# 2020 California Opportunity Zone & Promise Zone Update



Governor's Office of Business and Economic Development (GO-Biz)



Trelynd Bradley

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- Governor's Office of Business and Economic Development
  - Trelynd Bradley, Senior Business Development Specialist
- U.S. Department of Housing and Urban Development
  - Erich Yost, Senior Management Analyst





- Power of Partnership: Panel with California Promise Zones
  - Ashley Wolfe, Program Analyst
  - Robert Jamieson, Program Analyst
  - Paul Pulido, Interim Executive Director
  - Elder Sanabria, LA Promise Zone Manager
  - Julius Austin, Sacramento PZ Coordinator
  - Xio Crespo, San Diego Promise Zone Manager





- Roundtable Panel with CA 19'20' OZ FUSE
  - Trelynd Bradley, Senior Business Development Specialist
  - Erich Yost, Senior Management Analyst
  - Stacy Cumberbatch 19'20' FUSE Riverside County
  - Gil Keinan, 19'20' FUSE San Bernardino County
  - Clair Whitmer, 19'20' FUSE City of Fresno





- Resource Roundtable: Finding Alignment
  - Shivani Bose-Varela, California Grants Portal
  - Poonum Patel, Tax Incentives
  - Robert Meyer, Employment Training Panel
  - Maria Onorato, International Trade and Foreign Direct Investment
  - Trelynd Bradley, Tax Increment Financing





## Questions / Navigating Event

- Utilize the Q&A Box
- Questions will be recorded and answered periodically privately or following the event
- Questions recorded and posted
- Can always use the "Contact US" on opzones.ca.gov or business.ca.gov





## GO-Biz Update and Overview

- 1. What is GO-Biz?
- 2. What are Opportunity Zones? What are Promise Zones? What is the benefit?
- 3. How does GO-Biz support these?
  - Local Economic Development Services
  - Business Investment Services
- 4. Looking ahead to 2021





# Governor's Office of Business and Economic Development (GO-Biz)



#### **GO-Biz Mission**

- Point of contact for economic development and job creation efforts
- Offers services to business owners, communities, and site selectors



#### SB-635 (Hueso) Local Economic Development Services

- Tailored consultation, education, and incentive navigation for communities
- Opportunity Zones (OZs), Promise Zones (PZs), Tax Increment Financing Tools (TIF)



#### Opportunity Zones and GO-Biz (opzones.ca.gov)

- ZenDesk Ticket System, direct technical assistance and community outreach
- Interactive Map Tool, California OppSites Marketplace

## What are Promise Zones?



Place-based designation to support community partnership, growth, opportunity, and measured success.

Selected through three rounds of competition at the federal level up until 2015



High poverty communities where the federal government partners with local leaders to increase economic activity, improve educational opportunities, leverage private investment, reduce violent crime, enhance public health and address other priorities identified by the community.



