



INVEST FORWARD

OPPORTUNITY ZONES

April 25 Morgantown, WV | April 26 Shepherdstown, WV | April 29 Charleston, WV

Co-hosts

- WV Forward
- Office of US Senator Shelley Moore Capito
- WV Department of Commerce
- Federal Reserve Bank of Richmond
- Claude Worthington Benedum Foundation

Special thanks to: WV Bioscience Summit, Natural Capital Investment Fund, Northern WV Brownfields Assistance Center, WVU Corporate Relations, Novogradac, and Economic Innovation Group

This event is open to the press and the public free of charge. Maps from CDFI Fund.

Raise your hand if...

- You're in the **startup or business** community?
- You're in the **real estate development** community?
- You're in the **investment and lending** community?
- You're in the **legal** community?
- You're working in **local or state government**?
- You're a **student** interested in working in one of these fields?

Agenda

1. Federal legislation; how it started
2. WV's perspective on the program and state level incentives
3. What other states are doing; latest regulations
4. How this program can promote deal flow in the state
5. Stackable incentives like SBA's HubZones program
6. Characteristics of West Virginia's Opportunity Zones



1. What are Opportunity Zones?

Aaron Sporck, Director of Economic Development

What are Opportunity Zones?

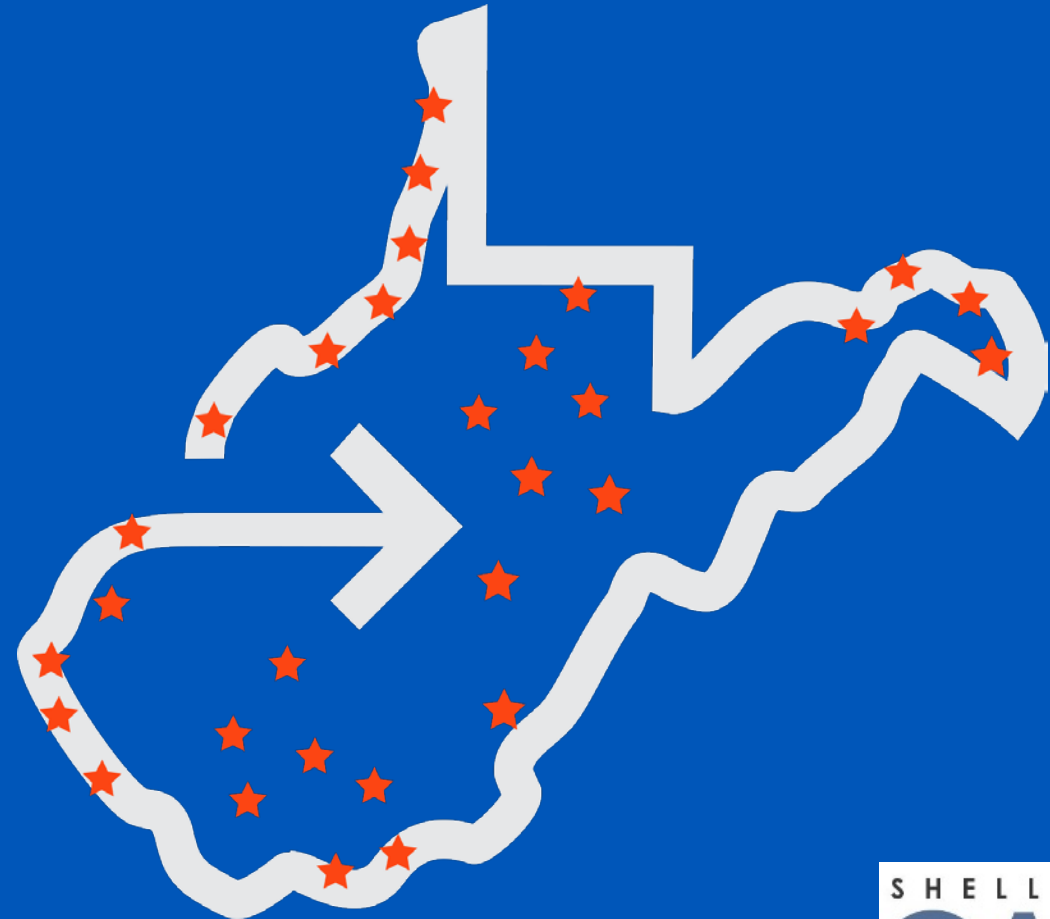
- Opportunity Zones are a mechanism to incentivize investment in underserved communities across the nation.
- The economic recovery since the financial crisis has been uneven and concentrated in a handful of metropolitan areas.
- The goal is to spur long term investment in low-income urban and rural communities; to create economic and community development; and to create more opportunities for startups and new businesses.
- There are approximately \$6 trillion of unrealized capital gains held by U.S. investors; Opportunity Zones present a tax preferred method to reinvest those gains.

What are Opportunity Zones?

- The concept was initially introduced in stand alone legislation, *S. 293 the Investing in Opportunity Act*, by Sen. Tim Scott (R-SC) and Sen. Cory Booker (D-NJ).
- Sen. Capito was an original sponsor of the legislation.
- The legislation was drafted in close coordination with the Economic Innovation Group that focuses on distressed communities.
- The basis of *the Investing in Opportunity Act* was included in the Tax Cuts and Jobs Act which was signed into law by President Trump on December 22, 2017.

Where are West Virginia's Opportunity Zones?

- Martinsburg
- Boone Co.
- Huntington
- Greenbrier Co.
- Hampshire Co.
- Weirton
- Clarksburg
- Jackson Co.
- Jefferson Co.
- Kanawha Co.
- Fairmont
- Moundsville
- Mason Co.
- Mercer Co.
- Mingo Co.
- Morgantown
- Monroe Co.
- Berkeley Springs
- Nicholas Co.
- Wheeling
- Beckley
- Elkins
- Hinton
- Taylor Co.
- Sistersville
- Buckhannon
- Westmoreland
- Wetzel Co.
- Parkersburg
- Wyoming Co.



Where are West Virginia's Opportunity Zones?

- West Virginia has 55 Opportunity Zones.
- Fairly distributed across that state's regions.
- Concentration in urban areas including the state's five largest cities: Charleston, Huntington, Morgantown, Parkersburg, and Wheeling

How can you invest in Opportunity Zones?

- Investors with unrealized capital gains can reinvest those gains in an Opportunity Fund.
- These funds can be national, regional, or local in scope, as well as sector specific.
 - Tremendous opportunity for local funds to form and invest in projects.
- Opportunity Funds may be used to support startups, invest in small businesses, and for real estate development projects.
 - The rules issued in October 2018 and April 2019 provide greater clarity for business investment and startup investment.
 - This should be a great tool for raising capital and financing expansions for small businesses across the state.

What are the benefits for investors?

- Deferment of capital gain realization for investments held in an Opportunity Zone Fund for 5 years or less;
- For investments held between 5-7 years, the investor will benefit from a capital gain reduction of 10%;
- For investments held between 7-10 years, the investor will benefit from an additional capital gain reduction of 5%.
- For investments held beyond 10 years, the investor no longer has a capital gain obligation on the reinvested capital.

Two Scenarios for Reinvestment

- **SCENARIO ONE:** Reinvest \$100 of capital gains into a non-opportunity fund investment.
 - Assume investment appreciates by \$100.
 - \$160 balance at end of investment

Year One

Year Ten



Year one: $\$100 - 20\% \text{ Capital Gains} = \80 Reinvested

Year ten: $\$80 + \$100 - 20\% \text{ Capital Gains} = \160

- **SCENARIO TWO:** Reinvest \$100 of capital gains into an opportunity fund investment.
 - Assume investment appreciates by \$100.
 - \$183 balance at end of investment

Year One

Year Ten



Year one: $\$100 - 0\% \text{ Capital Gains} =$
 $\$100$ Reinvested

Year eight: $\$100 - 17\% \text{ Capital}$
Gains on original $\$100 = \17 Cap
Gain Owed

Year ten: $\$200 - \17 from original Capital Gains
Owed - $0\% \text{ Capital Gains on Opportunity Fund}$
Investment = $\$183$

What are the next steps for communities?

- Identify projects and community needs that can benefit from Opportunity Fund investment.
 - Is there a need for mixed used redevelopment in the opportunity zone?
 - Do businesses in the opportunity zone need capital to help them grow and expand?
 - Is there a need for facilities that provide shared workspace and flex workspace for small businesses and entrepreneurs?
- Prepare pitch books for each opportunity zone with specific socio-economic data as well as investment opportunities. Determine the best way to market your projects to investors across the nation.
- Start a discussion with the investors in your community about the possibility of setting up local Opportunity Funds, pending the completion of the Treasury rulemaking.

West Virginia Department of Commerce

2. The state level perspective

Wes White, Deputy Cabinet Secretary

The state level perspective

- What role did the state play in the selection process?
- Recently proposed state level incentives

Federal Reserve Bank of Richmond

The views and opinions expressed are those of the presenter. They do not represent an official position of the Federal Reserve Bank of Richmond or the Federal Reserve System.

3. What other states are doing

Jeanne Milliken Bonds, Community Development Office

What are the policy goals?

- More than 8,700 Opportunity Zones are low-income census tracts
- The same definition of a “low-income community” that is used by Treasury CDFI Fund’s New Markets Tax Credit (NMTC) program is the basis for defining eligible Opportunity Zone census tracts.
- The policy goals of the Opportunity Zone tax incentive
 - **Drive long-term private sector investments**
 - **Channel equity capital into overlooked and underserved markets**
 - **Reinvest realized capital gains into distressed communities**
- Why is everyone so excited about OZ?
 - **Innovative and first tool in 15 years**
 - **May scale to the largest economic development program in the country**

Readily Identifiable Investment Types in Opportunity Zones

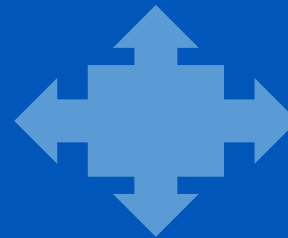


Commercial Real
Estate Development
and Renovation in
Opportunity Zones



Opening New
Businesses in
Opportunity
Zones

Large Expansions
of Businesses
already within
Opportunity
Zones



Expansion of
Existing
Businesses into
Opportunity
Zones

What is the incentive for the community?

