



## **EMPOWERING ECONOMIC DEVELOPMENT WITHIN OPPORTUNITY ZONES.**

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On December 22<sup>nd</sup>, 2017, the Federal Tax Cuts and Jobs Act was signed into law with bipartisan support. This tax legislation established the Opportunity Zone (OZ) Program, a community investment tool providing new tax incentives to investors who support economic development initiatives within designated census tracts nationwide. In Palm Beach County, the Department of Housing and Economic Sustainability (DHES) quickly seized the opportunity for empowering economically-distressed communities through the OZ Program.

Key components of the Program include OZs, Qualified OZ Funds, and OZ Projects. OZs were designated by the U.S. Department of Treasury (Treasury), based on state nominations, as economically-distressed communities where new investments, under certain conditions, may be eligible for preferential tax treatment. DHES was instrumental in developing recommendations for Palm Beach County-based census tracts to be included in Florida's nominations to the Treasury. Qualified OZ Funds are investment vehicles organized for the purpose of investing in OZ Projects which are business and real estate development opportunities located within OZs.

The OZ Program allows individual investors to place capital gains in Qualified OZ Funds. In exchange for their investment, the individual receives certain federal capital gains tax advantages including a deferral of capital gains taxes and the elimination of taxes on returns from any OZ Fund investment held for at least ten years. The Qualified OZ Fund uses investors' capital as an economic development tool to support and grow OZ Projects which can rejuvenate local economies; create jobs within the boundaries of economically-distressed communities designated as OZs; and drive additional economic development in the area. The OZ designation may create a lasting positive effect in some of our highest-need areas by helping bring new capital investment and more jobs to distressed communities. When we empower economic development activities in distressed areas we are providing the groundwork to produce a more reliable and functioning community.

In 2018, DHES worked collaboratively with various municipalities within Palm Beach County to identify census tracts eligible for designation as an OZ. Census tracts were identified based on their ability to meet federal OZ eligibility requirements including a poverty rate of at least 20% as well as their potential for economic development including mixed-income or affordable rental housing developments. The collaborative effort identified and recommended 31 tracts for OZ designation. With Board of County Commissioners approval, these tracts were forwarded to the State for consideration and potential inclusion in the State's nomination letter to the Treasury. In June 2018, the Treasury published its list of designated Qualified OZs. Of the 26 Treasury-designated OZs in Palm Beach County, 13 were included in the collaboration's recommendations.

The OZ Program may be a new frontier for economic development, creating a new pathway for private investment in community-based economic development. As additional OZ Program-regulations and legal guidance are issued by the Internal Revenue Service, DHES continues to work collaboratively with municipalities to identify OZ investors, Funds, and Projects to ensure the program's implementation in Palm Beach County maximizes public-private partnerships and facilitates positive economic development in many of the County's most vulnerable communities.

To learn more about the Department of Housing and Economic Sustainability or any of the County's business and economic development programs, please contact me by phone: 561-233-3653, by email: [showard@pbcgov.org](mailto:showard@pbcgov.org) or visit our website: <http://discover.pbcgov.org/hes>.