

A large, light gray outline of the state of Alabama serves as a background for the slide. The word "OPPORTUNITY" is written in a blue, sans-serif font, following the curve of the top of the state outline.

**OPPORTUNITY**



**ALABAMA**

## **THE “OPPORTUNITY” IN OPPORTUNITY ZONES**

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ALEX FLACHSBART

A nighttime photograph of a city street. In the background, a large, white, domed building, likely a state capitol, is illuminated against a dark blue sky. The street is lined with trees and streetlights, and a few cars are visible in the distance. A large, green, speech bubble-shaped callout box is centered over the image, containing white text.

**Opportunity Zones** have the potential  
to be the **largest economic  
development program** in U.S. history

**Steve Glickman**  
Co-Founder, Economic Innovation Group

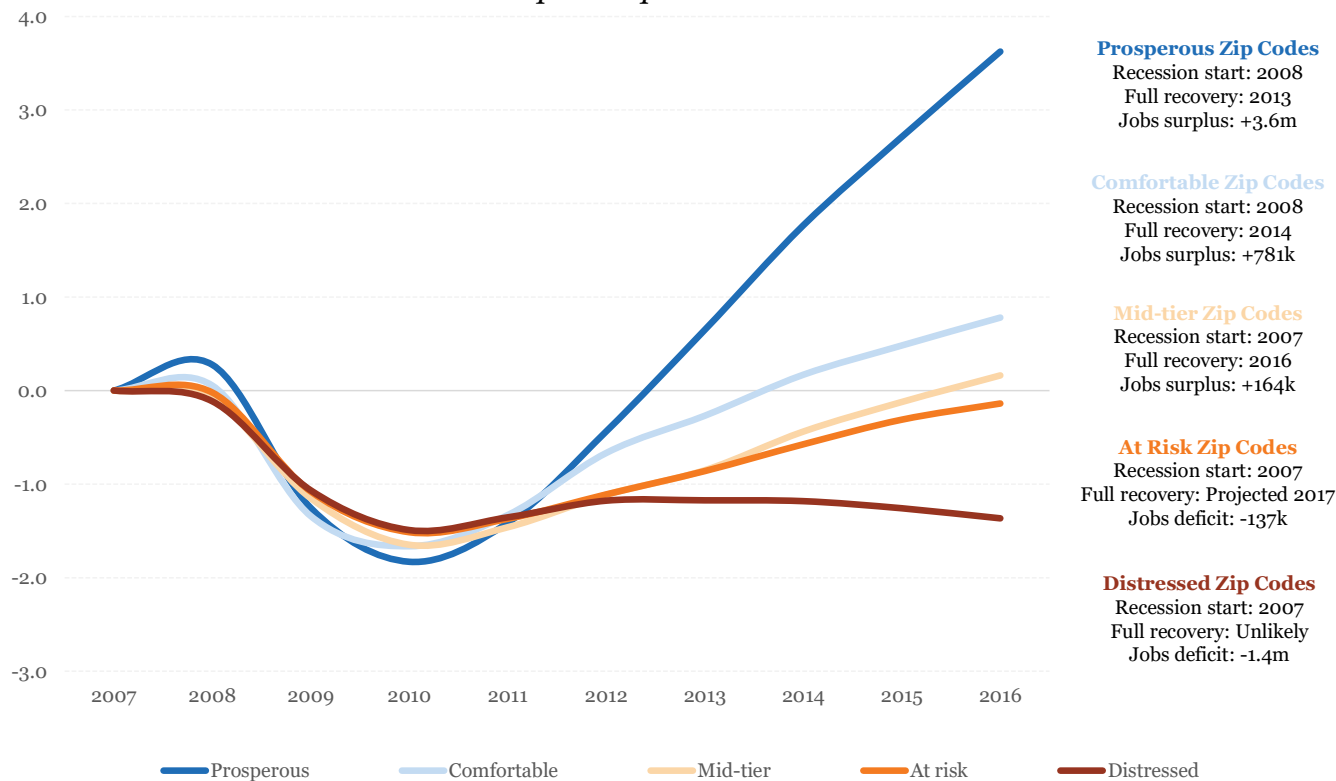
# WHAT IS AN OPPORTUNITY ZONE?



