

Colorado's Opportunity Zone Program

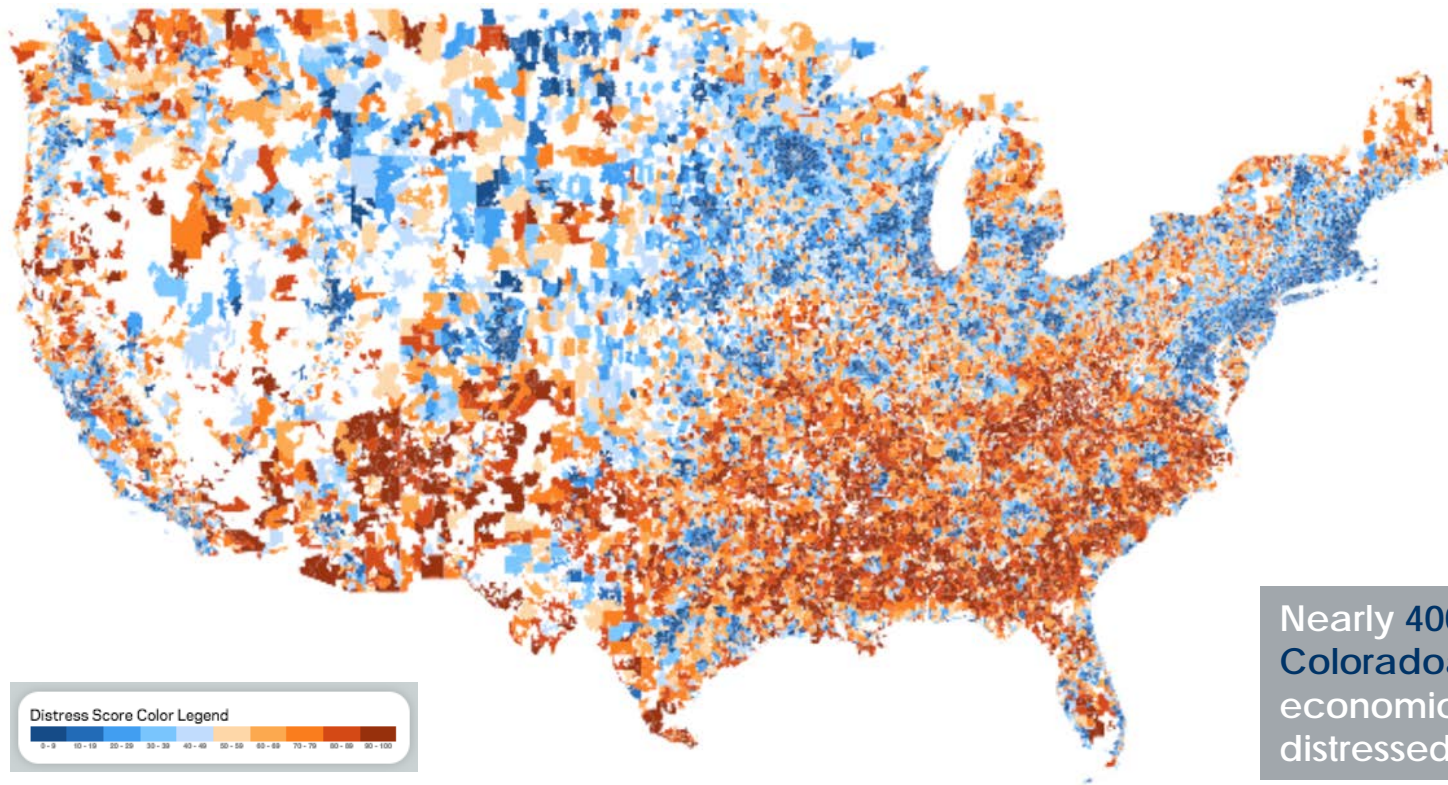
Jana Persky

jana.persky@state.co.us

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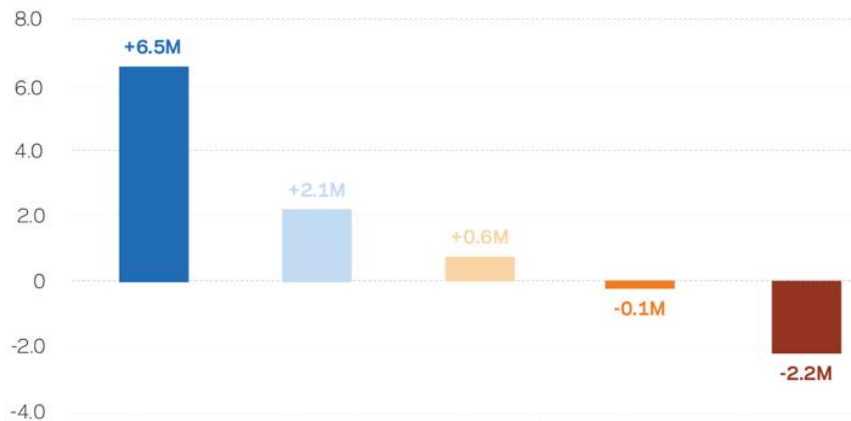


52 million Americans (1 in 6) live in economically distressed communities.

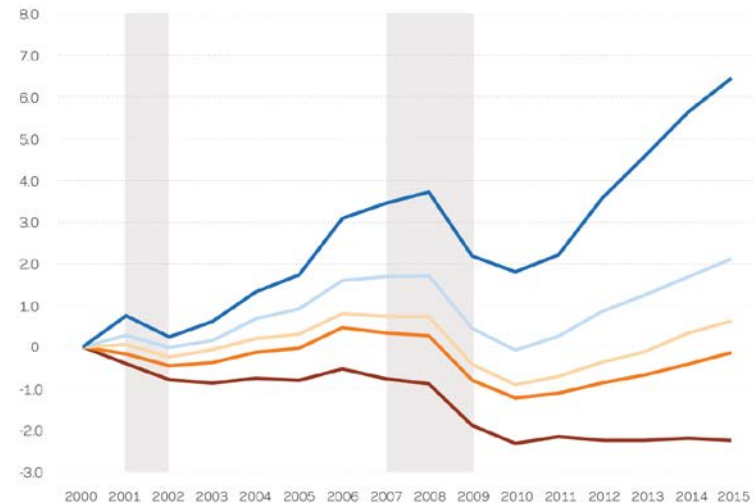


Today's struggling communities have not benefited from 21st century economic growth

