

OPPORTUNITY ZONES: A NEW FEDERAL INCENTIVE COORDINATED BY STATES

“The federal tax bill passed at the end of December 2017 allows each state’s governor to designate eligible census tracts as Opportunity Zones. Investments made through opportunity funds in these zones would be allowed to defer or eliminate federal taxes on capital gains. The program allows the Governor to designate up to 25 percent of eligible census tracts. Eligible tracts must meet certain criteria using 2011-15 ACS data:

1. Poverty rates of at least 20 percent.

OR

2. Median family incomes of no more than 80 percent of statewide or metropolitan area median family income.”

- State of California Department of Finance, March 2, 2018

INVESTING IN OPPORTUNITY ZONES

- Intended to attract long-term investments to disadvantaged areas, as measured by poverty and median income
- Opportunity funds investing must be focused on these types of areas (maintain 90 percent in Opportunity Zones)

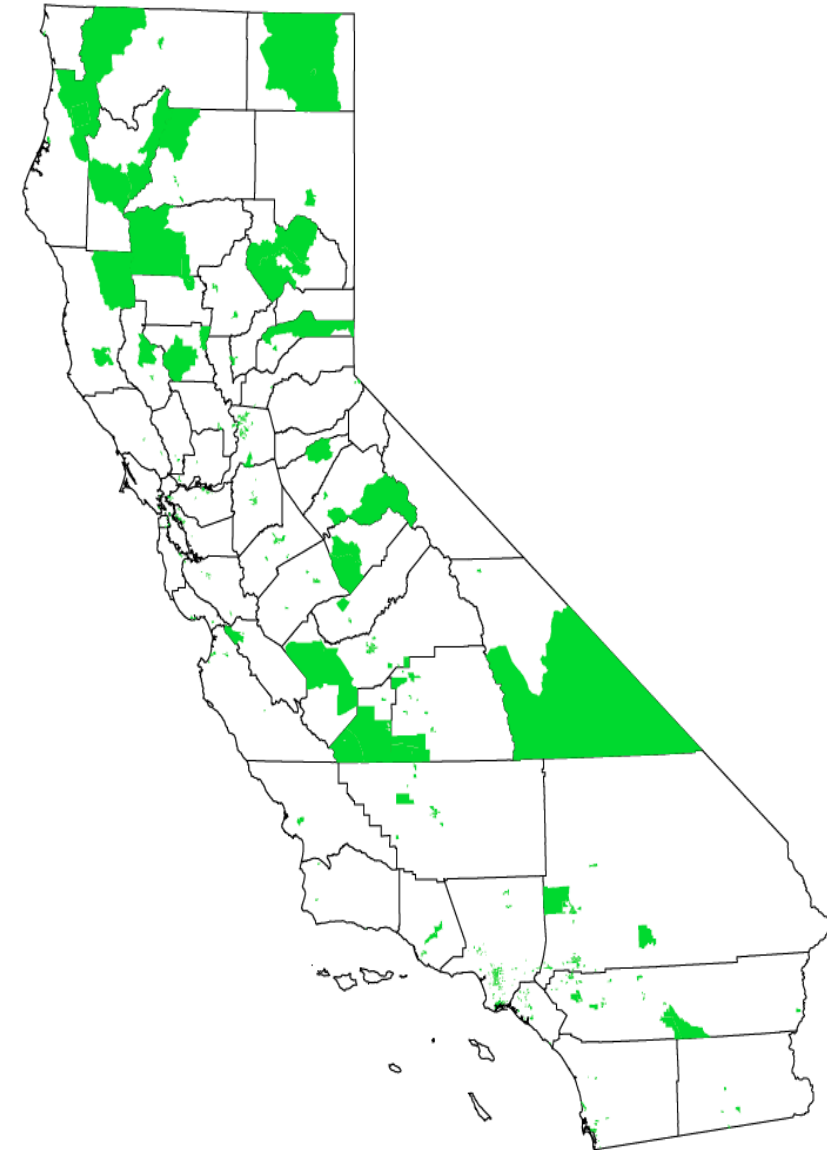
Federal Incentive:

- Investments in opportunity funds would be allowed to defer or reduce capital gains.
- Gains on investments held for 10 years or more would incur no federal tax liability.
- If investments were held for 5 years, 10 percent of gains would be excluded, and 15 percent for 7 years.
- No State incentive included.