- Funding available to build community plans
- Build a plan for financing of top priorities
- Leverage the opportunity to attract ALL types of investors, especially local ones
- Think broadly about all investors and how to change the economy of the community
- Be creative
- Equitable and inclusive development

Community Development Finance

- Pair with other funding streams that support stronger and more resilient communities (federal and state grants)
- New opportunities--affordable housing, small businesses, and jobs--that specifically benefit low-income neighborhoods and people.
- Collaborate with financial institutions, CDCs, CDFIs to help meet the credit, housing, and economic development needs of communities.
- Use with other state, federal tax incentives
- Use with local tax incentives

Community Development Finance just continues to grow with possibilities ...

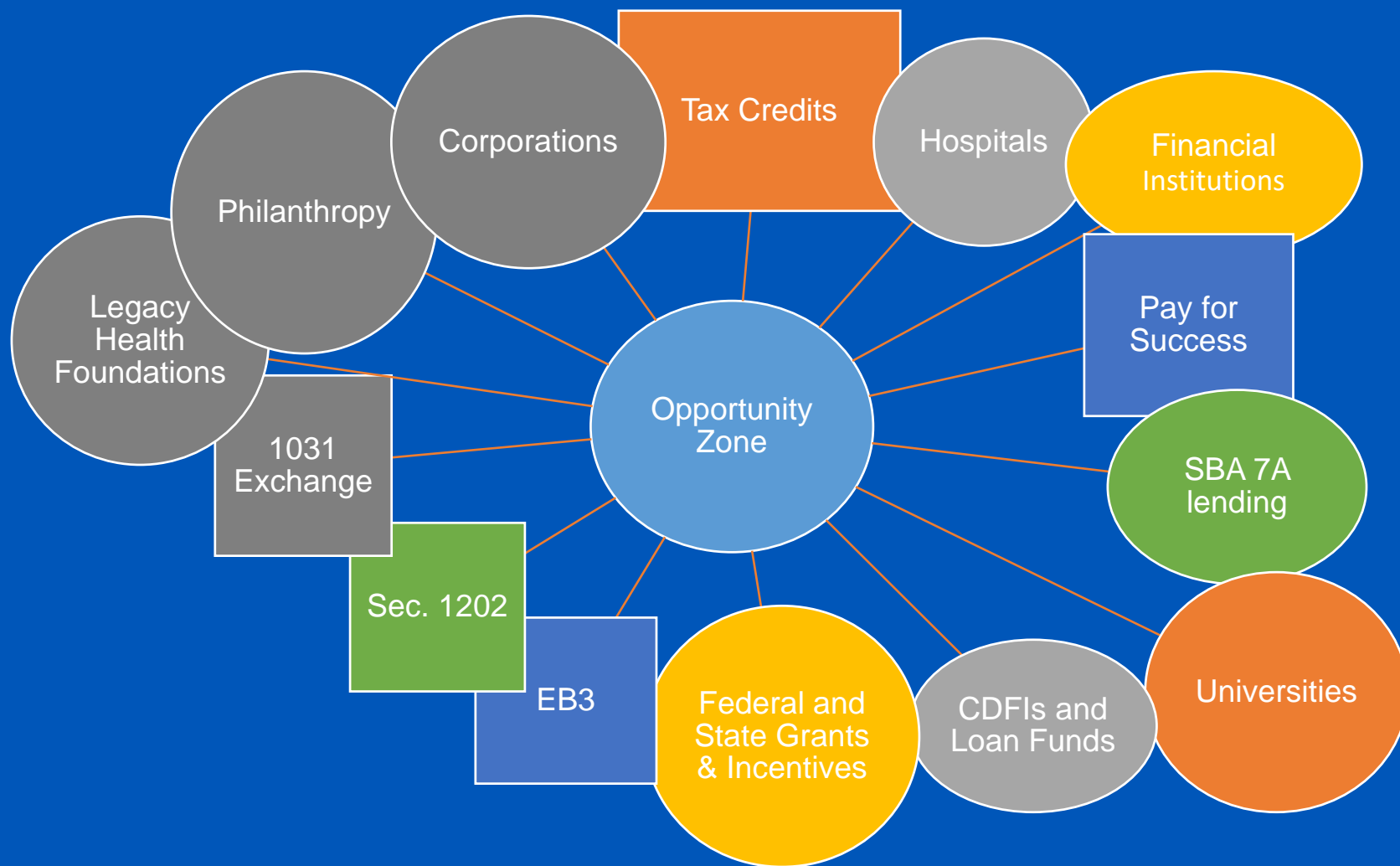
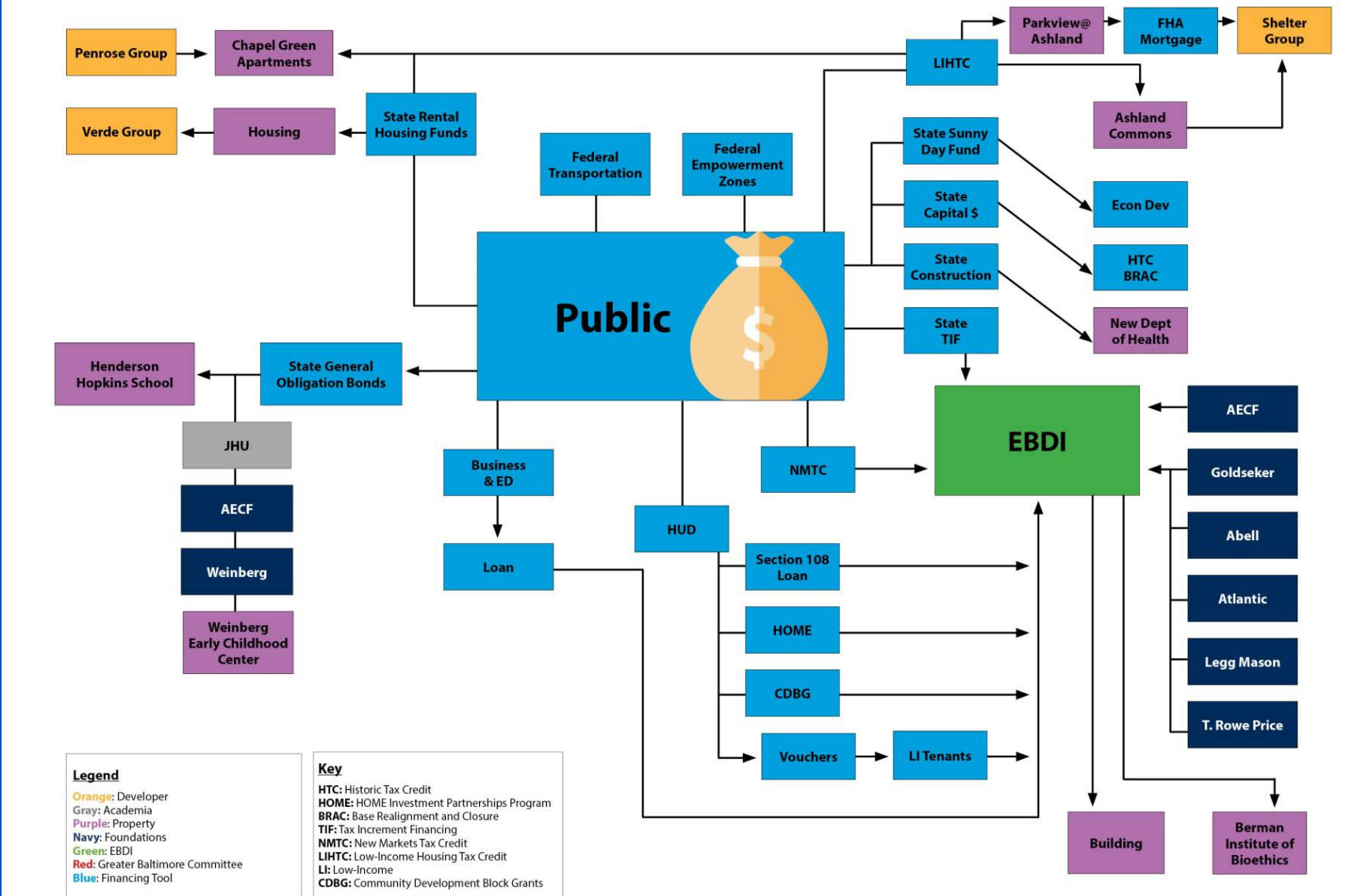


Diagram 1: Financing Tools, Projects and Actors in Phase 1 Redevelopment of East Baltimore



Innovations

- Strategies to mitigate community harm, community benefits – West End, Charlotte; S.C. Community Capital Alliance/SCACED
- Partnerships to raise and deploy funds – HBCU QOF
- Mission-oriented institutions' sponsorship of Qualified Opportunity Funds (Enterprise Community Partners, Self Help)
- Foundation Incentives – ROI Guarantee in exchange for jobs, wages
- Innovative Capital Stacks – Qualified Opportunity Funds paired with impact investing products, debt
- Local government-driven funds
- Public Asset Corporations, Institutions
- Purpose Built Communities – Raleigh, Norfolk

