OZ Basics + Key Terms

Opportunity Zones is a new federal tax incentive that offers capital gains deferrals, reductions and abatements for investments made in Census tracts designated Opportunity Zones.

What are Opportunity Zones?
Opportunity Zones are low-income, high-poverty Census tracts designated by state governments targeted for economic development.

What is a Qualified Opportunity Fund?
The implementation mechanism: a Qualified Opportunity Fund (QOF) is the investment vehicle. Must make equity investments and maintain 90% of investments in qualifying OZ assets (QOZB, QOZBP). Self-certified; checked semi-annually.

What is a Qualified Opportunity Zone Business (QOZB) and Business Property (QOZBP)?
QOZB includes newly issued stock or partnership interest. 50% of income from active conduct in the OZ; subject to other tests. QOZBP is tangible property in OZ; subject to various tests.
How Opportunity Funds Work

Figure 1. Investing in an Opportunity Fund vs. a Standard Stock Portfolio
Scenario: A Capital Gain of $100 is Reinvested in 2018

Incentives Offered by the Opportunity Zones Program

<table>
<thead>
<tr>
<th>Deferral</th>
<th>Deferral</th>
<th>Deferral</th>
</tr>
</thead>
<tbody>
<tr>
<td>+ 10% step-up in basis</td>
<td>+ additional 5% step-up in basis</td>
<td>+ total 15% step-up in basis + permanent exclusion of O-Fund gains from taxes</td>
</tr>
</tbody>
</table>

Assumptions:

- Long-term federal capital gains tax rate: 23.8%
- No state income tax
- 7% annual appreciation for both O Fund and alternative investment

Source: Economic Innovation Group
Designation Process

Legend

- DMPED Real Estate Projects
- Zoning Regulations of 2016 - Commercial
- 18 Core Census Tracts
- OPTION 1 - East of the River
- OPTION 2 - Retail Corridors
- OPTION 3 - Creative Industries & Manufacturing
- All Eligible Opportunity Zone Census Tracts
Designated Opportunity Zones

<table>
<thead>
<tr>
<th>Census Tract</th>
<th>Ward</th>
<th>Neighborhood</th>
</tr>
</thead>
<tbody>
<tr>
<td>2101</td>
<td>4</td>
<td>Brightwood Park</td>
</tr>
<tr>
<td>3400</td>
<td>1</td>
<td>Howard University, LeDroit Park, Pleasant Plains, Park View</td>
</tr>
<tr>
<td>6400</td>
<td>6</td>
<td>Buzzard Point</td>
</tr>
<tr>
<td>6804</td>
<td>7</td>
<td>Hill East</td>
</tr>
<tr>
<td>7304</td>
<td>8</td>
<td>Congress Heights</td>
</tr>
<tr>
<td>7401</td>
<td>8</td>
<td>Barry Farm, Poplar Point</td>
</tr>
<tr>
<td>7407</td>
<td>8</td>
<td>Fort Stanton</td>
</tr>
<tr>
<td>7503</td>
<td>8</td>
<td>Historic Anacostia</td>
</tr>
<tr>
<td>7601</td>
<td>8</td>
<td>Fairlawn</td>
</tr>
<tr>
<td>7603</td>
<td>7</td>
<td>Naylor Gardens, Fairfax Village</td>
</tr>
<tr>
<td>7604</td>
<td>7</td>
<td>Hillcrest, Randle Highlands</td>
</tr>
<tr>
<td>7709</td>
<td>7</td>
<td>Twining, Dupont Park</td>
</tr>
<tr>
<td>7803</td>
<td>7</td>
<td>Central Northeast</td>
</tr>
<tr>
<td>7804</td>
<td>7</td>
<td>Lincoln Heights</td>
</tr>
<tr>
<td>7806</td>
<td>7</td>
<td>Deanwood</td>
</tr>
<tr>
<td>7808</td>
<td>7</td>
<td>Northeast Boundary, Grant Park</td>
</tr>
<tr>
<td>8904</td>
<td>5</td>
<td>Carver Langston</td>
</tr>
<tr>
<td>9102</td>
<td>5</td>
<td>Brentwood</td>
</tr>
<tr>
<td>9204</td>
<td>5</td>
<td>Edgewood</td>
</tr>
<tr>
<td>9601</td>
<td>7</td>
<td>Kenilworth, Eastland Gardens</td>
</tr>
<tr>
<td>9602</td>
<td>7</td>
<td>Mayfair, Parkside</td>
</tr>
<tr>
<td>9603</td>
<td>7</td>
<td>Benning</td>
</tr>
<tr>
<td>10300</td>
<td>4</td>
<td>Shepherd Park, Takoma</td>
</tr>
<tr>
<td>10400</td>
<td>8</td>
<td>Congress Heights</td>
</tr>
<tr>
<td>10900</td>
<td>8</td>
<td>Bellevue</td>
</tr>
</tbody>
</table>
DC’s OZ Investment Priorities

