OPPORTUNITY ZONE WORKSHOP

Becca Richardson, Opportunity Virginia
Beth Doughty, Roanoke Regional Partnership
Jon Lanford and Krystal Onaitis, Alleghany Highlands
Aisha Johnson, City of Roanoke
Jill Loope, Roanoke County
Melinda Payne, City of Salem
Michael Burnette, Franklin County
OPPORTUNITY VIRGINIA

WHO WE ARE

- Opportunity Virginia is an initiative led by Virginia Community Capital and LOCUS Impact Investing
- Funded by a grant from Virginia Housing (formerly Virginia Housing Development Authority)
- We work in partnership with VHDA, the Department of Housing and Community Development (DHCD), and the Secretary of Commerce and Trade
OPPORTUNITY VIRGINIA
WHAT WE DO

Amass an inventory of potential OZ projects:
- Real estate projects
- Operating businesses
- Spanning Virginia
- Impact potential (e.g. jobs, housing units, renewable energy)
- Broad scope of sectors (e.g. education, manufacturing, healthcare, housing)

Pool inventory of potential investors:
- OZ funds
- Family offices
- Individuals
- Intermediaries

Sources:
Profiles:
- Real estate / business
- Geography
- Check size
- Impact focus
- Sector interest
- Return expectations

Institute a clearinghouse:
Real and virtual matching of investors and projects
OPPORTUNITY ZONE BASICS

Tax Cut & Jobs Act in December of 2017 established the Opportunity Zone tax incentive

- Designed to spur economic resurgence, job creation, and wealth building in low income and distressed communities

- Opportunity Zones are low income census tracts located in every state; there are 212 Opportunity Zones in Virginia.

- Both businesses and real estate projects may be eligible Opportunity Zone investments

- Tax incentive program without limits that can supplement/pair with virtually all other tax credit and incentive programs

INVESTOR
Individual or corporate taxpayer with capital gains from the sale of an asset (ex. securities, real estate, business, art)

QUALIFIED OPPORTUNITY FUND (QOF)
Investors get tax benefits from investing capital gains via a “Qualified Opportunity Fund” (an entity, e.g. LLC)

QUALIFIED OPPORTUNITY ZONE BUSINESS PROPERTY (QOZBP)
- Used in OZ trade or business
- Obtained (by purchase or lease) on or after 12/31/17
- Project is new or substantially improved

Link: Final IRS OZ Regulations
OPPORTUNITY ZONE BASICS

WHAT’S IN IT FOR ME?

Investors
Tax benefits on capital gains

Real Estate Project Sponsors
Access to wider pool / different types of investors
Additional capital stacking tool

Entrepreneurs / Business Owners

Owners of Property for Sale or Lease
Marketing tool

All Stakeholders
Participation in community-serving project
OPPORTUNITY ZONE PROGRAM

BENEFITS TO OZ INVESTORS – ALL ABOUT CAPITAL GAINS

1. Immediate Benefit: **Deferral** of capital gains from sale [until 2026]

   - Becca sells house in 2020; realizes $100K in capital gains; within 6 months, invests cap gains in a Qualified OZ Fund (project = tech company)
   - Cap gains tax bill (est. 25% or $25,000) is deferred

2. Medium-Term Benefit: **10% discount** on capital gains tax bill from original sale [5-yr hold by 2026]

   - Becca’s deferred tax bill from appreciation on house sale comes due in 2026
   - OZ investment in tech company is > 5 years old, so Becca’s tax bill is reduced by 10% or $2,500

3. Long-Term Benefit: **NO capital gains tax** due on realized appreciation in OZ investment [min 10-year hold]

   - In 10 years since Becca’s investment, tech company doubled in value; Becca liquidates her shares and earns $100K on top of $100K original investment
   - Cap gains tax bill due to IRS = $0
   - Becca saves approximately $25K in cap gains taxes on OZ investment
OPPORTUNITY ZONE PROJECTS
HIGHLIGHTS OF REQUIREMENTS TO QUALIFY