Four California Promise Zones

LA Promise Zone

Sacramento Promise Zone

South Los Angeles Transit Empowerment Zone (SLATE Z) Promise Zone

San Diego Promise Zone



#### Promise Zone Communities

www.hud.gov/promisezones

#### FIRST ROUND

Los Angeles

Philadelphia

San Antonio

Kentucky Highlands

Choctaw Nation

#### SECOND ROUND

Camden

Indianapolis

Minneapolis

North Hartford

Sacramento

St. Louis

Pine Ridge Indian Reservation

South Carolina Low Country

#### THIRD ROUND

Atlanta

Los Angeles

San Diego

Nashville

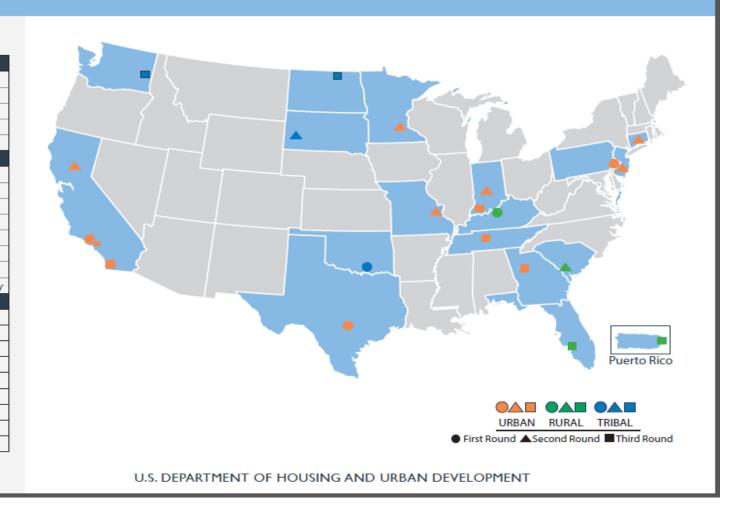
Evansville

Southwest Florida

Roosevelt Roads

Spokane

Turtle Mountain Band



## What are Opportunity Zones?



Tool and incentive for community, business, and economic development

Designed to spur economic progress through new investment



Economically distressed community where new investments that certify certain conditions, may be eligible for preferential tax treatment. Preferential consideration in federal grants.



Three tax benefits for capital gains = 5/7/10 years

Tax deferral

Tax reduction

Tax Exemption

## Where are Opportunity Zones in California?

- □ 879 Census Tracts in California
- □ 57 out of 58 counties in state
- Urban and rural
- Strong alignment with
   Disadvantaged Communities
   identified through
   CalEnviroScreen
- Range of needs, assets, and community desires
- Overlap with existing place based economic initiatives



