

OPPORTUNITY ZONES, US EPA PROGRAMS, AND ENVIRONMENTAL FINANCE

EFAB Meeting

October 13, 2020

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EPA Region 5

Key Takeaways



WHAT ARE OPPORTUNITY
ZONES?



HOW ARE EPA PROGRAMS
SUPPORTING OPPORTUNITY
ZONES?



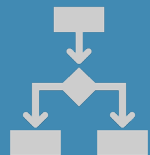
WHAT ARE EFAB
OPPORTUNITIES?



Created in the 2017 Tax Cuts and Jobs Act, Opportunity Zones are designed to drive long-term capital into economically distressed communities across the nation, using tax incentives to encourage private investment into designated census tracts through privately- or publicly-managed investment funds.



In 2018, every State nominated zones. More than 8,700 around the country: 40% rural, 38% urban, and 22% suburban



OZ investment happens through IRS qualified Funds where capital gains taxes can be held and used for investment in Opportunity Zones.

What are Opportunity Zones?

CAPITAL
GAINS

Private Investor

Private investors **defer and reduce** taxable capital gains until sale of equity share (or 2027) AND gains held 10+ years are **excluded** from taxation

QOF

Qualified Opportunity Fund

A QOF is a Qualified Opportunity Fund that invests its assets in QOZs and is eligible for tax incentives

QOZ

Qualified Opportunity Zone

A QOZ is a Qualified Opportunity Zone that has been nominated by Governor and designated by the Treasury Secretary

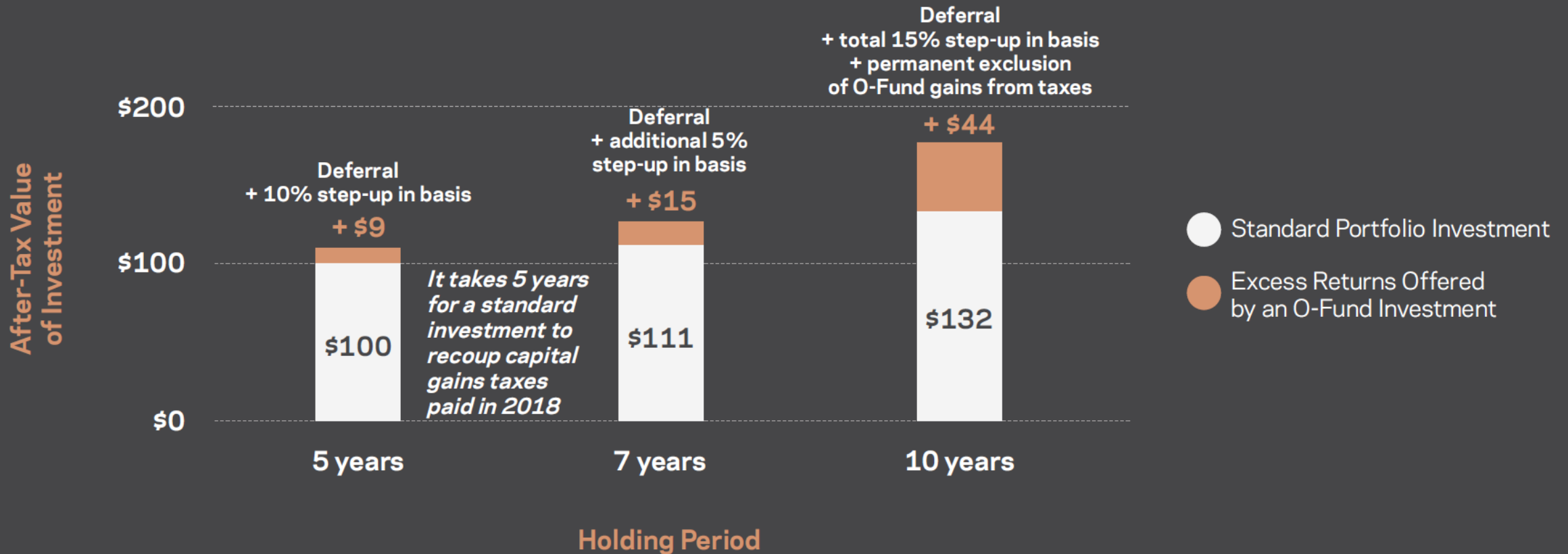
Site

Project

A previously **vacant** or **substantially improved** brick and mortar development or new business activity

