



M A R Y L A N D
OPPORTUNITY ZONES



**OPPORTUNITY
ZONE LEADERSHIP
TASK FORCE**

May 23, 2019

Hippodrome Theatre

12 N Eutaw Street, Baltimore, MD 21201



OPPORTUNITY ZONE LEADERSHIP TASK FORCE

AGENDA

1. Welcoming Remarks
2. Introduction from Lt. Governor Rutherford and Introduction of Members
3. Approval of Minutes from April 24, 2019 Meeting
4. DHCD Information Exchange live presentation – Frank Dickson
5. Public comment – Question & Answer
 - Elected Officials
 - General Public
6. Next Regional Meeting – Cecil, Harford, & Carroll Counties Regional Summit
Wednesday, June 5, 2019, 4:30 – 6:30PM
The Cultural Center at the Opera House
121 N Union Ave. , Havre De Grace 21078
7. OZ Important Links:
 - Task Force contact Email: MD.OpportunityZones@maryland.gov
 - Lt. Governor’s webpage: ltgovernor.maryland.gov/opportunityzones
 - DHCD information exchange: <https://dhcd.maryland.gov/Pages/OpportunityZones.aspx>
8. Closing Remarks by Lt. Governor

- **December 2017** **H.R. 1 - Opportunity Zone Legislation passes**
- **March 2018** **Governor Hogan submits nominated OZs**
- June 14, 2018 US Treasury designates Maryland's 149 Opportunity Zones
- **July 30, 2018** **DHCD / Commerce hold Opportunity Zone Conference**
- October 18, 2018 IRS Guidance
- **January 3, 2019** **Governor Hogan announces OZ Initiatives & Launch of OZ Info-Exchange**
- February 20, 2019 Governor's OZ Leadership Task force – Kickoff meeting
- February 22, 2019 Closed NBWOZ loan to Clene Nanomedicine, Inc.
- **March 14, 2019** **Governor's Regional OZ Meeting - Salisbury, MD**
- **April 17, 2019** IRS Guidance – REG-120186-18
- **April 24, 2019** **Governor's Regional OZ Meeting - Indian Head, MD**
- **May 23, 2019** **OZ Task Force meeting - Baltimore City**
- **June 5, 2019** **OZ Task Force meeting - Cecil, Harford & Carroll Counties – Havre De Grace, MD**
- Summer/Fall 2019 IRS Guidance – Reporting and loose ends

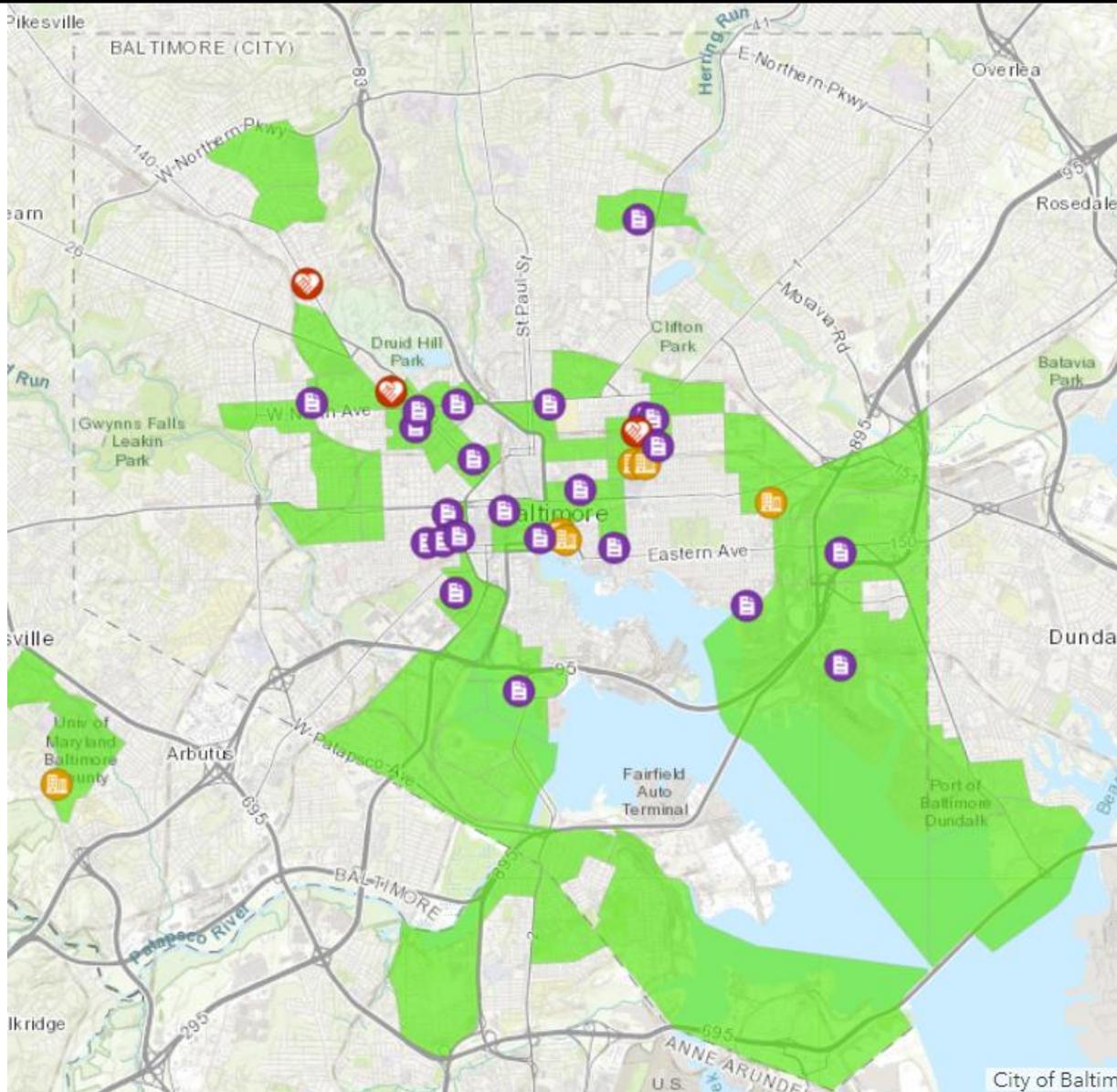
Governor Hogan signed Executive Order 01.01.2019.01