CALIFORNIA'S CRITERIA

California may recommend 879 census tracts. The State Department of Finance created a list of recommended tracts by considering:

- Business activity – at least 30 businesses,
- Poverty rate of at least 20%,
- Geographic diversity (including all 54 counties with eligible tracts), and
- Regional variations in income by metropolitan level.



CALIFORNIA'S NEXT STEPS

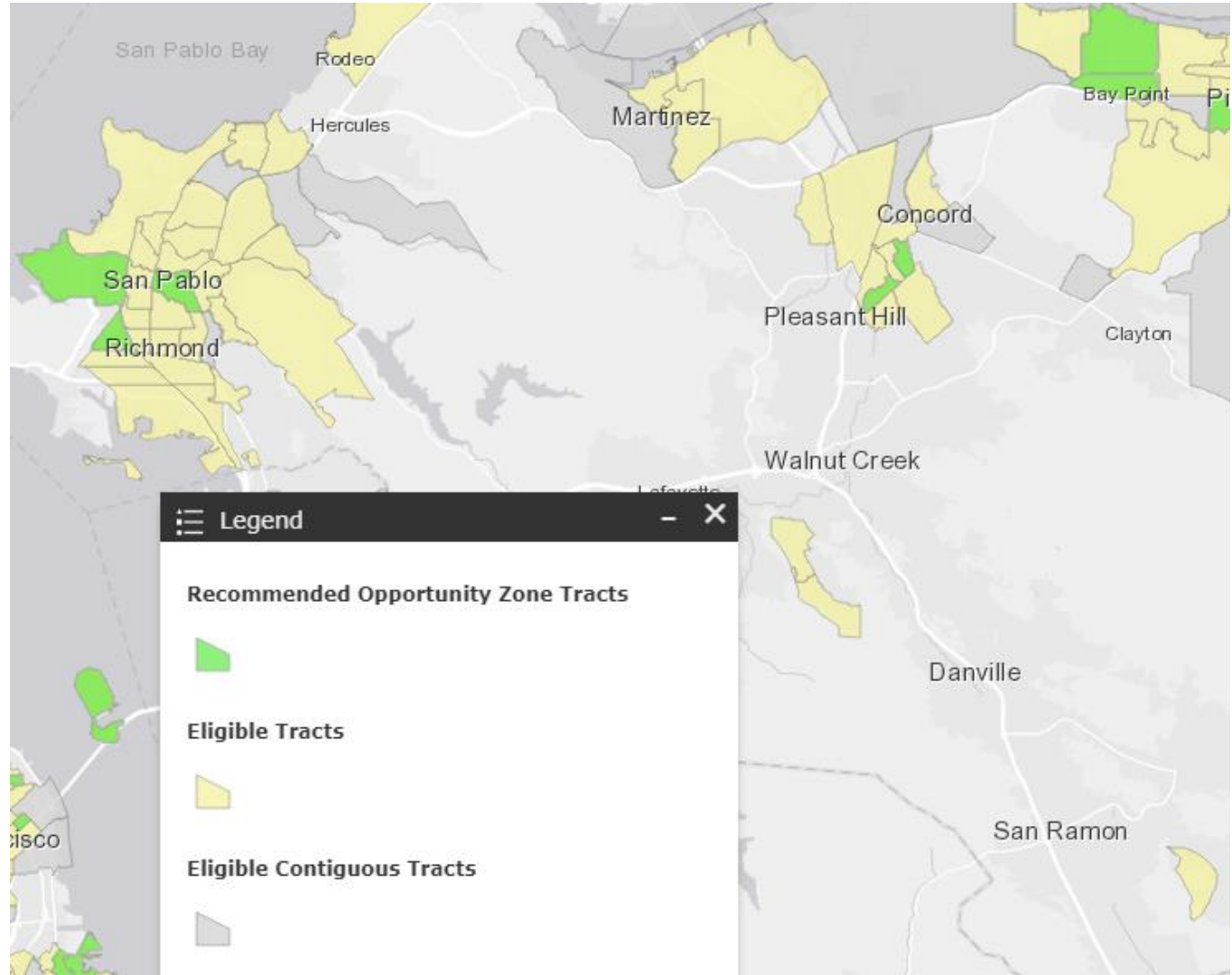
- State staff made their list of recommended tracts public on March 2 and held a same-day conference call for interested parties.
- Comments, including affirming selected tracts, due to State by March 15.
- Staff will review comments, make any adjustments to recommendations, and forward to Department of Treasury to finalize.
- State staff discouraged adding tracts to the list, since the cap means some would have to be removed if any are added. If agencies want to add tracts, State staff suggested also removing tracts under same jurisdiction to even it out. (While there is a federal provision to add otherwise non-eligible “contiguous” tracts, that is a long shot in California since there are so many eligible tracts under the lower poverty level guidelines.)