Operating Business

- > 70% of the tangible property owned or leased by the business is in an OZ
- **Gross Income** (must satisfy at least one test):
  - **Services Test**: > 50% of services are performed (based on hours) in the OZ by employees and contractors
  - **Compensation Test**: > 50% of amounts paid are for services performed in the OZ
    » **HQ Test**: Tangible property and management or operational functions performed for the business in the OZ are each necessary to generate 50 percent of business’ gross income
- No sin businesses

Real Estate / Property

- Obtained (by purchase or lease) on or after **January 31, 2018**
- New construction
  or
- **Substantially improved** existing building
  (building is improved by at least same amount paid for building)
**Capital Stacking:** Combining different types of funding to fully finance a project

**Capital stack component examples**

- OZ Equity
- Non-OZ Equity
- Debt Component(s)
- Local Incentive(s)
- State Incentive(s)
OPPORTUNITY ZONE PROJECTS

INCENTIVE PROVIDERS: STATE AGENCIES

Link: 2019-2020 Virginia Guide to Incentives by VEDP
We're connecting investors from across the United States to business and real estate opportunities that help to revitalize under-resourced Virginia communities.
Q&A

Contact Information:
Becca Richardson, Director of Project Development
rebecca@locusimpactinvesting.org
ROANOKE REGION
OPPORTUNITY ZONES
ALLEGHANY COUNTY & CITY OF COVINGTON

Census Tracts 51005080202 and 51005080200
HIGHLIGHTS OF THE HIGHLANDS

- Quality of life ... you can work, live and play here ... the Highlands has it ALL
- **Broadband access** rivals most any area of SWVA or Roanoke Valley
- Capacity for logistics support; proximity to I-64, I-81 and CSX and NS rail lines
- Burgeoning arts community, microbreweries popping up and local eateries expanding "farm to table" efforts
- Great opportunities for redevelopment and high-density rental housing of publicly owned surplus schools
- Several sites part of [EPA Brownfield Site Program](#), [Enterprise Zone](#), Historic Districts and part of our Joint Revenue Sharing Agreement
- Traditional incentives relating to permitting, developer assistance, utility connections and grants for development
Alleghany Highlands

HIGH DENSITY DEVELOPMENT OPPORTUNITY

Old Clifton Forge High School

- 10 acres
- R1
- Walking distance to downtown Clifton Forge and Restored Historic Masonic Theatre
Alleghany Highlands

HIGH DENSITY DEVELOPMENT OPPORTUNITY

Former Boiling Spring Elementary

- 10 acres
- Served by fiber
- Zoned agricultural/rural residential
- 11 miles south of Interstate 64 on SR18
Alleghany Highlands

HIGH DENSITY DEVELOPMENT OPPORTUNITY

Former Edgemont School
- 2 +/- acres
- M1
- Enterprise Zone
- All utilities/rail spur/near Interstate 64 Exit 14 and Jackson River Sports Complex
Alleghany Highlands

HIGH DENSITY DEVELOPMENT OPPORTUNITY

Former Rivermont School

- 3.5 +/- acres
- R4
- All utilities
Alleghany Highlands

COMMERCIAL DEVELOPMENT OPPORTUNITY

Highland Centre

- 16 acres
- Enterprise Zone
- B1
- Adjacent to Exit 16 on Interstate 64
Alleghany Highlands

COMMERCIAL DEVELOPMENT OPPORTUNITY

Karnes Creek

- 4.87 acres
- B1
- Adjacent to Exit 21 on Interstate 64
- Near hospital, schools, WestRock education facility, county government, Garten Trucking, and Schaefer Rolls
Alleghany Highlands

INDUSTRIAL SITE DEVELOPMENT

Rail Over River

- 136 acres
- Enterprise Zone
- 6 mgd water source
- M2
- All utilities/rail spur/near Interstate 64
ALLEGHANY COUNTY & CITY OF COVINGTON

CONTACT:
Jon Lanford, County Administrator
jlanford@co.alleghany.va.us
Co.alleghany.va.us

