

OPPORTUNITY ZONES



Opportunity Zones Leadership Committee

03/14/2019 Salisbury, MD





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March 2018

• June 14, 2018

• July 30, 2018

October 18, 2018

January 3, 2019

• February 20, 2019

• February 22, 2019

March 14, 2019

March /April 2019

• Summer/Fall 2019

H.R. 1 - Opportunity Zone Legislation passes

Governor Hogan submits nominated OZs

US Treasury designates Maryland's 149 Opportunity Zones

DHCD / Commerce hold Opportunity Zone Conference

IRS Guidance

Governor Hogan announces OZ Initiatives & Launch of OZ Info-Exchange

Governor's OZ Leadership Task force – Kickoff meeting

Closed NBWOZ loan to Clene Nanomedicine, Inc.

Governor's Regional OZ Meeting - Salisbury area

IRS Guidance – Fund Structures, Investment in Operating Business

IRS Guidance – Reporting and loose ends

Governor's OZ Initiatives



January 3rd, 2019 - OZ Leadership task force led by Lt. Governor Boyd Rutherford

Outcomes

- Regional Sessions: Today, Southern MD (TBD), Western MD,
- Opportunity Zone Plan
- Legislative / Funding \$56.5 million
 - COMMERCE Tax Credits for creating new jobs / expanding job in OZs \$6M
 - DLLR Workforce training (EARN) \$3M
 - DHCD grants & loans \$31.5M
 - Rental Financing
 - Strategic Demolition
 - Neighborhood Business Works
 - TEDCO Strategic Infrastructure Investment Fund \$16M



Eastern Shore OZs





County	# of OZs	Cities
Kent	1	Chestertown
Queen Anne's	1	Churchill, Kingstown
Caroline	2	Denton, Federalsburg
Talbot	2	Easton
Dorchester	2	Cambridge
Wicomico	7	Salisbury
Worcester	3	Snow Hill, Ocean City
Somerset	3	Princess Anne, Crisfield
Total OZs	21	



Eastern Shore – Businesses /Projects



Jurisdiction	# of OZs	Project Name	Type	<u>Description</u>	City
Kent	1	Dixon Valve Distribution Center	Manufacturing	Dixon Valve broke ground in 2017 to build a 150,000 sf state of the art distribution center in Chestertown.	Chestertown
Queen Anne's	1	Queen Anne's County Department of Economic and Tourism Development	General	Town of Church Hill , Kingstown	Chester
Talbot	2	Building Investment Opportunity	Residential	Lots available for the construction of more townhomes in Douglass Landing. Listing includes lots 48,49,50,51,52. Building plans may be available. Front foot fees apply.	Easton
Caroline	2	Federalsburg, MD Caroline County	Industrial	City of Denton , Federalsburg	Federalsburg
Dorchester	2	Cambridge Waterfront, Philiips Packing House, River Marsh	Mix Use	Cambridge Waterfront Development, Inc. seeks developers and financing for approximately 25 acres with a deep-water port, 470-foot wharf and public promenade along the scenic Choptank River.	Cambridge
Wicomico	7	Salisbury Town Center, Project Malt	Industrial	Investment opportunity in a malt processing plant for distribution to support craft brewery market along East Coast.	Salisbury
Worcester	3	309 N. Washington St.	General	Previously a PNC Bank, this riverfront property has a beautiful brick infrastructure and is ready to be upgraded! The Town of Snow Hill is searching for investors to turn this property into a riverfront restaurant with outdoor dining, which our town is in need of. We have had design renderings completed for this project that we will gladly share with potential investors. The town has grant funding opportunities available.	Snow Hill, Ocean City
Somerset	3	IES Life Sciences, Inc.	Technology	IES Life Sciences, Inc. ("IES") is an innovative molecular diagnostics company harnessing the power of the immune system to diagnosis difficult to identify viruses and diseases, at the earliest stage, with a simple blood test. IES is initially focused on Lupus, Rheumatoid Arthritis and Lyme Disease.	Princess Anne, Crisfield
Total OZs	21				





Background on Opportunity Zones





Opportunity Zones will help connect low-income communities with needed capital.

