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

$100K Investment

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<thead>
<tr>
<th>Year</th>
<th>Investment</th>
<th>Taxes Due</th>
<th>Year</th>
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<tbody>
<tr>
<td>1</td>
<td>$100,000</td>
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<td>6</td>
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</table>
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

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
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

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**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
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**OZ Fund (Partnership / Corporation)**
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**Single Asset Real Estate**
- Substantially Improve real estate (100% of Building value)
- 31 month written expenditure plan for cash invested

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- 7 YR HOLD – tax deferral, 15% step up
- 10 YR HOLD – tax deferral, 15% step up, 100% cap gain exemption
Maryland Opportunity Zones
<table>
<thead>
<tr>
<th>County</th>
<th># of Designated Opportunity Zones</th>
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<tbody>
<tr>
<td>Allegany</td>
<td>4</td>
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<tr>
<td>Anne Arundel</td>
<td>4</td>
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<tr>
<td>Baltimore County</td>
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<tr>
<td>Baltimore City</td>
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<tr>
<td>Calvert</td>
<td>3</td>
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<tr>
<td>Caroline</td>
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<td>Carroll</td>
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<td>Cecil</td>
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<td>Charles</td>
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<td>Dorchester</td>
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<td>Frederick</td>
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<td>Garrett</td>
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<td>Harford</td>
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<td>Kent</td>
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<td>Montgomery</td>
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<td>Prince George’s</td>
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<td>Queen Anne’s</td>
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<tr>
<td>Somerset</td>
<td>3</td>
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<tr>
<td>St. Mary’s</td>
<td>1</td>
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<tr>
<td>Talbot</td>
<td>2</td>
</tr>
<tr>
<td>Washington</td>
<td>5</td>
</tr>
<tr>
<td>Wicomico</td>
<td>7</td>
</tr>
<tr>
<td>Worcester</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>149</strong></td>
</tr>
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</table>
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:

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  MD.OpportunityZones@maryland.gov

• Lt. Governor’s webpage:
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Questions Contact:
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301.429.7425