

# White Paper - Historically Black Colleges and Universities and Opportunity Zones Revisited

-Hidden Opportunities-

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Monday, August 26, 2024

In March 2021, we issued a [white paper](#) on Historically Black Colleges and Universities (HBCUs) and the potential opportunities related to Opportunity Zones (OZs). This white paper provides an update on any changes to HBCUs located in or near OZs. Since our initial white report, there have been updates through regulations that impact the OZs. In addition, there may have been instances in which designated OZs were no longer active. We attempted to capture as much of those changes as possible with emphasis on whether HBCUs were still located within or near an OZ.

## **The Background of HBCUs**

Since the 1800's, HBCUs have been vital to educating African-Americans others in the United States. The Higher Education Act of 1965 defines an HBCU as "...any historically black college or university that was established prior to 1964, whose principal mission, and is, the education of [B]lack Americans, and that is accredited by a nationally recognized accrediting agency or association determined by the Secretary [of Education] to be a reliable authority as to the quality of training offered or is, according to such an agency or association, making reasonable progress toward accreditation." Founders established these institutions to provide educational opportunities to African-Americans and others denied opportunities at other institutions of higher educations. At one point, there were as many as 121 institutions throughout the United States and U.S. Virgin Islands. The number of HBCUs has declined to 103 institutions. State legislature or Congress have designated at least 21 of these institutions as land grant college or universities to receive the benefits of the Morrill Acts of 1862, 1890, and 1994.

## **The Background of OZs**

On December 22, 2017, President Trump signed the Tax Cuts and Jobs Act that created [OZs](#) as a way to promote investments in targeted economically-distressed communities throughout the United States. These new investments, under certain conditions, could be eligible for preferential tax treatment. U.S. Department of Treasury authorized and oversee the OZs. The Treasury designated the [Internal Revenue Service](#), commonly known as the IRS, with the authority to implement the regulations and oversee the tax treatment of these OZs. The goals of the OZs are to:

- improve targeted areas through investment opportunities,
- drive further investments into the targeted areas, and
- create economic development and job creation that will improve the lives of low-income residents.

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To receive the tax benefits of investing within these OZs, individuals, corporations, LLCs, partnerships, or other eligible parties recognized for Federal income tax purposes can invest in established [OZ funds](#). In addition, individuals and businesses located within the designated OZs could participate and receive potential tax benefits. However, the mentioned parties must have invested through established OZ Funds. In addition, the managers of these funds must be located and operated within one of 50 States, Washington D.C., Guam, Northern Marianas Island, Puerto Rico, U.S. Virgin Islands, and American Samoa.

These funds are to benefit from activities that included:

- Defer eligible gains for federal tax purposes
- Renovate real estate properties
- Land development
- Invest in businesses
- Operate businesses

As an update for this white paper, OZs are set to expire on December 31, 2026. In our previous white paper, we noted that the OZs were to last until December 31, 2028.

## **The Breakdown of HBCUs and OZs**

Our updated review the OZs found that many HBCUs were in these zones or near other OZs. Our research identified the following:

- The state of Alabama has the largest number of HBCUs (14).
- 21 states within the southern and midwestern region of the United States have HBCUs.
- 77 counties within 21 states have HBCUs.
- 80 cities within the 77 counties among the 21 states have HBCUs.
- 9 of the 103 HBCUs are located within an OZ and not near other OZs.
  - In 2021, we identified six HBCUs that were located within an OZ and not near other OZs.
- 19 of the 103 HBCUs are located near other OZs and not within an OZ.
  - In 2021, we identified 36 HBCUs that were located near other OZs and not within an OZ.
- 53 of the 103 HBCUs are located within an OZ and near other OZs.

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- In 2021, we identified 55 HBCUs that were located within an OZ and near other OZs.
- 22 of the 103 HBCUs are not located within an OZ or near other OZs.
  - In 2021, we identified six HBCUs that were not located within an OZ or near other OZs.

The changes in the numbers may have been due to various reasons. These reasons may include, but not limited to governors submitting updated designations to the U.S. Department of Treasury; the Department of Treasury reevaluating the OZ designations; or our research becoming more refined. The changes show that the OZ designations can be changed throughout the duration of the active period until December 31, 2026.

We have provided a chart that summarizes our research into [HBCUs and OZs](#). The chart provides users with the following information:

- HBCUs categorized by State,
- Number of HBCUs within the State,
- Location of the HBCU (address and county),
- Whether the HBCU is in an OZ,
- Census tract codes for those HBCUs located within an OZ, and
- Whether the HBCU is near an OZ.
  - In our previous white paper, we established a 10-mile radius as a guideline for what we identified as “near.” Further review determined that the radius may be arbitrary due to wide range of factors such as ease of access, physical barriers, etc. After much discussion, we reviewed each of HBCUs’ location and adjusted the information accordingly. Specifically, there are HBCUs located near OZs that may be separated by natural barriers such as rivers or manmade barriers such as railroads or roadways. In most cases, we considered the HBCU near an OZ and updated our research to reflect that information. In other cases, the distance between the HBCU and the nearest OZs, especially in rural areas, may not be feasible for HBCUs to take advantage of the OZ. As a result, we did not consider those in the categories for near other OZs.

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### **Perspective**

As stated in our March 2021 white paper, access to funding for capital projects and other types of projects can be a challenge for many, but not all HBCUs. There are negative perceptions and biases against many, but not all HBCUs, in trying to obtain funding for capital projects. Another factor is that some HBCU administrators have more experience or business-like acumens to seek funding and taking advantage of zones such as OZs. For HBCUs to succeed with OZs, have political acumen and influence from the city to the federal level is going to be important to gain access to the information and resources needed to succeed and thrive within or near OZs.