- **Capital** U.S. households and corporations were sitting on an estimated \$6.1 trillion in unrealized capital gains at the end of 2017.
- **Connect** Opportunity Zones offer a frictionless way for investors to dedicate all or a portion of their winnings to seeding the next generation of enterprise in distressed communities all across the country. In exchange, investors get a graduated series of federal tax incentives tied to long-term holdings.

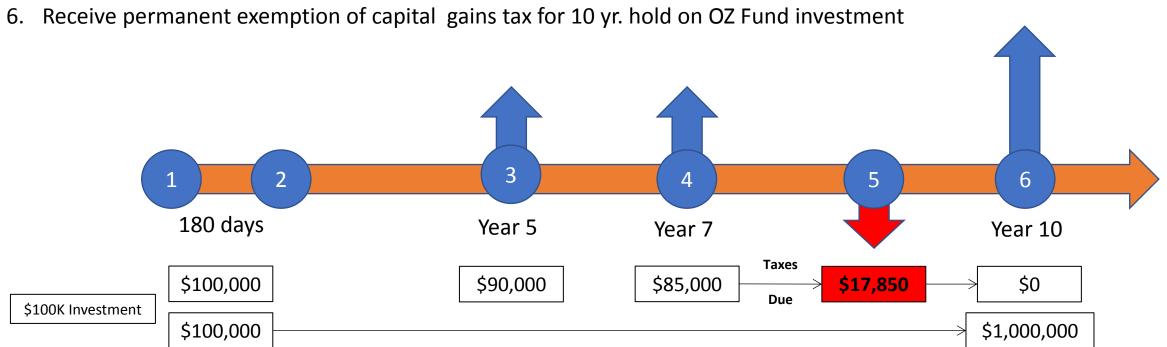
"Sec. 1400Z-1. Designation.	"Subchapter Z-Opportunity Zones
"See Leone . Designation.	2-Opportunity 70-
"SEC. 14007.	Zones
"Sec. 1400Z-2. Special rules for capital gains invested "SEC. 1400Z-1. DESIGNATION.	in opportunity zones.
"(a) O	
census tract that is a line of the control of the c	De-
a low-income community	DEFINED.—For the purposes of the
"(b) Disignation	and is designated as a qualified consultant, the term 'outside
ATION,-	DEFINED.—For the purposes of this subchapter, the term 'qualified opportunity zone' means a popular that is designated as a qualified opportunity zone.
"(1) IN GENERAL	of subsection (a), a population census tract that is a low-income community is designated as a qualified to determination period, the chief execution
opportunity zone if - For purposes	of subsection (
	a population census tract the
"(A) not later than a	designation as a qualified opportunity zone, and
than the end of th	e determination
"(i) nominates a	quantined designation as a qualified opportunity zone, and
the tract for	designation as a country
"(ii) notifies the San	a qualified opportunity zone, and
and Secretary i	n writing of such nomination, and
"(B) the Secretary certifies such	a writing of such nomination, and nomination and designates such tract as a qualified opportunity zone before the end of the consideration chief executive officer of a State many.
period, and such	nomination and designates
9/20 Financia	guates such tract as a qualified course
CODAIGNATION OF PERIODS	exportunity zone before the end of a
A standardion period, or both (determined	chief executive officer of a consideration
"(c) OTHER DEFINITIONS.—For purposes (chief executive officer of a State may request that the Secretary extend either the determination or of this subparagraph), for an additional 30 days.
DEFINITIONS For purposes	social 30 d.
"(I) I OW P	or this subsection—
WINCOME COMMUNITIES	
"(2) DEEDVEN	.— The term 'low-income community
LATTION OF PERIODS	has the same meaning as and
"(A) Corre-	of this subsection— .—The term 'low-income community' has the same meaning as when used in section 45D(e). .—The term 'consideration period' means the 30-day period beginning on the date on which the .—The term 'determination period' means the 30-day period beginning on the date on which the
Secretary massissipple	7
receives notice under subsection	- Tue term 'consideration period'
"(B) DETERMENT	.—The term 'consideration period' means the 30-day period beginning on the date on which the on (b)(1)(A)(ii), as extended under subsection (b)(2). —The term 'determination period' means the 90-day period beginning on the date of the enactment of on, the term 'State' includes any constitution.
the Tax Cuts and tobe	The term of the date on which the
the Tax Cuts and Jobs Act, as extended u "(3) STATE — For some	inder subsection determination period* masses
"(3) STATE.—For	means the 90-day period beginning
or purposes of this section	nder subsection (b)(2). nder subsection (b)(2). n, the term 'State' includes any possession of the United States.
"(d) NUMBER OF DESIGNATIONS,-	"State" includes any possession
- UNIONATIONS,-	of the United States,
"(1) IN GENERAL E	
qualified opportunity zones under as provided	by paragraph (2)
ander this section n	nay not exceed 2), the number of population
"(2) EXCEPTION.—If the	by paragraph (2), the number of population census tracts in a State that may be designated as an an an acceptance of the number of low-income communities in the State. WITH LOW-INCOME COMMUNITIES.
qualified opportunity zones.	income communities in the commun
"(e) D	State is less than too
(c) DESIGNATION OF TRACES CO.	then a total of 25 of such treat
"(e) DESIGNATION OF TRACTS CONTIGUOUS "(1) IN GENERAL.—A population consusting section if	With Low-Low-
(1) IN GENERAL.—A population census	TACOME COMMUNITIES.—
section if— Population census	tract that is not a ton.
WALL	a sow-income community may be dead
(A) the tract is contiguous with a	or designated as a qualified oppose
"(B) the	WITH LOW-INCOME COMMUNITIES.— tract that is not a low-income community may be designated as a qualified opportunity zone under wincome community that is designated as a qualified opportunity zone, and act does not exceed 125 percent of the part of the par
which the median family income of the	was is designated as a qualified
which the tract is contiguous.	act does not exceed 125 persons
"(2) LIMITATION	w-income community that is designated as a qualified opportunity zone, and act does not exceed 125 percent of the median family income of the low-income community with at of the population census tracts designated in a State as a qualified opportunity zone may be
(2) LIMITATION.—Not more than 5 percer signated under paragraph (1).	meome of the low-income community
paragraph (1).	of the population census trans.