Change in employment from 2000 to 2015 by quintile



Cumulative change in employment by quintile

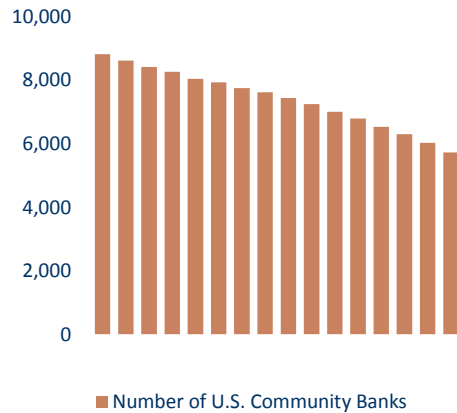


● Prosperous ● Comfortable ● Mid-tier ● At risk ● Distressed

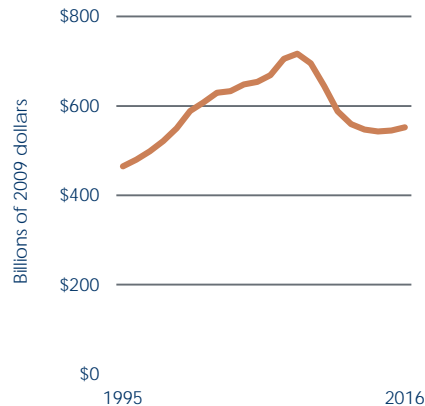


Traditional modes of financing do less for non-prime businesses in non-prime communities

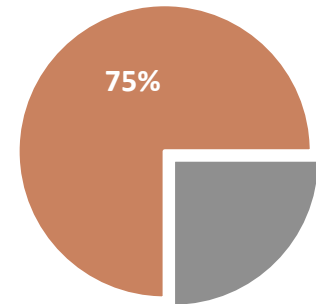
Nearly one out of every four community banks has disappeared since 2008