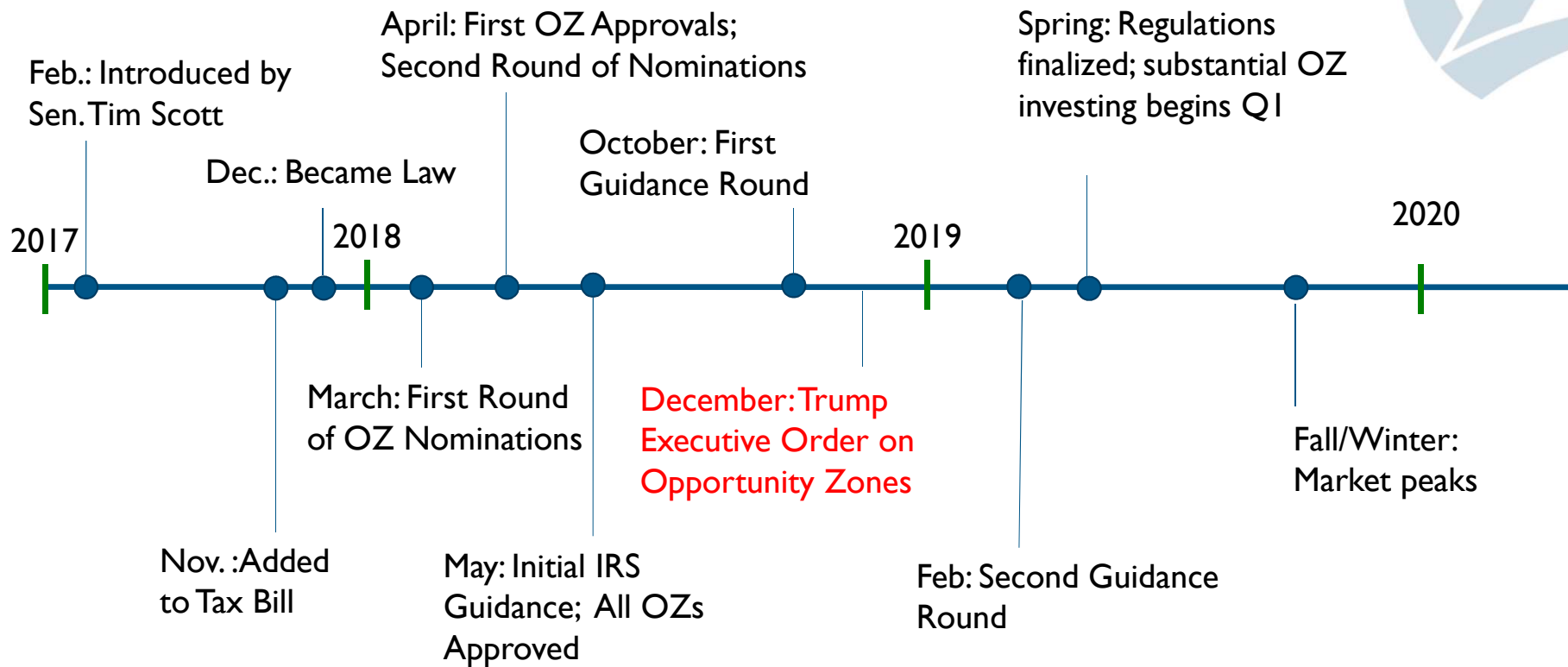
# The basic concept of Opportunity Zones was forged in the fractured recovery.



