



## Opportunity Zones: Investor Roundtable

July 10, 2018

# What is an Opportunity Zone?

- Provides tax incentives to investors who fund businesses in underserved communities
- Defer taxes on capital gains invested in OZ funds that are in turn invested in distressed communities
- Managed by a Qualified Opportunity Fund



# Where are Clark County's OZs?



1	Hazel Dell North
2	Vancouver
3	Vancouver
4	Vancouver (Fourth Plain-Lower Grand Competitive Application)
5	Vancouver (Fourth Plain-Bagley Park Competitive Application)
6	Washougal (Competitive Application)
7	Washougal

# Competitive Applications

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## 1. Vancouver Fourth Plain-Lower Grand (priority for COV)

- Gateway to downtown with anchor institutions & employment centers
- City's most ethnically diverse community
- 36% minority populations; 50%+ businesses minority owned
- Strategic commitment from COV

## 2. Vancouver Fourth Plain-Bagley Park

- Primary arterial connecting City Center and Vancouver Mall
- \$10M Kyocera expansion and 300 FTE
- Gateway to greenway trail system
- Current construction projects

## 3. Washougal (downtown and surrounding neighborhoods)

- Multiple potential redevelopment properties
- Wes Hickey's projects
- Washougal City Hall

# Basics of the OZ Program

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- Program began Feb 2018 and sunsets December 31, 2026.
- Any taxpayer can benefit through a Opportunity Fund.
- Only Capital Gains receive tax benefit; Ordinary Income is still taxed.
- Capital Investments must occur within a designated Opportunity Zone using a Qualified Opportunity Fund.
- The Capital Gains benefit increases the longer the taxpayer holds his interest in the Opportunity Fund.

# Potential Tax Benefit



# Qualified Opportunity Fund

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- Fund has to be setup through a corporate or partnership entity, can either be “Direct Ownership” or “Pool” of Investors (stock or partnership interest).
- Liquidation of Capital Asset “Original Gain” (i.e. stock, real estate, etc.) is deposited into Opportunity Fund within 180 days; the Fund must invest the money in a qualified investment within 12 months.
- Opportunity Fund can invest in a business, real estate project, etc. within an Opportunity Zone. All asset classes qualify.
- The Fund may sell Capital but the sale proceeds must be reinvested within 12 months. The investor’s “Interest” in the Fund must be maintained to receive favorable tax benefits. Must hold 90% of assets (“Qualifying Interest”) within Opportunity Zone(s)
- Virtually no statutory limitations on who can create or manage an Opportunity Fund.

# Asset Class Examples

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- **Businesses** – subject to program guidelines such as: a) tangible property was acquired after 2017, b) 50% of gross income from active conduct of business in OZ, c) Other criterion.
- **Commercial Real Estate** – OZ Fund-controlled special-purpose entities can be involved in the development of new or existing commercial space, manufacturing, hospitals, community centers and etc. (A substantial portion of the OZ Fund investment must be for new construction, even when an existing building is purchased.)
- **Revenue-Producing Infrastructure Investments** – either as direct private ventures or public-private partnerships.
- **Innovation Centers** – operating space and technology backbone emerging growth companies. Could also include venture capital, angel funds, and University sponsored start-ups.
- **Stacking Programs with OZ Fund** – investment coupled with additional tax incentive, such as NMTCs, Historic Tax Credits or Low-Income Housing Tax Credits.



# Vision for Fund Structure

- Qualified investments are limited to equity investments in businesses, real estate and business assets located in a Qualified Opportunity Zone.
- 90% of the fund's assets must be located in the Qualified Opportunity Zone
- **Gentrification** – The process of renewal and rebuilding accompanying the influx of middle-class or affluent people into deteriorating areas that often displaces poorer residents
- Possible ideas for a fund structure for Clark County to minimize gentrification – emphasize a social component when researching and investing in opportunity zones.
- **Sample investments:**
  - ✓ Private equity fund that provides growth capital to lower middle market operating businesses in opportunity zones
  - ✓ Equity capital to redevelop a mixed use development to include new neighborhood retail and workforce housing