“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”

- 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



Major OZ projects

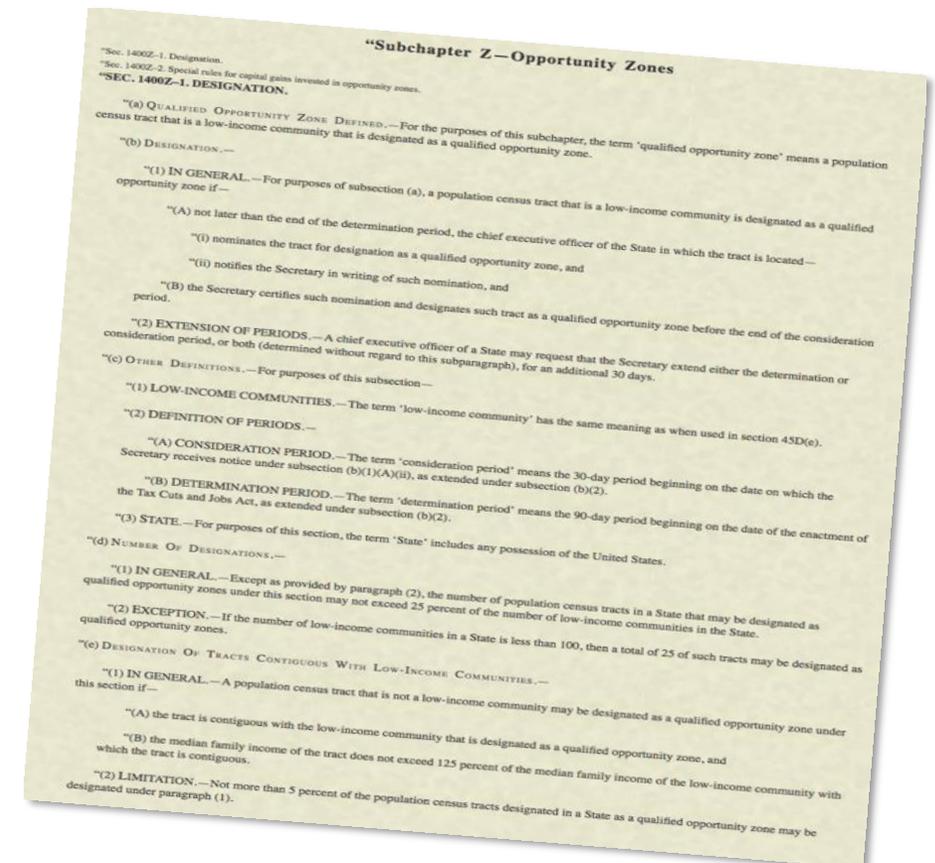
- ① Pimlico Neighborhood
- ② Penn Station Redevelopment
- ③ State Center Development
- ④ Perkins Somerset Oldtown
- ⑤ UMD Biopark
- ⑥ Port Covington