In real terms, small business lending remains down by a quarter

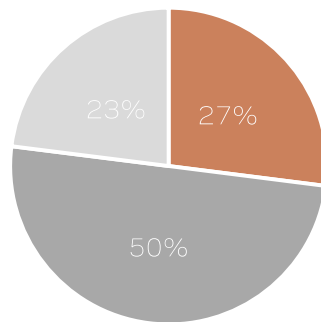


75% of all venture capital concentrates in three states



Access to mission-oriented capital is just as uneven

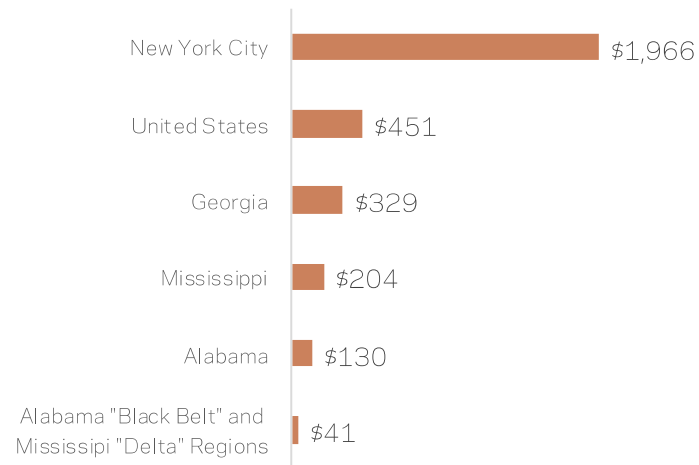
27% of counties received no CDFI funding from 2011 to 2015



- No CDFI funding
- <\$7 per poor person
- \$7+ per poor person

Even **philanthropies and foundations** bypass many of the country's neediest communities

Per capita grantmaking, 2010-2014

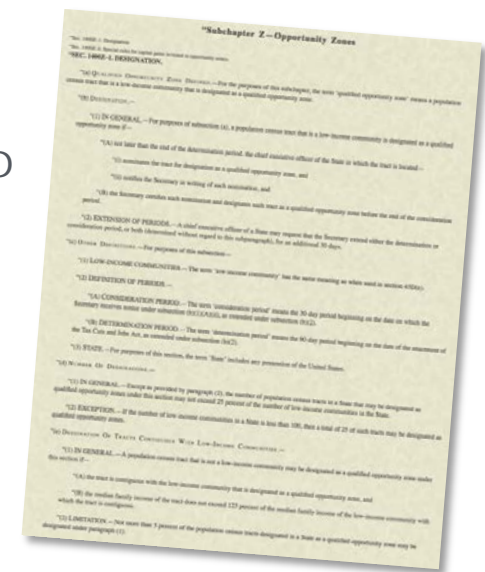


What are Opportunity Zones?

- New **federal incentive** designated in the 2017 tax reform bill
- Incentive for investors to **support distressed communities** through **long-term, equity investments** in businesses and real estate ventures
- Incentive is **deferral, reduction and potential elimination of certain federal capital gains taxes**
- If properly executed, Opportunity Zones may help address a number of challenges in Colorado:
 - **Promoting economic vitality** in parts of the state that have not shared in the general prosperity over the past few years
 - **Funding the development of workforce and affordable housing** in areas with escalating prices and inventory shortages
 - **Funding new infrastructure** to support population and economic growth
 - **Investing in startup businesses** that have potential for rapid increases in scale and the ability to “export” outside the state of Colorado

What makes Opportunity Zones so unique?

- It is an **investor incentive** that pertains exclusively to **capital gains**.
- It is designed to **concentrate capital** rather than diffuse it.
- It rewards **patient capital**: All incentives are tied to the longevity of the investment.
- It unlocks scarce **equity** capital.
- It provides **no up-front subsidy** and doesn't pick winners.
- It can move at the speed of the market.
- It gives investors a **stake in communities' future**: Most programs reward individual projects; this one ties investor payoff to community success.



How does it work?

