Opportunity Zones
Info Brief

What Are Opportunity Zones?

They were created in the Tax Reform Act in early 2018 as a new mechanism to motivate private sector investment in under-served communities across the nation.

They are based on the designation of specific census tracts within each state as Opportunity Zones, using standard criteria. California's designated zones have higher poverty rates, lower median incomes, higher unemployment, lower educational attainment, higher percentages of Black & Latino households, and a larger percentage of renters than the State's average.

There are 63 designated Opportunity Zones in the Capital Region, and 43 in Sacramento County alone.

How Do Opportunity Zones Work?

Qualified Opportunity Zone Funds are the required financial vehicle through which Opportunity Zone investments must be made. Funds can be single-purpose or more broad-based. Funds simply self-certify to the IRS that they meet the required criteria – which includes investing 90% of any fund in Opportunity Zone(s).

Investors can realize up to three different types of benefits from capital gains deferral and/or forgiveness, as well as the returns they gain from the Opportunity Zone investments themselves, and must move capital gains into Opportunity Zone Funds within 180 days of realizing the gain, in order to shelter them.

Communities can benefit from an increase in capital via Opportunity Zone funds, and those investments can include both properties/physical projects as well as business equity.

What's the Current Status of Opportunity Zones?

Many technical details have yet to be finalized; the US Department of the Treasury is scheduled to publish draft regulations before November 2018.

State and/or local governments could choose to implement policies intended to motivate certain types of investor behavior. For example, states could conform their capital gains tax treatment to the new Federal treatment under Opportunity Zones, increasing that benefit; states could also link other types of incentives to Opportunity Zone investments – a recent California bill proposed to exempt Opportunity Zone projects from certain aspects of CEQA.

Despite this technical uncertainty, investor interest is rising quickly, because time is very much of the essence given that Opportunity Zone tax benefits are front-end loaded and diminish over time.

What's the Capital Region Opportunity Zones Working Group?

Because Opportunity Zones are moving quickly, not yet fully defined, and likely to bring entirely new investors into under-served communities, there is a growing level of interest across the Capital Region.

Valley Vision has convened a working group to serve as a focal point for interested parties, to share up-to-date information about Opportunity Zone developments, and to enhance the likelihood of securing investment from Opportunity Zone Funds to support suitable regional projects.

The working group is open to interested organizations; please contact Valley Vision in order to participate.

valley vision
Community Inspired Solutions

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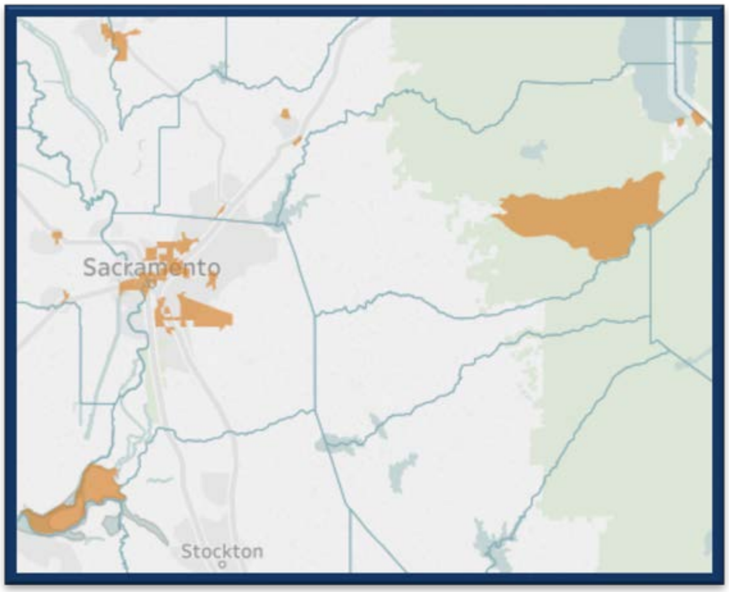
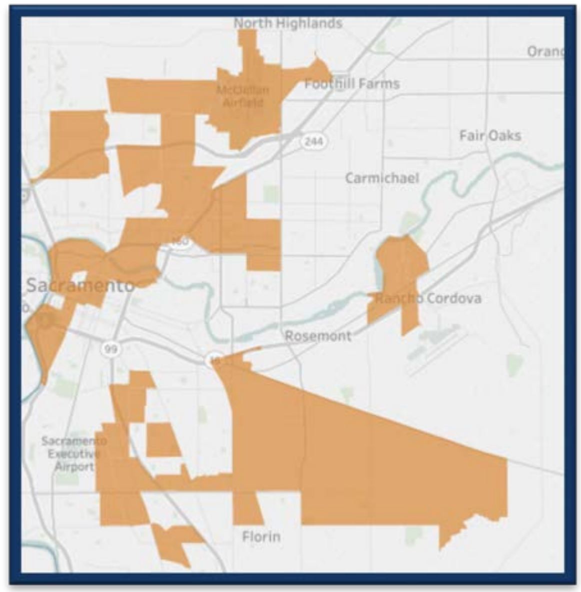
Opportunity Zones in the Sacramento Region (left) and in Sacramento County (right)

