2020 California Opportunity Zone & Promise Zone Update

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

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Agenda

- 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
Agenda

• 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
Agenda

• 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
Agenda

• 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
What are Opportunity Zones?

Tool and incentive for community, business, and economic development

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
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
Federal tax incentive certification managed by the U.S. Department of Treasury and the Internal Revenue Service with federal agencies
State Integrated Opportunity Zone Map
State Integrated Opportunity Zone Map
What is the Opportunity Zones tax benefit?

- **Capital Gains Tax Deferral:** 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.

- **Capital Gains Tax Reduction:** An investor that holds their investment in a Qualified Opportunity Fund for at least five 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%.

- **Elimination of Taxes on Future Gains:** 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 IRS Form 8996 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 place-based 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 within 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.

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

**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)
Incentives for California Businesses

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

https://business.ca.gov
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

Opportunity Zone Convention: On Wednesday, December 9th, from 12:30PM to 2:00PM, the Governor’s Office of Business and Economic Development (GO-Biz) will be hosting an annual convening for California Opportunity Zones and Promise Zones. To register, click here.

Opportunity Zones Survey: GO-Biz launched a statewide survey to gain insights from individuals and organizations on California Opportunity Zones. To take the survey, click here.

opzones.ca.gov
2020 CA GO-Biz Opportunity Zones Survey

Please fill out the survey below.

Questions with a * indicate they are required.

1. What region of California are you located in?*

2. What is the nature of your organization?*

If your organization was not an option in the list above, please share your organization type:

3. Are you aware of any investments (businesses, projects) being funded by Qualified Opportunity Funds in your region/community?*
CA GO-Biz Updated Distribution List

Thank you for your continued partnership. You are receiving this email as you subscribed to Opportunity Zone Updates on the California Opportunity Zone website.

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opzones.ca.gov
Thank you!

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