*Total change in employment since 2007 across zip code quintiles*

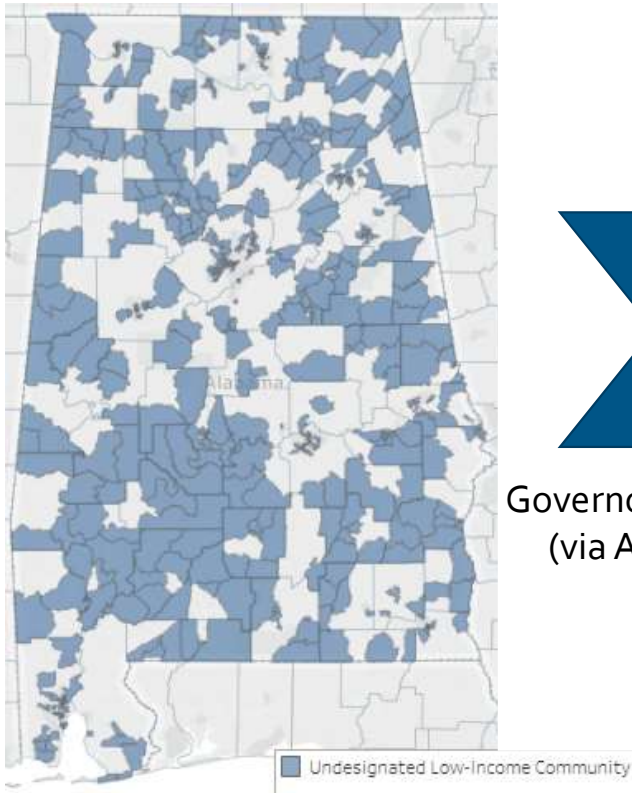


# THE HISTORY OF OPPORTUNITY ZONES



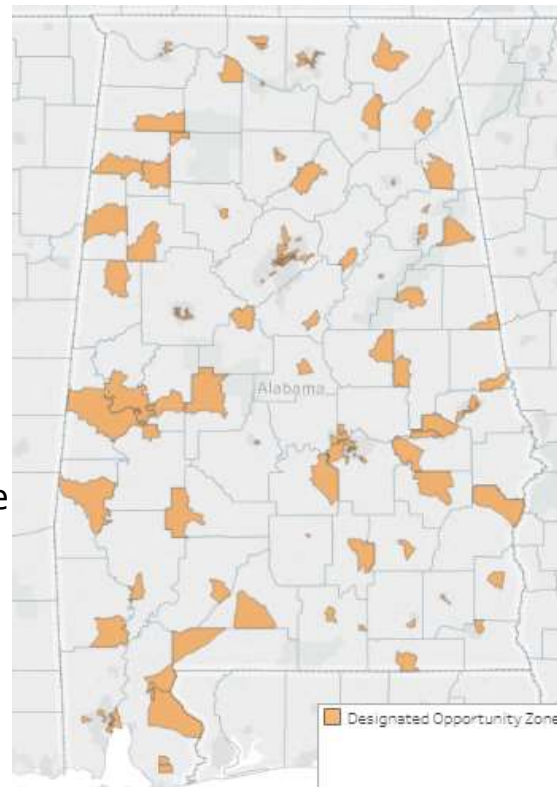
