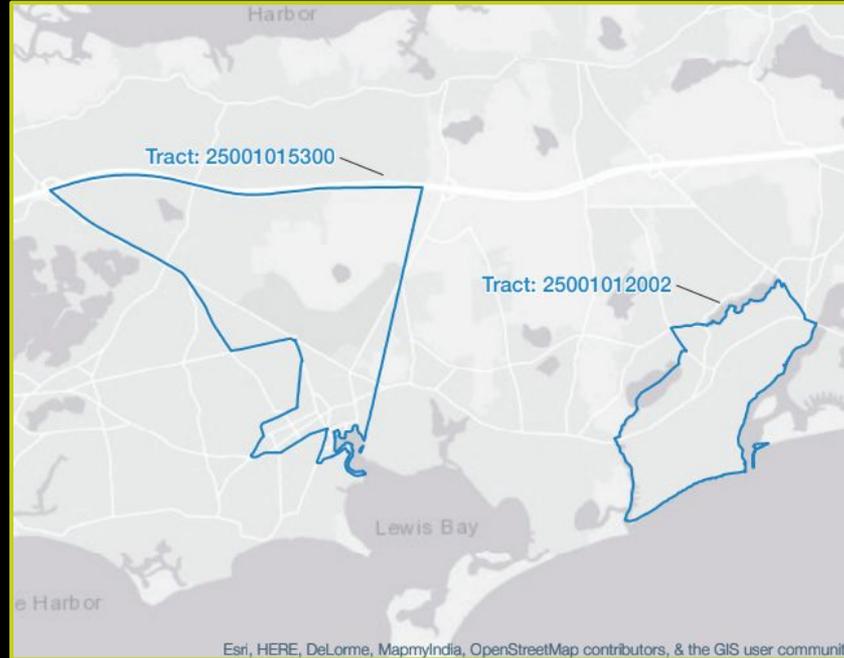


2019 Massachusetts Opportunity Zones Academy



Yarmouth Opportunity Zone Visioning Workshop

September 11, 2019

Welcome and Introductions

Who We Are



Smart Growth America
Improving lives by improving communities



LOCUS Local Leaders Council



FBCI Form-Based Codes Institute

LOCUS



A national coalition of private real estate developers and investors working to meet the country's pent-up demand for **sustainable, equitable, walkable urban places** by advocating for local, state, and federal **policy change**.

Form-Based Codes Institute



The **Form-Based Codes Institute** is a professional organization dedicated to advancing the **understanding and use of form-based codes**. FBCI pursues this objective through three main areas of action: (1) developing standards for form-based codes, (2) providing education, and (3) creating a forum for discussion and advancement of form-based codes.

Agenda

1. What are **Opportunity Zones** and why is the 2019 Massachusetts Opportunity Zones Academy important?
2. Goals for the Visioning Session
3. **Catalytic Development Project** Description
4. **Visioning Session**
5. Break
6. **Recap** of the Visioning Session
7. **Obstacles, Strengths, and Resources** to Achieving the Vision
8. Opportunity Zone Project **Priorities and Next Steps**

What is the 2019 Massachusetts Opportunity Zone Academy?



Opportunity Zones

A new federal economic development program aimed at encouraging long term **private capital investment** in America's low-income urban and rural communities.



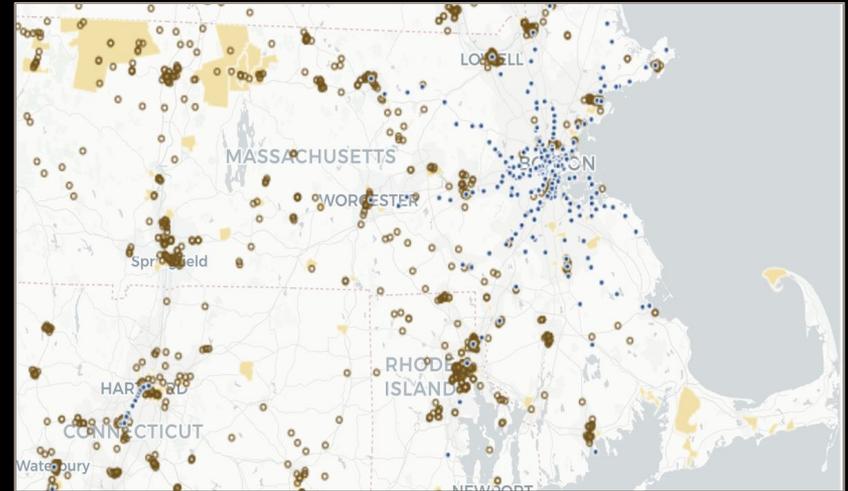
At a glance, the nation's Opportunity Zones:

- Account for nearly 12 percent of America's land mass.
- Are home to over 30 million Americans, **56 percent** of which are demographic **minorities**.
- Have an average **30 percent poverty rate** and house residents earning, on average, **59 percent of AMI** (Area Median Income).
- Employ 73% of residents in commercial jobs and 27% in industrial ones.
- Only **9%** of already-designated Opportunity Zones **have at least one transit station**.
- 42 percent are located in rural census tracts, 35 percent in urban, and 23 percent in suburban.
- On average, residents spend 53.2 percent of their income on housing and transportation in these zones.

Massachusetts has 138 Opportunity Zones

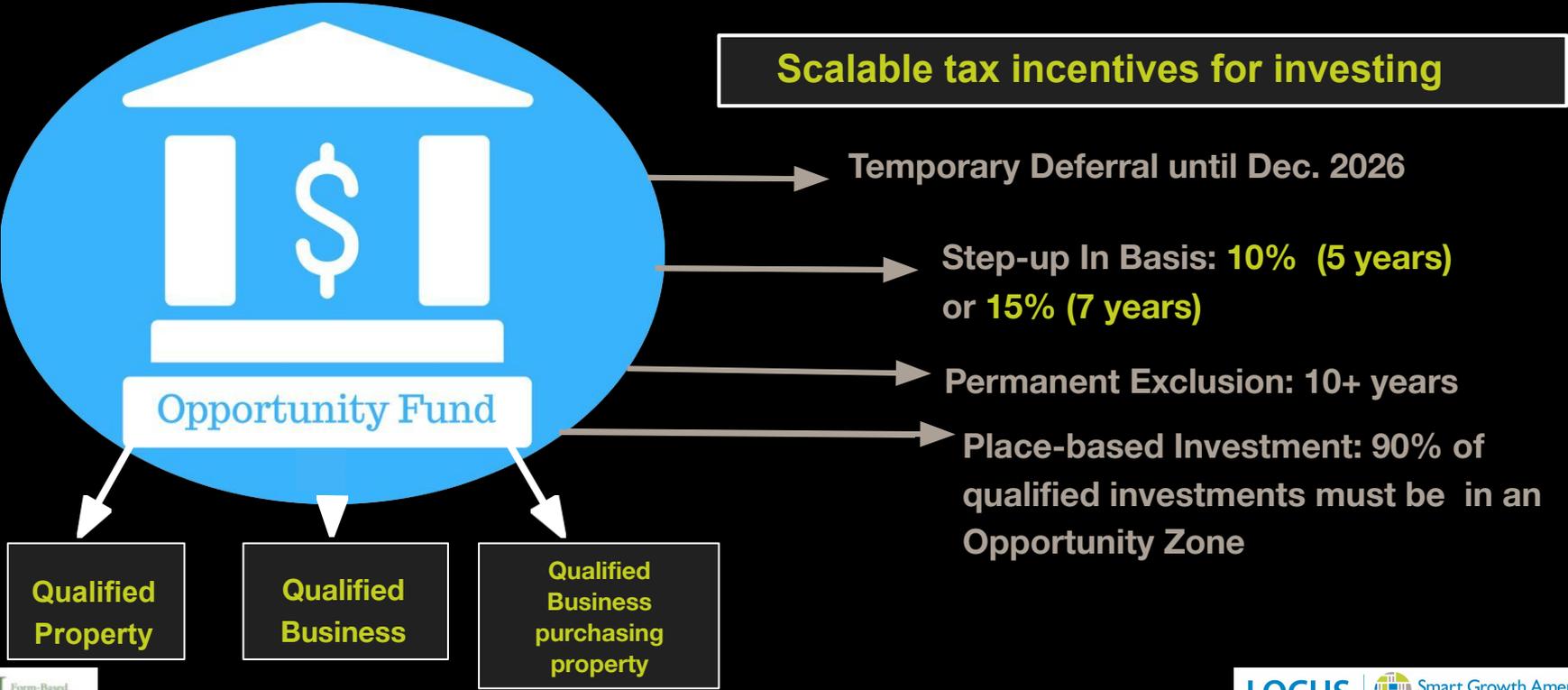
Together, they:

- Account for 6 percent of Massachusetts' land area.
- Are home to 8 percent of its population.
- Have a **22 percent poverty rate** and median household income of \$43,232.71.
- Have an average annual household **housing and transportation (H+T) cost of 44 percent.**
- Only 15 percent have **at least one transit station.**



How does the Opportunity Zones program work?

