



Opportunity Virginia

A Virginia Community Capital & LOCUS Initiative

City of Richmond: Opportunity Zones Update

Presented to:

Land Use, Housing & Transportation
Standing Committee


February 16, 2021



Opportunity Virginia is a non-profit initiative enabling a healthy and impact-oriented Opportunity Zone market-place in Virginia

THE GUIDING PRINCIPLES

<p>ENCOURAGE AND ENABLE</p> <p>positive community impact investments in conjunction with financial returns.</p>	<p>ENSURE FAIR & EQUITABLE ACCESS</p> <p>to OZ resources, support, and guidance for all localities and interests.</p>	<p>ATTRACT AND MATCH</p> <p>national capital and businesses with easily accessible and current information.</p>	<p>EMPOWER</p> <p>local business, government, and community leaders to take point in the Opportunity Zones.</p>
<p>LEVERAGE</p> <p>the full suite of Federal, Commonwealth, & local gov't programs & incentives in partnership with philanthropic & non-profit institutions.</p>	<p>COMMISSION</p> <p>a neutral and independent third party to manage and facilitate the inclusive market-place with full transparency on process and participants.</p>	<p>SEED THE EFFORT</p> <p>with one-time funding and become a self-sufficient operation over time.</p>	<p>TRACK AND MEASURE</p> <p>socio-economic impact in Opportunity Zone communities.</p>

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Opportunity Zones are a federal tax incentive designed to spark economic development investment in low-income areas

- » Born out of the 2017 Federal Tax Cuts and Jobs Act, the Opportunity Zone program is a **tax incentive** designed to spur economic resurgence, job creation, and wealth building in low-income and distressed communities
- » This **market-driven** program works by letting investors with **capital gains** defer, reduce and eliminate potential taxes by making **long term equity** investments in qualifying businesses and real estate projects in designated Opportunity Zones
- » **Virginia has 212** low-income census tracts designated as Opportunity Zones across rural, urban, residential and commercial landscapes

Opportunity Zones offer investors tax benefits over a long horizon for equity investments in qualified businesses & property



Opportunity Zone Funds

Investors get tax benefits from investing via a “Qualified Opportunity Fund”:

- Deferral of a capital gains tax until 2026
- Reduction in the capital gains tax up to 15%
- Permanent exclusion of gains from initial investment if held for at least 10 years

Opportunity Zone Business & Property

Ninety percent of the funds must capitalize:

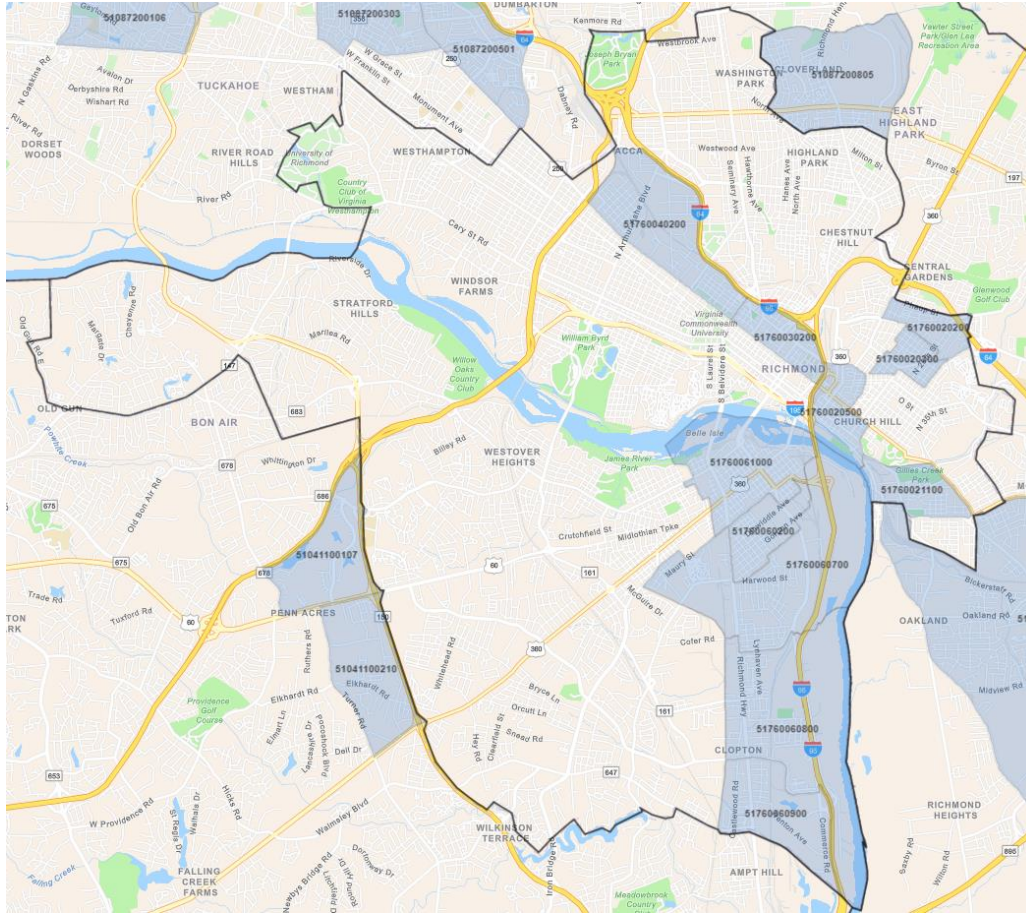
- Stock of qualified Opportunity Zone corporation
- Interest in a qualified Opportunity Zone partnership
- Tangible property used in an Opportunity Zone