# THANK YOU



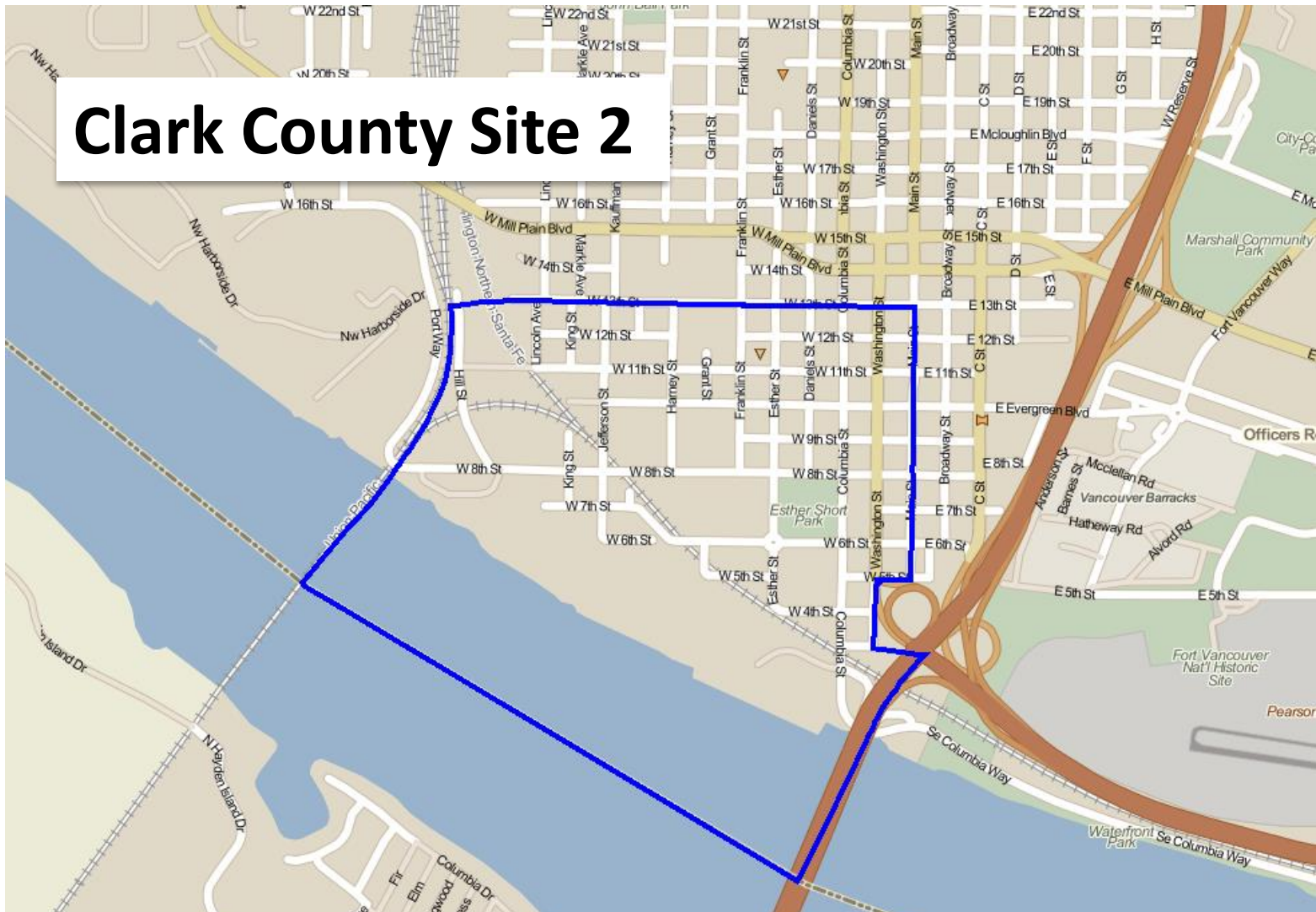
# CLARK COUNTY OPPORTUNITY ZONES



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- 48% homeownership
- 5% unemployment
- \$42,190 median household income

