capital stack.

Community Impact

The facility brought a previously vacant historic building back into productive use and added critical senior care infrastructure to a rural area that lacked such services. It created approximately 40 new jobs and expanded access to assisted living and memory care services for local seniors, reducing the need for families to travel to distant urban centers for quality care. By providing a continuum of care and community amenities within a rural setting, the project supports both economic activity and quality of life for older residents and their families.

Downtown Selma Historic Revitalization, Selma, Alabama

Community Background

Selma is a small, historically significant city in the rural Black Belt region of central Alabama, with a population of roughly 18,000 residents. Once a thriving commercial center for the surrounding agricultural region, Selma has faced decades of economic decline, population loss, and limited local capital for redevelopment. Nearly one-third of residents live in poverty, and the downtown area centered on historic corridors like Water Avenue features numerous vacant, underutilized historic buildings despite heavy tourism tied to the city's civil rights heritage.

Project Overview

The downtown historic revitalization effort focuses on catalyzing a phased redevelopment of Selma's historic core, including adaptive reuse of vacant commercial properties near the Edmund Pettus Bridge and along Water Avenue. Rather than a single physical project, this initiative encompasses multiple catalytic interventions that build momentum for further investment, partnerships, and economic activity in the downtown district. Key components include strategic planning support for impact-oriented developers, pro forma and capital stack development assistance, and collaborations with Community Development Financial Institutions to position deals for success.

Opportunity Zone Leverage

Opportunity Alabama (OPAL), a nonprofit created to help underserved communities access Opportunity Zone capital and other incentives, played an active role in the Selma effort by helping local stakeholders evaluate developer proposals and structure projects that can attract private investment. Equity of \$2 million came from Woodforest National Bank and the CEI-Boulos Opportunity Fund. Many other CDFIs, state and federal historic rehabilitation and revitalization tax credits played a role in the several projects included in the work done throughout this downtown. Regional development teams worked with OPAL and city leaders to partner with InVictus Development, who aided in the comprehensive planning and future development. In rural and low-income places like Selma, this type of catalytic technical assistance and capital facilitation is important because local developers and small-market projects often cannot access large national capital markets without intermediary support.

Community Impact

The downtown revitalization initiative is designed to bring long-vacant and underutilized historic buildings back into productive use, spur small business growth, and create job opportunities. These interventions aim to build momentum in Selma's commercial core, supporting adaptive reuse projects that honor the city's historic identity while making space for new retail, office, cultural, and mixed-use development. The collaborative planning, capital structuring, and CDFI engagement that OPAL facilitated represent foundational steps toward increasing private investment in this rural, distressed downtown area.

Arctaris Broadband Company, Colorado and Maine

Community Background

Many rural communities in Colorado and Maine are lacking access to broadband internet service. While many federal and state programs have targeted digital equity, private investment in bridging rural broadband needs is historically limited.

Project Overview

Arctaris is a Boston-based investment firm that specializes in Opportunity Zones. In 2020, Arctaris created Arctaris Broadband Company, LLC to make investments in expanding broadband services to mostly rural underserved communities with Opportunity Zones. In Colorado, Arctaris partnered with the Colorado Health Foundation to raise OZ investment for broadband projects that would create access to telehealth in areas that lack access to health care. Similarly, in Maine, Arctaris worked with the Housing Finance Authority of Maine to build a fund that is making investments in Internet Service Providers to reach 9,000 of the highest needs households without access to broadband internet.

Opportunity Zone Leverage

In both Colorado and Maine, OZ investment funding raised by Arctaris is paired with a combination of public, philanthropic, and private investment. In each state, a 20% anchor loan guarantee was provided by a key state partner - the Colorado Health Foundation and the Housing Finance Authority of Maine. While the final investment impact and leverage are a work in progress, using OZs as a tool to work alongside state funders to meet broadband goals is clearly a blueprint for public and private funders to consider when setting goals for OZ 2.0.

Community Impact

In 2024, Arctaris Broadband Company indicated 5,385 homes have access to high-speed internet as a result of the \$9.2 million in OZ investment in Colorado. In the case of both Colorado and Maine, Arctaris was able to partner with local internet service providers. The investment into these organizations will not only result in physical fiber infrastructure, but also grow the capacity of the local providers to lead future expansion of broadband in rural and underserved areas of these states.



PARTNERS FOR RURAL TRANSFORMATION



HAC

Housing Assistance Council



**Activating Rural Investments in the
Next Round of Opportunity Zones**