## Background



Authorized by the Investing in Opportunity Act in 2017



Certified by U.S. Treasury on 4/9/18



879 Opportunity Zone designations in California

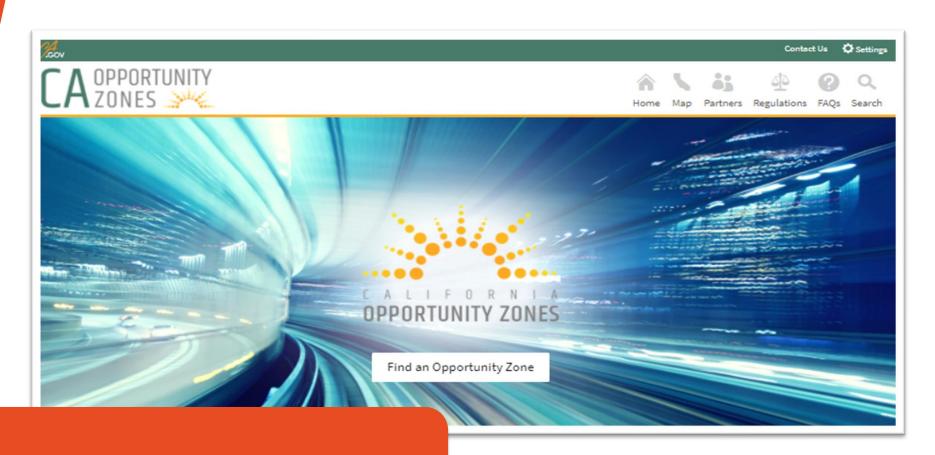


Opportunity Zone certifications are valid for 10 years

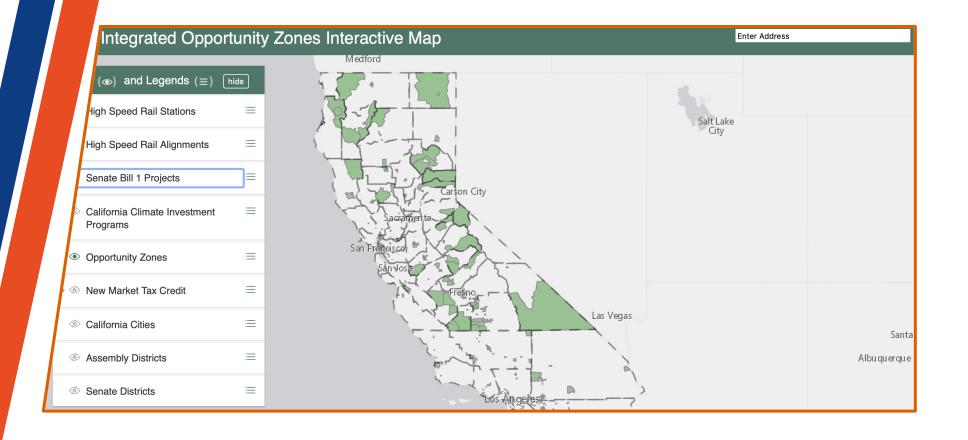
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Federal tax incentive certification managed by the U.S. Department of Treasury and the Internal Revenue Service with federal agencies

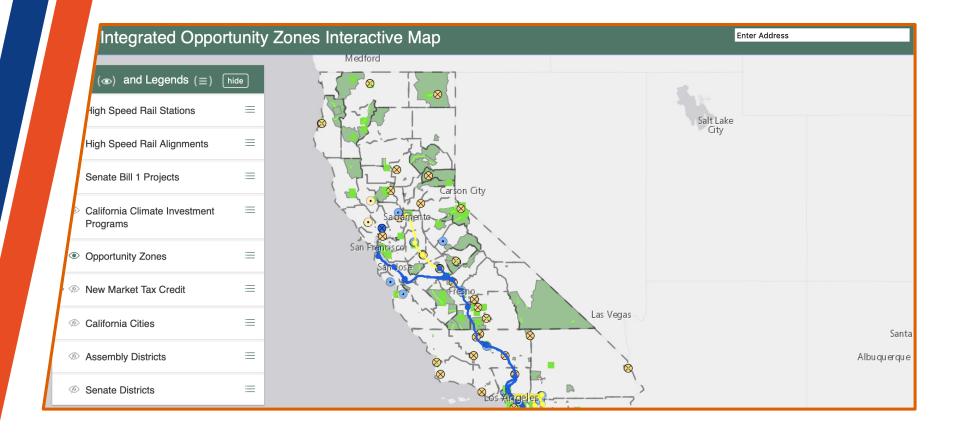
### California Opportunity Zones



opzones.ca.gov



State Integrated Opportunity Zone Map



State Integrated Opportunity Zone Map

## What is the Opportunity Zones tax benefit?

- <u>Capital Gains Tax Deferral:</u> An investor that re-invests capital gains into a Qualified Opportunity Fund can defer the payment of federal taxes on the realize gains of the investment as late as December 31, 2026
- <u>Capital Gains Tax Reduction:</u> An investor that holds their investment in a Qualified Opportunity Fund for at least give years can reduce their tax bill on the capital gains differed by 10%. If the investor holds their investment for at least seven years, the reduction increases to 15%.
- <u>Elimination of Taxes on Future Gains:</u> An investor that holds their investment in a Qualified Opportunity Fund for at least ten years will not be required to pay federal capital gains taxes on any realized gains from the investment.

#### How do I invest?

• Investments in Opportunity Zones are made through Qualified Opportunity Funds. You must make your investment through a Qualified Opportunity Fund in order qualify for any benefit.

#### What is a Qualified Opportunity Fund?

• A Qualified Opportunity Fund is any investment vehicle that files either a corporate or partnership federal income tax return and is organized for the specific purpose of investing in Opportunity Zone assets.

#### What are the requirements for the Qualified Opportunity Fund?

- To become a Qualified Opportunity Fund, an eligible investment vehicle must self-certify by filing <u>IRS Form 8996</u> with its federal income tax return.
- If the Qualified Opportunity Fund holds at least 90% of its assets in Opportunity Zone property, the fund can invest in as many qualified Opportunity Zones as it desires.

