Whatcom County

Opportunity Zones

Possibilities for People & Place
Purpose & Intent

Incentivize investment in underinvested rural and urban areas that will generate meaningful, ongoing community returns while also generating financial returns for investors.

Forbes on O-zones:

“...one of the greatest tax-avoidance opportunities in American history, in the service of underperforming American cities and neighborhoods.”

July 18, 2018
What’s Happening?

People are betting on O-zones
The Opportunities

**Housing**
More people afford housing ≤ 30% of their income (& housing remains affordable)

**Job Creation & Entrepreneurship**
New and expanded job and ownership opportunities, including for un/underemployed

**Green Building & Renewable Energy**
Multigenerational investments in the future economy and the built environment

**Infrastructure**
New and improved necessities

**Accessibility**
People have easy access to employment opportunities, goods, services & recreation
Design vs. Implementation

Steve Glickman, one of the architects and champions of the legislation, characterizes the optimal approach to O-zone investing.

“'If you do this program right, you’re viewing it through the lens of what I call place-based value investing – making long-term bets on places that other people aren’t seeing.'”

Steve Glickman
Develop LLC
The Risks

Gentrification & Displacement
People – individuals, families and even businesses – are forced to move because they can no longer afford to stay.

Missed Opportunities
New property ownership models are not pursued
People with the potential to start, expand or reinvent a business are overlooked.

Unintended Consequences
Increased demands on transportation infrastructure, increased housing instability and more.
Balancing Benefit & Returns

Community Benefit

Low Financial Return

High Financial Return

Community Harm
Sean Parker, Tech Entrepreneur

"Instead of having government hand out pools of taxpayer dollars, you have savvy investors directing money into projects they think will succeed."
If you want to go fast, go alone. If you want to go far...

- **Mission Investment**: Investments that marry mission and a passion for place with financial return.
- **Philanthropic Investment**: Purpose-driven investments that may or may not generate a financial return.
- **Public Investment**: Place & purpose-driven investment.
- **Qualified Opportunity Fund**: Qualified investments with a focus on community and financial return.
Something to ponder

How would a community-informed, place-based approach effect your investment risk?
Plans & Data

There's a lot of information eager to be mined
Market Opportunity

$6.1T
Estimated Unrealized Capital Gains (12/31/2018)
Mutual funds, stocks and corporations (Economic Innovation Group)

$100B
Anticipated O-zone Investments
$16B+ raised to date

$??M
Community Benefit Focused Investments
How much will be tapped for Whatcom County’s O-zones?
Three Zones

High percentile scores on the Opportunity Zone Index (OZI)
Beyond the Garden

Options for investors pairing community enrichment and profits

Solo
Self-certify & explore opportunities with data & local context experts

Search
Seek an existing fund that best aligns with your values

iQOF
Explore a “purpose & profits” fund - pool investment dollars for community-focused projects
What have you done for me lately?

How Investing in an Opportunity Fund Works

To receive the most favorable tax treatment on their investment, investors are incentivized to hold their stakes in an Opportunity Fund over the long term, with the program providing the most potential upside to those who hold their investment for 10 years or even more.

Opportunity Fund Timeline

- **Year 1**: 2018
  - Roll over gain into Opportunity Fund (defer tax on gain)

- **Year 5**: 2023
  - Tax on original capital gain is reduced by 10% (15% total reduction)

- **Year 7**: 2025
  - Tax on original capital gain is reduced by another 5% (15% total reduction)

- **Year 9**: April 15, 2027
  - Pay taxes on original deferred capital gains (minus 15% reduction)

- **Year 10**: 2028
  - All capital gains taxes now eliminated on any Opportunity Fund profits.

Source: Fundrise
The Buzz

“The great thing about this legislation is it can bring together sectors that may not have worked together before.”
Jim Sorenson, Entrepreneur/Impact Investor

“If the investments don't provide better housing, better jobs ... then it's been a big waste of time and we've all failed.”
Margaret Anadu, Goldman Sachs

“The goal was to make these funds accessible enough so that it wouldn't be only large institutional players that can participate.”
John Lettieri, Economic Innovation Group
Thank You

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