KEY
TERMS

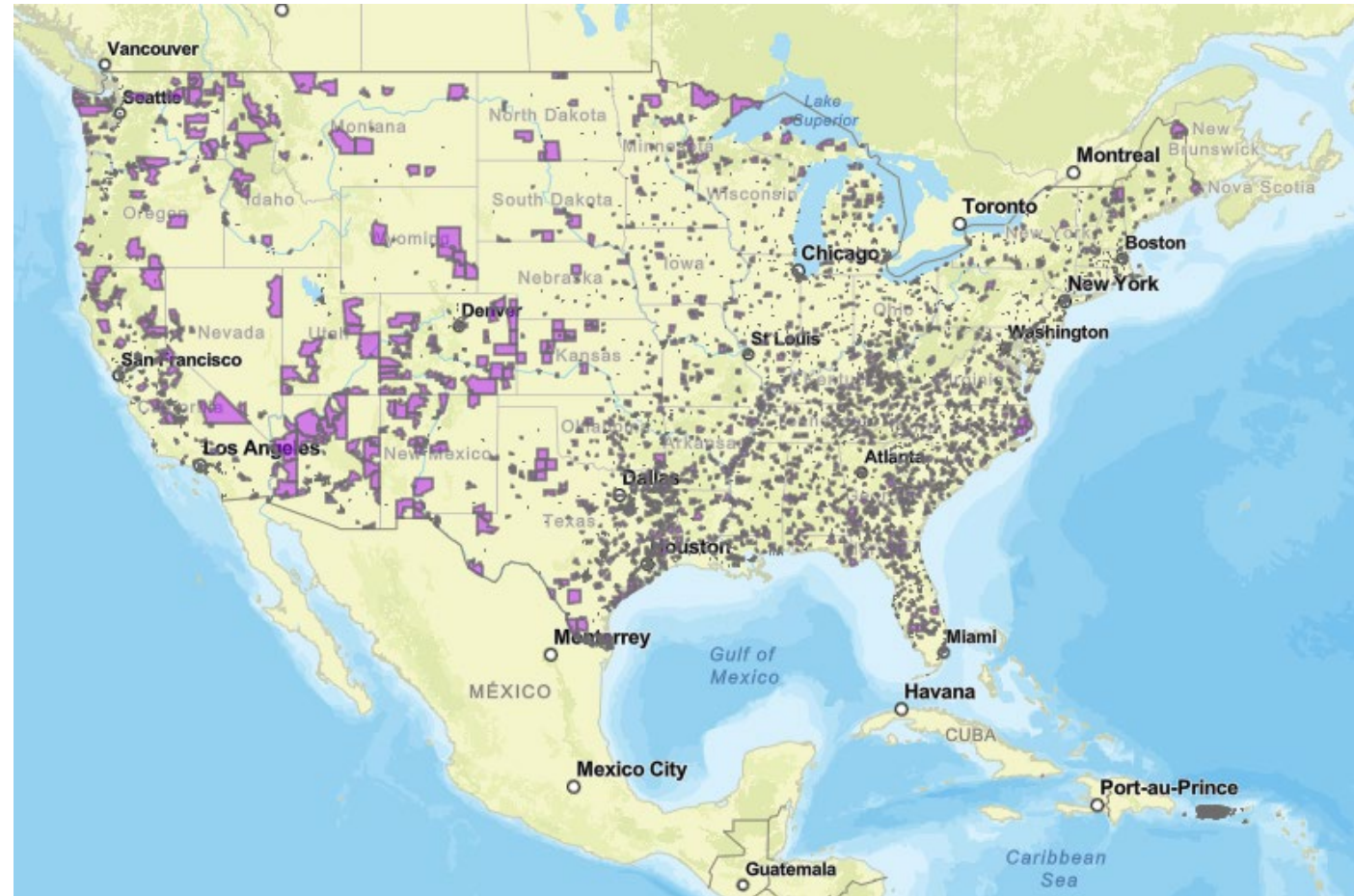
How does a capital gain of \$100 reinvested in 2018 perform over time?



