

Opportunity Zones Update

Zoning, Neighborhoods and Development Committee

May 1, 2018

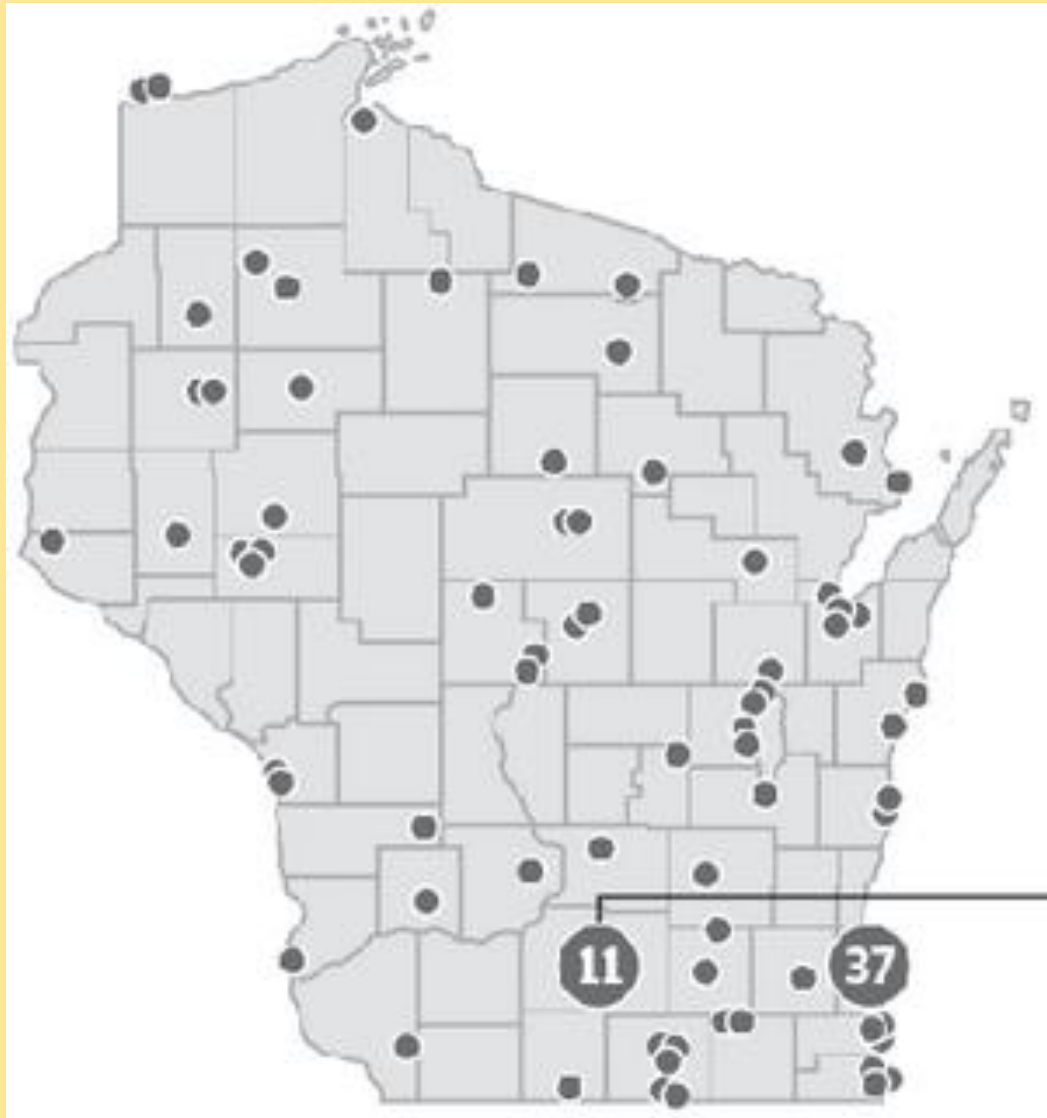
Opportunity Zones

- Created in 2017 federal “Tax Cuts and Jobs Act”
- Goal: Attract private investment to low-income areas
- Incentive: Provide favorable treatment of unrealized capital gains taxes
- Investment vehicle: Opportunity Funds