# ALABAMA'S OPPORTUNITY ZONES

629 Eligible Tracts

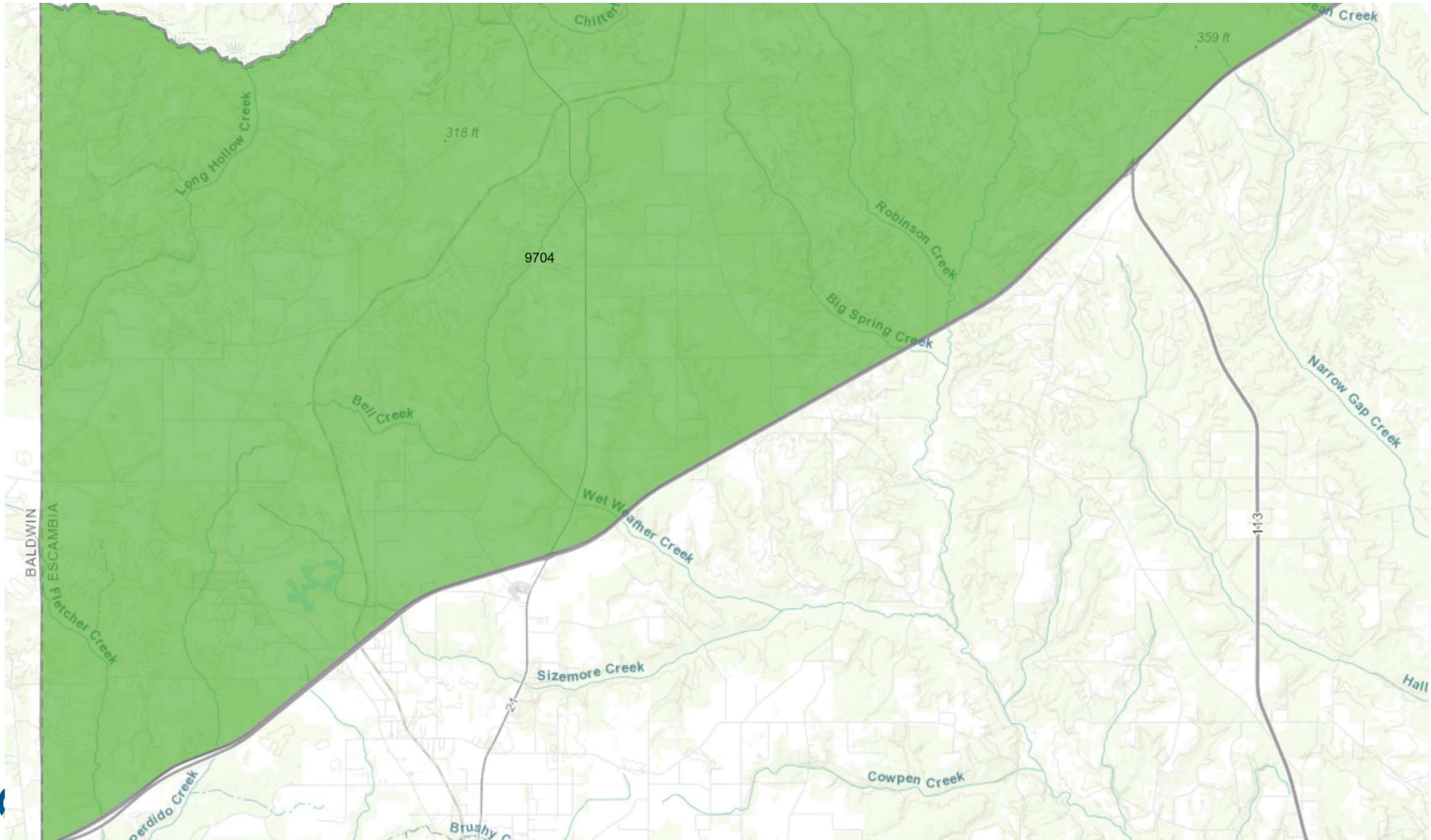


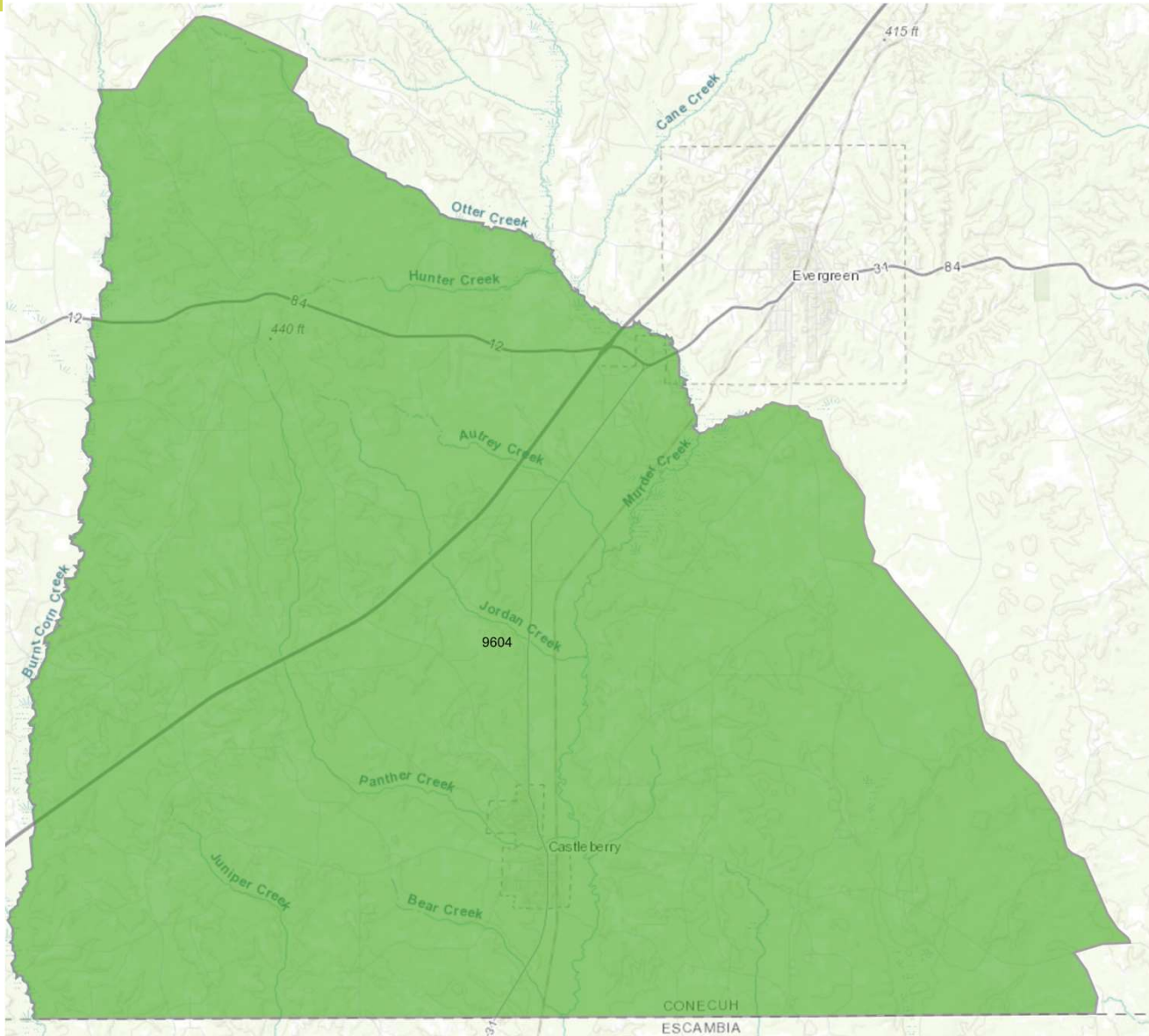
Governor's Office  
(via ADECA)

