

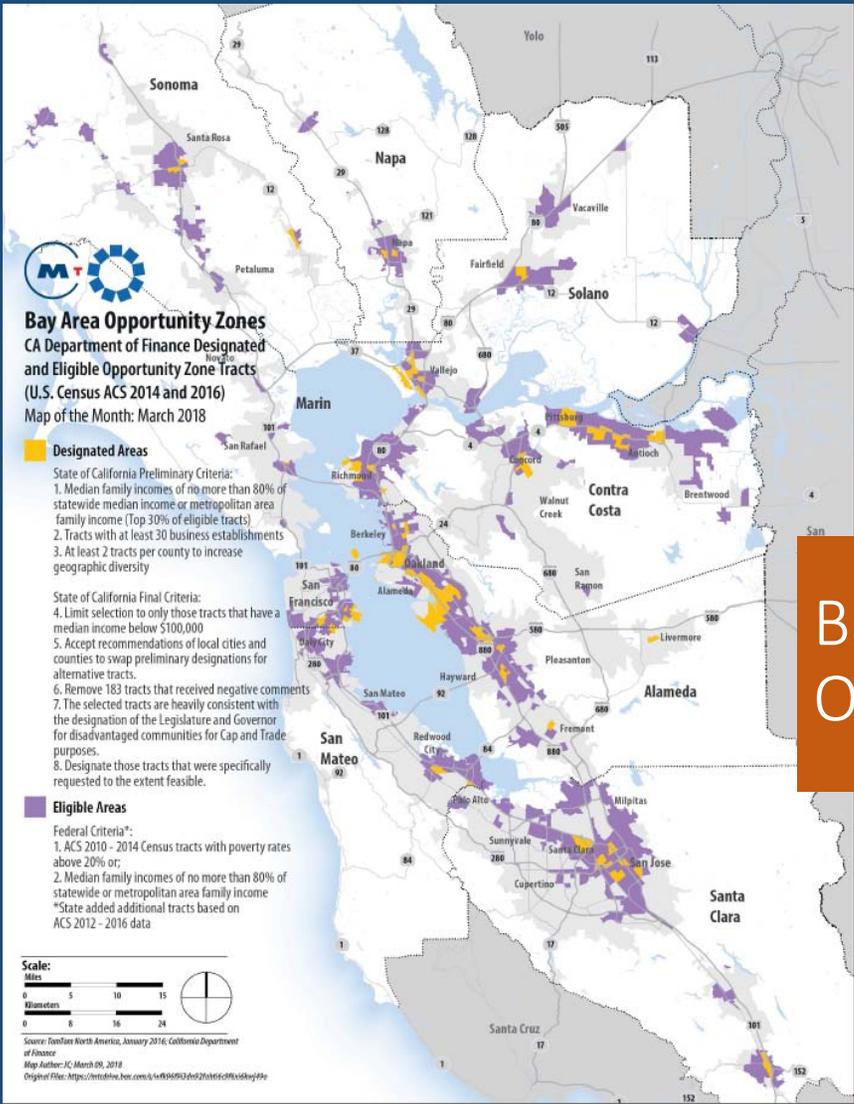
OPPORTUNITY ZONES & VALLEJO'S DEVELOPMENT OUTLOOK



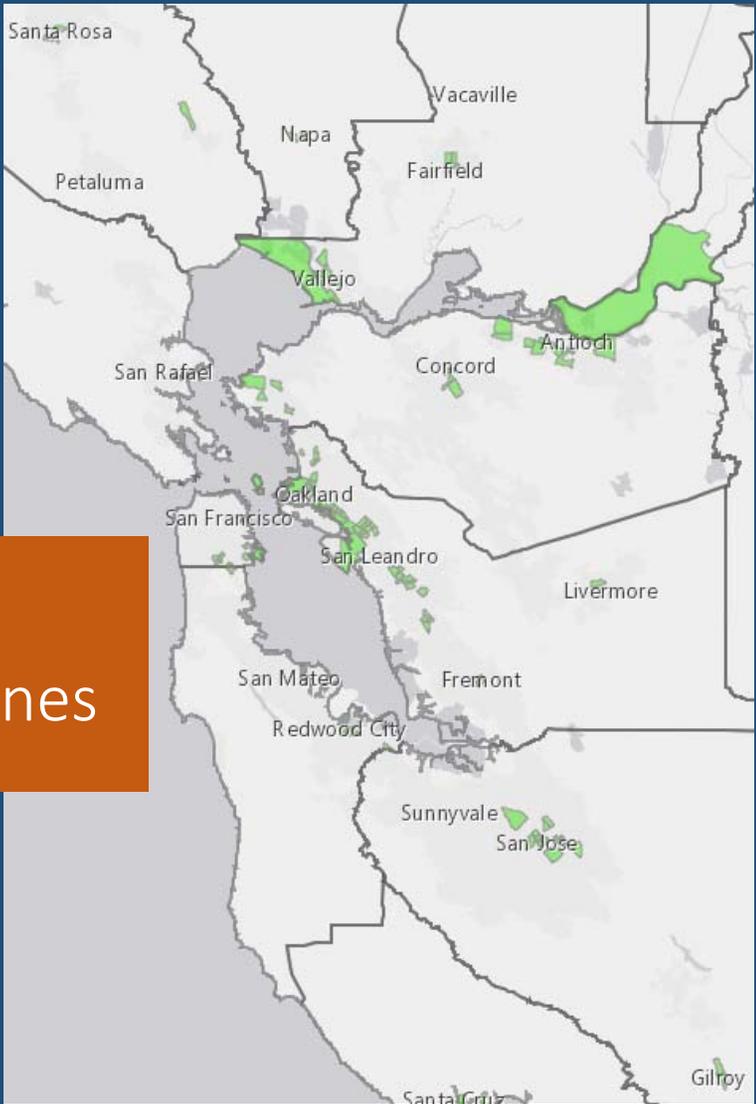
Alea Gage - alea.gage@cityofvallejo.net
City of Vallejo, Economic Development Division

What are Opportunity Zones?