Source: EIG analysis of the Federal Reserve's Survey of Consumer Finances and Financial Accounts of the United States

OZ Investment



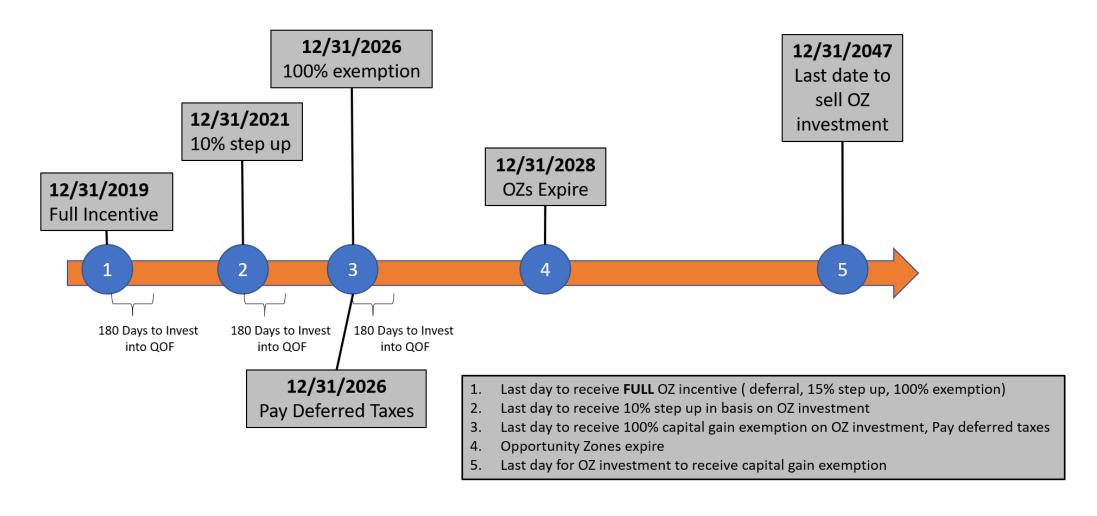
- 1. Realize gain from any capital gain triggering event
- 2. Invest in OZ Fund within 180 days
- 3. Receive 10% step up basis for 5 yr. hold of OZ Fund investment
- 4. Receive additional 5% step up basis for 7 yr. hold of OZ Fund investment
- 5. Pay deferred capital gain taxes due for Step 1(85% of original) by 12/31/2026