## Opportunity Zones can be used for a variety of purposes

- Commercial real estate and renovation
- Opening a new business in an Opportunity Zone
- Expanding an existing business in an Opportunity Zone
- Affordable housing, renewable energy, waste management, small businesses, farming operations, retail stores

## To qualify as a Qualified Opportunity Zone Business (QOZB) the business must:

- Have at least 50 percent of gross income of OZ business be derived from trade or business conduct within the OZ
  - 50% of services performed by employees & contractors are within OZ (based on hours)
  - 50% of services performed by employees & contractors are within OZ (based on pay)
  - Tangible property of the business that is in a qualified OZ is necessary to generate 50% of the business income

## Additional Benefit - Program Leverage

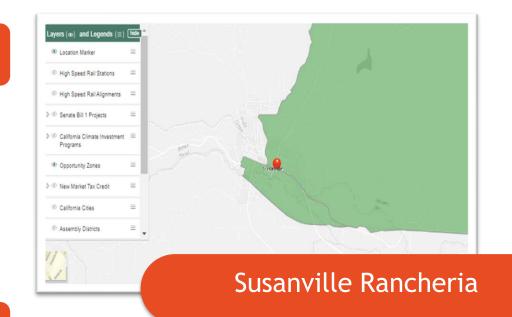
Cities and counties across California are leveraging placebased to leverage grants, programs, tax credits...

### Federal Grants Programs

- 330+ Grants and Programs with Preferential Pointing and Consideration with Opportunity Zones
- Alignment with existing federal funding programming withing Promise ZOnes
- Opportunity to pair private capital with public investment with fed funds

### Example - Susanville Rancheria

- National Tribal Broadband Grant (NTBG)
- Bureau of Indian Affairs (BIA) \$47,016
- Brownfields Cleanup Grant
- Environmental Protection Agency (US EPA) \$441,545



### Local Economic Development Liaison Services

Cities and counties across California are pairing and using state programs with Opportunity Zone and Promise Zones.

Community Development

- Community Development Block Grant Program (CA HCD)
- Transformative Climate Communities (CA SGC)

Housing and Infrastructure

- Infill Infrastructure Grant Program/CDBG Program (CA HCD)
- Infrastructure State Revolving Fund (CA IBank)

Sustainable Development

- Targeted Site Investigation Program (CA DTSC)
- California Lending for Energy and Environment Needs (CA Ibank)



City of Ontario - TCC

\* Qualified Opportunity Fund
(QOF) in Affordable Housing

#### **Business Investment Services**

GO-Biz provides no-cost, confidential services for incentive and grant navigation. Many business incentives pair with Opportunity Zones and Promise Zones

#### Tax Incentives

- CalCompetes Tax Credit (CA GO-Biz)
- R&D Tax Credit (CA FTB)
- California Alternative Energy and Advanced Transportation Financing (CAEATFA at State Treasurer's Office

## Employment and Training

- Employment Training Panel (ETP)
- New Employment Tax Credit (NEC)
- Work Sharing at EDD