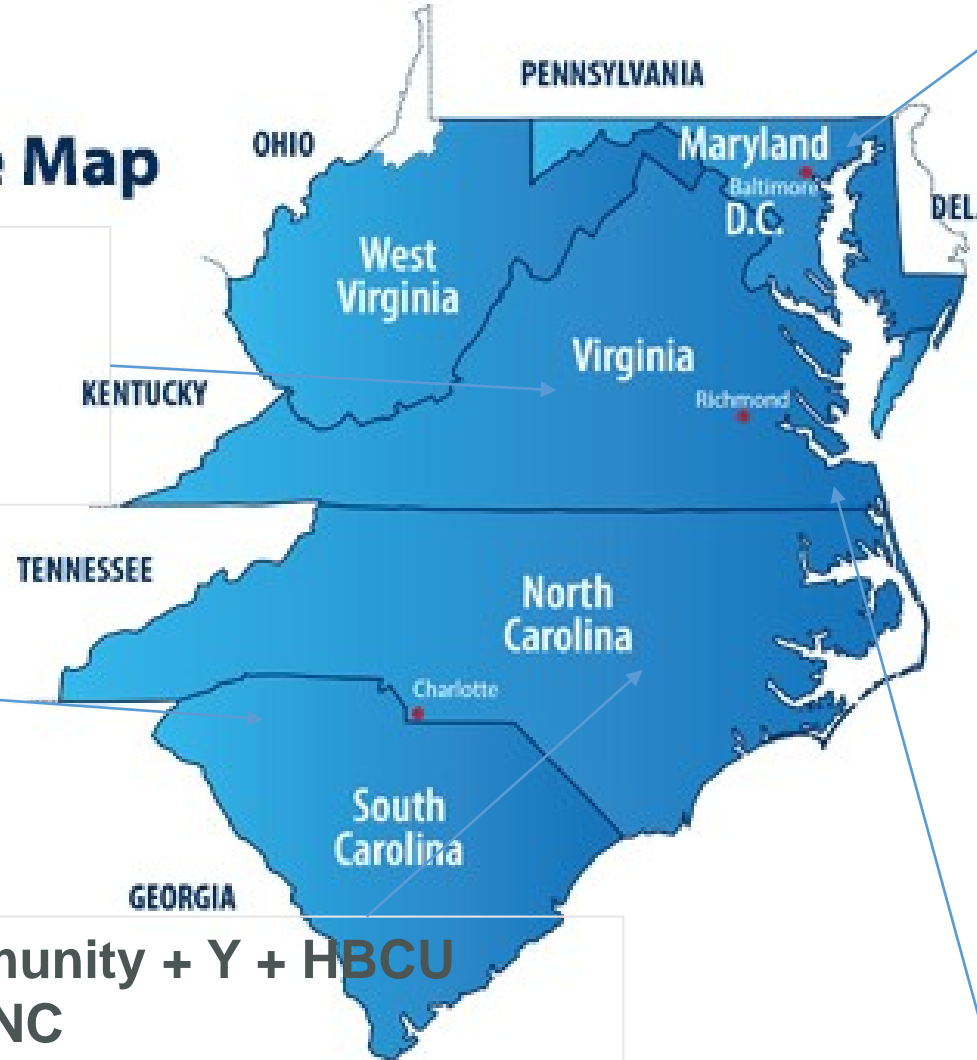
Brownfield to mixed use: Baltimore, MD

5th District Federal Reserve Map

Affordable Housing,
mixed use + small
business:
Charlottesville, VA

PPP and Mill
Renovation
Rock Hill, SC

Purpose Built Community + Y + HBCU
Southeast Raleigh, NC



Affordable Housing: Norfolk, VA

**CLAUDE
WORTHINGTON
BENEDUM
FOUNDATION**

4. How to encourage deal flow

Mary Hunt, Program Director - Community and Economic Development

Key observations

- Opportunity Funds are private investments – not low cost funds.
- Other programs could be bundled with the OF to make a viable deal
 - Consider EPA/Brownfields, HUD CDBG, US EDA, New Markets Tax Credits, Historic Preservation Tax Credits.
- Small market Opportunity Zones have distinct challenges relative to size of the deal, market data, if real estate-comparables, appreciation of value
- Housing: senior, market rate, special needs.

Increasing number and viability of deals

- Identify targeted industry studies, housing plans, tourism development strategies. Which projects are suitable for OZ locations
- Downtown OZ projects: multi-use buildings, explore partnerships with public and nonprofit sector for long-term tenancy.
- Examine POWER projects doing enterprise development.
 - Craft breweries, value added agriculture, solar energy, health care.
- Develop market data on other small market projects if local data not compelling
- Connect with Community Development Financial Institutions to examine successful portfolio companies/investments

Can this work for WV?

- Place based – evaluate and promote community assets
- Impact motivated – optimize double & triple bottom-line
- Profit motivated – put deals to the test... realistic?
- Tax benefit motivated – WV can support home-grown OF for good deals.

US Small Business Administration

5. SBA's stackable incentive

George Murray, Deputy District Director

US Small Business Administration

- HUBZones Program
- 20 HUBZones overlay Opportunity Zones

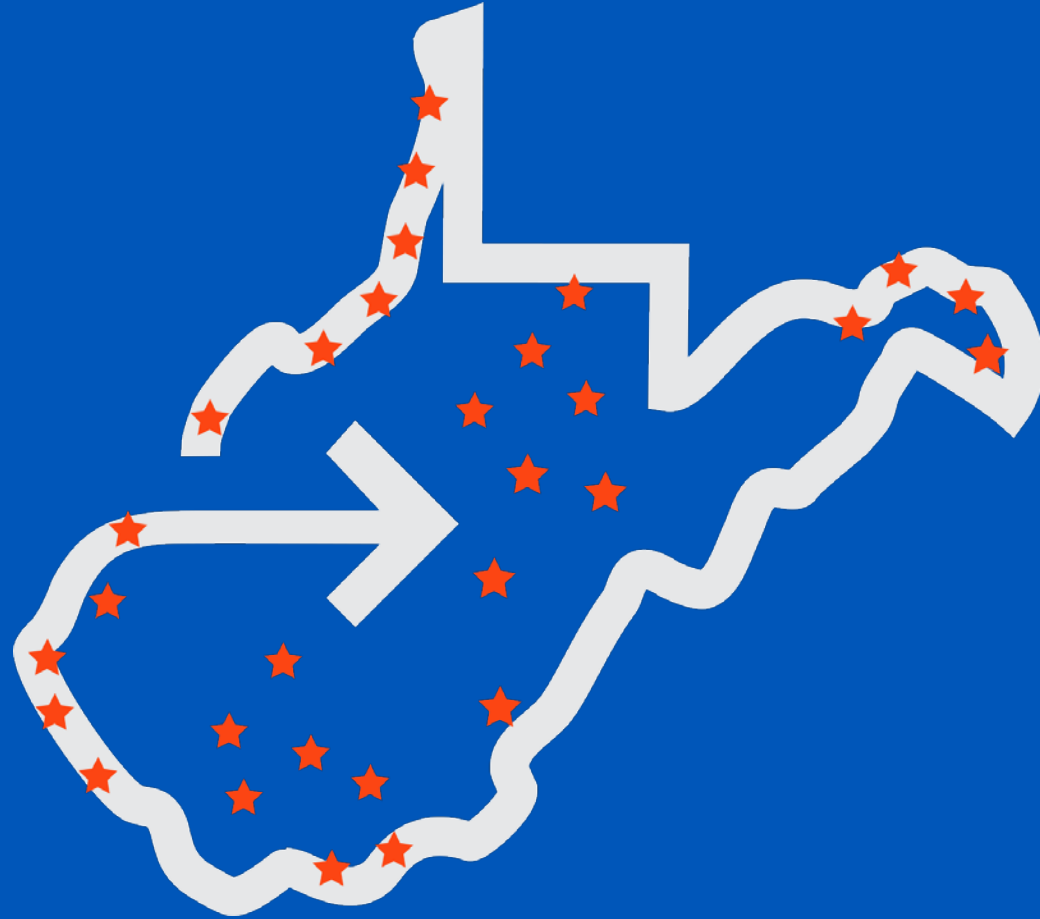
WV Forward

6. Opportunity Zone Characteristics

Joshua Cook, WV Forward Research Fellow

Opportunity Zone Characteristics

- Martinsburg
- Boone Co.
- Huntington
- Greenbrier Co.
- Hampshire Co.
- Weirton
- Clarksburg
- Jackson Co.
- Jefferson Co.
- Kanawha Co.
- Fairmont
- Moundsville
- Mason Co.
- Mercer Co.
- Mingo Co.
- Morgantown
- Monroe Co.
- Berkeley Springs
- Nicholas Co.
- Wheeling
- Beckley
- Elkins
- Hinton
- Taylor Co.
- Sistersville
- Buckhannon
- Westmoreland
- Wetzel Co.
- Parkersburg
- Wyoming Co.



What do you need next?

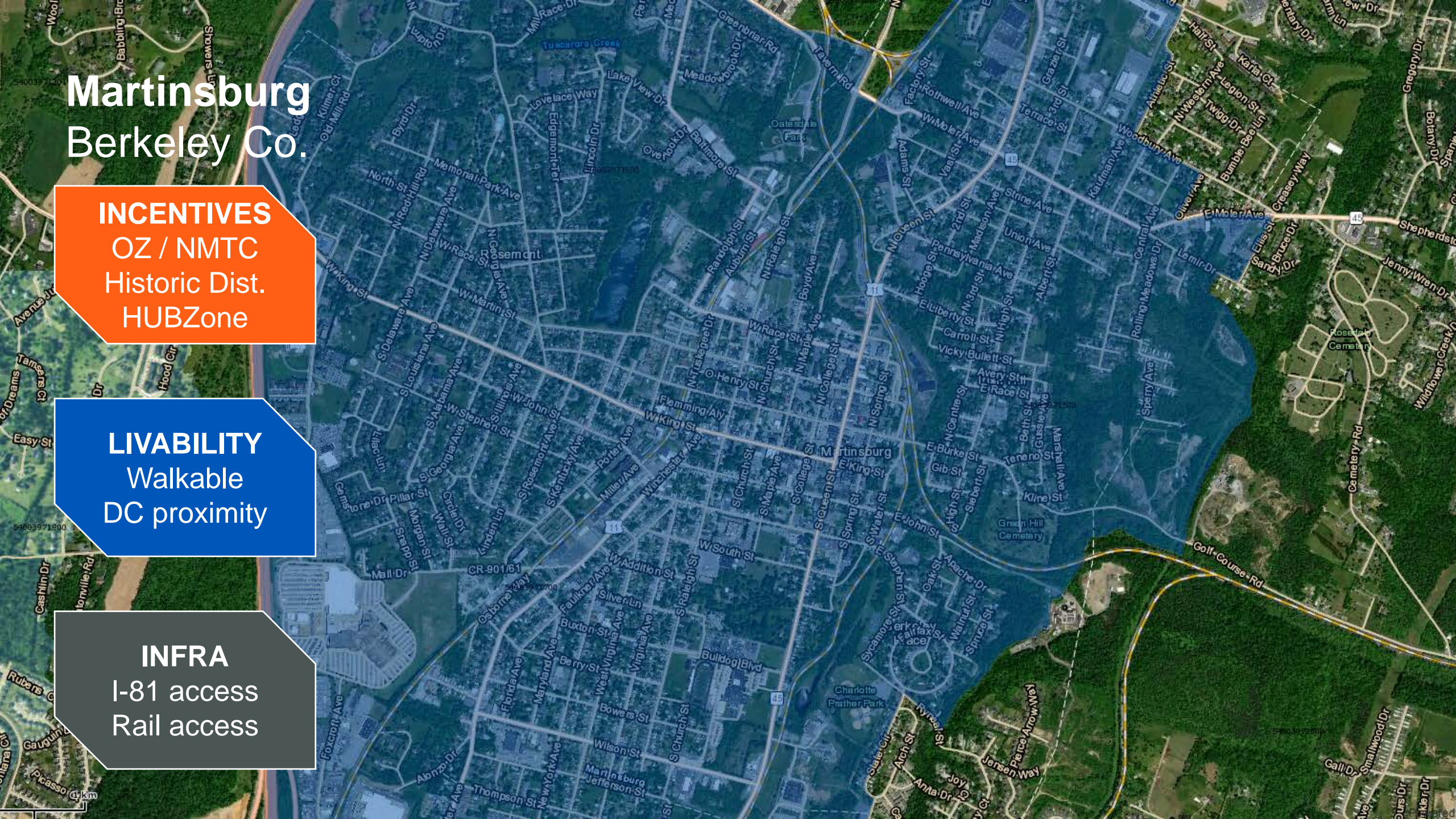
- Investment insights
- Community development insights

Martinsburg Berkeley Co.

INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

LIVABILITY
Walkable
DC proximity

INFRA
I-81 access
Rail access

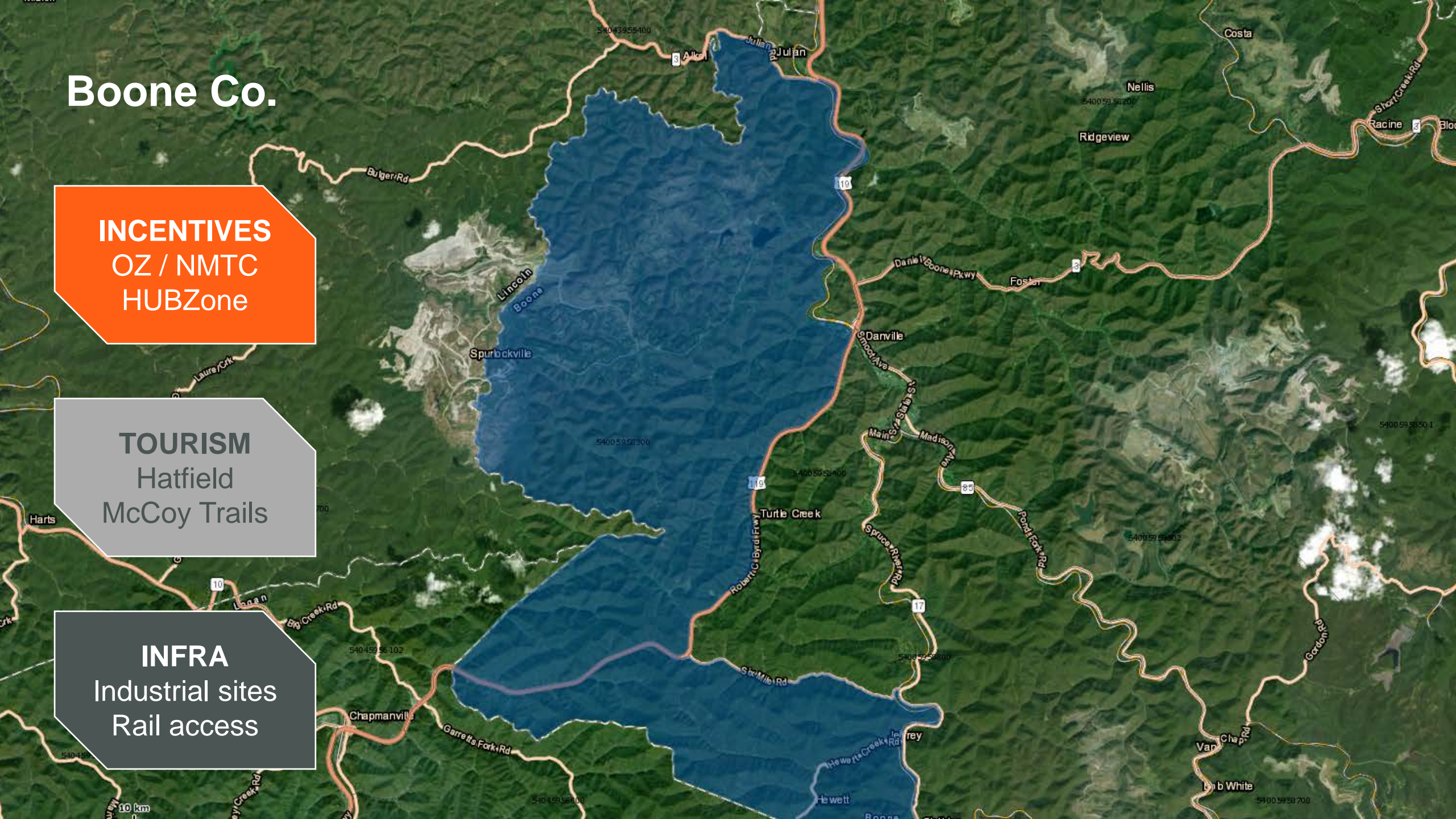


Boone Co.

INCENTIVES
OZ / NMTC
HUBZone

TOURISM
Hatfield
McCoy Trails

INFRA
Industrial sites
Rail access

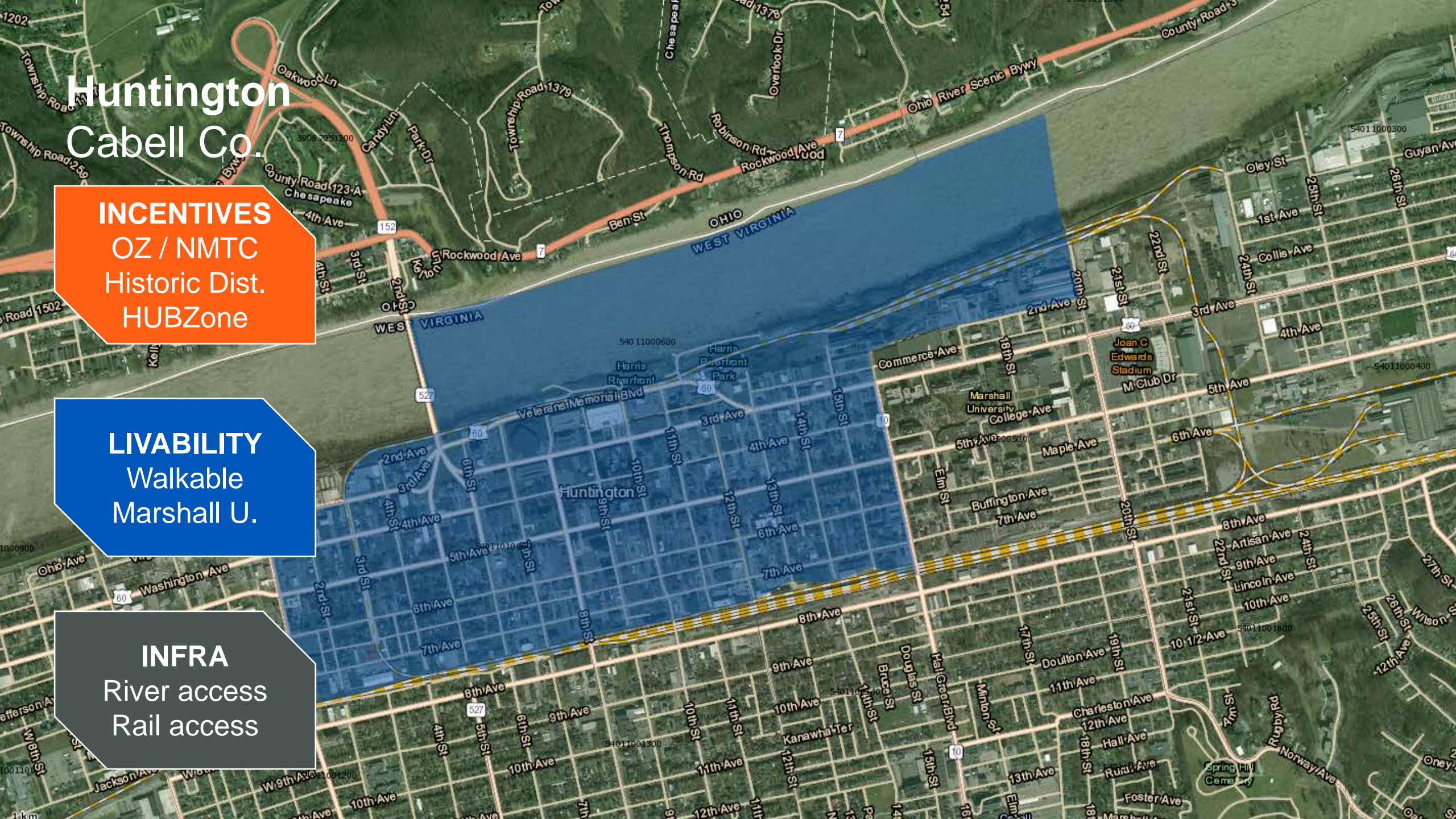


Huntington Cabell Co.

INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

LIVABILITY
Walkable
Marshall U.

INFRA
River access
Rail access



Greenbrier Co.

An aerial map of Greenbrier County, West Virginia, showing its geographical features and infrastructure. The county is shaded in a light blue color. Three callout boxes are overlaid on the map: an orange box in the upper left, a grey box in the middle left, and a dark grey box in the lower left. The map includes labels for various towns and locations such as Falling Spring, Williamsburg, Maxwellton, Lewisburg, White Sulphur Springs, and Moundsville. It also shows major roads like I-64, I-78, and US-219, as well as the Greenbrier State Forest and the Kanawha River. The county is bordered by Virginia to the east and south, and West Virginia to the west and north.

INCENTIVES
OZ / NMTC
Historic Dist.

TOURISM
White Sulphur
Springs

INFRA
I-64 access
Rail access

Hampshire Co.



