Opportunity Zones have the potential to be the largest economic development program in U.S. history

Steve Glickman
Co-Founder, Economic Innovation Group
The basic concept of Opportunity Zones was forged in the fractured recovery.

**Prosperous Zip Codes**
- Recession start: 2008
- Fall recovery: 2013
- Jobs surplus: +3.6m

**Comfortable Zip Codes**
- Recession start: 2008
- Fall recovery: 2014
- Jobs surplus: +781k

**Mid-tier Zip Codes**
- Recession start: 2007
- Fall recovery: 2016
- Jobs surplus: +164k

**At Risk Zip Codes**
- Recession start: 2007
- Fall recovery: Projected 2017
- Jobs deficit: -137k

**Distressed Zip Codes**
- Recession start: 2007
- Fall recovery: Unlikely
- Jobs deficit: -1.4m

*Source: EIG's "Distressed Communities Index"*
THE HISTORY OF OPPORTUNITY ZONES

- Feb.: Introduced by Sen. Tim Scott
- Nov.: Added to Tax Bill
- Dec.: Became Law
- April: First OZ Approvals; Second Round of Nominations
- May: Initial IRS Guidance; All OZs Approved
- October: First Guidance Round
- December: Trump Executive Order on Opportunity Zones
- April: Second Guidance Round
- Final Guidance released 12.19.19 – published 1.13.20

ALABAMA’S OPPORTUNITY ZONES

- 629 Eligible Tracts
- 158 Selected
- 25%

Governor’s Office (via ADECA)
HOW THE PROGRAM WORKS (OR, HOW I LEARNED TO LOVE TAX LAW)
OPPORTUNITY ZONE TAX BENEFITS

Gain Event Occurs

$200K → $1.2M
Pocket principal ($200K)

Gain Invested in QOF

$1M

1. Temporary Deferral on Original Gain Tax (until 2026 at latest)

Front End Benefit
($20K Savings) + Deferral

2. 10% Reduction in Original Gain Tax

($30K Savings) + Deferral

Held for 5 Years
Held for 7 Years

3. No Cap. Gains Tax on Appreciation of Investment

Back End Benefit
($400K Savings)

Cash Out of QOF after 10 Years or More

Deal Types

Real Estate Deals

- Housing: Student | Market | Workforce | Affordable
- Industrial / Ag: Build-to-Suit | Site Prep | Nat'l Resource | Ag Tech
- Commercial: Hotel | Retail | Grocery | Office
- P3s / Schools: Charters | Childcare | Training Centers
- Broadband: FTTH / Last Mile | Trunk | Dark Fiber
- Senior Care: Memory Care | Assisted Living
- Healthcare: Urgent Care | Medical Office | P3s for Facilities
- Incubators / Accelerators

Franchise Expansion
Research-Driven
Tech-Enabled / High Growth

Operating Company Deals
(1) For 70% of Tangible Property:
(A) Acquired after 2017 from unrelated party
(B) “Substantially all” use in OZ
(C) Original OZ Use or “Substantial Improvement” -> double cost basis in 30 month period (*special rule for buildings*)

(2) 50% income from “active conduct” (in OZ?)
(3) Substantial intangible property use (in OZ?)
(4) “Non-Qualified Financial Property Test” (62-month safe harbor for deployment)

01. Are You “IN THE ZONE” -> CHECK THE MAP!

02. Are You “DOUBLING DOWN” on Construction?
   EX: Bought building for $50K – must improve it by $50K

03. Is Your Project “INVESTABLE”? -> Four Rules of Thumb:
   • Cash Flows / Returns to Investors
   • Development Experience
   • Lease-up Strategy
   • Steps to Completion
DOES MY OPERATING BUSINESS QUALIFY?

01. Is at least 50% of business’ assets – from trucks to tables – in any OZ?

02. Is the company new / didn’t own many assets before 2018?
   If new / didn’t own assets – you qualify!
   If existing – new business lines may work, but otherwise, see us.

03. Do 50% of your employees / contractors work in any OZ?
   If yes – you qualify?
   If no – you may still qualify, but see us to confirm

04. Is it investable – see criteria on next slide!

QUALIFIED DEAL STRUCTURE

- Short or Long-Term Capital Gains
- First 6 month clock*
- Unlimited # of investors or $ of investment

- New 6 month clock to meet 90% test
- Can leverage equity invested
- “Self-Certification” process (one-page form)

- 31-month or shorter buildout
- Hold project for full 10-year period (condo / single family home problem)
- “Active Management” component

*For partnership gains, clock starts at end of tax year
## INVESTOR PROFILES

<table>
<thead>
<tr>
<th>Rationale for Investment</th>
<th>Location of Investor</th>
<th>Size of Investment</th>
<th>Source of Investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Make a Difference</td>
<td>Primarily Local to OZ</td>
<td>Varies by Community</td>
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</tr>
<tr>
<td>Make a Difference</td>
<td>Primarily National</td>
<td>Varies by Investor</td>
<td>Varies</td>
</tr>
<tr>
<td>Make a Profit</td>
<td>Local or National</td>
<td>Primarily Large $</td>
<td>Capital Gains</td>
</tr>
<tr>
<td>Profit / Tax Benefits</td>
<td>Local or National</td>
<td>TBD</td>
<td>Capital Gains</td>
</tr>
</tbody>
</table>
THE NATIONAL COMPETITION

HOW DO WE BUILD AN ECOSYSTEM TO MAXIMIZE OPPORTUNITY ZONE INVESTMENT IN ALABAMA?
AMERICAN LIFE BUILDING

- $24 million redevelopment
- “Workforce housing” + Dannon Project space
- PNC’s national Opportunity Fund provided financing
HEFLIN SENIOR CARE

• $12 million redevelopment
• Twinned NMTC, HTC, and OZ
• 50+ units of senior living + memory care
• Developer-generated OZ contribution

OTHER EXAMPLES

• Tuscaloosa: Stillman Hotel
  • Twinned project (like Heflin)
  • Stillman president conceived of and pushed transaction
  • Intro to Renaissance HBCU Fund (national impact fund specifically focused on investing near HBCU campuses)
  • Teaching hotel + meeting space for Stillman

• Woodlawn Theater
  • $500,000 deal with $150,000 OZ fund with multiple local owners
  • Space for nonprofit + for-profit enterprise
  • Believe in “revitalization potential” of neighborhood / importance of owning a piece of that story
  • One of first examples of nonprofit successfully leveraging incentive
NATIONAL RECOGNITION AND PARTNERSHIPS

Bloomberg News  The New York Times  Forbes

The Rockefeller Foundation  Lumina Foundation  Mastercard Center for Inclusive Growth

Sorenson Impact Center  National Trust for Historic Preservation

Next City  Inside Philanthropy  cdFA  The Hill
QUESTIONS?

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