Opportunity Zones

212 low income census tracts in Virginia

- Mix of rural and urban communities
- Tracts overlay with other place-based tax credit programs
- Designations remain in effect until 2028 and no ability to change designations

Richmond has 11 Opportunity Zones with known deals closed and in-the-works



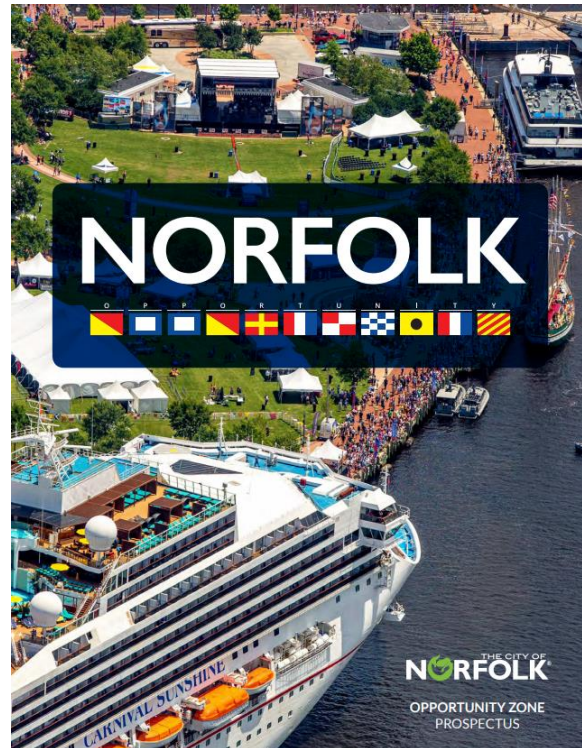
OppVA Opportunity Zone Pipeline*

<u>Projects</u>	<u>RVA</u>	<u>Virginia</u>
Ideas	15	175
Early Stage	4	64
Seeking Investors	4	6
Closed	<u>3</u>	<u>10</u>
	26	255

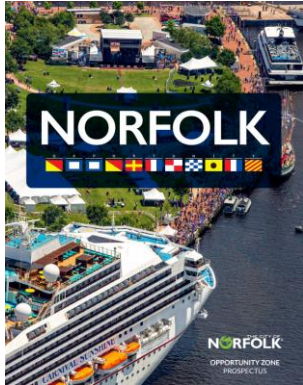
**projects Opportunity Virginia is tracking, not representative of all private deals and potential transactions in the City*

Cities across the US are engaging in various ways to catalyze investment in their Opportunity Zones