## Loans and Financing

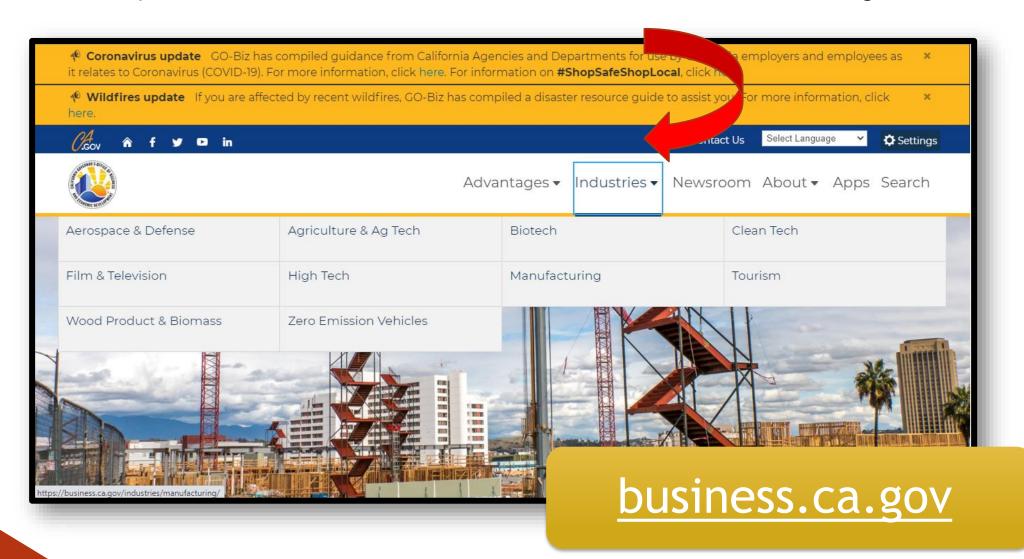
- Recycling Market Development Zone (CalRecycle)
- Pollution Control Financing (CA Treasurer's Office)
- Small Business Finance Center (IBank)

# Example: Small Composting Company Seeking Multiple Sites in OZ in Site Selection

- Composting company seeking sites within OZs primarily in rural Southern California
- Seeking primary for leverage of state and federal funding programs for company (pursuing CalRecycle funding)
- ☐ Exploring potential use of social impact QOF to invest in project as QOZB

### Incentives for California Businesses

GO-Biz provides no-cost, confidential services for incentive navigation.



### Opportunity Zones and Promise Zones

Develop Economic Development Goals for Community

Foster Community-Led Projects Inclusive of all Parties

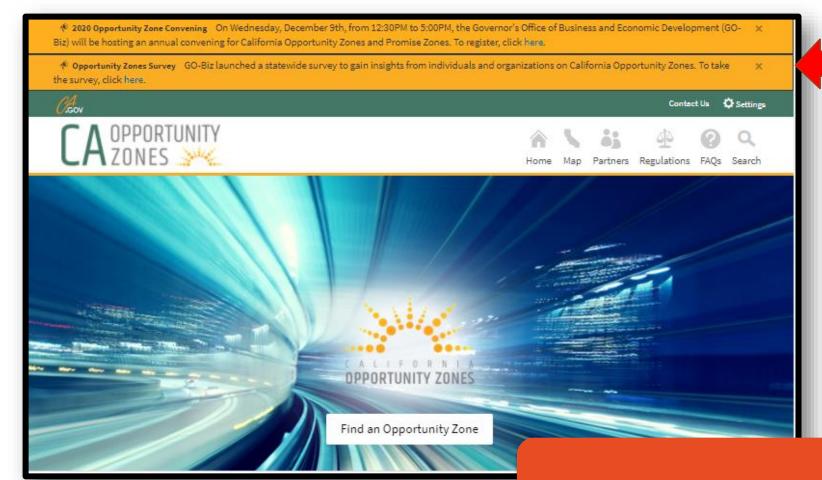
Utilize Other Sources of Funding (Federal, State, Local) Build
Narrative and
Pipeline to
Positive
Investment



# Future CA Developments

- Future regional GO-Biz staffing support
- Further alignment of state programs
- 2021 Annual COnvening
- Update of CA OppZones Website
- Greater coordination with SBDC's / small biz
- More educational content for economic development

## 2020 CA GO-Biz Opportunity Zones Survey



opzones.ca.gov

## 2020 CA GO-Biz Opportunity Zones Survey

2020 GO-Biz Opportun	
Please fill out the survey below.	
Questions with a * indicate they	are required.
1. What region of California are you I	ocated in?*
	~
2. What is the nature of your organize	ation?*
	~
lf your organization was not an optio	on in the list above, please share yo
organization type:	ii iii tile iist above, picase silaire yo

opzones.ca.gov

## **CA GO-Biz Updated Distribution List**







## Thank you!

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