

An Overview Opportunity Zones

Bill Bartels, Business Advisor
Organizational Development and Communications

<https://gsiodac.blog/engagement-resources/opportunity-zone-and-project-resources/>

Economic Development Collaborative

4001 Mission Oaks Blvd. Suite A-1, Camarillo, CA 93012

www.edcollaborative.com

bill@edcollaborative.com

Opportunity Zone Convening, an initiative of the EDC

The Legislation

The Tax Cuts and Jobs Act, enacted in December 2017, included a number of incentives for taxpayers to make investments that might spur economic development and job growth. One of the key incentives involves qualified opportunity funds (or O-funds) that make investments in qualified opportunity zones (also known as O-zones or QOZs). If a taxpayer sells assets generating a capital gain, and invests the amount of the gain in an O-fund that complies with the relevant tax rules, then the taxpayer can defer and often reduce taxes on that gain, as well as also not be taxable on a subsequent sale of the O-fund investment provided it is held for at least 10 years. O-zones were finalized in 2018, and along with a few designated adjacent tracts, they represent 25% of the low income census tracts (with a minimum of 100) in each jurisdiction.

Investing in Opportunity Act principles:

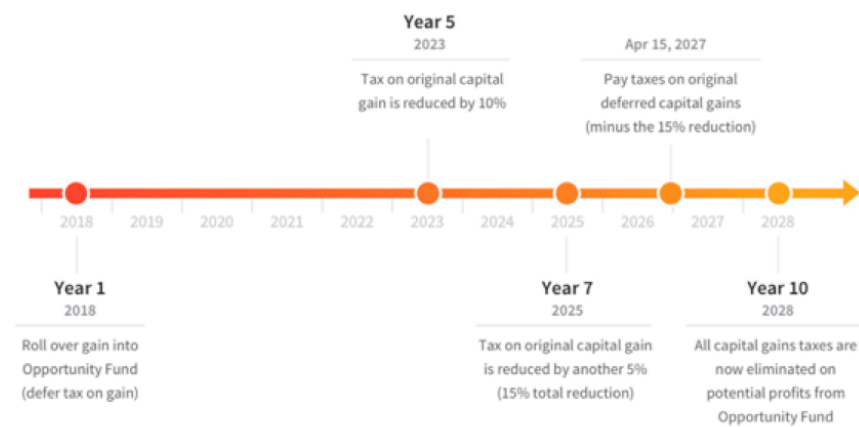
First, listen to the community; understand not only the problems, but make sure we are all asking the right questions and listen to residents about the potential solutions.

As an example, Kansas City is on a path to practice entrepreneur-centric economic development, but it needs to accelerate to be competitive in the changing economy.

Opportunity Zones present an organizing principle to support the new economic development model, much in the same way Atlanta used the Olympics to accelerate conversations about the need to think more aggressively about our talent pipeline and supporting our schools.

Economic development that support areas of our community that have been historically left behind is fundamental to the long term health of our communities. Focusing on coordinating all avenues of investment – charitable, private, government – across all types of infrastructure, both capital and human, will make the longest-term impact.

For those who invested in 2018, here is a timeline of benefits that they can expect to receive:



The Rules

The Opportunity Zone program is intended to stimulate positive growth within designated communities, there are restrictions on the types of investments in which an Opportunity Fund can invest. These investments are called "Qualified Opportunity Zone property," which is defined as any one of the following:

Partnership interests in businesses that operate in a qualified Opportunity Zone.

Stock ownership in businesses that conduct most or all of their operations within a qualified Opportunity Zone.

Property such as real estate located within a qualified Opportunity Zone.

There are rules that govern each of these three investment options, but the rules for businesses are similar to those of the Enterprise Zone Business requirements. For property such as real estate, the rules are somewhat different. The types of real estate investments allowed by the program are limited to ensure that the communities are improved with each investment.

Layering of other programs is allowed and encouraged

- Air Quality
- Impacted community
- Hub Zone
- Enterprise Zone
- Impacted School districts
- Adaptive Reuse - Transforming Local Blight
- Manufacturing Supports

Tangible Property Rich

- What is the Tangible Property?
- Physical?
- Intellectual?

FundRise.com

Economic Development Corporation - Kansas City

Local Challenges

Current Use

- Leveraging investment within
- Zoning, Land Use, Existing community

Entitlement

- How Long?
- Scope and Scale and what does that trigger

Housing with Business

Housing without Business

Unique existing community

Business without Housing

The Business of Business

The Business of Housing

Local Infrastructures

Resources:

FundRise.com

Economic Development Corporation - Kansas City

GoErie.com

AtlantaMagazine.com

TheNewLocalism.com

http://dof.ca.gov/Forecasting/Demographics/opportunity_zones/#0

Layers of Funding in Partnership

Scope Scale Context

Who What Where

- Who are you
- What is your bandwidth
- Where are you going to leverage your contacts and resources

When How Why

A Capital Deck

- Local Philanthropy to develop capacities for healthy community
- Other funds to create a system of entitlement schemes to allow a healthy emergence
- Communications links to allow broadband, education, alternative uses to existing buildings
- Linking work and home so that an existing community can experience income and living where we work

Where do you fit?

- Who are your current partners in an opportunity zone?
- What is your current mission?
- Where do you deploy your current mission?
- When do you see investment that can work in a twenty year history of community development?
- How will your partnership support a 20 year vision?
- Why would your fund or fund partners want to do this kind of impact engagement?