Various developments within OZs included residential and commercial real estate development appear to enhance the local area. In many cases, investors provided the financial resources to build business incubators, convention halls, and sports facilities that can generate economic growth for the area. There have been questions about the impact of these investments, but such investment could benefit HBCUs seeking the funding various capital projects. With the recent developments in college sports, HBCUs located within an OZ could see potential funding sources and partners to help build new sports complexes, housing, and training centers that benefit students and provide potential economic opportunities for the area and community. For instance, Florida A&M University, commonly known as FAMU, located in Tallahassee, Florida, is located within an OZ (census tract code 12073000400). FAMU's location within the OZ provides opportunities potential investments for projects that could benefit students, alumni, and the local community. Other potential capital projects could include research and development incubators or small business incubators that can be built and operated within the OZ.

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## HBCUs Left Out of OZs

We identified 22 HBCUs that were not located within an OZ or directly near other OZs.

- Miles College (Alabama)
- Shelton State Community College (Alabama)
- Edwards Waters College (Florida)
- Morris College (Georgia)
- Savannah State University (Georgia)
- Southern University at New Orleans (Louisiana)
- Bowie State University (Maryland)
- Coahoma Community College (Mississippi)
- Mississippi Valley State University (Mississippi)
- Tougaloo College (Mississippi)
- Livingstone College (North Carolina)
- St. Augustine's College (North Carolina)
- Cheyney University (Pennsylvania)
- Lincoln University (Pennsylvania)
- Allen University (South Carolina)
- Huston-Tillotson College (Texas)
- Paul Quinn College (Texas)
- Prairie View A&M University (Texas)
- St. Philip's College (Texas)
- Bluefield State College (West Virginia)
- West Virginia State University (West Virginia)
- University of the District of Columbia (Washington, D.C.)

The number of HBCUs not located within an OZ or directly near other OZs have increased from six (as mentioned in our [March 2021 white paper](#)) to 22. Another difference from our 2021 white paper compared to 2024, is that Gadsden State Community College located in Alabama is located near a designated OZ. The HBCU is not located within an OZ. In our 2021 white paper, Gadsden State Community College was among the six HBCUs that was not located within an OZ or near other OZs. The reasons for the change may vary as stated earlier in this white paper. However, the example of Gadsden State Community College shows that OZ designations could change during the period.

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Keep in mind that local officials including mayors, city managers, and chief executives, and city councilmembers help the governors determine the location of these OZs. They submit the locations to the governors who then submits to the U.S. Treasury for final approval and designation. In some cases, the governors may request changes to OZ designations. As a result, relationship-building with local, county, and state officials are important for HBCUs to gain access to economic incentives such as the OZs.

### Additional Research Needed As OZs Come to An End

As stated in our March 2021 white paper, HBCUs and OZs can provide access to capital and investment needed to improve facilities and create economic developments for these institutions and the surrounding areas. Further, there are HBCUs that may have taken advantage of the OZs through partnerships with Qualified OZ Funds. However, there are concerns that other HBCUs may not have taken advantage of OZs and potentially missing out on investment opportunities. It would be interesting to see how many HBCUs have taken advantage of OZs and the impact of these investments. Further research into HBCUs and OZs could provide more insight into challenges, best practices, and lessons learned when using these investments.

### Potential Questions to Be Answered

As OZs are coming to an end, more in-depth research should be conducted on OZs and its impact on HBCUs. These questions are potential starting points into understanding how HBCUs and whether these institutions took advantage of OZs.

- How many HBCUs took advantage of the OZs?
- How aware was the HBCU administration about the Opportunity Zones?
- What efforts were made by local, county, and state officials to HBCUs about OZs?
- What are the HBCUs' relationships between city, county, and state officials?
- What partnerships did HBCUs formed to take advantage of the OZs?
- What were results of those partnerships?
- What projects did HBCUs execute and complete within or near the OZs?
- What were the city, county, and state officials' reasons for not including the HBCU in the OZs?
- What were the challenges faced in taking advantage of the OZs?
- What were the successes faced in taking advantage of the OZs?
- What were the best practices experienced by HBCUs with OZs?

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The answers to these questions along with further research could help HBCUs develop and implement strategies to take advantage of other investment opportunities that help improve the institutions, students, and nearby communities.

## Takeaway

Our updated white paper provided a fresh look at HBCUs located within, near, and outside of OZ. Based our research, there have been changes to OZ designations that resulted in 1) more HBCUs located within an OZ and not near other OZs; 2) less HBCUs located near other OZs and not within an OZ; 3) less HBCUs located within an OZ and near other OZs; and 4) more HBCUs not located within an OZ or near other OZs. These trends show how OZ designations can change for various reasons. These reasons could be due to political involvement or because of a more refined research methodology. With the expiration of the OZs coming in December 2026, it is important for HBCUs to take advantage of these investment tools that could help with capital projects. With the recent growth of college sports, OZs could be an investment tool for helping HBCUs improve their capital projects in the college sports industry. These venues could serve as additional economic development opportunities for the nearby communities in areas such as entertainment and sports development. It will be important for more research into OZs to determine its impacts on HBCUs. In addition, a closer look at the HBCUs' action involving OZs could help understand the challenges, successes, and lessons learned for future investment considerations.

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