158 Selected











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## BEST MAPPING RESOURCES

[Opportunityalabama.com](http://Opportunityalabama.com) – click the map icon

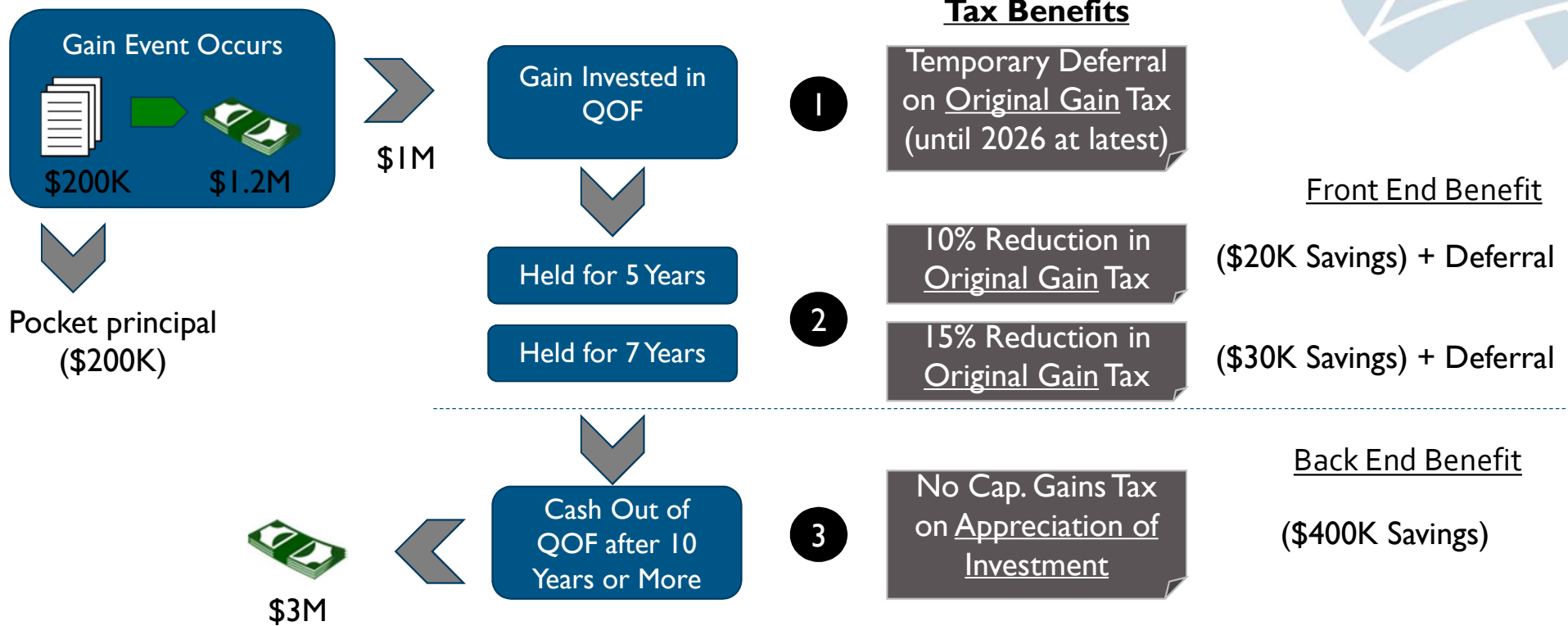
[ElG.org/opportunityzones](http://ElG.org/opportunityzones) – scroll down a bit



# HOW THE PROGRAM WORKS (OR, HOW I LEARNED TO LOVE TAX LAW)



# OPPORTUNITY ZONE TAX BENEFITS



# DOES MY PROJECT QUALIFY?

Real Estate

Active Businesses



Commercial



Industrial



Multi-Family



Startups



Infrastructure



Housing



R&D / Tech



Hospitals



Community /  
Public Assets

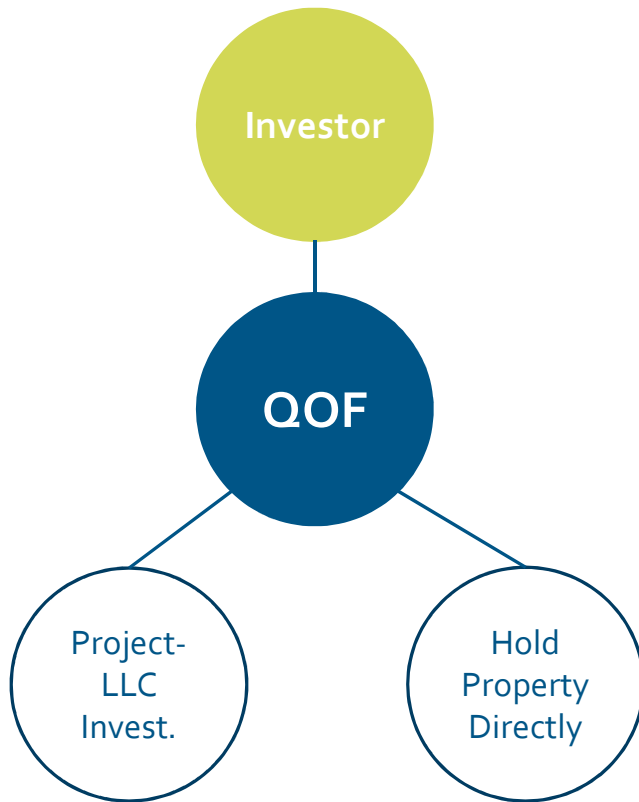
Need  
Tax Law  
Compliant  
Project

Need  
Qualified  
Deal  
Structure

No Sin  
Businesses



## COMPLIANT PROJECT



- (1) For 70% of Tangible Property:
  - (A) Acquired after 2017 from unrelated party
  - (B) “Substantially all” use in OZ
  - (C) Original OZ Use or “Substantial Improvement”  
-> double cost basis in 30 month period (\*special rule for buildings\*)
- (2) 50% income from “active conduct” (in OZ?)
- (3) Substantial intangible property use (in OZ?)
- (4) “Non-Qualified Financial Property Test” (31-month safe harbor for deployment)

## REAL ESTATE / MIXED USE EXAMPLE

Developer bought lot in 2000 and wants to turn it into a truck stop, then sell remaining portion to a hotel developer. Truck stop land is worth \$250,000. Remaining land worth \$500,000. Truck stop will cost \$10mm and hotel will cost \$15mm.