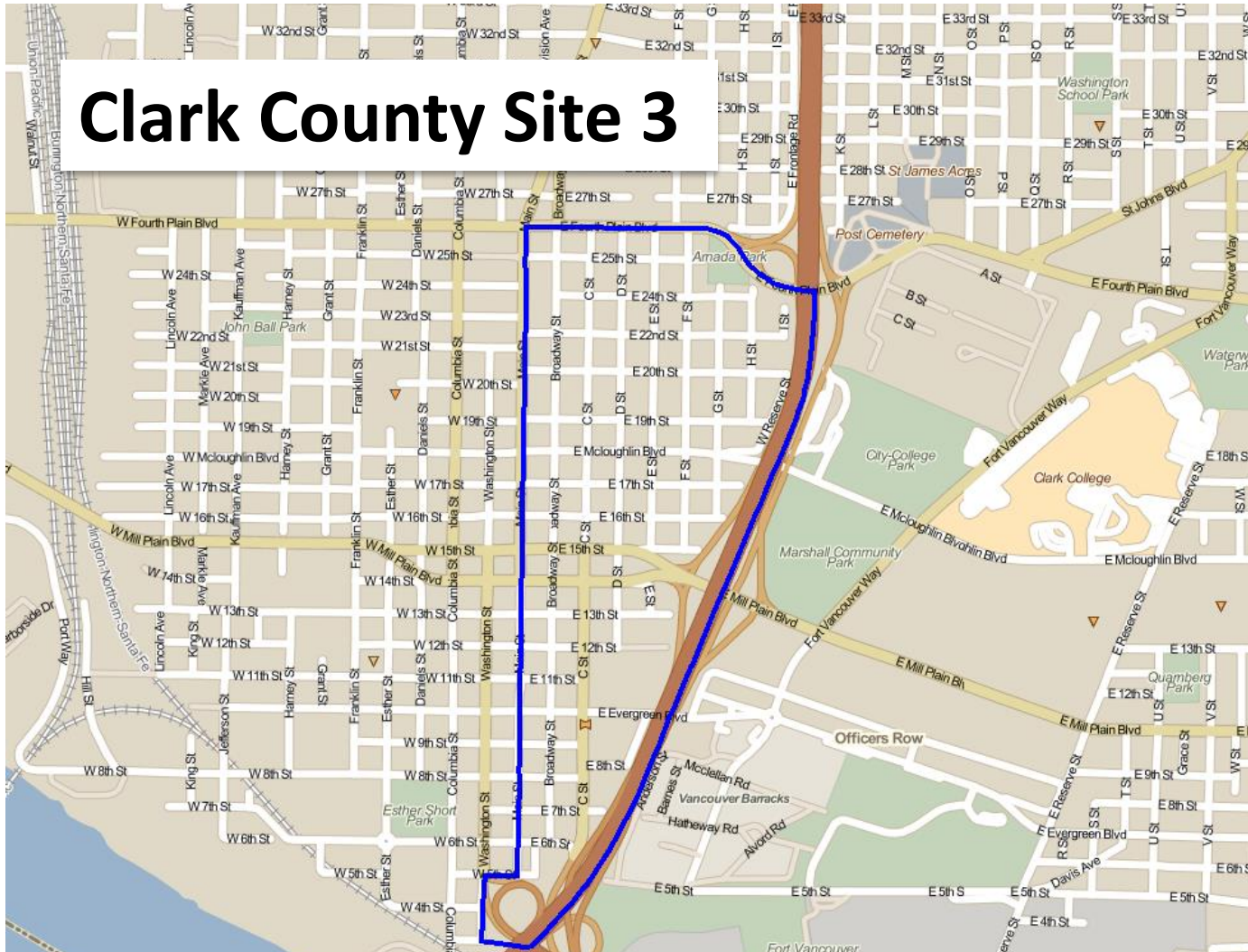
# Clark County Site 2



- 14% homeownership
- 12% unemployment
- \$34,730 median household income

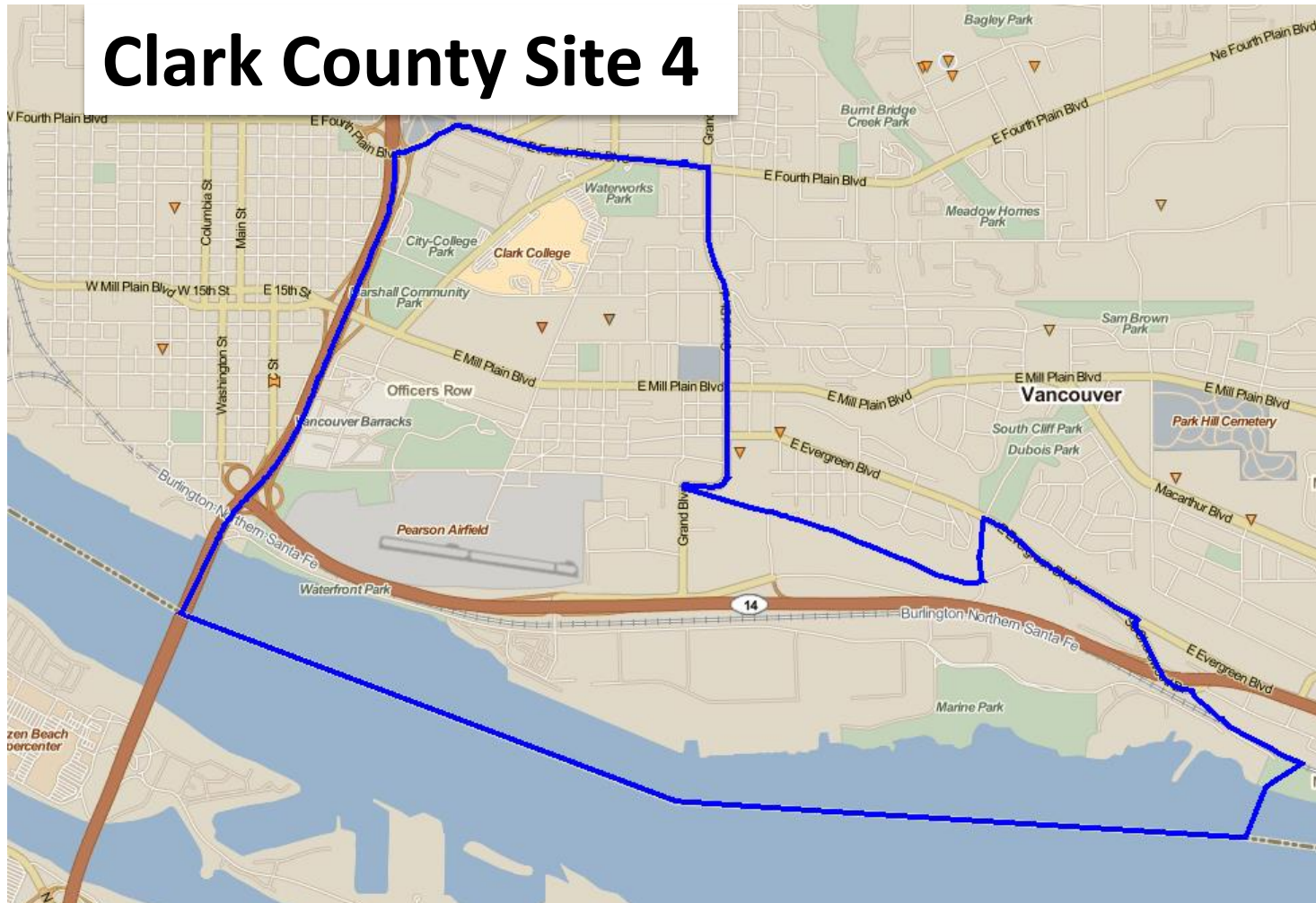


# Clark County Site 3



- 35% homeownership