Background on Opportunity Zones

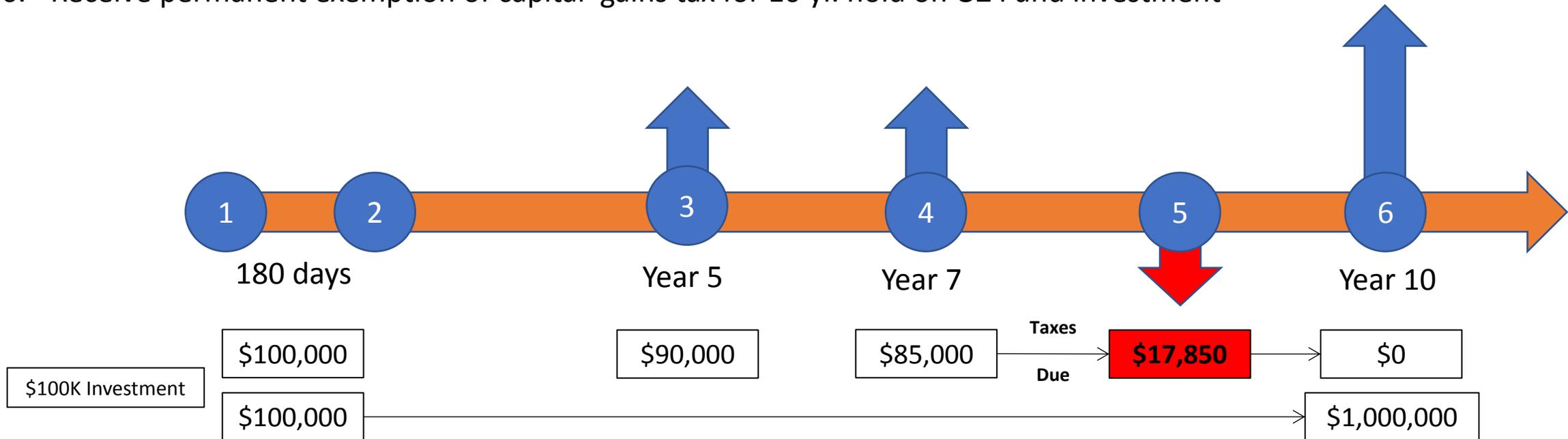
Opportunity Zones will help connect low-income communities with needed capital.

- **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**.