Krystal Onaiatis, City Manager
konaitis@covington.va.us
Covington.va.us
City of Roanoke

ROUTE 460 CORRIDOR NORTH

- Census Tract 6.1
- Enterprise Zone
- Roanoke Centre for Industry and Technology & Statesman Industrial Park
- E811/911 Center, Orvis, Advance Auto Parts, Eaton, Revlon/Elizabeth Arden, FedEx Ground, Grand Home Furnishings Distribution Center
City of Roanoke

ROUTE 460 CORRIDOR NORTH

• Recent Investment:
  • E-811/911 Center
  • District Vue Apartment Homes

• Available:
  • **RCIT Tract A** (12 acres)
  • **1936 Blue Hills Dr.** (59,520 square feet/2 floors)

• Properties in Statesman Industrial Park
City of Roanoke

ROUTE 460
CORRIDOR SOUTH

• Census Tract 6.2
• Adjacent to Opportunity Zones in Census Tracts 6.1 and 11
• Enterprise Zone
City of Roanoke

ROUTE 460 CORRIDOR SOUTH

- Contains Norfolk Southern Railroad, U.S. Postal Service, Berglund Center
- Available Properties:
  - 3353 Orange Ave. (39,861 square feet)
  - 830 Campbell Ave., SE
  - 435 Kimball Ave., NE
City of Roanoke

**DOWNTOWN DISTRICT**

- Census Tract 11
- Adjacent to Opportunity Zone (Tract 12)
- Enterprise Zone, Tourism Zone
- Passenger Rail Station
- Historic City Market
- Roanoke Higher Education Center
- Hotel Roanoke & Conference Center
- Elmwood Park Amphitheater
City of Roanoke

DOWNTOWN DISTRICT

Recent Investment

- Hampton Inn and Suites
- Grammercy Row Apartment Homes
- Lofts at West Station
- Boxley Building Apartments
- Mast General Store
- Liberty Trust Boutique Hotel
City of Roanoke

INNOVATION DISTRICT

- Census Tract 12
- Carilion Clinic
- Virginia Tech Carilion School of Medicine
- Fralin Biomedical Research Institute at VTC
- Radford University Carilion
- River’s Edge Sports Complex
- Regional Acceleration and Mentoring Program (RAMP)
- The Bridges Mixed Use Development
City of Roanoke

INNOVATION DISTRICT

Recent Investment

- Expanded Fralin Biomedical Research Institute at VTC
- Carilion Roanoke Memorial Hospital expansion
- Carilion Clinic Cancer Center
- South 16 Apartments
  Multiple properties available
CITY OF ROANOKE

CONTACT:
Aisha Johnson, Economic Development Specialist
Aisha.johnson@roanokeva.gov
Bizroanoke.com
Roanoke County

WOOD HAVEN DISTRICT

• Zoned for high technology uses--advanced manufacturing, professional office and research and development
• 115 acres
• Adjacent to I-81/I-581
• Publicly owned
• Opportunity for large acreage development
Roanoke County

PETERS CREEK DISTRICT

- ADT of 21,000 on four-lane road
- Excellent fit for general commercial, office and multi-family residential
- Properties currently listed
  - Green Ridge Road Multi-Family Residential Property
  - Cove Road Multi-Family Residential
  - 3024 Peters Creek Road Office Building and Commercial Land
Roanoke County

AIRPORT DISTRICT

• Heavily traveled interchange with Interstate 581
• Ideal for office, hotel, restaurant, multi-family residential and light industrial development and redevelopment
• Near largest commercial airport in Western Virginia
• Properties currently listed:
  • [3812 Peters Creek Road Commercial Site](#)
  • [6760 Thirlane Road Commercial Site](#)
Roanoke County

INTERSTATE 81 DISTRICT

- Southeastern corner of heavily traveled Interstate 81 at Exit 141 with ADT of 73,000 (north) to 67,000 (south)
- Potential for office, multi-family residential and general commercial
- Properties currently listed:
  - Cove Road Commercial Sites
  - Electric Road Commercial Sites
Roanoke County

