April 24, 2019
Indian Head Pavilion
100 Walter Thomas Road, Indian Head MD
20640
AGENDA

1. Welcoming Remarks by Mayor Brandon Paulin

2. Introduction from Lt. Governor Rutherford and Introduction of Members

3. Approval of Minutes from March 14, 2019 Meeting

4. DHCD Information Exchange live presentation – Frank Dickson

5. Public comment – Question & Answer
   • Elected Officials
   • County Economic Developers
   • General Public

1. Next Regional Meeting – Baltimore City (Mid-May)
2. OZ Important Links:
   • Task Force contact Email: MD.OpportunityZones@maryland.gov
   • Lt. Governor’s webpage: ltgovernor.maryland.gov/opportunityzones
   • DHCD information exchange: dhcd.maryland.gov/OpportunityZones

3. Closing Remarks by Lt. Governor
<table>
<thead>
<tr>
<th>Date</th>
<th>Event Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2017</td>
<td>H.R. 1 - Opportunity Zone Legislation passes</td>
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<tr>
<td>March 2018</td>
<td>Governor Hogan submits nominated OZs</td>
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<tr>
<td>June 14, 2018</td>
<td>US Treasury designates Maryland’s 149 Opportunity Zones</td>
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<tr>
<td>July 30, 2018</td>
<td>DHCD / Commerce hold Opportunity Zone Conference</td>
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<tr>
<td>October 18, 2018</td>
<td>IRS Guidance</td>
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<tr>
<td>January 3, 2019</td>
<td>Governor Hogan announces OZ Initiatives &amp; Launch of OZ Info-Exchange</td>
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<tr>
<td>February 20, 2019</td>
<td>Governor’s OZ Leadership Task force – Kickoff meeting</td>
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<td>February 22, 2019</td>
<td>Closed NBWOZ loan to Clene Nanomedicine, Inc.</td>
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<tr>
<td>March 14, 2019</td>
<td>Governor’s Regional OZ Meeting - Salisbury, MD</td>
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<tr>
<td>April 17, 2019</td>
<td>IRS Guidance – REG-120186-18</td>
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<tr>
<td>April 24, 2019</td>
<td>Governor’s Regional OZ Meeting - Indian Head, MD</td>
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<tr>
<td>May 2019</td>
<td>OZ Task Force meeting to be held in Baltimore City</td>
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<tr>
<td>Summer/Fall 2019</td>
<td>IRS Guidance – Reporting and loose ends</td>
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</tbody>
</table>
Governor Hogan signed Executive Order 01.01.2019.01

“Creates Maryland Opportunity Zone Leadership Task Force chaired by Lt. Governor Rutherford.”

• Hosts regional summits for local stakeholders’ input
• Develops a plan to optimize federal, state and local investment

OZ Legislative / Funding - “More Opportunities for Maryland” - $56M proposed funding

• COMMERCE – “More Jobs for Marylanders” - Tax credits for creating new jobs / expanding job in OZs
• LABOR - Workforce training
• HOUSING – Grants & loans
  • Rental Financing, Strategic Demolition, Neighborhood Business Works
### Southern Maryland OZs

<table>
<thead>
<tr>
<th>County</th>
<th># of OZs</th>
<th>Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charles</td>
<td>3</td>
<td>Indian Head, Waldorf</td>
</tr>
<tr>
<td>Calvert</td>
<td>1</td>
<td>Prince Frederick</td>
</tr>
<tr>
<td>St Mary’s</td>
<td>2</td>
<td>Lexington Park</td>
</tr>
<tr>
<td><strong>Total OZs</strong></td>
<td><strong>6</strong></td>
<td></td>
</tr>
</tbody>
</table>
## Maryland Opportunity Zones