- 10% unemployment
- \$41,020 median household income

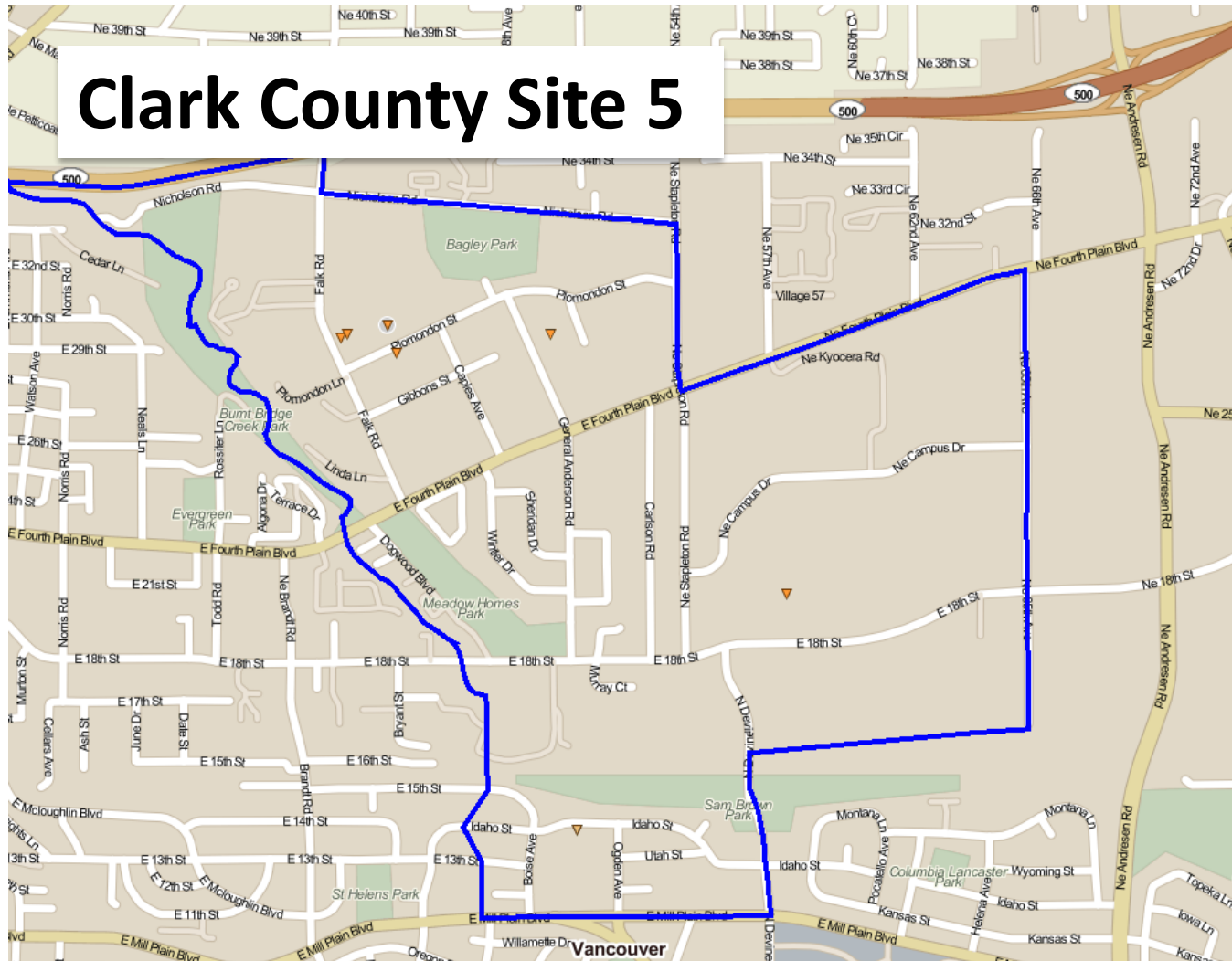
# Clark County Site 4



- 41% homeownership
- 7% unemployment
- \$43,180 median household income