OZ Incentive Timeline







Investors

- Most valuable for 10 year investments in appreciating assets
- Six months to invest after realizing a capital gain
- Another six months to deploy90% of capital in Zones
- Capital is required to be an equity investment

Funds

- All capital must flow through an Opportunity Zone Fund
- Opportunity Zone Funds must be established
- Opportunity Zone Funds are self-certified via an IRS tax form
- 90% of fund assets must be invested in Opportunity Zone

Investments

- Must be equity investments
- Real estate investments must include substantial rehabilitation
- "Sin businesses" are not eligible
- Other requirements include property use in "active conduct of business" and limits on assets held in cash

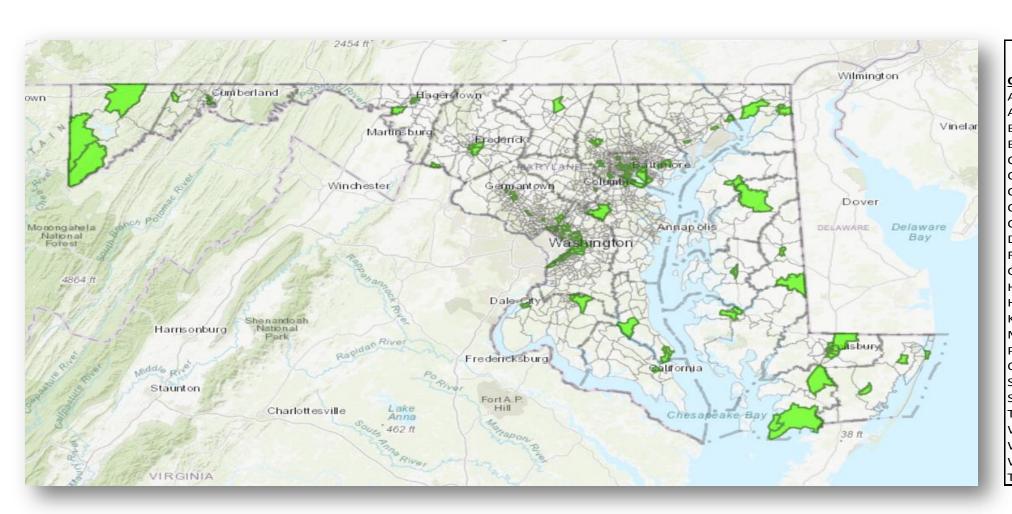




Maryland Opportunity Zones







	# of Designated
	Opportunity
<u>County</u>	Zones
Allegany	4
Anne Arundel	4
Baltimore County	10
Baltimore City	42
Calvert	3
Caroline	2
Carroll	1
Cecil	3
Charles	3
Dorchester	2
Frederick	5
Garrett	3
Harford	4
Howard	1
Kent	1
Montgomery	14
Prince George's	25
Queen Anne's	1
Somerset	3
St. Mary's	1
Talbot	2
Washington	5
Wicomico	7
Worcester	3
Total	149



State and Departmental Recommendations

- Align Maryland policies, regulations, and legislation to leverage Opportunity Zones
- Work with local jurisdictions on "One Stop" permitting
- Coordinate with federal, state, local government, developers and investors
- DHCD update Qualified Allocation Plan (QAP) to provide multifamily housing incentives
- DHCD provide loans and grants to leverage Opportunity Zone investments
- DHCD establish information exchange to attract private sector capital