INCENTIVES
OZ / NMTC

TOURISM
DC proximity
Rural tourism

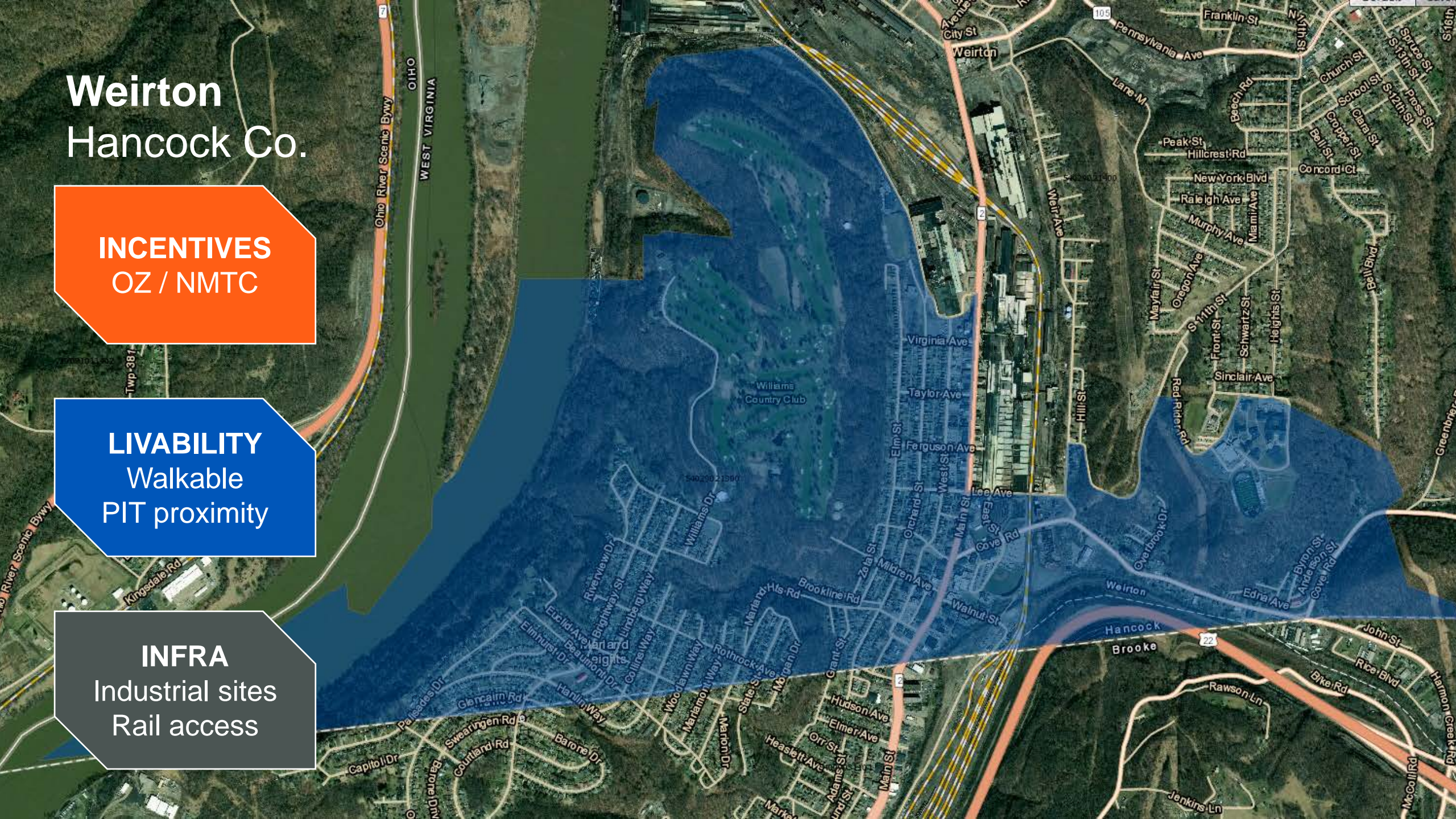
INFRA
River access
I-81 proximity

Weirton Hancock Co.

INCENTIVES
OZ / NMTC

LIVABILITY
Walkable
PIT proximity

INFRA
Industrial sites
Rail access



Clarksburg Harrison Co.

INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

LIVABILITY
Walkable

INFRA
Industrial sites
Rail access



Jackson Co.

INCENTIVES
OZ / NMTC
Historic Dist.

TOURISM
Rural tourism

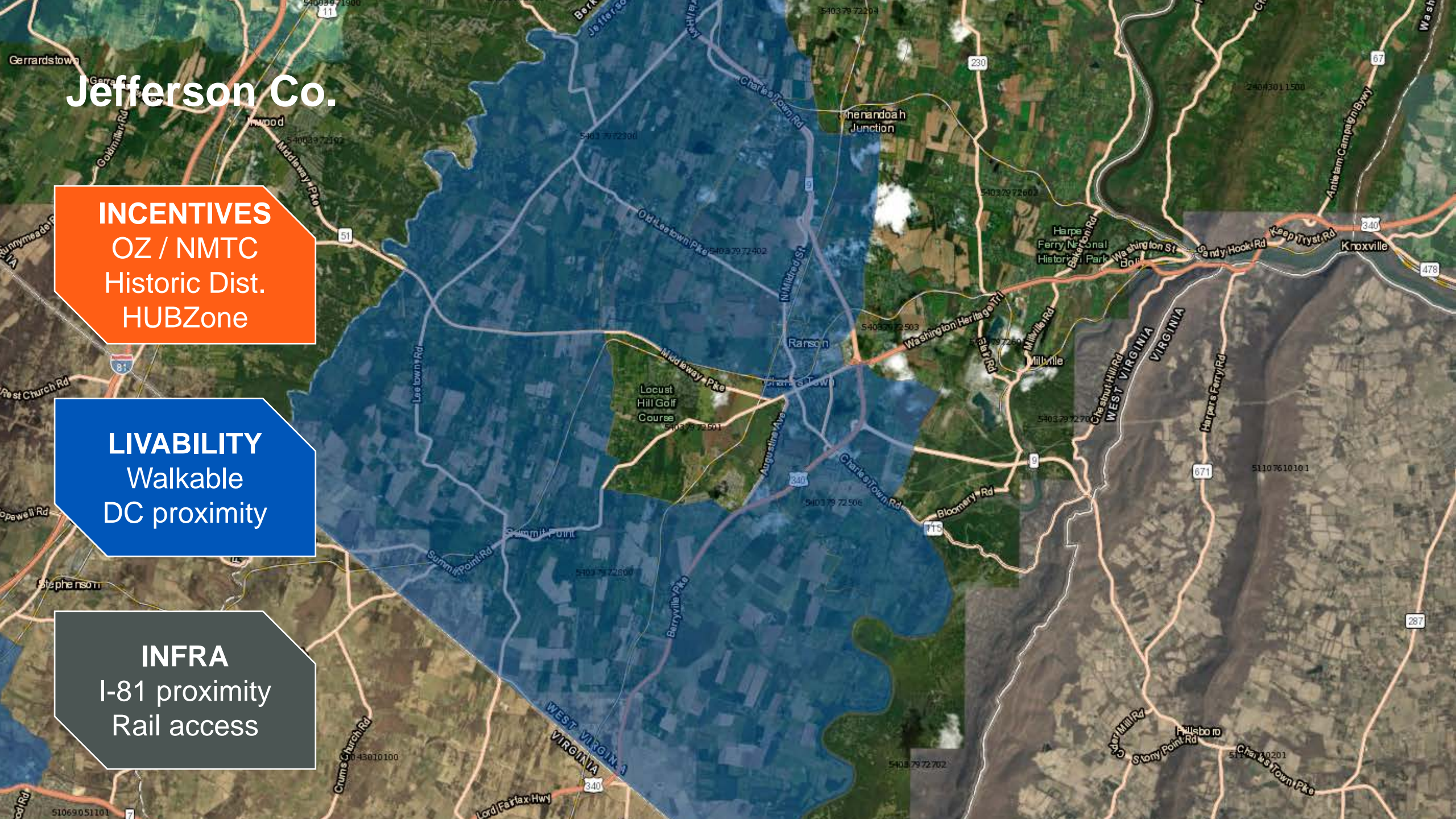
INFRA
Industrial sites
River access
I-77 access

Jefferson Co.

INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

LIVABILITY
Walkable
DC proximity

INFRA
I-81 proximity
Rail access



Kanawha Co.



INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

LIVABILITY
Walkable

INFRA
I-64, I-77, I-79
Industrial sites
Rail / river

Fairmont Marion Co.

INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

LIVABILITY
Walkable

INFRA
I-79 access
Industrial sites
Rail / river

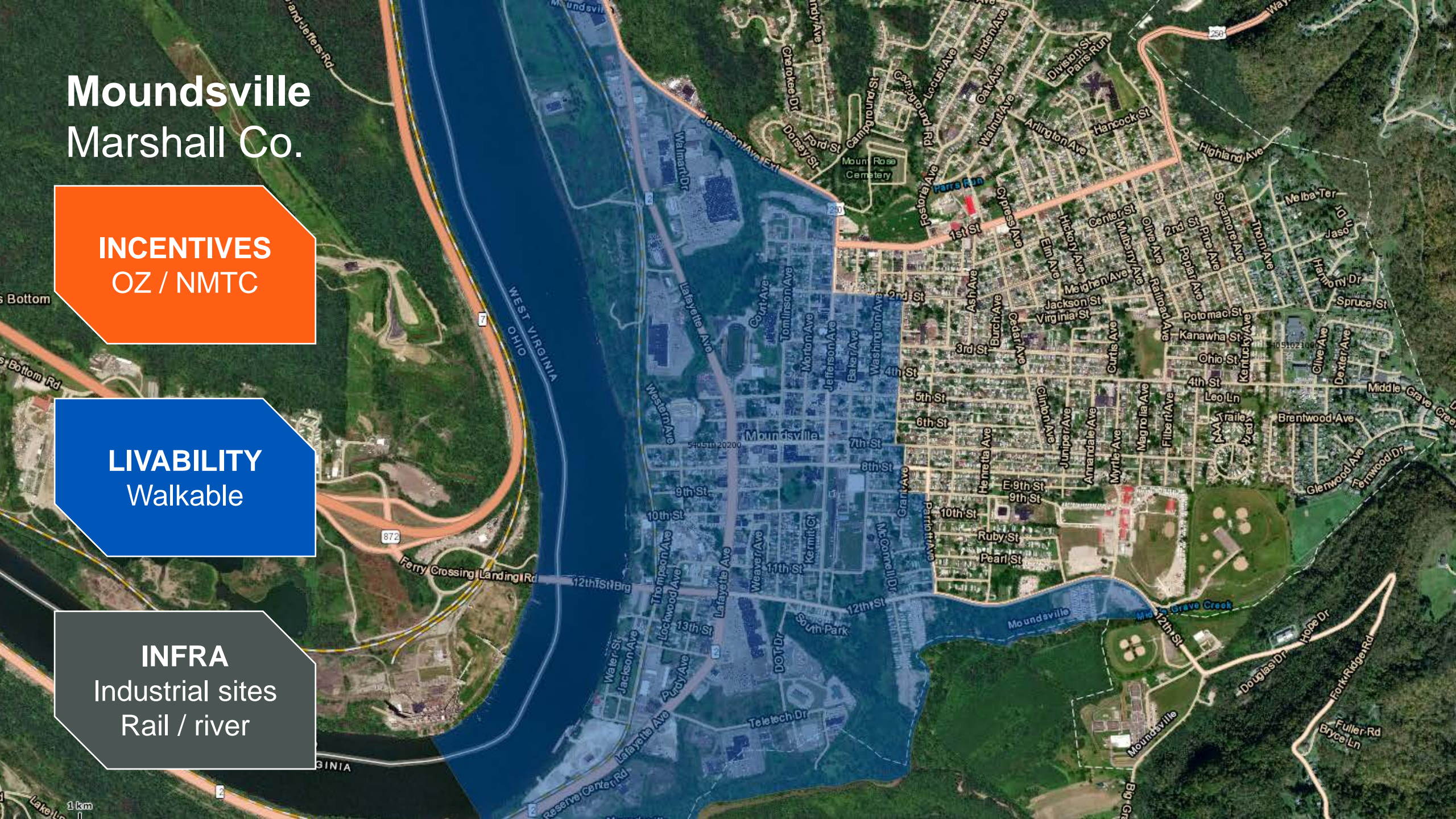


Moundsville Marshall Co.