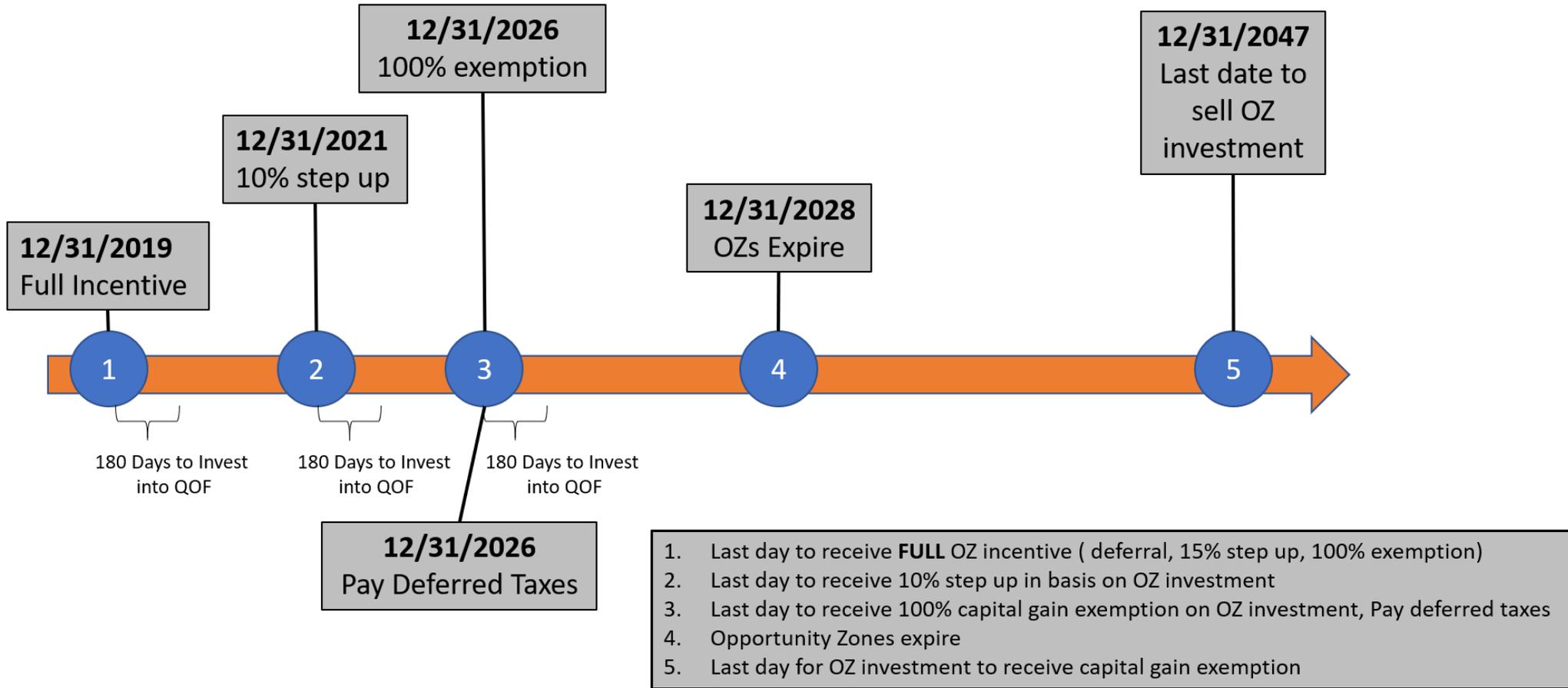


Source: EIG analysis of the Federal Reserve's Survey of Consumer Finances and Financial Accounts of the United States

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



Investors

- Most valuable for 10 year investments in appreciating assets
- Six months to invest after realizing a capital gain
- Another six months to deploy 90% of capital in Zones
- Capital is required to be an equity investment

Funds

- All capital must flow through an Opportunity Zone Fund
- Opportunity Zone Funds must be established
- Opportunity Zone Funds are self-certified via an IRS tax form
- 90% of fund assets must be invested in Opportunity Zone

Investments

- Must be equity investments
- 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



Investor
(Capital Gain)



180 days



OZ Fund
(Partnership / Corporation)



180 days



Tech Startup

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

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

- 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



Investor
(Capital Gain)



180 days



OZ Fund
(Partnership / Corporation)