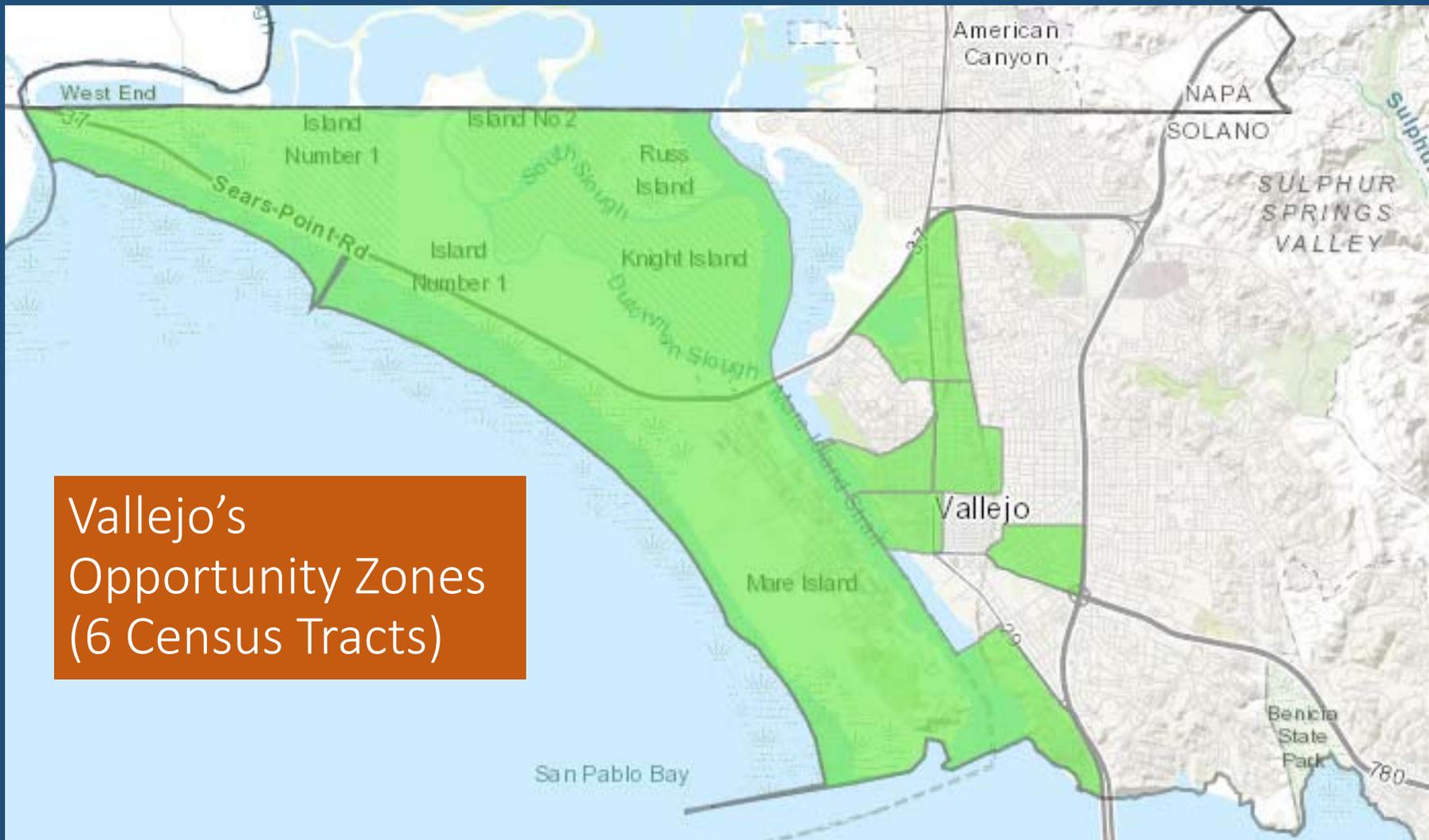
- Spur long-term private investment in low income communities.
- Designated by the governor in each state, who could select up to 25 percent of eligible tracts statewide.
- Federal eligibility criteria: poverty rates above 20 percent **OR** median family income below 80 percent of either the statewide or metropolitan area income.
- The City led an effort with elected officials and major businesses to secure its State recommended five Census tracts and add Mare Island as a sixth designation.



Bay Area Opportunity Zones



Vallejo's
Opportunity Zones
(6 Census Tracts)



How Do Opportunity Zones Work?

- Enables investors with capital gains tax liabilities to receive favorable tax treatment.
- Limited to equity investments in businesses, real estate, and business assets that are located in a Qualified Opportunity Zone.
- Investments in real estate are subject to a substantial rehabilitation requirement.
- All capital gains realized must be invested within 180 days to be eligible and investment must be deployed within 31 months.

What Benefits Do OZs provide?

Investment Length	Benefits Received
Fewer than 5 years	Deferred payment of existing capital gains until the date that the Opportunity Fund investment is sold or exchanged
5-7 years	Benefits above + 10% of tax on existing capital gain is canceled
7-10 years	Deferred payment of existing capital gains until December 31, 2026 or the date that the Opportunity Fund investment is sold or exchanged (whichever comes first) + 15% of tax on existing capital gain is canceled
Greater than 10 years	Benefits of 7 - 10 year investment + investors pay no capital gains tax on the Opportunity Fund investment (investments are exempt from any capital gains beyond those which were previously deferred)

Why OZs are a fit for Mare Island, Downtown & Waterfront?

1. Encourages investment in long-term projects and projects with nominal returns in the first years of stabilization – “patient capital” ie most benefit available with a 10-year investment
2. Lower returns for OZ investments have been largely accepted – helpful in the Vallejo climate for new construction and where additional infrastructure or extraordinary conditions exist



Why OZs are a fit for Mare Island, Downtown & Waterfront?

3. All OZ Census tracts have adopted Specific or Master Plans with environmental clearance – less time and risk in achieving entitlements
4. The City has prepared for new by making massive investments in infrastructure & the public realm
 - Downtown Streetscape Project
 - Vallejo Station Parking Structure & Bus Transfer Center
 - Environmental clean up nearing completion on Mare Island