1. Deliver neighborhood-serving amenities
2. Capitalize DC businesses
3. Create jobs and career pathways for residents
4. Increase affordable and workforce housing
Incentives Lookup: incentives.dc.gov

Eligible Incentives for this Location

Ward 8
High Technology Development Zone
Supermarket Tax Credit Zone
Historically Underutilized Business Zone
East of the River (EOR) Arts and Humanities
Wards 7 & 8 Storefront Facade Improvement
Neighborhood Prosperity Fund
New Initiatives

**OZ Marketplace**
Project sponsors, fund managers, investors and community members can submit and find investment opportunities

**OZ Community Corps**
Network of lawyers and other experts who will provide pro bono consultations to community organizations and small businesses in DC’s Opportunity Zones

**Maximizing Community Benefit**
$24 million for affordable housing, workforce development, and small business support in DC's Opportunity Zones
Submit projects at oppzones.dc.gov
OZ Community Corps

Network of lawyers and other experts who will provide pro bono consultations to community organizations, small businesses and residents of DC’s Opportunity Zones
Maximizing Benefits for Existing Residents

**Housing**

**Homeownership**
- HPAP, EAHP
- DC Open Doors
- Mortgage Credit Certificate
- Homebuyer Clubs
- First-Time Buyer Recordation Tax Redux

**Affordable Housing Supply**
- Housing Production Trust Fund
- Inclusionary Zoning
- 36,000 new units by 2025
- Workforce Housing Fund

**Property Tax Relief**
- Schedule H income limit increase
- Senior Citizen & Disabled Property Owner Tax Exemption
- Deferral for Low-Income Property Owners

**Tenant Protections**
- Tenant Opportunity to Purchase Act
- Rent stabilization
- Office of the Tenant Advocate

**Economic Opportunities**

**Workforce Development**

**Human Services**

**Jobs & Entrepreneurship**
Federal Resources

White House Opportunity & Revitalization Council

• Implementation plan
• Preference points for applications from Opportunity Zones for various federal grants
  • Economic development
  • Entrepreneurship
  • Safe Neighborhoods
  • Education and workforce development
Opportunity Zones Timeline: 2018

- Dec. 2018: Mayor Bowser nominates tracts as OZs
- Jan. 2018: DMPED begins stakeholder engagement
- Feb. 2018: DMPED begins OZ action planning
- Mar. 2018: Treasury certifies tracts
- Apr. 2018: Treasury issues proposed regs & revenue ruling
- May 2018: Public comment ends 12/28
Opportunity Zones Timeline: 2019

- **Jan. 2019**: Public hearing 2/14
- **Feb.**: OZ + Business Workshop
- **Mar.**: New DC OZ initiatives announced
- **Apr.**: 2nd round of regs released
- **May**: IRS hearing on 2nd round regs 7/9
- **Jun.**: Invest by end of 2019 to get full benefits (bill introduced)
- **Jul.**
- **Aug.**
- **Sep.**
- **Oct.**
- **Nov.**
- **Dec.**

**Third rounds of regs?**
Stay Connected

Oppzones.dc.gov
For resources and information

Sign up to receive email updates at
Oppzones.dc.gov

Questions? Contact
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