

An aerial photograph of a city, likely San Francisco, showing a dense residential area with a mix of building styles. In the background, there are rolling hills and mountains under a clear sky. The image is slightly faded to make the text stand out.

OPPORTUNITY ZONES

Where are we now? Where can we go?

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Passed in the 2017 Tax Cut and Jobs Act

Governors of the 50 states, 5 territories, and the mayor of D.C. select 25% of eligible tracts as Opportunity Zones.

Once selected they keep their designation for 10 years.

8,700 OZs have been identified across the country

How investors are thinking about Opportunity

Zones



Excellent tax incentives to invest, but still seeking risk-adjusted market return



New possibilities for those with realized gains and patient capital



Current rules make it challenging to invest in one multi-asset fund

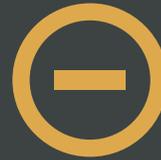


Not always clear how to find viable projects



Business investment is still unclear

How The Incentive Works



Roll Gains Forward

Roll gains of any kind, including gains from stock or real estate, into a qualified OZ investments. Unlike 1031 exchanges, only gains need to be rolled forward, allowing investors to extract their original basis.

Defer Taxes

Defer taxes on Gains realized today until 2026. This allows investing dollars that would otherwise be paid as taxes to increase your initial investment size, and ultimately your gains.

Reduce Taxes

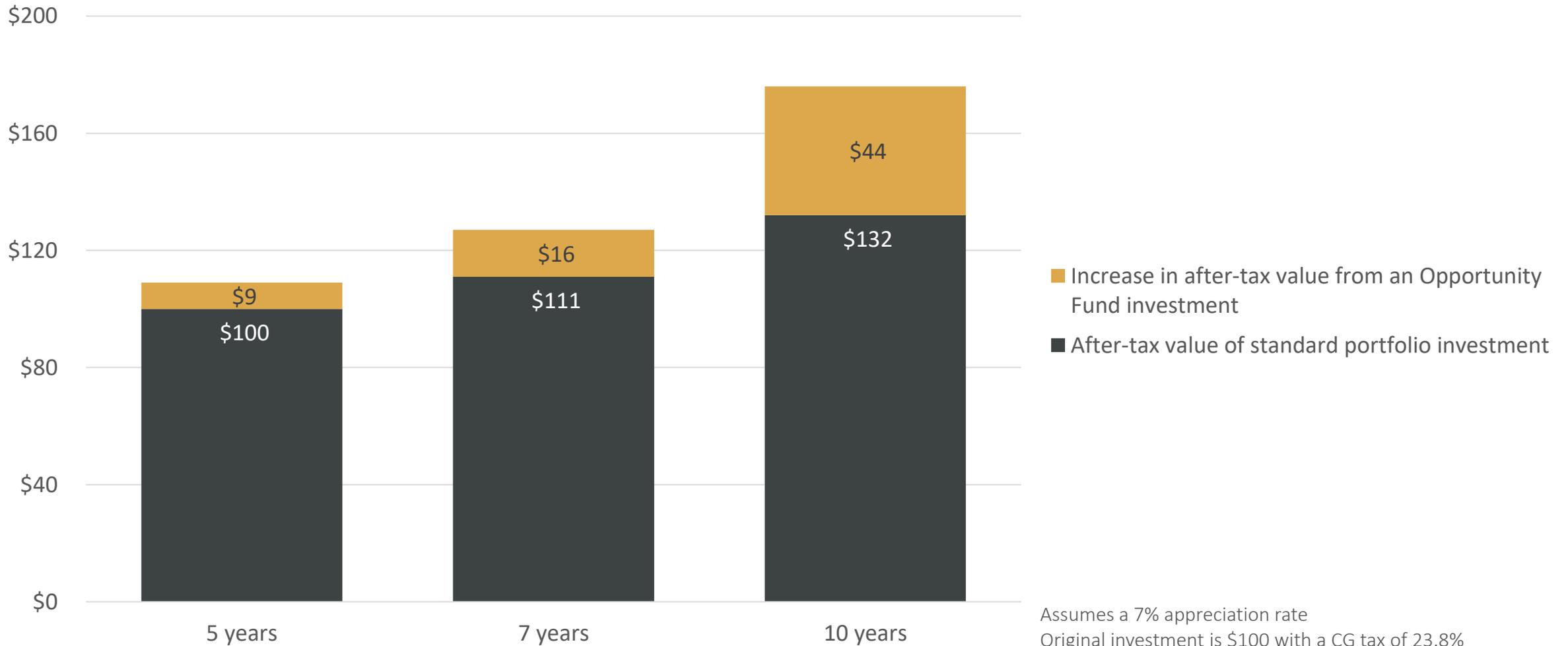
If the investment is left in qualified OZ investments for 5 years, there is a 10% forgiveness of the 2026 bill. After 7 years, an additional 5% is forgiven for a total of 15% reduction in the deferred taxes due.

Eliminate Taxes

After 10 years, all gains made within the opportunity zone can be realized tax free. That's 100% forgiveness of taxes for gains made in the OZ, resulting in as much as a 44% boost to returns.

Particularly compelling for investors over 10 year horizon

After tax value of a \$100 standard portfolio investment vs. Opportunity Zone investment



First Set of Rules Released October 19th...