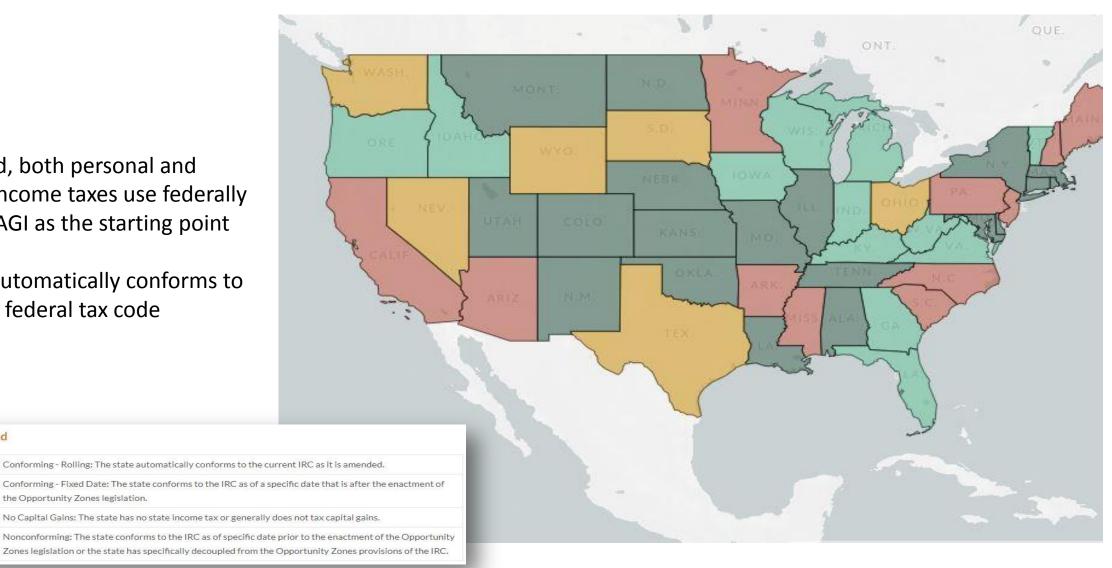
Conformity to Federal Tax Code



- In Maryland, both personal and corporate income taxes use federally calculated AGI as the starting point
- Maryland automatically conforms to the current federal tax code

the Opportunity Zones legislation.

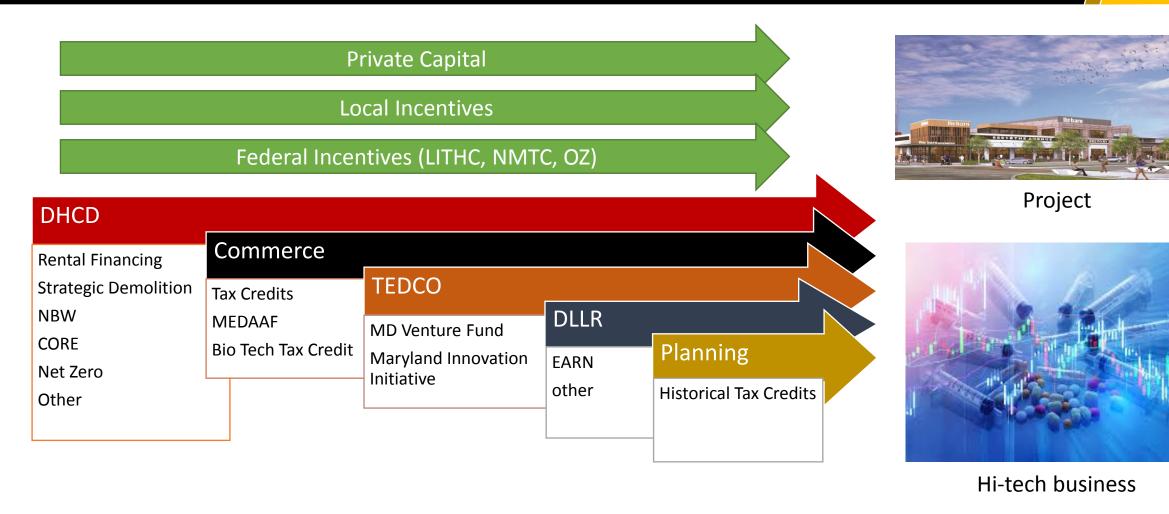
Legend



Source - Novogradac website

State - OZ Collaboration





DHCD's multiple funding programs can make a concentrated impact in OZs when combined with other State agencies and the private marketplace.





Opportunity Zones – Information Exchange

Information Exchange



- A virtual meet up for investors, fund managers, property developers, new or expanding businesses, and local stakeholders
- A bulletin board tracking OZ news and investment activity
- A project / business locator for interested investors
- A search tool for financial incentives based on address and/or area