### Southern MD - Businesses/Projects

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th># of OZs</th>
<th>Business / Project Name</th>
<th>Type</th>
<th>Description</th>
<th>City</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calvert</td>
<td>3</td>
<td>Patuxent Business Park</td>
<td>Office</td>
<td>PATUXENT BUSINESS PARK in Calvert County Maryland. Join others currently under contract to build on shovel-ready acreage in Southern Maryland. Water and sewer, natural gas, fiber. OPPORTUNITY ZONE LAND has multiple sites available, local, state and federal incentives. FAST TRACK for building permits is in place, ready for your new project!</td>
<td>Lusby</td>
</tr>
<tr>
<td>Calvert</td>
<td></td>
<td>Grey Ops</td>
<td>Mfg.</td>
<td>Grey Ops owns the licensing rights to a product called &quot;Silent Spring.&quot; The Silent Spring product incorporates a novel Improvised Explosive Device (IED) neutralizing technology. When poured onto primary explosives, the Silent Spring product immediately mitigates the risk associated with explosive blasts and allows for the safe transportation of volatile substances to forensic laboratories.</td>
<td>Lusby</td>
</tr>
<tr>
<td>Charles</td>
<td>2</td>
<td>Waldorf Center</td>
<td>Mixed Use</td>
<td>This planned, mixed-use property has over 18 acres available for development for uses including office, medical, flex space, hotel, restaurants, and multi-family. Waldorf Center is home to the Marriott Residence Inn and numerous medical and professional services firms. Certified site eight-month delivery is available for a new, fully permitted, 20,000-square-foot Class A building.</td>
<td>Waldorf</td>
</tr>
<tr>
<td>St. Mary's</td>
<td>1</td>
<td>Class A Business Park</td>
<td>Mixed Use</td>
<td>Class A Business Park located on a 9.85 Acre Parcel in Lexington Park, MD Zoned Medium Intensity Mixed Use. Lexington Park is home to Naval Air Station Patuxent River, where $40 billion of Navy procurement, research, development, test and evaluation takes place every year</td>
<td>Lexington Park</td>
</tr>
</tbody>
</table>
Background on Opportunity Zones
Opportunity Zones will help connect low-income communities with needed capital.

- **Capital** – U.S. households and corporations were sitting on an estimated **$6.1 trillion** in unrealized capital gains at the end of 2017.

- **Connect** – Opportunity Zones offer a frictionless way for investors to dedicate all or a portion of their winnings to seeding the next generation of enterprise in distressed communities all across the country. In exchange, investors get a graduated series of federal tax incentives tied to **long-term holdings**.

Source: EIG analysis of the Federal Reserve’s Survey of Consumer Finances and Financial Accounts of the United States
1. Realize gain from any capital gain triggering event
2. Invest in OZ Fund within 180 days
3. Receive 10% step up basis for 5 yr. hold of OZ Fund investment
4. Receive additional 5% step up basis for 7 yr. hold of OZ Fund investment
5. Pay deferred capital gain taxes due for Step 1(85% of original) by 12/31/2026
6. Receive permanent exemption of capital gains tax for 10 yr. hold on OZ Fund investment
OZ Incentive Timeline