Generally Positive for Investment

- Favors funds specifically geared towards projects
- Have to get dollars to the project level to meet the **6 month test**
- Asset value must increase 100% after 30 months
- Likely to have single purpose vehicle funds



Some Questions Still Remain

- Questions about multi-asset funds
- Questions about reporting requirements
- Uncertain feasibility of investment in operating businesses
- Larger institutions are not creating funds at this point
- **Hearing February 14th, outcomes TBD**

The background image shows a stone building with a gabled roof and a square tower on the right side. A large American flag is draped on the left side of the building. The building is situated on a grassy bank next to a calm lake. The trees in the background are in full autumn foliage, with shades of orange, red, and yellow. The sky is a clear, pale blue.

THE GOVERNANCE PROJECT

We help equip and empower communities taking practical steps to combat economic disparity by providing toolkits and technical assistance to support long-term transformative investments.

Keys to stakeholder OZ success



Anchor
institution
planning



Contribution
by key local
stakeholders



Engaging local
capital base
(philanthropy &
family office)



Leveraging
planning
process

Engaged Community is key: key steps



Identify Needs

- ❖ Figure out **2-3 needs for achieving community vision** that Opportunity Fund capital could help address.



Identify Assets

- ❖ What are **strongest aspects** of community?
- ❖ What can they do to **increase attractiveness**?
- ❖ **Assets include:** anchor institutions, city owned land, regional growth, active nonprofits, and more...



Identify Projects

- ❖ Where do **needs and assets overlap** to create a project?



Build Action Plan

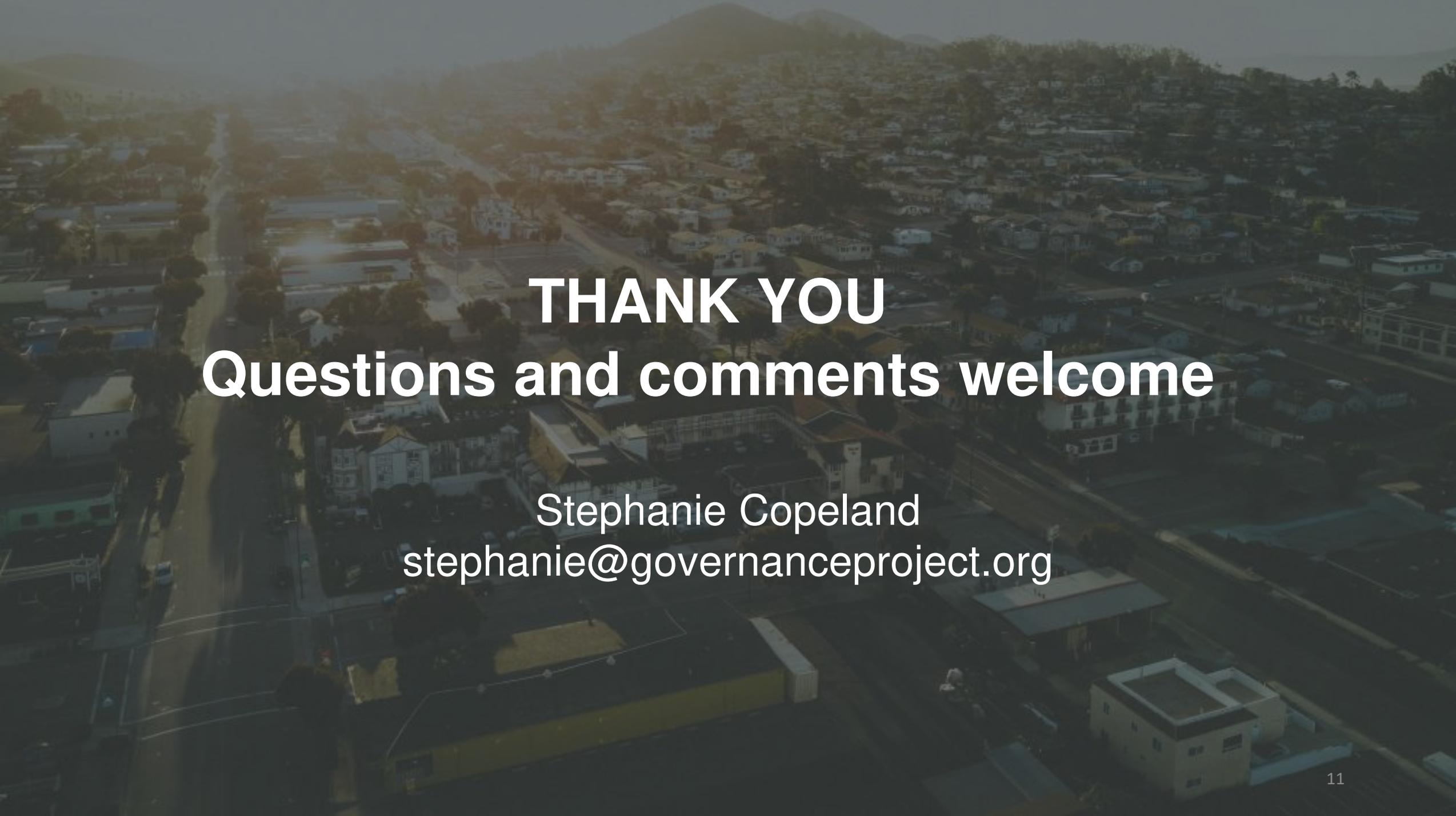
- ❖ Identify the **tangible steps** to move from identifying to actualizing project.
- ❖ what **stakeholders need to be engaged**? who is responsible for doing so?

KEY CONSIDERATIONS MOVING FORWARD IN RHODE ISLAND

Develop specific project-profiles from stakeholder process.

Qualified Opportunity Funds form around specific projects (**no multi-asset funds for now**).

First mover advantage in communities with workable deals.



THANK YOU
Questions and comments welcome

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