INCENTIVES
OZ / NMTC

LIVABILITY
Walkable

INFRA
Industrial sites
Rail / river



Mason Co.

INCENTIVES
OZ / NMTC
HUBZone

TOURISM
Rural tourism

INFRA
Industrial sites
River access
Rail access





Map of Mercer County, West Virginia, showing the HUBZone area in blue. The map includes major roads like I-77, I-480, and US-21E, and nearby towns like New Hope and Peterstown. The HUBZone is a large blue-shaded area covering the central and northern parts of the county.

Mercer Co.

INCENTIVES
OZ / NMTC
HUBZone

LIVABILITY
Walkable

INFRA
Industrial sites
I-77 access
Rail access

Mingo Co.

INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

TOURISM
Hatfield-
McCoy Trails

INFRA
Industrial sites
River access
Rail access

10 km

Morgantown Monongalia Co.

INCENTIVES
OZ / NMTC
Research/Hist
HUBZone

LIVABILITY
Walkable
West Virginia
University

INFRA
I-79 / I-68
proximity
River access

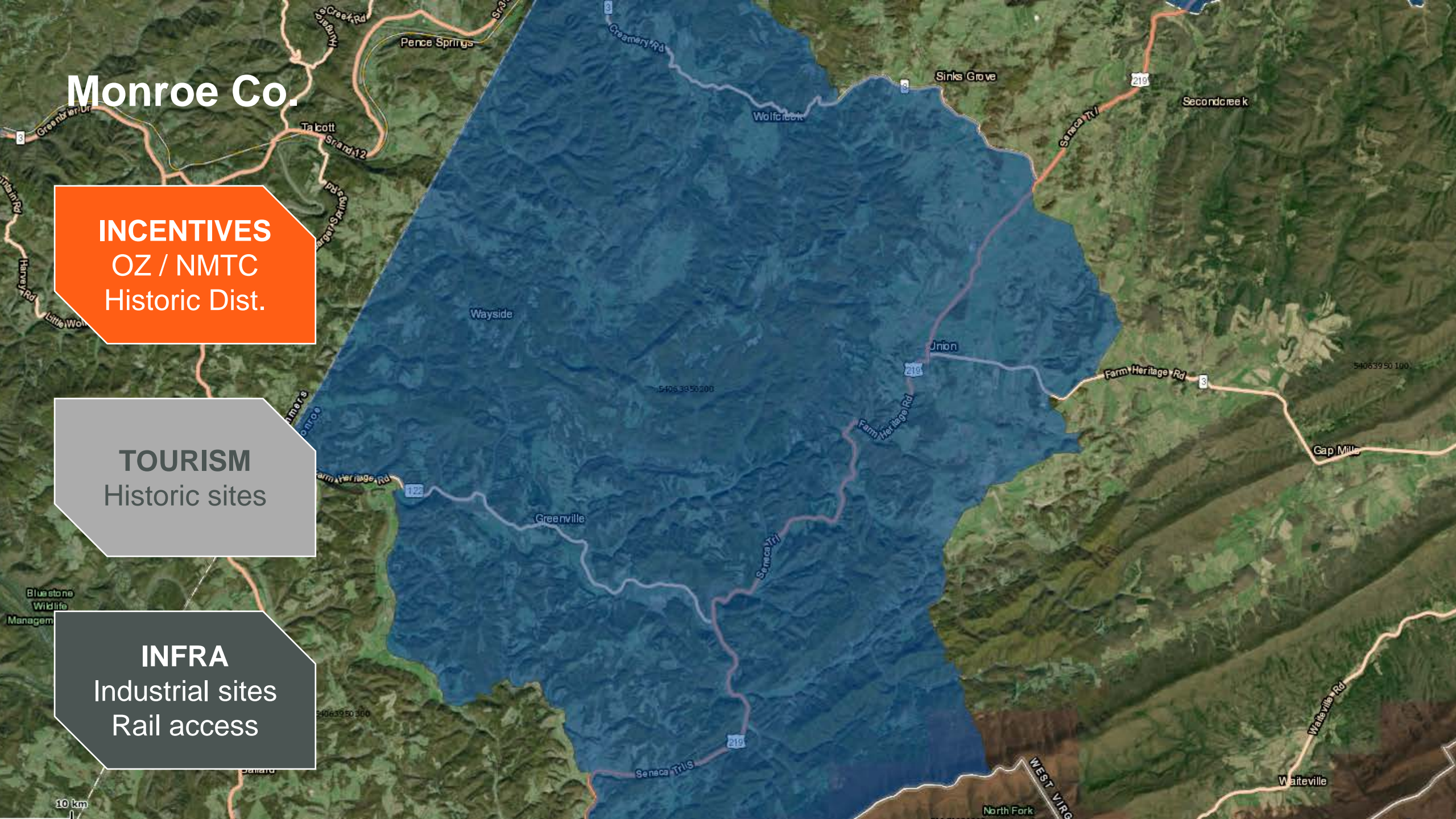


Monroe Co.

INCENTIVES
OZ / NMTC
Historic Dist.

TOURISM
Historic sites

INFRA
Industrial sites
Rail access



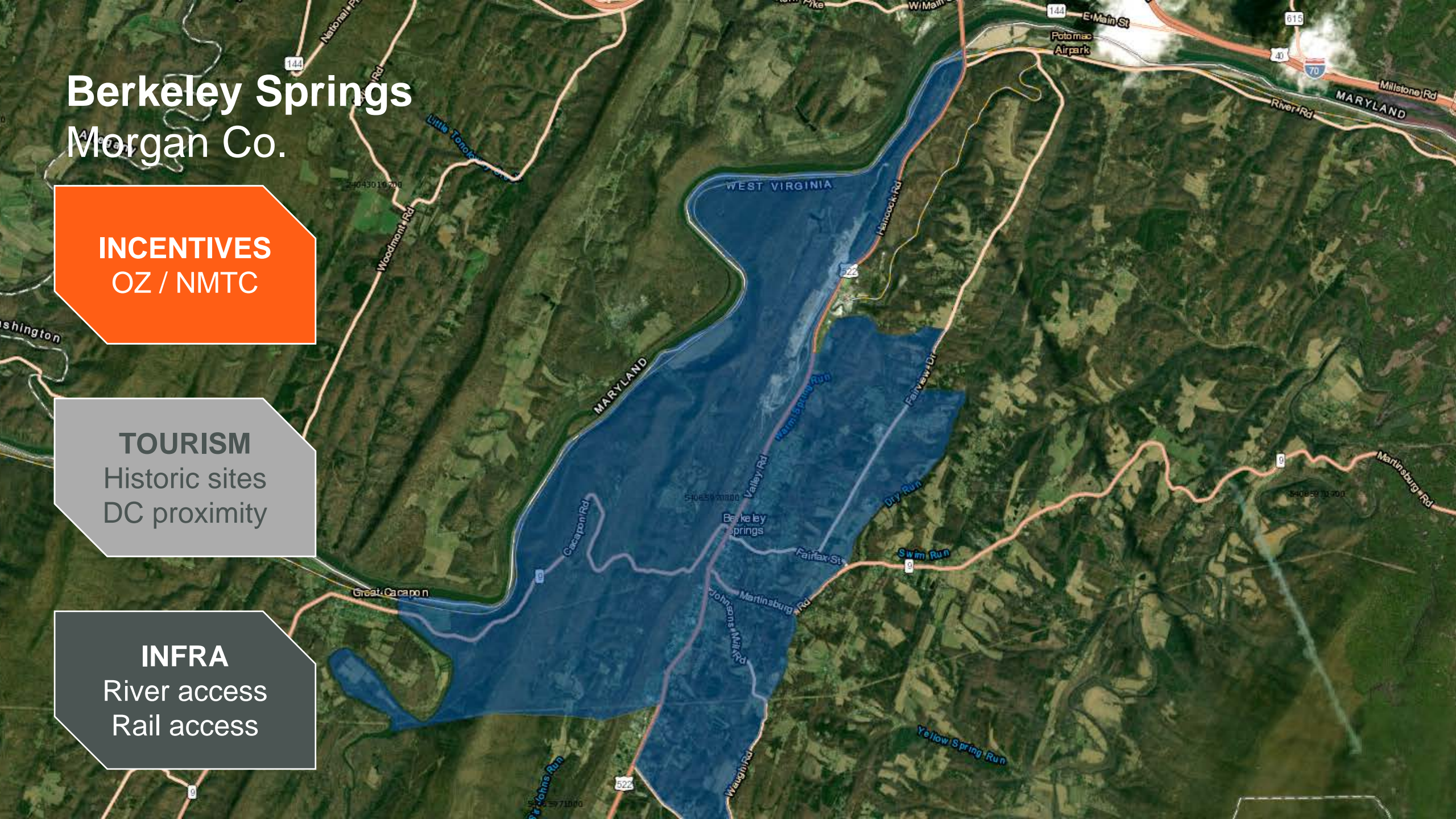
Berkeley Springs

Morgan Co.