180 days



Single Asset
Real Estate

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

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

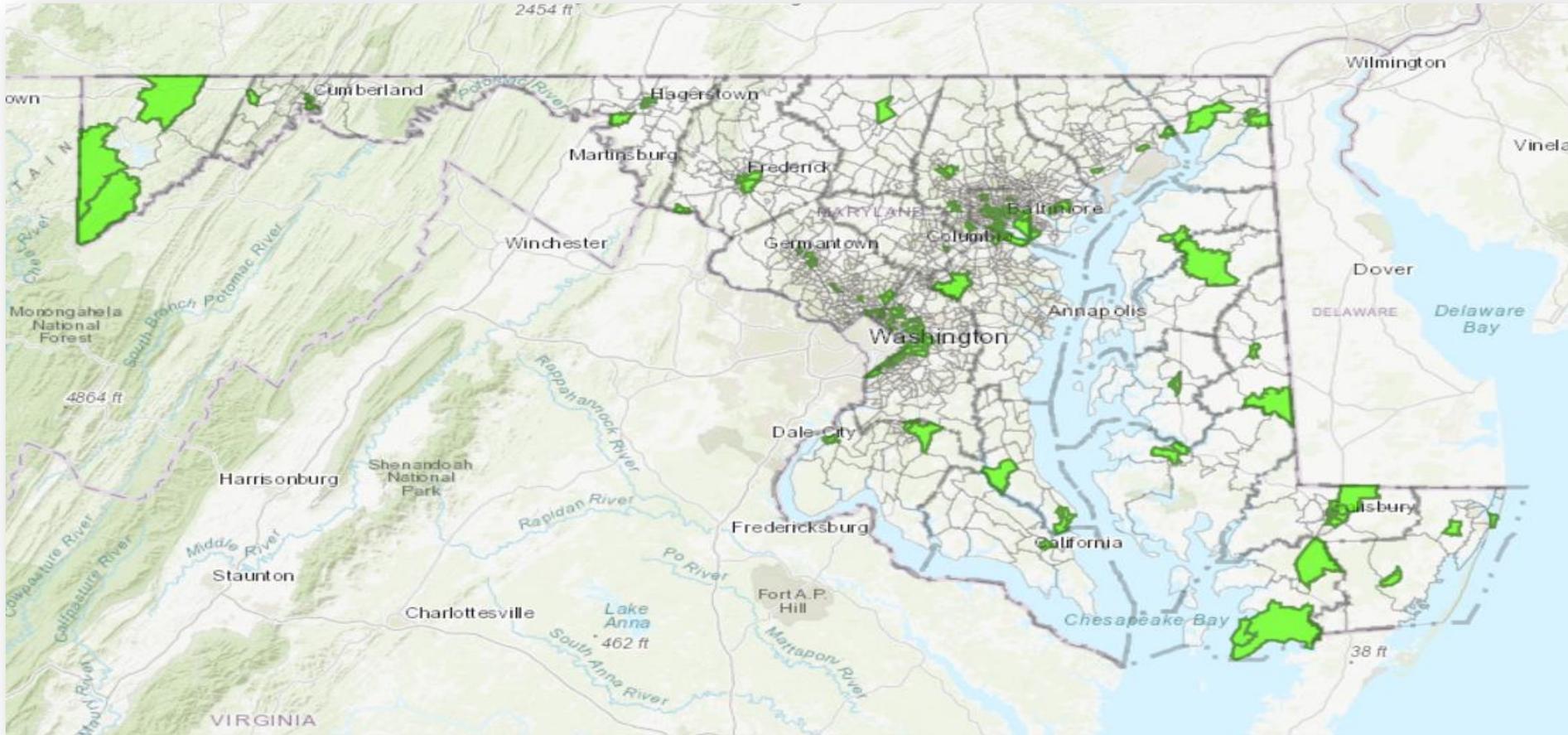
- Substantially Improve real estate (100% of Building value)
- 31 month written expenditure plan for cash invested