CONTRA COSTA TRACTS RECOMMENDED BY STATE – WEST & CENTRAL

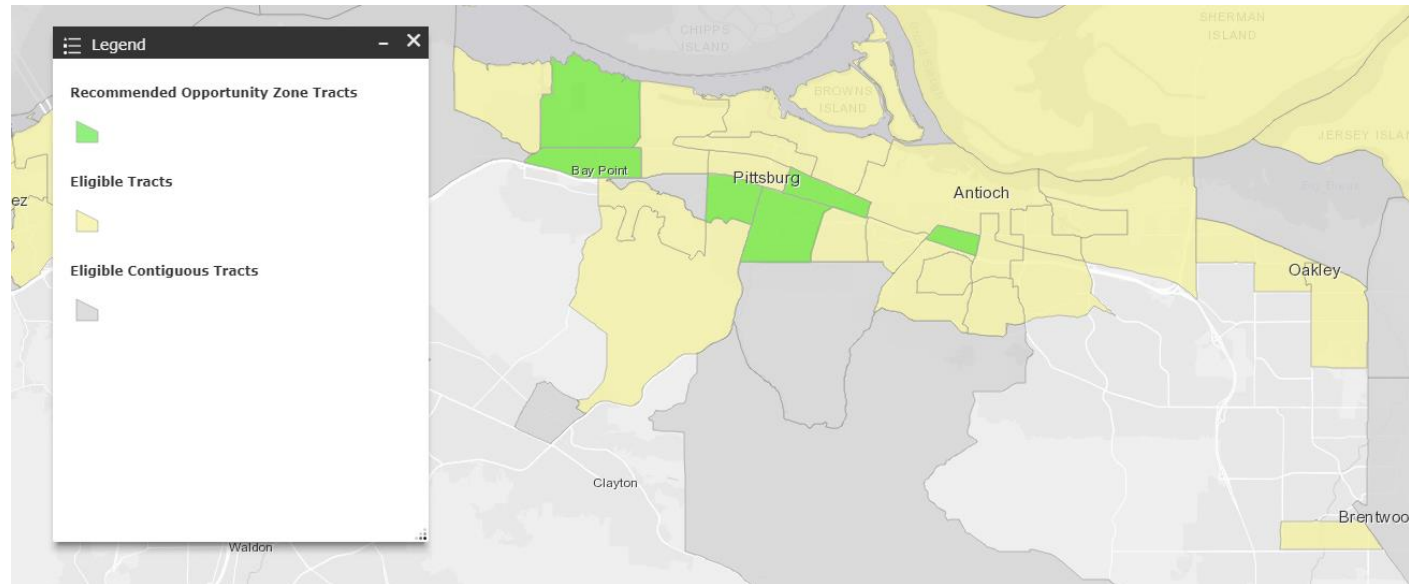
11 tracts total
recommended by the
State staff.

In West County and
Central County,

- City of Concord: 2
- City of Richmond: 1
- City of San Pablo: 1
- North Richmond: 1