# Clark County Site 5



- 20% homeownership
- 12% unemployment
- \$34,491 median household income

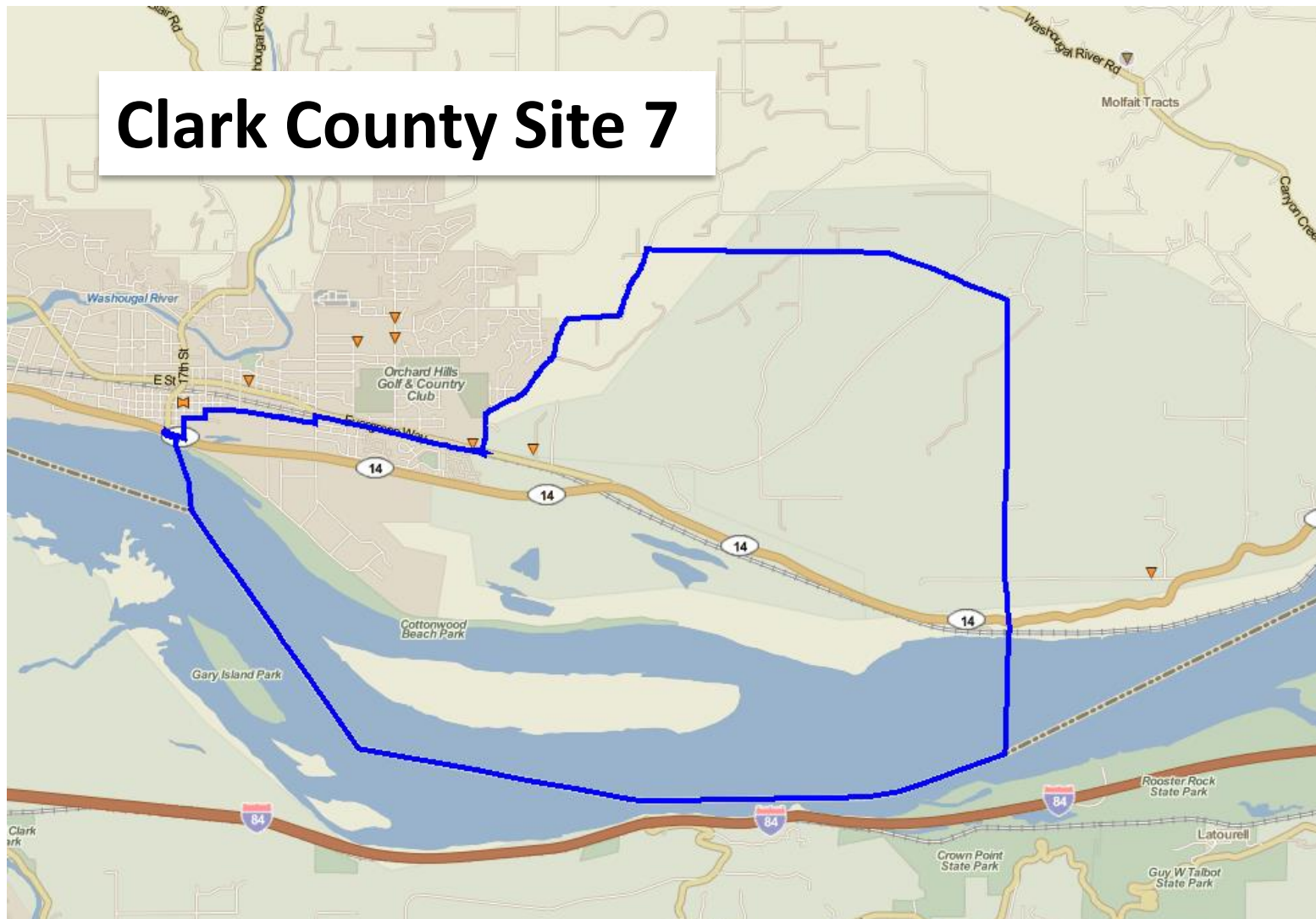
# Clark County Site 6



- 47% homeownership
- 10% unemployment
- \$42,000 median household income

- 47% homeownership
- 10% unemployment
- \$43,900 median household income

# Clark County Site 7



- 60% homeownership
- 8% unemployment
- \$47,716 median household income