Taxpayers can get
capital gains
tax deferral
(& more)



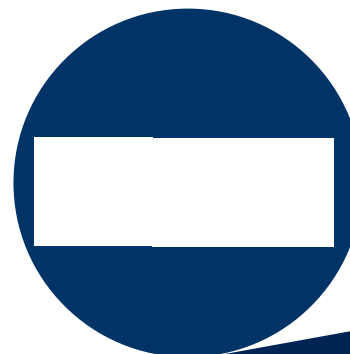
*for making timely
investments in*

Qualified
Opportunity
Funds



*which invest
in*

Qualified Opportunity
Zone Property
*(Primarily real estate or
businesses)*



Taxpayer Benefits

1. **Deferral of capital gains tax** until sale or Dec 31, 2026
2. **Partial reduction of deferred gain**
 - Tax basis increases by 10% if investment is held for 5 years
 - Tax basis increases by additional 5% if investment is held for 7 years
3. **No capital gains tax on appreciation** if investment is held for 10 years

Qualified OZ Fund

- Taxpayer has **180 days** to move gain into the **OZ Fund**
- Fund must be a **partnership or corporation (LLC is allowed)**
- Fund must be **90% deployed into Qualified Opportunity Zone Property 6-12 months** after it takes in capital
 - Dependent on month Fund is formed
- Declaration and deployment test will be self-certified and subject to audit (IRS Form 8996)



Qualified OZ Property



- Must be an equity investment
- Property must have been purchased by an unrelated party after Jan 1, 2018
- *Business investment:* Businesses must have a majority of their a) employee hours b) revenues OR c) management and operations within an OZ to qualify
- "Sin businesses" are excluded, marijuana companies probably not allowed
- *Real estate:* Most property must be substantially improved = doubled in value (unless it is original use)

CO Opportunity Zone Program

The Mission: Position Colorado as a leading destination nationally for capital investment in Opportunity Zones, and use this investment to benefit distressed communities

Nomination

- *Designating 126 Opportunity Zones across the state*

Education

- *Spreading the word to investors, community leaders, developers and other stakeholders*

Community Support

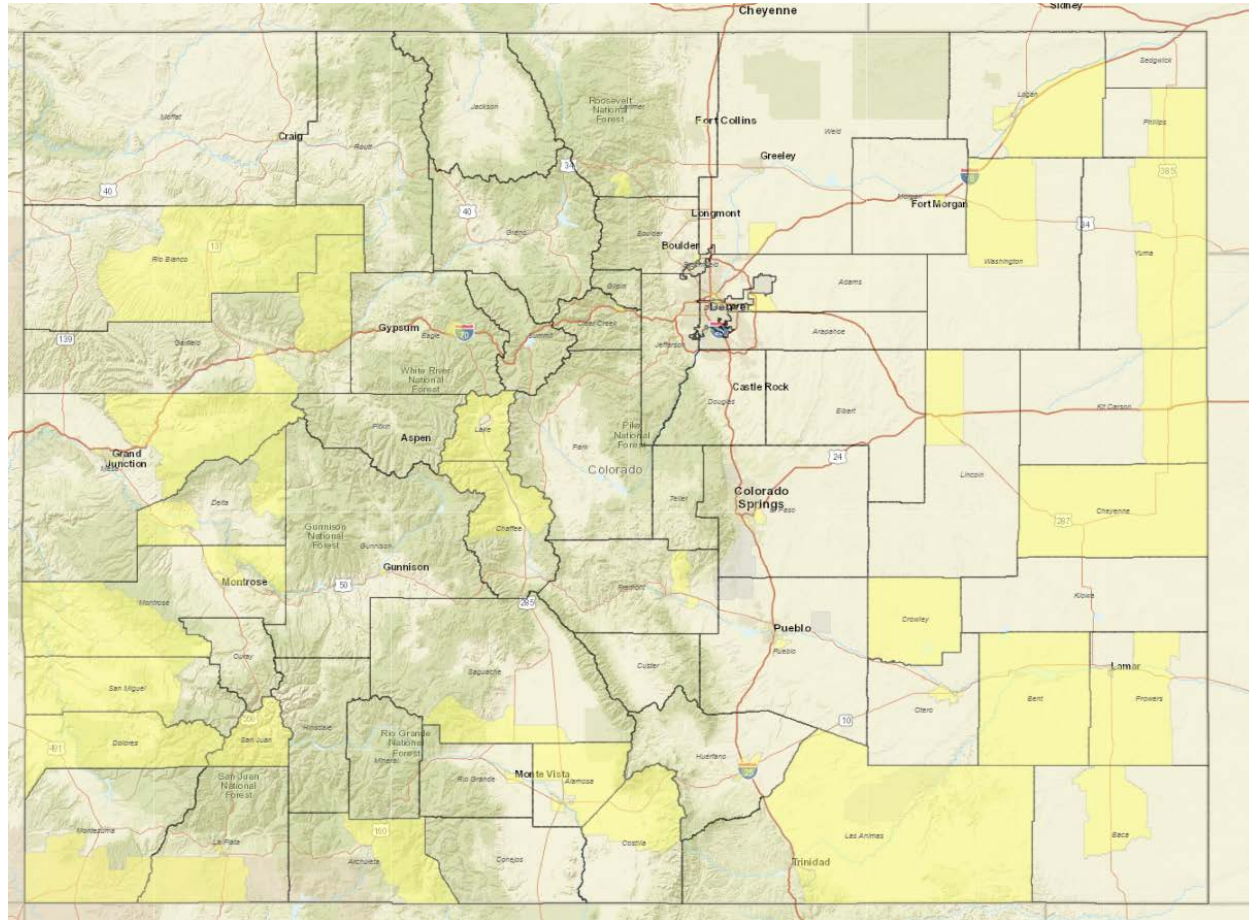
- *Empowering communities to understand how Opportunity Zones work and how they can benefit*