Uses private investment vehicles to funnel up to **\$8 trillion** in public and privately held **capital gains** towards economic development activities in our nation's most distressed census tracts.



What can Opportunity Zones do?



Affordable Housing
Infrastructure
Commercial Development



Build and invest in...



TOD
Master-Planned Development
Small Business Retention



Timeline

December 31, 2019 Last day to invest in a QOF to be eligible to receive all potential tax benefits.

December 31, 2021: Last day to invest in a QOF to be eligible to receive 10% basis increase on deferred gain.

Year 10+: All capital gains taxes eliminated on potential Opportunity Fund profits

December 31, 2028: Federal Opportunity Zone designations expire.

Year 1: Gains must be rolled into an Opportunity Fund within 180 days of sale in order to be eligible for QOF tax benefit.

Year 5: 10% basis increase on deferred gain.

Year 7: 10% basis increase on deferred gain. (15% total reduction).

December 31, 2026: Deferred tax on original gain is due. Investors pay tax on 85% of original capital gains.

December 31, 2047: Eligibility to hold interest in a QOZ ends.

Communities have the opportunity to...



- Attract billions of dollars of **mission-oriented capital**
- Redevelop and **revitalize** their properties, businesses, and infrastructure
- Ensure investment results in **equitable development** outcomes
- Protect local businesses and residents from **displacement**

The **private sector** has a unique opportunity to:

- ★ Unlock and leverage **patient capital to deliver innovative projects**
- ★ Earn **long-term tax** benefits while **accelerating equitable** neighborhood redevelopment
- ★ Create new **partnerships with local like-minded** organizations to maximize economic and social impact

However, there are still **concerns** about the Opportunity Zones tax incentive.

- ★ **Lack of local capacity** to support the Opportunity Zones program and projects
- ★ Uncertainty from the U.S. Treasury and the terms of “**substantial improvement**”
- ★ Lack of a **reporting and tracking** mechanism
- ★ December 31, 2026 (**taxable year**)

IRS Proposed Guidelines

- The U.S. Treasury and IRS have released **two rounds of proposed Opportunity Zone guidance and regulations**, one in October 2018 and the other in April 2019.
- The first round addressed the type of gains that may be deferred by investors, the time by which corresponding amounts must be invested in QOFs, and the manner in which investors may elect to defer specified gains.
- The IRS also provided clarification on the substantial improvement of existing buildings purchased by QOFs.
- The second round addressed timing flexibility at the QOF level, the Gross Income Test, interim gains, the substantial improvement test for Operating Businesses, the working capital safe harbor, original use of vacant property, the terms of “substantially all,” and leaving/winding down QOFs
- A third round of proposed regulations is expected later this year.

What are other communities and states doing about Opportunity Zones?

- **Brockton, MA**
 - Matchmaking efforts with developers and an investment prospectus.
 - Zoning code permitting high commercial and residential density in core areas, including downtown and near transit.
 - Vision and a plan that is publicly curated and bought into.
- **Pine Bluff, AR**
 - Formed a task force so that a diverse group of stakeholders can coordinate their efforts to reinvest in the community.
 - Group will create a website and prospectus to showcase projects in Pine Bluff's Opportunity Zones and engage the community with educational workshops.
- **Newark, NJ**
 - Selected tracts where economic development could occur, including industrial tracts and residential and commercial ones.
 - Encouraging locally-grown Opportunity Funds, including one in partnership with the City of Newark, Rockefeller Foundation, and State of New Jersey to begin Opportunity Zone investment.
 - Compiled all development projects in Opportunity Zones into a central database that is publicly available.
 - Inclusionary zoning ordinance and affordable land trust in place.
 - Partnering existing financial programs and incentives with Opportunity Zones
 - Created teams of planners, project managers, and developers who are taking inventory of Opportunity Zones as they currently are.

Massachusetts Opportunity Zones Academy

Aims to provide Massachusetts communities with **a place-based technical assistance program** that prepares them to make the most of the federal **Opportunity Zones** tax incentive.



What do communities receive?

- 5 month project,
- Engage local leaders, business owners, and the real estate community,
- Address major Opportunity Zone and economic challenges,
- Team site visit and workshop,
- Equitable development trainings,
- Custom action plan to support your Opportunity Zone work,
- 2 Opportunity Zone Academy convenings (June and November).