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

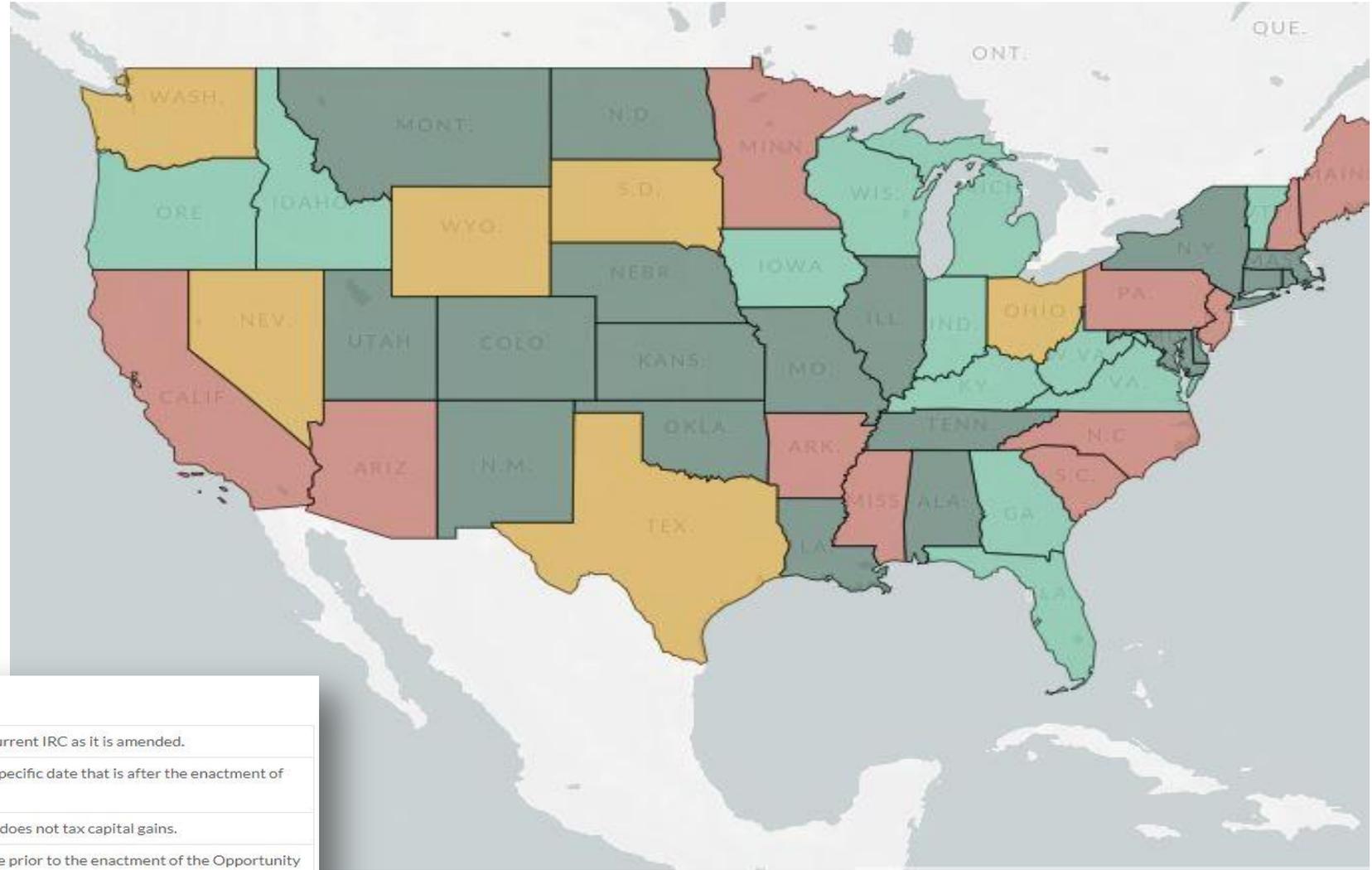


County	# of Designated Opportunity Zones
Allegany	4
Anne Arundel	4
Baltimore County	10
Baltimore City	42
Calvert	3
Caroline	2
Carroll	1
Cecil	3
Charles	3
Dorchester	2
Frederick	5
Garrett	3
Harford	4
Howard	1
Kent	1
Montgomery	14
Prince George's	25
Queen Anne's	1
Somerset	3
St. Mary's	1
Talbot	2
Washington	5
Wicomico	7
Worcester	3
Total	149

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

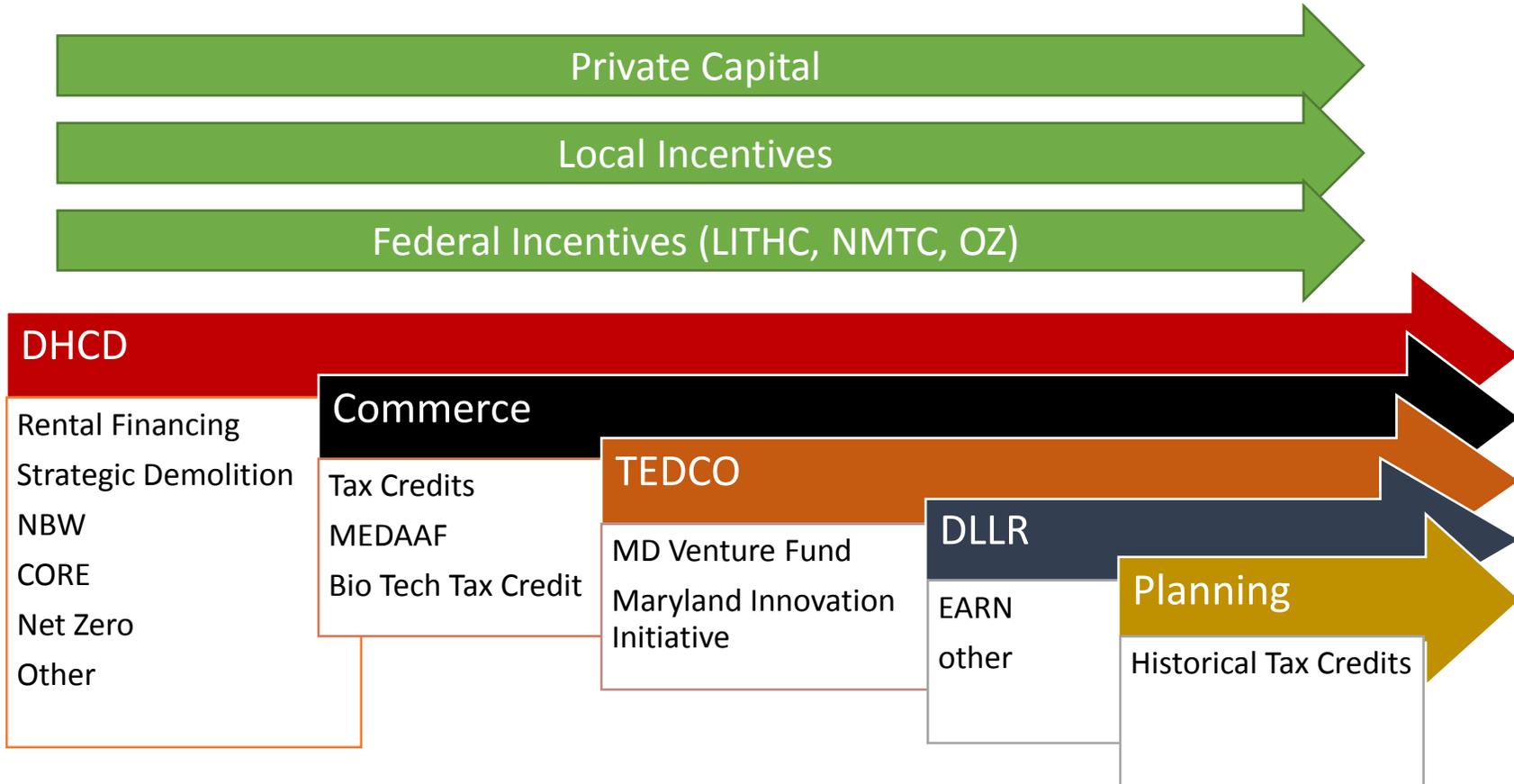
- In Maryland, both personal and corporate income taxes use federally calculated AGI as the starting point
- Maryland automatically conforms to the current federal tax code