INCENTIVES
OZ / NMTC

TOURISM
Historic sites
DC proximity

INFRA
River access
Rail access

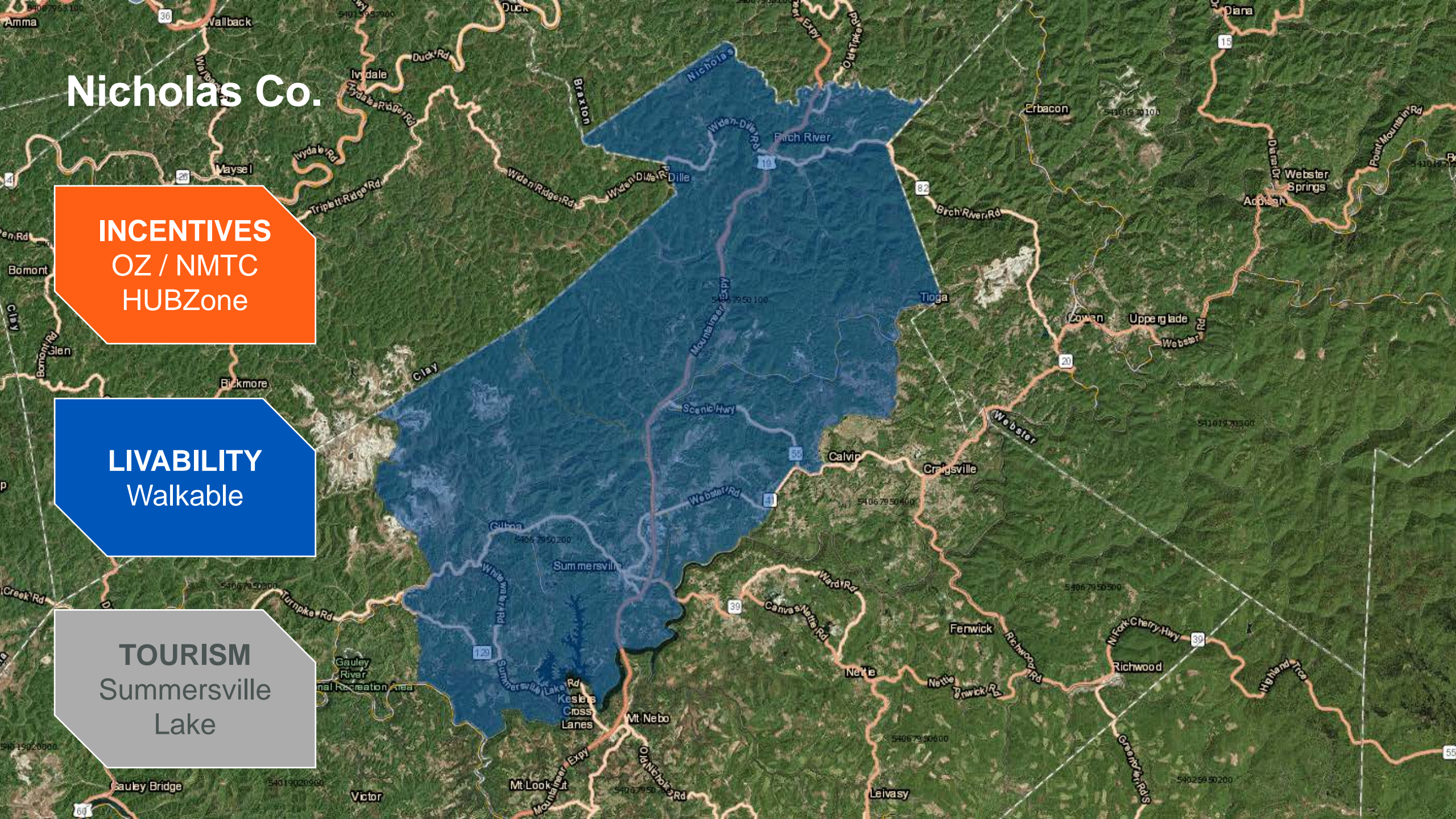


Nicholas Co.

INCENTIVES
OZ / NMTC
HUBZone

LIVABILITY
Walkable

TOURISM
Summersville
Lake



Wheeling Ohio Co.

INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

LIVABILITY
Walkable

INFRA
I-70 access
Industrial sites
River access



Beckley
Raleigh Co.


INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

LIVABILITY
Walkable
College town

INFRA
I-64 proximity
Industrial sites
Rail access



INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone



LIVABILITY
Walkable
College town



INFRA
I-64 proximity
Industrial sites
Rail access



Elkins

Randolph Co.

INCENTIVES
OZ / NMTC
Historic Dist.

LIVABILITY
Walkable
College town

INFRA
Industrial sites
Rail access

Hinton Summers Co.

INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

TOURISM
Rural tourism

INFRA
River access
Rail access



Taylor Co.

INCENTIVES
OZ / NMTC
Historic Dist.

TOURISM
Rural tourism

INFRA
River access
Rail access

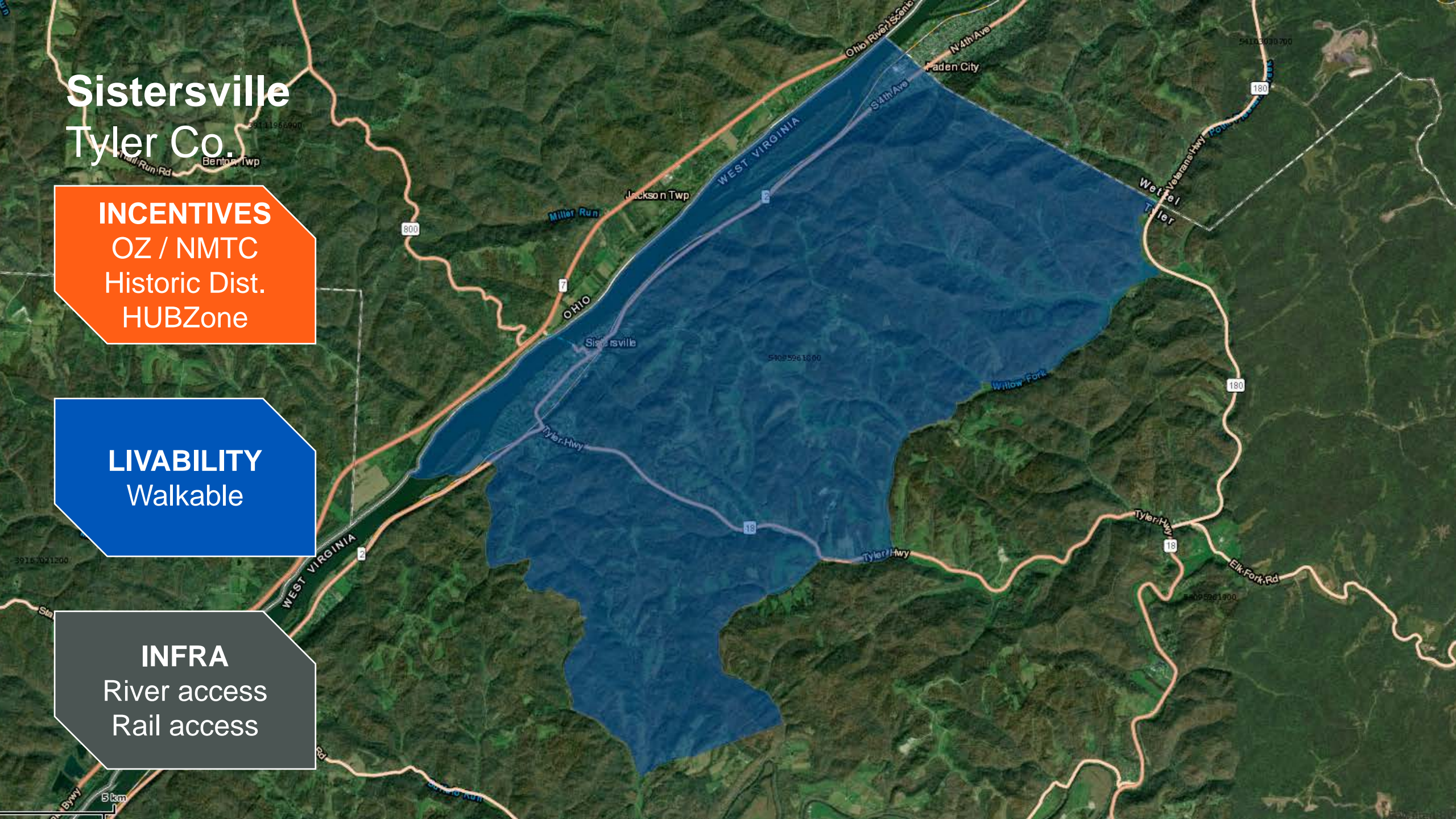


Sistersville Tyler Co.

INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

LIVABILITY
Walkable

INFRA
River access
Rail access



Buckhannon

Upshur Co



INCENTIVES
OZ / NMTC
HUBZone

LIVABILITY
Walkable
College town

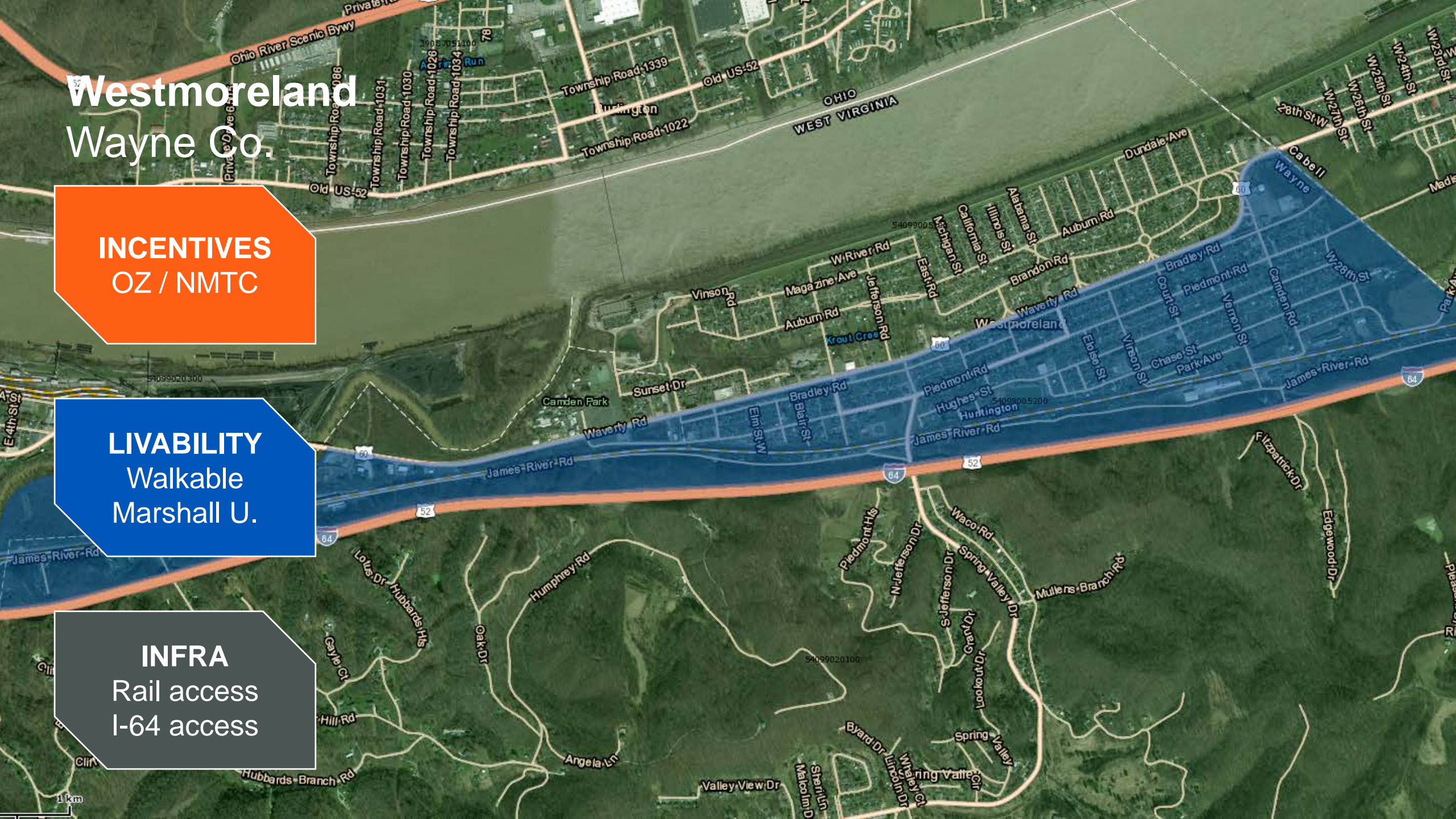
INFRA
Industrial sites
Rail access

Westmoreland Wayne Co.

INCENTIVES
OZ / NMTC

LIVABILITY
Walkable
Marshall U.

INFRA
Rail access
I-64 access

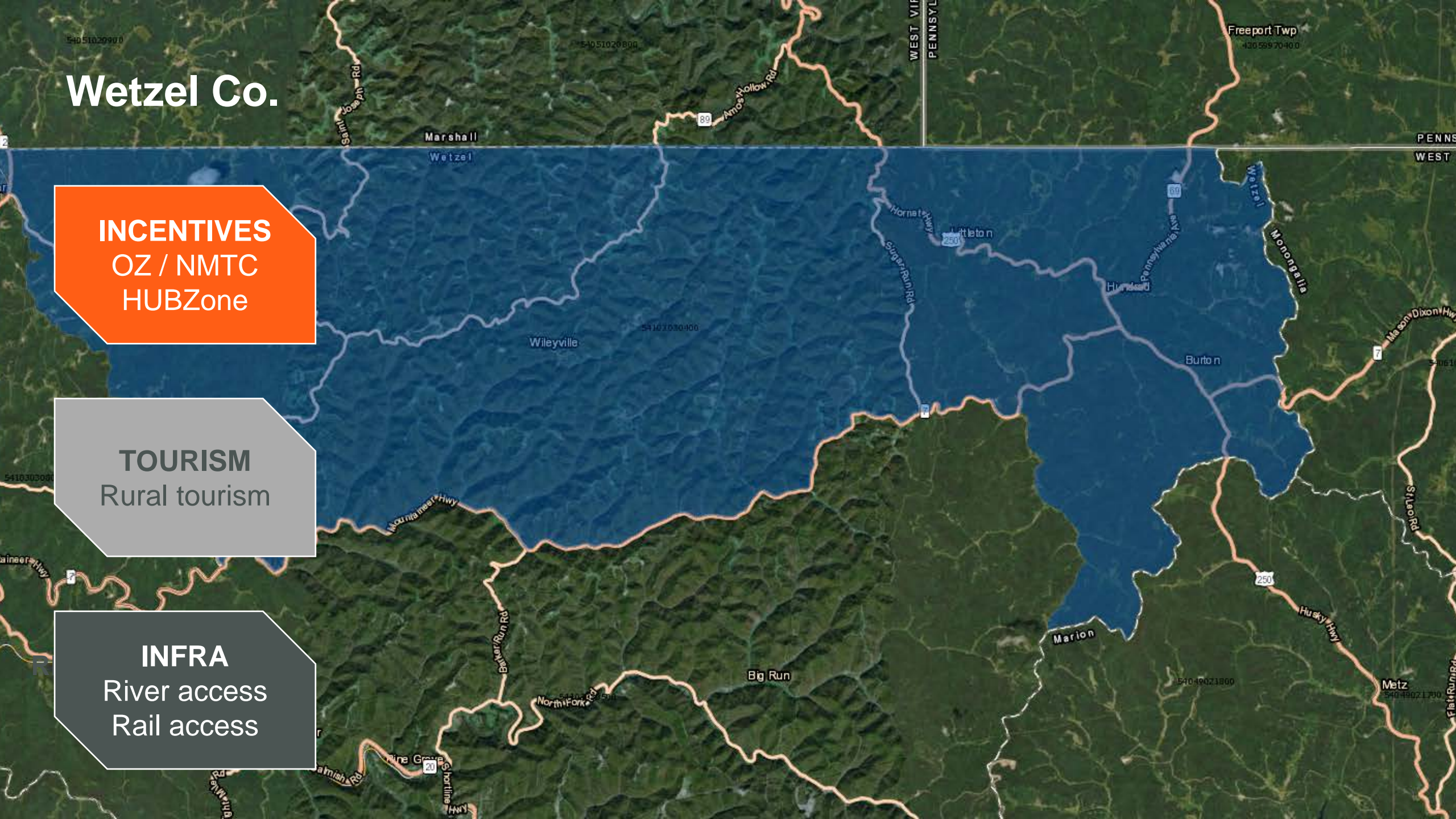


Wetzel Co.

INCENTIVES
OZ / NMTC
HUBZone

TOURISM
Rural tourism

INFRA
River access
Rail access

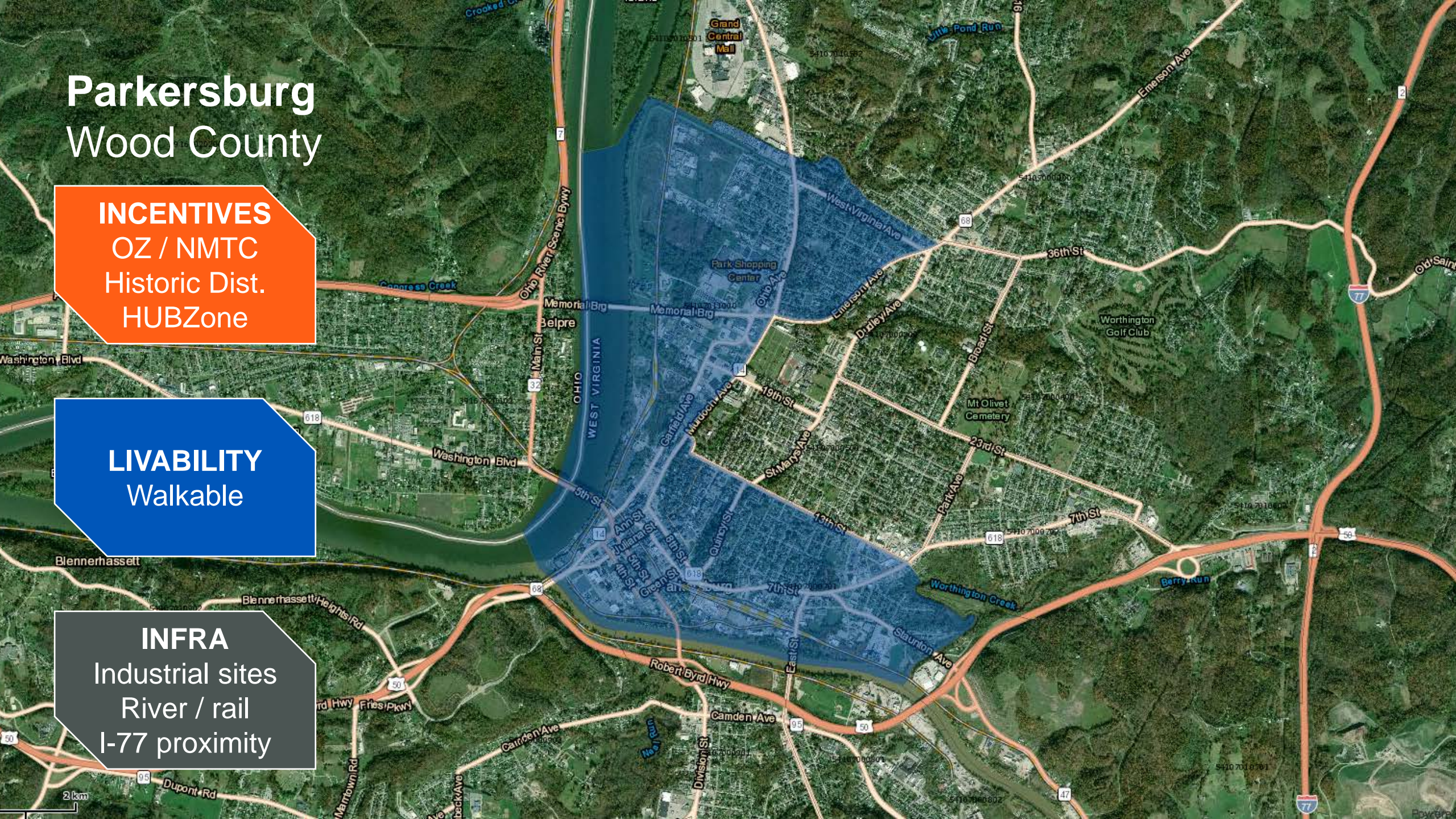


Parkersburg Wood County

INCENTIVES
OZ / NMTC
Historic Dist.
HUBZone

LIVABILITY
Walkable

INFRA
Industrial sites
River / rail
I-77 proximity



Wyoming Co.

INCENTIVES
OZ / NMTC
HUBZone

TOURISM
Hatfield-
McCoy Trails

INFRA
Industrial sites
Rail access



Upcoming events

- May 8 – Morgantown Chamber of Commerce panel
- September 10-12 – WV Brownfields Conference event

THANK YOU!