POTENTIAL INCENTIVES

Typically, Roanoke County incentives are direct grants, to a company to offset development costs, or for associated public infrastructure improvements:

• Utility Extension / Connection Assistance
• Site Preparation Assistance
• Site Acquisition Assistance
• Expedited Permitting, 5-day turnaround for plan reviews
• Local Permit & Application fee Waivers
• Developer Connections - Will identify developers to deliver a turn-key project
• Talent acquisition and resource connections
• Bond financing through the Economic Development Authority
ROANOKE COUNTY

CONTACT:
Jill Loope, Director of Economic Development
jloope@roanokecountyva.gov
www.yesroanoke.com
Salem

**AREA 1**

East Main-Thompson Memorial

- Publicly Owned Property
- Great for Restaurant or Retail
- 1.86 acres w/2 residences
- Zoning - DBD
- Gateway into Downtown Salem
- Signalized Intersection
- Daily Traffic Count - 15,000
Salem

**AREA 2**

Commerce Park at Salem Civic Center
- Medical or Office Facilities
- Parcel 148-1-2 (Vacant Land)
- 7.4678 acres
- Zoning: BCD/RSF (publicly owned)
- Parcel 149-1-4 (Vacant Land)
- 2.1872 acres
- Zoning: HBD
Salem

AREA 2

Office Building
Commerce Park at Salem Civic Center
- Parcel 147-3-2 (616 Idaho Street)
- 48,580 sq. ft. of office
- 190 parking spaces
- Built 2006
- Acreage - 4.950
- Zoning: HBD/CBD
Salem

AREA 3

Layman Candy/Givens Books Property
“Whole Northeast Corner,” East Main and Virginia 419

- Great Retail/Restaurant Location
- Daily Traffic Count – 23,000
- Acreage - 1.67
- Zoning - HBD/LM
Salem

AREA 4

East Main Between Brand Avenue and Kesler Mill Road

- Restaurants/Retail/Offices
- Acreage – 1.76
- Zoning – HBD/CBD
Salem

AREA 5

Potential Land/Buildings
“Southeast Corner,” East Main and Virginia 419

- Traffic Count 25,000
- Acreage – 1.76
- Zoning – HBD/CBD
Salem

POTENTIAL INCENTIVES

The City of Salem does not have a standard list of incentives. However, incentives may be provided based on the total investment and the overall economic benefit of the proposed project to the city.
CITY OF SALEM

CONTACT:
Melinda Payne, Director of Planning & Economic Development
mpayne@salemva.gov
Salemva.gov
Franklin County

OPPORTUNITY ZONE

- Encompasses northwest quadrant of County
- Large residential subdivision opportunities
- Retail/commercial opportunities along U.S. Route 220
- Includes Summit View Business Park
Franklin County

**SUMMIT VIEW BUSINESS PARK**

- 550-acre, County-owned business park
- Planned for industrial/commercial, retail, recreation, and event spaces
- Three business announcements to date, totaling over $51 million in investment and 186 jobs
- At completion, Summit View is expected to bring $300+ million in new investment and 2,000+ jobs
Franklin County

SUMMIT VIEW BUSINESS PARK

- Industrial/commercial areas
- Financial administration campus, food packaging & internationally known tea brand announced
- New pad site under construction Fall 2020
- Opportunities for manufacturing, distribution, scientific/technical, and professional companies
Franklin County

SUMMIT VIEW BUSINESS PARK

- Retail / Commercial
- Huge opportunity to serve employees within the park, recreation/entertainment users, and 22,000-28,000 ADT
- 18-acre tract being jointly marketed (16 publicly-owned, 2 privately-owned)
- Full public utilities
Franklin County

LOCAL SUPPORT

- Local and state cash grants
- Discounted industrial land
- Virginia Tobacco Commission grants
- Workforce training assistance
FRANKLIN COUNTY

CONTACT:
Michael Burnette, Director of Economic Development
Michael.burnette@franklincountyva.gov
Franklincountyva.gov