- Tangible Assets (70%):
  - Post-2017 Acquisition?
  - Sub-All in the Zone?
  - Double Cost Basis in 30 Months?
- 50% Gross Income from OZ?
- Intangible Property Use in OZ?
- Excessive Cash Holdings?

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Ten Year Hold OK?

Exit Strategy?

Other Business Considerations?



## HIGH-GROWTH COMPANY EXAMPLE

High-growth tech startup seeking \$500,000 in growth stage capital and is indifferent to structure. CEO is from Birmingham and is considering moving back.

- Tangible Assets (70%):
  - Post-2017 Acquisition?
  - Sub-All in the Zone?
  - Double Cost Basis in 30 Months?
- 50% Gross Income from OZ?
- Intangible Property Use in OZ?
- Excessive Cash Holdings?

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Ten Year Hold OK?

Exit Strategy?

Other Business Considerations?



## POINT-OF-SALE EXAMPLE

Existing retail business in OZ has about \$300,000 in assets in the Opportunity Zone and is looking to expand with new OZ capital.

- Tangible Assets (70%):
  - Post-2017 Acquisition?
  - Sub-All in the Zone?
  - Double Cost Basis in 30 Months?
- 50% Gross Income from OZ?
- Intangible Property Use in OZ?
- Excessive Cash Holdings?

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Ten Year Hold OK?

Other Business Considerations?





## MANUFACTURING EXAMPLE

Local IDB owns \$500,000 in land and wants to use Opportunity Zones to develop it – likely via a build-to-suit lease arrangement.

[Fun aside – could we invest in the company itself?]

- Tangible Assets (70%):
  - Post-2017 Acquisition?
  - Sub-All in the Zone?
  - Double Cost Basis in 30 Months?
- 50% Gross Income from OZ?
- Intangible Property Use in OZ?
- Excessive Cash Holdings?

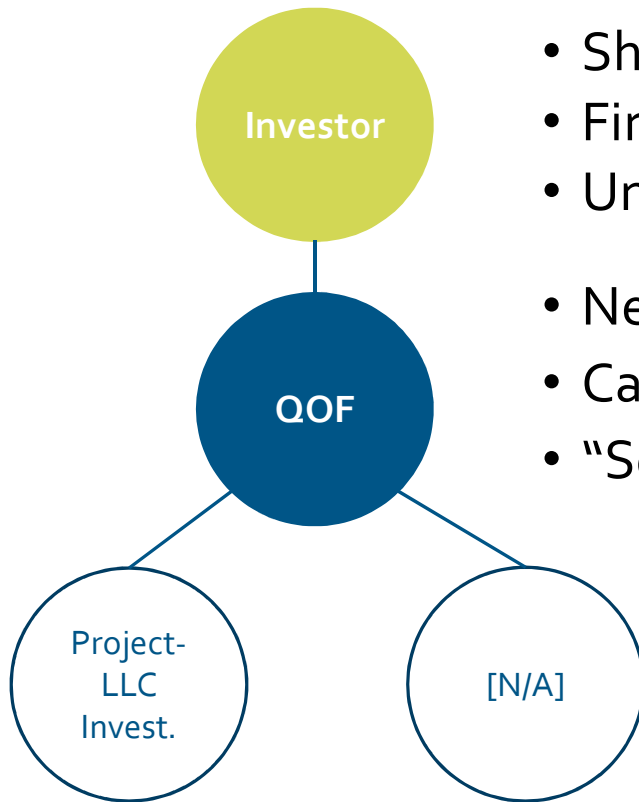
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Ten Year Hold OK?

Other Business Considerations?