Investment Facilitation

- *Helping capital and projects find each other*



Colorado's Opportunity Zones



Interactive map: www.choosecolorado.com/oz



Identify your general OZ strategy

Which strategy best describes your community?



Guiding Questions for Communities

- Overall:
 - What types of investment does the community need? (i.e., housing, infrastructure, entrepreneurship)
 - What assets does the community have available? (i.e., town-owned land, anchor institutions, infrastructure, workforce)
 - What would be the top ~5 most developable projects that would benefit the community?
- For particular OZ projects:
 - What is the projected rate of return?
 - What can the community add to make them more attractive? (i.e., additional incentives, fast-tracked permitting, etc.)
 - Who are the participants we need to be involved? How and where can we reach them?



OZ Projects in Colorado

CRANE WATCH

Commercial Real Estate

One of Denver's first big opportunity zone plays kicks off with a \$155M project

News

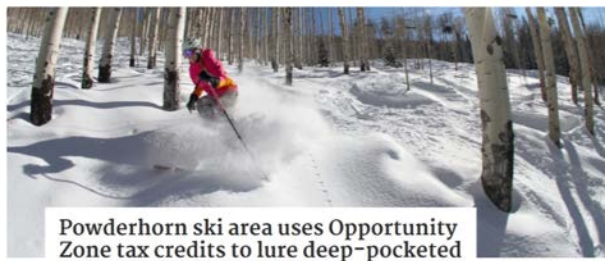
Denver Opportunity Zone

J.A. Green Breaks Ground On JAG Logistics Center At DIA

players at one of

New Marriott breaks ground in downtown Colorado Springs

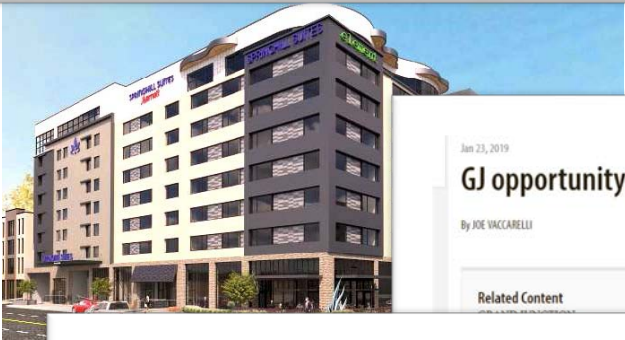
By Staff Writer - June 18, 2019



Powderhorn ski area uses Opportunity Zone tax credits to lure deep-pocketed investors

Powderhorn's owners hope the Walton family's investment arm ZOMA Capital will help speed improvements at the ski area above Grand Junction

OCT 11, 2018 12:02PM MDT OUTDOORS



Jan 23, 2019

GJ opportunity zones gaining strong interest

By JOE VACCARELLI

Related Content

A search on the Grand Junction Economic Partnership website shows there are 94 commercial real estate properties available



Montrose wants a piece of Colorado's \$62.5 billion outdoor recreation economy with new 150-acre business campus

Layers of federal, state, city incentives luring outdoor companies, including one of Colorado's first Opportunity Zone investment projects

Colorado Company Secures Opportunity Zone investment

Proximity receives one of the first Opportunity Zone business investments