Legend

	Conforming - Rolling: The state automatically conforms to the current IRC as it is amended.
	Conforming - Fixed Date: The state conforms to the IRC as of a specific date that is after the enactment of the Opportunity Zones legislation.
	No Capital Gains: The state has no state income tax or generally does not tax capital gains.
	Nonconforming: The state conforms to the IRC as of specific date prior to the enactment of the Opportunity Zones legislation or the state has specifically decoupled from the Opportunity Zones provisions of the IRC.

Source – Novogradac website



Project



Hi-tech business

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

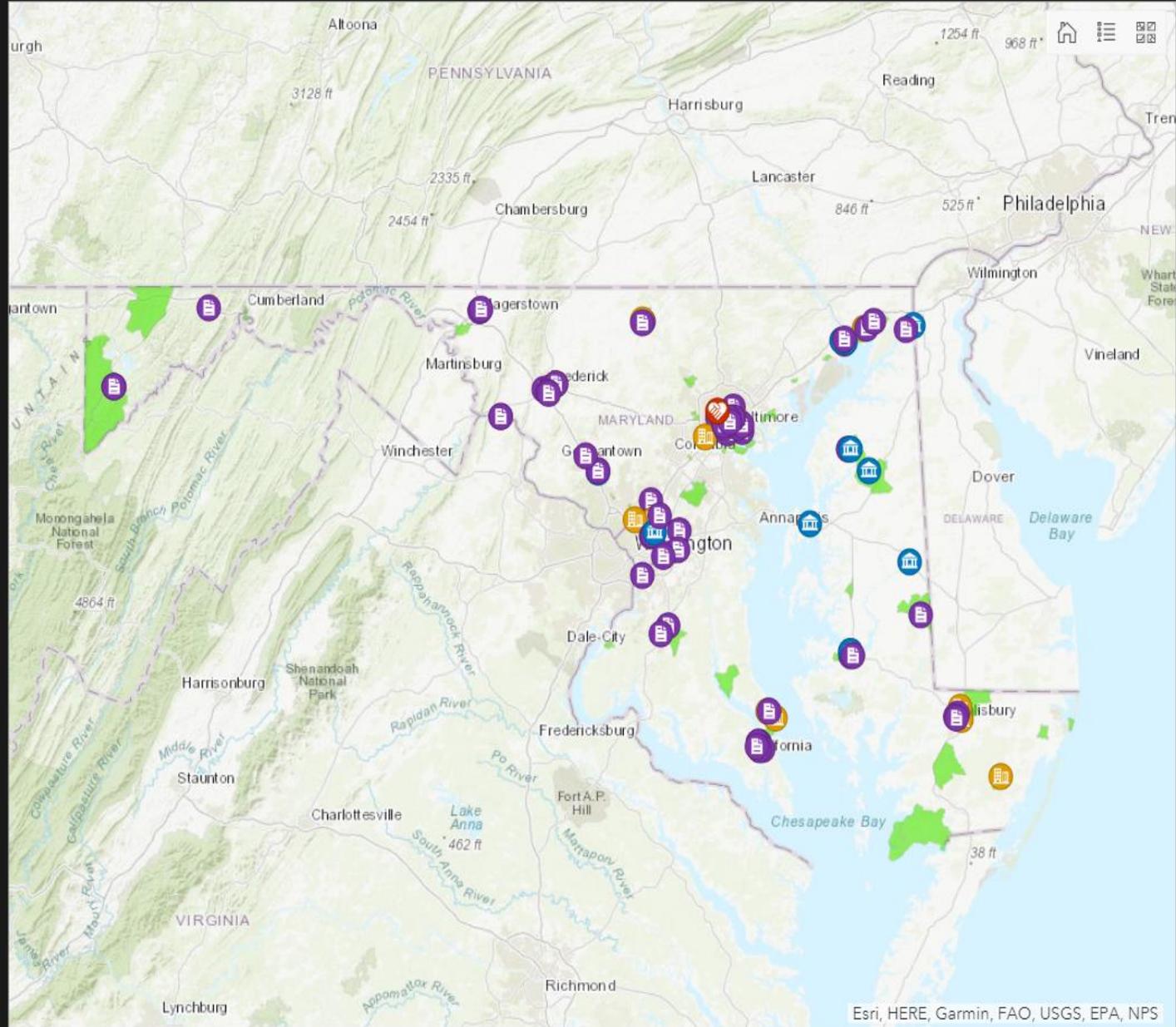
- A virtual meet up for investors, fund managers, property developers, new or expanding businesses, and local stakeholders
- A bulletin board tracking OZ news and investment activity
- A project / business locator for interested investors
- A search tool for financial incentives based on address and/or area