## QUALIFIED DEAL STRUCTURE



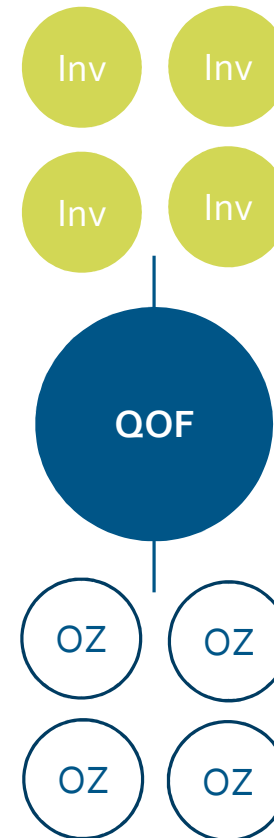
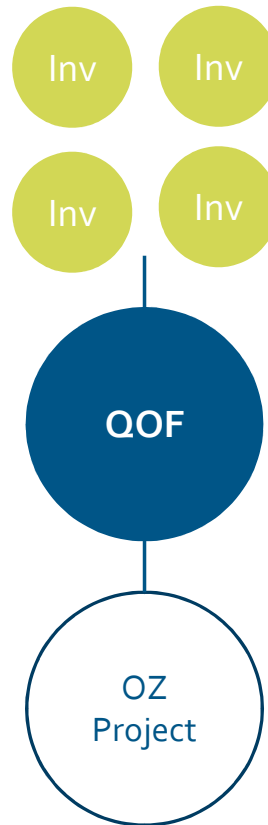
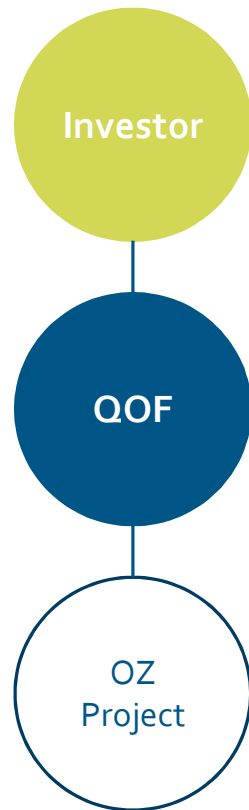
- Short or Long-Term Capital Gains
- First 6 month clock\*
- Unlimited # of investors or \$ of investment
- New 6 month clock to meet 90% test
- Can leverage equity invested
- “Self-Certification” process (one-page form)
- 31-month or shorter buildout
- Hold project for full 10-year period (condo / single family home problem)
- “Active Management” component

# INVESTOR PROFILES



	Rationale for Investment	Location of Investor	Size of Investment	Source of Investment
 Location	Make a Difference	Primarily Local to OZ	Varies by Community	Varies by Community
 Impact	Make a Difference	Primarily National	Varies by Investor	Likely Not Capital Gains
 Opportunity	Make a Profit	Local or National	Primarily Large \$	Varies
 Tax Benefit	Profit / Tax Benefits	Local or National	TBD	Capital Gains

## INVESTMENT STRUCTURES + TERMS



BUT: Major issue around “rolling projects” (called the “Interim Gains Issue”)



# MAJOR BUSINESS CONSIDERATIONS



Investor to Project  
Timing



"Cycling  
Projects"