Capital Region Opportunity Zones: 63

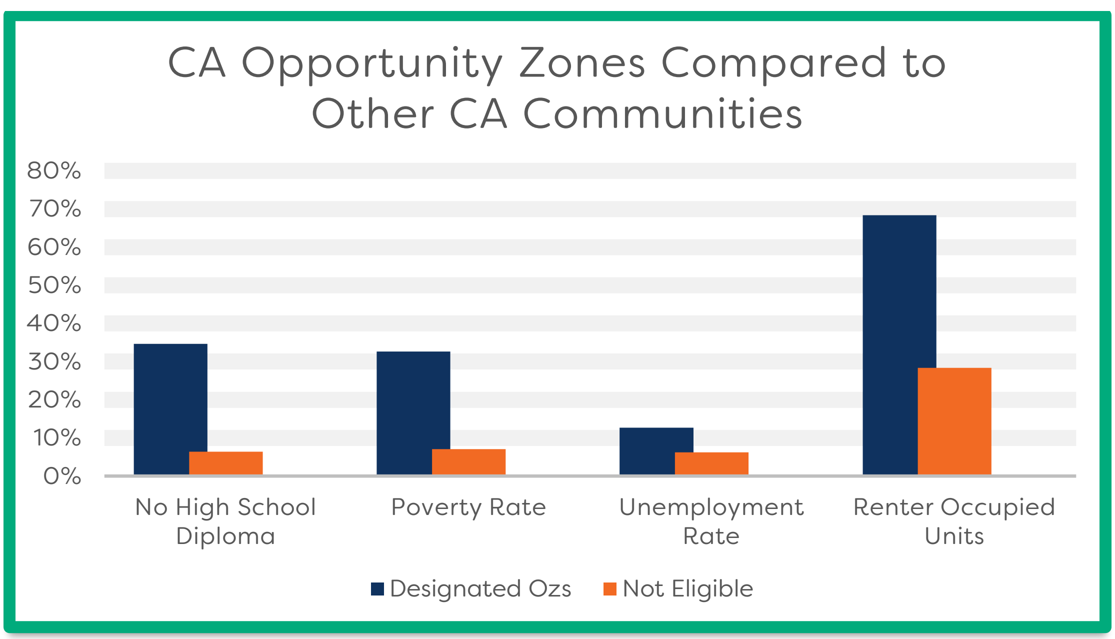


Sac County Opportunity Zones: 43*



Note: Image does not include 1 OZ on the southern tip of Sac County in Isleton, CA.

California's Opportunity Zones Show Significant Disparities on Key Social and Economic Metrics



Opportunity Zone Explorer was used to develop the graph and maps above.
Created by Enterprise's Opportunity360 team. You can access the tool at:
https://www.enterprisecommunity.org/opportunity360/opportunity-zone-eligibility-tool.