In the Zone: The Wonderful World of FOZ
What are Federal Opportunity Zones?

- Low-income community census tracts designated for investments
- 25% of State’s low-income community census tracts were eligible for designation
- Governor Deal approved 260 recommended census tracts that were approved by Treasury in April 2018
- Designation as Federal Qualified Opportunity Zones lasts for 10 years.
- There may be no additions, alterations of boundaries, or “swaps”
Intent of Federal Opportunity Zones

Created by the Tax Cuts and Jobs Act of 2017 to provide a new incentive to spur private investments in low-income areas.

Connect investors to overlooked but credit-worthy opportunities

Tax benefits to encourage investment:
- Temporary Deferral on Capital Gains
- Reduction in Capital Gains Liability
- Tax Exemption on Gains of Opportunity Fund
- No cap on benefits
**Investor Incentive Timeline**

- **Year 1:** Capital Gain is Invested
- **Year 5:** 10% Step-Up in Basis (10% reduction of original gain)
- **Year 7:** 5% Additional Step-Up in Basis (15% reduction of original gain)
- **12/31/26:** Tax on Deferred Gain is Due (or at time of exit, whichever comes first)
- **Year 10:** No Tax on Post Acquisition Appreciation earned on Opportunity Fund Investment.
Deferral Example

2019
Invest $1,000,000 of capital gain in FOZ

2026
• Recognize original gain, less 15%
  • $850,000 is now taxable

2029
(Year 10)
• Any gain on the Federal Opportunity Fund investment is not subject to capital gains.
What are Opportunity Funds?

- Investment vehicles organized as corporations or partnerships
- Flexible structure
- Self certified (Form 8996 - Subject to further Treasury guidance)
- Must invest 90% of their assets in federal qualified opportunity zone property
What is a Qualified Opportunity Zone Property?

Three types of eligible investments:

• Stock of a qualified opportunity zone corporation
• Partnership interest in a qualified opportunity zone partnership
• Business property used in a qualified opportunity zone
What do Communities Need to Do?

Focus less on “Glossy Print” and more on Content

• FOCUS
• COLLABORATE
• PLAN
What is the Best Area of Focus?

Community Need

Developer

Investor
Community Needs

What is the “Vision” for the community? What are the needs?

- Commercial
- Light Industrial
- Manufacturing
- Multi-family development
- Single family housing
- Mixed-use development
- Affordable and/or workforce housing

What is doable? How do you engage the developers?

- Community Center
- Charter Schools
- Grocery stores to combat food deserts
- Office buildings
- Parking structures to create more developable space
- Infrastructure – roads, water, sewer, broadband, etc.
Developers

What are their concerns?

- Returns
- Readiness to Proceed
  - When can they get started?
  - If they start now, will they be finished in time for investment prior to 12/31/19?
- Environmental
- Market Opportunity
- Other?

How can they engage the Investors?
Impact or Non-Impact Investors?
Non-Impact Investors = RETURNS – RETURNS – RETURNS!!!

Impact Investors:
- Returns
- Community Benefits
- Environmental Benefits
- Cultural Benefits
Resources

DCA Website     www.dca.ga.gov
• Community & Economic Development
• Incentive Programs
• Federal Opportunity Zones
• Interactive Map
• Submit a Development Opportunity – Interactive Software for Communities
• Presentations: Community Template
• Resource Tab: Atlanta Prospectus and Macon-Bibb Prospectus for review
• Resource Tab: Economic Innovation Group (EIG)