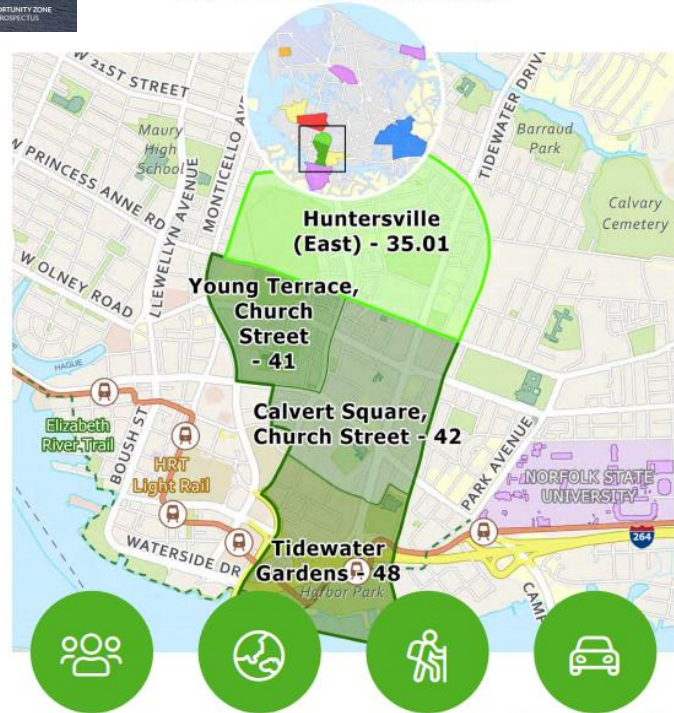
- Providing access to city-owned property (leasing or selling)
- Offering specific property tax abatements
- Reducing permitting costs and/or prioritizing permitting
- Proactively and/or prioritizing rezoning
- Leveraging other Federal and State tax incentive programs
- Developing investment prospectus and deal books



Cities preparing a holistic Opportunity Zone economic development strategy have done better at attracting investment



ST. PAUL'S DISTRICT Census Tracts 41,42,48 (35.01)



- Total Population:**
4,600
- 230 Acre Land Area**
- 70% of Land is Publicly Owned**
- Exceptional Regional Interstate Access**

ST. PAUL'S DISTRICT Census Tracts 41,42,48 (35.01)



KEY FACTS

- Address: Multiple projects within 3 census tracts (41, 42, 48)
- Project Size: 230+ Acre Site
- Project Cost: \$1B (Phase 1 Cost \$450M)
- Zoning: Special Zoning District
- Adjacent to Downtown, Norfolk's strongest real estate market
- Within a half-mile of 4 light rail stations
- Majority of the land is already publicly owned by the housing authority or the city

OPPORTUNITIES

- The Saint Paul's area contains three public housing communities with 4,600 residents and 2,200 children.
- The City has invested \$83M in site infrastructure costs, \$3.5M annually for the People First Human Services Transformation and with the Housing Authority, is the recipient of a \$30M Choice Neighborhoods Initiative Implementation Grant.
- In addition to the QOZ, project is located in a HUB Zone and Enterprise Zone. The Commonwealth of Virginia has awarded grants for Brownfield assessment and remediations at this site.

ST. PAUL'S DISTRICT Census Tracts 41,42,48 (35.01)



PHASE 1 - TIDEWATER GARDENS (BUILD READY SITES)



Key City-Owned Parcels Ready for Development:

- **Former Police Station Site:** Mixed-income development with market-rate and assisted homeownership townhouses
+ Project Cost: \$9M
- **Red Carpet Site:** Mixed-income senior building with 60 units in total
+ Project Cost: \$11M
- **Tidewater Gardens (I & II):** Mixed-income, mixed-use housing in townhomes, walk-ups, and elevator buildings
+ Project Cost: \$233M

An array of financing mechanisms are available to support strong market rate: LIHTC, REACH loans from VHDA, CHOICE funds, Housing Authority HOME funds and T/E Bonds in addition to voucher subsidized opportunities.

For more information, see the detailed St. Paul's Prospectus