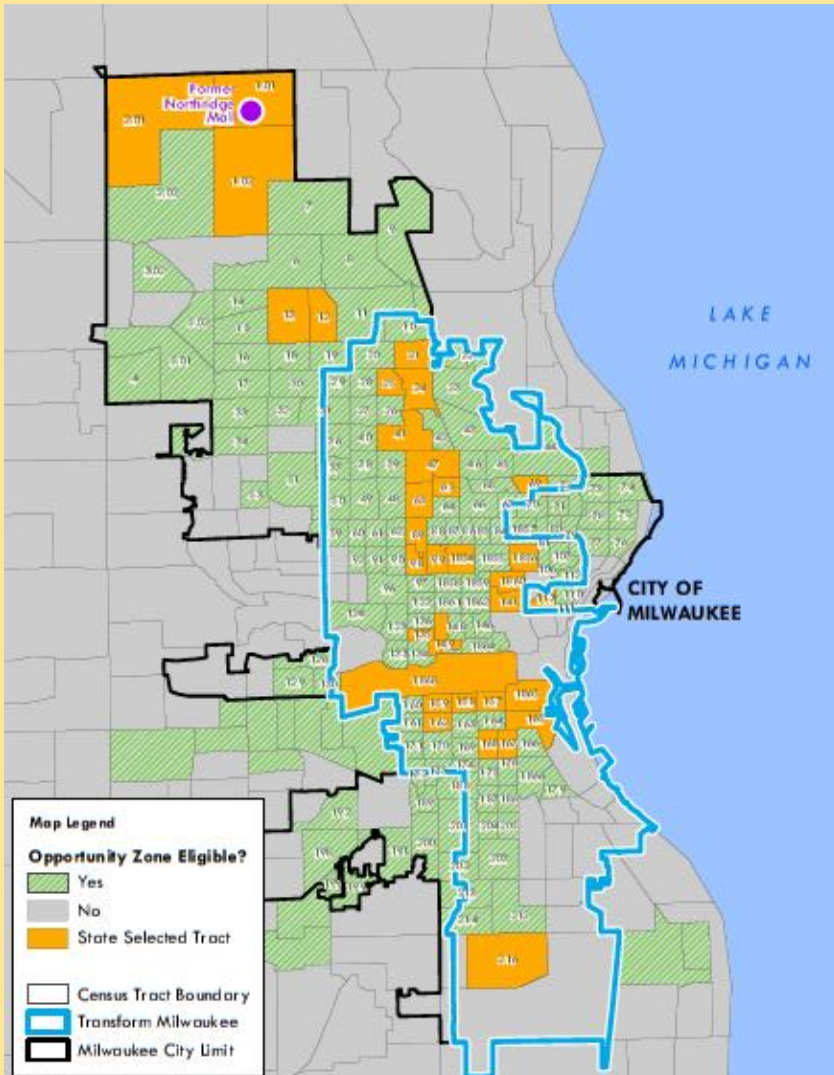
Selecting Opportunity Zones

- Governors responsible for nominating census tracts for OZ status
- Eligible tracts must meet distress criteria
- US Treasury Dept. must approve OZ nomination
- Wisconsin:
 - Allowed to designate up to 120 census tracts statewide
 - Governor advised by consortium of State agencies and consultants re: OZ tract nominations
 - Web site allowed public nominations

Wisconsin's Opportunity Zones



Milwaukee's Opportunity Zones




- 34 of Wisconsin's 120 OZ tracts located in city of Milwaukee
- OZ tracts include:
 - Northridge area
 - 30th Street Corridor
 - Menomonee Valley
 - Airport area
 - Mitchell Street
 - Inner Harbor

Opportunity Funds

- New investment vehicle
- Likely investors
 - People and corporations with unrealized capital gains tax obligations
 - Capital gains taxes deferred or reduced for investors
- OF must invest its funds in opportunity zones
 - Businesses
 - Real estate
- Rules for OF investments not yet released

Individual sells stock at a profit.
Profits invested in Opportunity Fund.
Capital gains taxes deferred.



Opportunity Fund invests in business or
property located in Opportunity Zone.



As business thrives, OF investors get a
return on their investment, and some
capital gains taxes are forgiven.

What's next?

- Opportunity Fund rules released by US Treasury Department – late 2018
- Entities create Opportunity Funds
- Opportunity Funds seek investment
- Opportunity Funds evaluate projects for Fund investment