1. **12/31/2019**
   - Full Incentive
   - 180 Days to Invest into QOF

2. **12/31/2021**
   - 10% step up
   - 180 Days to Invest into QOF

3. **12/31/2026**
   - 100% exemption
   - 180 Days to Invest into QOF

4. **12/31/2028**
   - OZs Expire

5. **12/31/2047**
   - Last date to sell OZ investment

**Notes:**
1. Last day to receive FULL OZ incentive (deferred, 15% step up, 100% exemption)
2. Last day to receive 10% step up in basis on OZ investment
3. Last day to receive 100% capital gain exemption on OZ investment, Pay deferred taxes
4. Opportunity Zones expire
5. Last day for OZ investment to receive capital gain exemption
<table>
<thead>
<tr>
<th>Investors</th>
<th>Funds</th>
<th>Investments</th>
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</thead>
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<tr>
<td>• Most valuable for 10 year investments in appreciating assets</td>
<td>• All capital must flow through an Opportunity Zone Fund</td>
<td>• Must be equity investments</td>
</tr>
<tr>
<td>• Six months to invest after realizing a capital gain</td>
<td>• Opportunity Zone Funds must be established</td>
<td>• Real estate investments must include substantial rehabilitation</td>
</tr>
<tr>
<td>• Another six months to deploy 90% of capital in Zones</td>
<td>• Opportunity Zone Funds are self-certified via an IRS tax form</td>
<td>• “Sin businesses” are not eligible</td>
</tr>
<tr>
<td>• Capital is required to be an equity investment</td>
<td>• 90% of fund assets must be invested in Opportunity Zone</td>
<td>• Other requirements include property use in “active conduct of business” and limits on assets held in cash</td>
</tr>
</tbody>
</table>

- Real estate investments must include substantial rehabilitation.
- “Sin businesses” are not eligible.
- Other requirements include property use in “active conduct of business” and limits on assets held in cash.

- Capital is required to be an equity investment.
Investment - Business

**Investor** (Capital Gain)
- Realize gain from any capital gain triggering event
- Investor elects for deferral by completing IRS Form 8949
- Invest into OZ fund within 180 days

**OZ Fund** (Partnership / Corporation)
- Invest 90% of funds into QOZB
- Funds self certify with IRS Form 8996
- Annual Reporting

**Tech Startup**
- 50% Revenue within OZ
- 70% Assets within OZ
- <5% of assets in cash
- Not a “sin business”
- Substantial portion of intangible property is used in the active conduct of the business

**Benefits:**
- 5 YR HOLD - tax deferral, 10% step up
- 7 YR HOLD – tax deferral, 15% step up
- 10 YR HOLD – tax deferral, 15% step up, 100% cap gain exemption
**Investment - Real Estate**

**Investor**
(Capital Gain)

- Realize gain from any capital gain triggering event
- Investor elects for deferral by completing IRS **Form 8949**
- Invest into OZ fund within 180 days

**OZ Fund**
(Partnership / Corporation)

- Invest 90% of funds into QOZB
- Funds self certify with IRS **Form 8996**
- Annual Reporting

**Single Asset Real Estate**

- Substantially Improve real estate (100% of Building value)
- 31 month written expenditure plan for cash invested

**Benefits:**
- 5 YR HOLD - tax deferral, 10% step up
- 7 YR HOLD – tax deferral, 15% step up
- 10 YR HOLD – tax deferral, 15% step up, 100% cap gain exemption
Maryland Opportunity Zones
State and Departmental Recommendations

- Align Maryland policies, regulations, and legislation to leverage Opportunity Zones
- Work with local jurisdictions on “One Stop” permitting
- Coordinate with federal, state, local government, developers and investors
- DHCD – update Qualified Allocation Plan (QAP) to provide multifamily housing incentives
- DHCD – provide loans and grants to leverage Opportunity Zone investments
- DHCD – establish information exchange to attract private sector capital
In Maryland, both personal and corporate income taxes use federally calculated AGI as the starting point.

Maryland automatically conforms to the current federal tax code.
DHCD’s multiple funding programs can make a concentrated impact in OZs when combined with other State agencies and the private marketplace.
Opportunity Zones – Information Exchange
• A virtual meet up for investors, fund managers, property developers, new or expanding businesses, and local stakeholders
• A bulletin board tracking OZ news and investment activity
• A project / business locator for interested investors
• A search tool for financial incentives based on address and/or area
OZ Important Links:

- Task Force contact Email: MD.OpportunityZones@maryland.gov
- Lt. Governor’s webpage: ltgovernor.maryland.gov/opportunityzones
- DHCD information exchange: dhcd.maryland.gov/opportunityzones

Questions Contact:
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Department of Housing and Community Development
Frank.dickson1@maryland.gov
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