2026 Tax Event

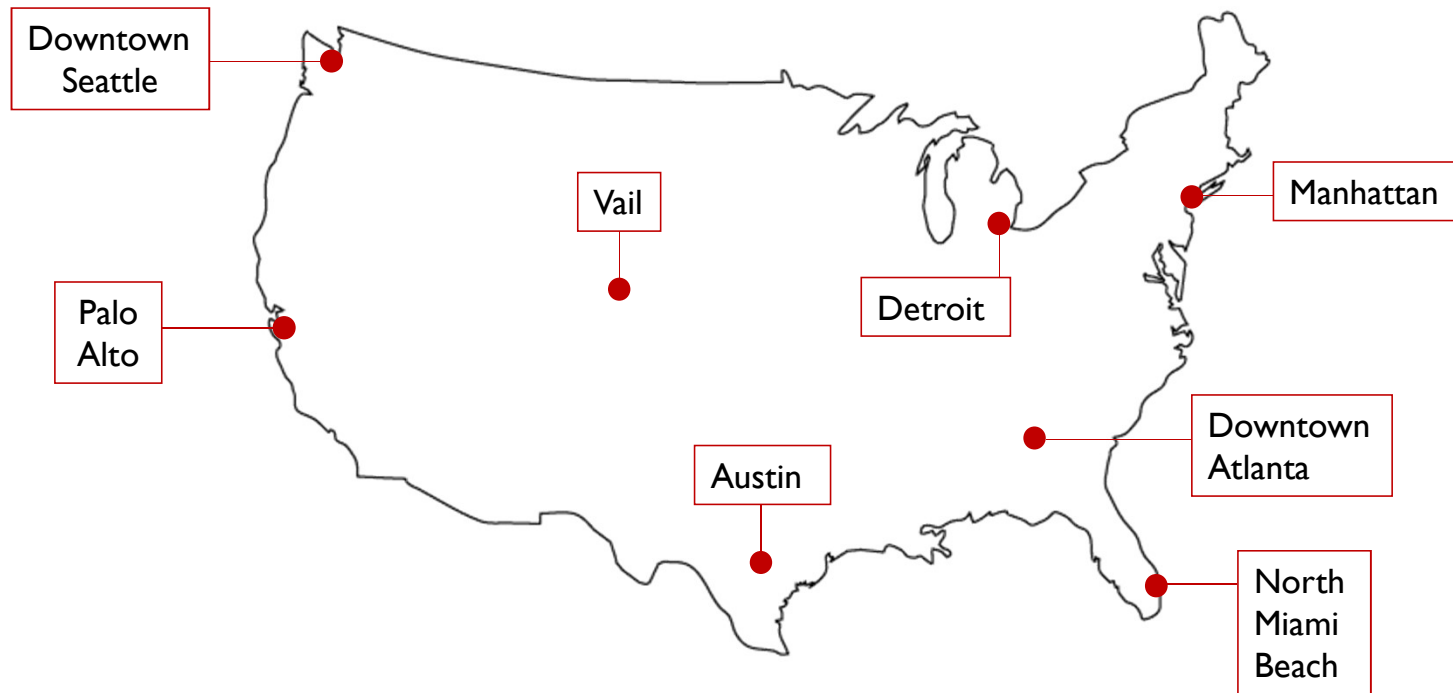


Exit Strategy

# BUILDING A LOCAL ECOSYSTEM

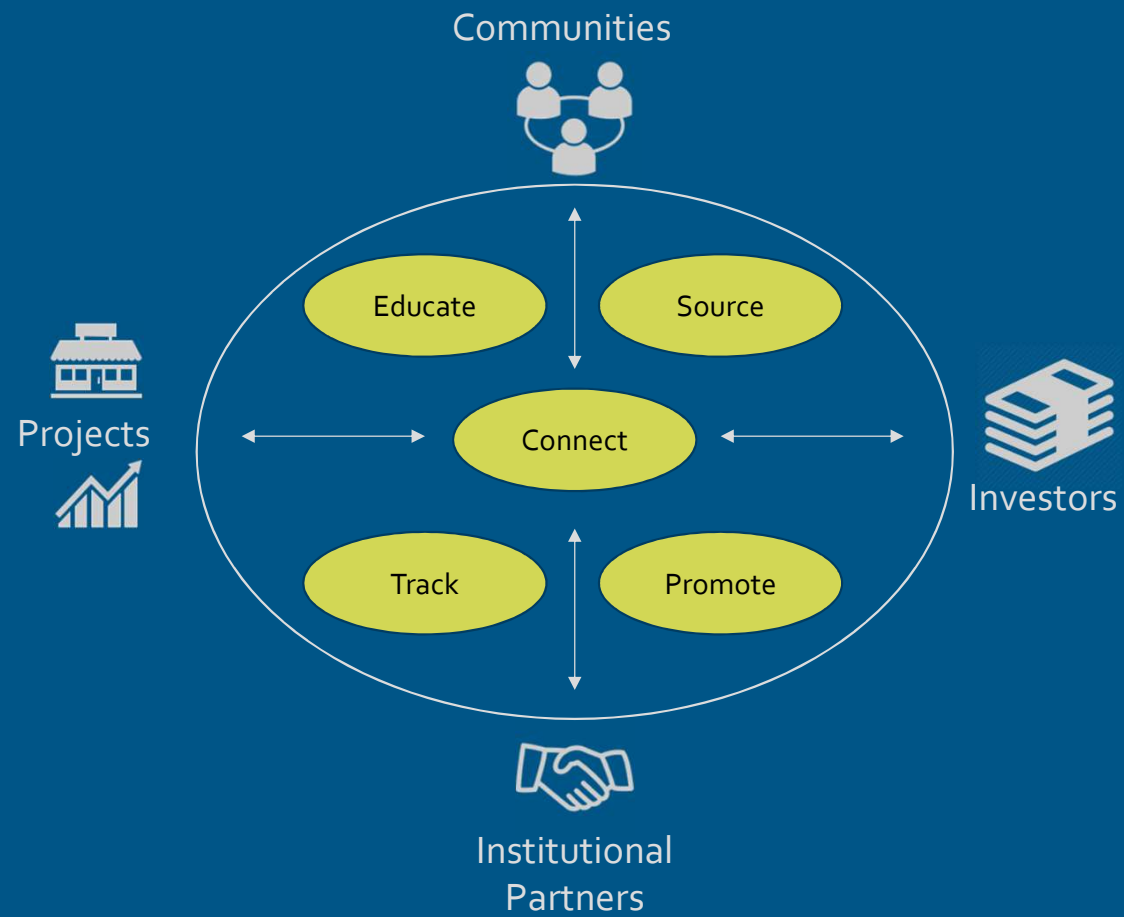


# THE NATIONAL COMPETITION



HOW DO WE BUILD AN ECOSYSTEM TO MAXIMIZE  
OPPORTUNITY ZONE INVESTMENT IN ALABAMA?





## KEY COMMUNITY TAKEAWAYS



Develop Project  
Pipeline



Develop Local  
Investor Pipeline



Develop Local  
OZ Marketing  
Strategy



Develop Local  
OZ Ecosystem

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## WHAT YOUR INTERMEDIAR(IES?) SHOULD DO



- General OZ Education / Project Assessment / Fund Information
- Institutional Partner Engagement / “Concierge” Service
- Fund / Deal Introductions
- Community Ecosystem Working Group
- Community Prospectus Development
- Needs Identification / Impact Tracking
- Direct Community Investment Mechanisms





## QUESTIONS?

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