CONTRA COSTA TRACTS RECOMMENDED BY STATE – EAST



In East County,

- City of Pittsburg: 3
- City of Antioch: 1
- Bay Point: 2

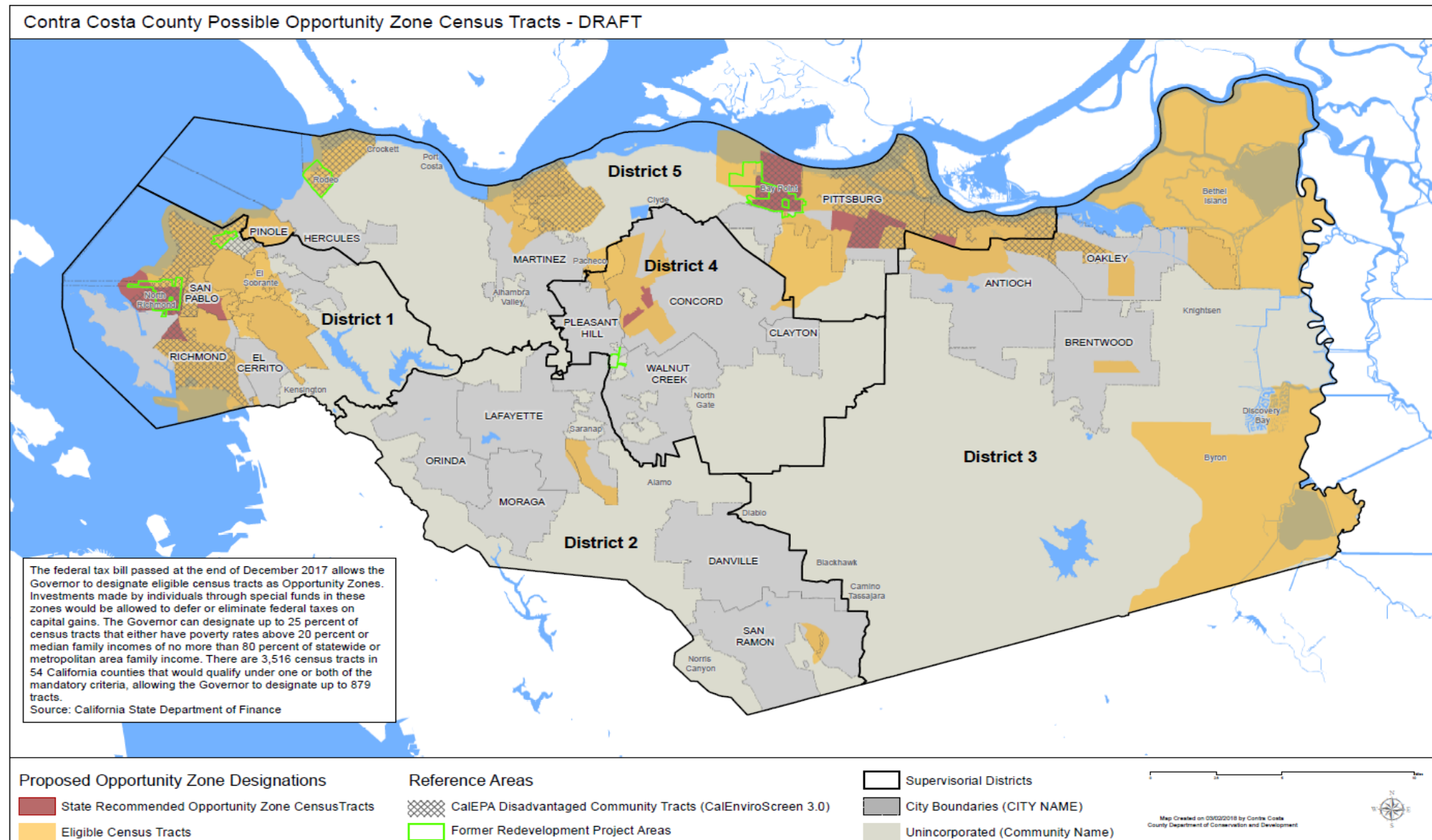
OVERLAPPING PROGRAMS - STATE

- While not part of the State's screening criteria, 66% of recommended tracts statewide overlap with disadvantaged areas identified in Senate Bill 535 (2012), which helps direct money from California's cap and trade program (CalEnviroScreen 3.0). **The State's recommended tracts in City of Richmond, North Richmond, Bay Point, and 2 out of the 3 in the City of Pittsburg are also SB 535 disadvantaged areas.**
- 98% recommended tracts statewide overlap with disadvantaged communities identified in Assembly Bill 1550 (2016), which also helps direct money from California's cap and trade program. **All of the Contra Costa County tracts are AB 1550 disadvantaged communities.**

OVERLAPPING PROGRAMS - COUNTY

- Some overlap with former County redevelopment project areas in North Richmond and Bay Point.
- Some overlap with the Northern Waterfront Economic Development Initiative area in the stretch from Bay Point to Antioch.

OVERLAPPING PROGRAMS - COUNTY



Public Comment Directives from State

Type 1: Keep or reject a tract currently recommended for designation.

- Including a justification is encouraged, but optional.

Type 2: Suggestions to include qualified tracts not currently recommended.

- Suggestions of replacements, rather than additions, are strongly encouraged.
- Including a short justification, including why a replacement is warranted, is required.
- If a tract is only qualified by adjacency or contiguity, a justification must be included (documentation of an ongoing program or project across tracts, etc.).

Comments due by 5 PM on March 15.