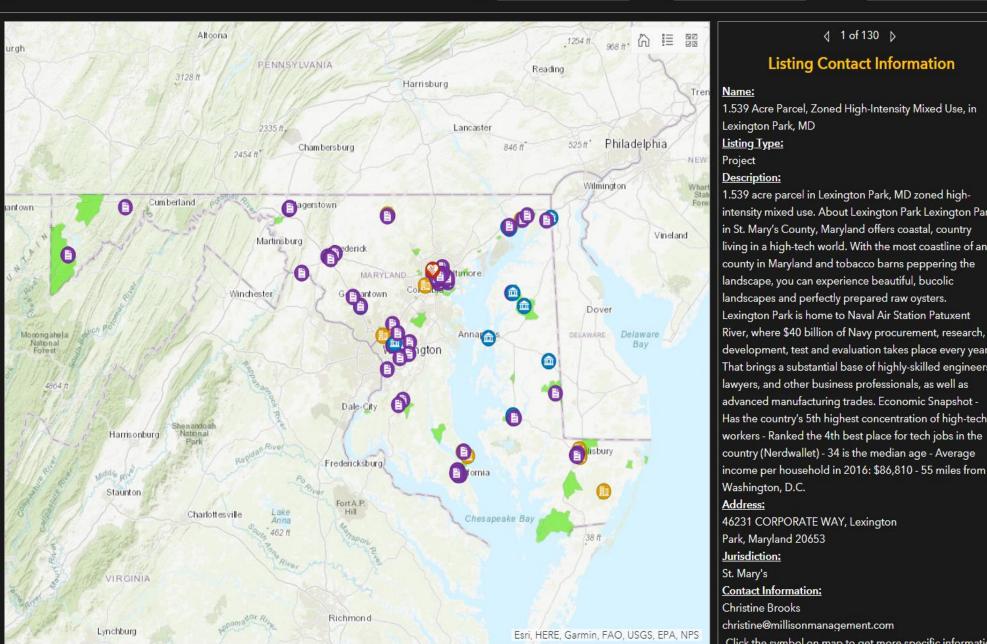
Opportunity Zone Listings

- 1.539 Acre Parcel, Zoned High-Intensity Mixed Use, in Lexington Park, MD Project - Mix
- 102 W. Potomac Street Brunswick Project - General
- 108.41 Acre Parcel Zoned High-Intensity Mixed Use in Lexington Park, MD Project - Mix
- 1100 Wicomico **Project - Office**
- 1231 Tech Court **Project - Office**
- 17.798 Acre Parcel Zoned Limited Commercia Industrial in Lexington Park, MD Project - Retail
 - 1787 Capital Fund - Mix
- 1812 Greenmount Project - Mix
- 2.21 Acre Parcel, Zoned High-Intensity Mixed Use in Lexington Park, MD
- Project Mix
- 2.34 Acre Parcel Zoned High-Intensity Mixed
- Use in Lexington Park, MD Project - Mix
- 2.59 Acre Parcel Zoned High Intensity Mixed Use in Lexington Park, MD
- 200-204 East Diamond Avenue Project - Mix

Project - Mix

22.286 Acre Parcel Zoned High-intensity Mixed Use in Lexington Park, MD

Seclect a product from list to get more information



I 11 AGREE AND UNDERSTAND

↑ 1 of 130 ▶

Listing Contact Information

Name:

1.539 Acre Parcel, Zoned High-Intensity Mixed Use, in Lexington Park, MD

Listing Type:

Project

Description:

1.539 acre parcel in Lexington Park, MD zoned highintensity mixed use. About Lexington Park Lexington Park in St. Mary's County, Maryland offers coastal, country living in a high-tech world. With the most coastline of any county in Maryland and tobacco barns peppering the landscape, you can experience beautiful, bucolic landscapes and perfectly prepared raw oysters. Lexington Park is home to Naval Air Station Patuxent River, where \$40 billion of Navy procurement, research, development, test and evaluation takes place every year. That brings a substantial base of highly-skilled engineers, lawyers, and other business professionals, as well as advanced manufacturing trades. Economic Snapshot -Has the country's 5th highest concentration of high-tech workers - Ranked the 4th best place for tech jobs in the

Address:

46231 CORPORATE WAY, Lexington

Park, Maryland 20653

Jurisdiction:

St. Mary's

Contact Information:

Christine Brooks

christine@millisonmanagement.com

Click the symbol on map to get more specific information on this product



M A R Y L A N D OPPORTUNITY ZONES



Link to <u>Information-Exchange</u> Link to <u>DHCD Opportunity Zones</u>

Questions Contact:

Frank Dickson
Director, Strategic Business Initiatives
Department of Housing and Community Development
Frank.dickson1@maryland.gov
301.429.7425