Opportunity Zone Listings

-  [1.539 Acre Parcel, Zoned High-Intensity Mixed Use, in Lexington Park, MD](#)
Project - Mix
-  [102 W. Potomac Street - Brunswick](#)
Project - General
-  [108.41 Acre Parcel Zoned High-Intensity Mixed Use in Lexington Park, MD](#)
Project - Mix
-  [1100 Wicomico](#)
Project - Office
-  [1231 Tech Court](#)
Project - Office
-  [17.798 Acre Parcel Zoned Limited Commercial Industrial in Lexington Park, MD](#)
Project - Retail
-  [1787 Capital Fund - Mix](#)
-  [1812 Greenmount](#)
Project - Mix
-  [2.21 Acre Parcel, Zoned High-Intensity Mixed Use in Lexington Park, MD](#)
Project - Mix
-  [2.34 Acre Parcel Zoned High-Intensity Mixed Use in Lexington Park, MD](#)
Project - Mix
-  [2.59 Acre Parcel Zoned High Intensity Mixed Use in Lexington Park, MD](#)
Project - Mix
-  [200-204 East Diamond Avenue](#)
Project - Mix
-  [22.286 Acre Parcel Zoned High-intensity Mixed Use in Lexington Park, MD](#)

Select a product from list to get more information



Terms of Use I AGREE AND UNDERSTAND

Listing Contact Information

Name:
1.539 Acre Parcel, Zoned High-Intensity Mixed Use, in Lexington Park, MD

Listing Type:
Project

Description:
1.539 acre parcel in Lexington Park, MD zoned high-intensity mixed use. About Lexington Park Lexington Park in St. Mary's County, Maryland offers coastal, country living in a high-tech world. With the most coastline of any county in Maryland and tobacco barns peppering the landscape, you can experience beautiful, bucolic landscapes and perfectly prepared raw oysters. 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. That brings a substantial base of highly-skilled engineers, lawyers, and other business professionals, as well as advanced manufacturing trades. Economic Snapshot - Has the country's 5th highest concentration of high-tech workers - Ranked the 4th best place for tech jobs in the country (Nerdwallet) - 34 is the median age - Average income per household in 2016: \$86,810 - 55 miles from Washington, D.C.

Address:
46231 CORPORATE WAY, Lexington Park, Maryland 20653

Jurisdiction:
St. Mary's

Contact Information:
Christine Brooks
christine@millisonmanagement.com
Click the symbol on map to get more specific information on this product



M A R Y L A N D OPPORTUNITY ZONES



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Questions Contact:

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Department of Housing and Community Development
Frank.dickson1@maryland.gov
301.429.7425