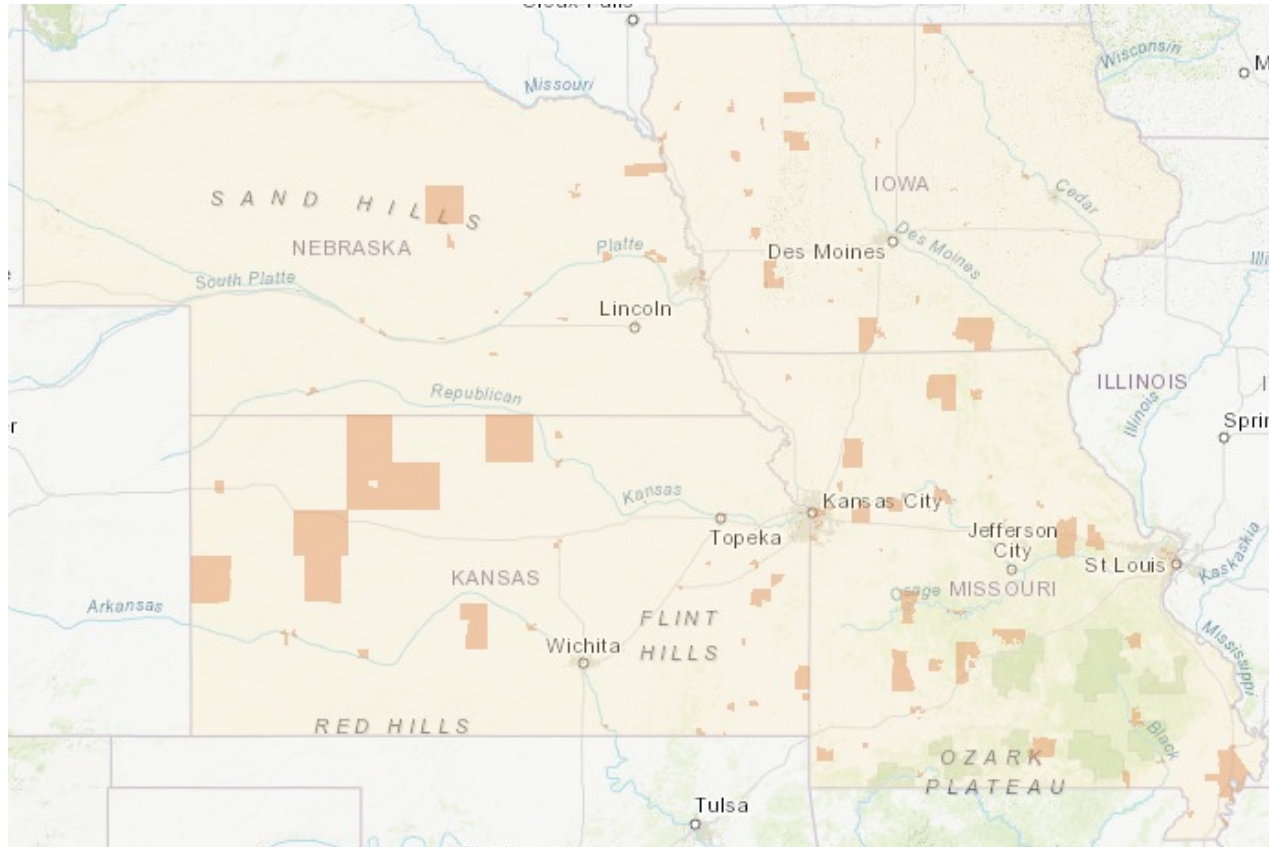
* Note: Assumes long-term federal capital gains tax rate of 23.8%, no state income tax, and annual appreciation of 7% for both the O-Fund and alternative investment.

Why Do We Care?

- New investor incentive to deal with legacy environmental challenges:
 - States selected Opportunity Zones based upon demographics and revitalization needs
 - Most would be considered EJ
 - Typically overlap with legacy commercial and industry
 - Sites are often centrally located and have existing infrastructure (roads, sewer, electrical, highway, rail) that can be reused or updated



Source: EPA GeoPlatform, July 5, 2019



Source: EPA GeoPlatform, October 11, 2019

- *341 Opportunity Zones in 218 communities in EPA Region VII (IA, KS, MO, NE).*
- *Nationally - **40% rural**
Regionally – **55% rural***
- *Rural communities are at an inherent disadvantage compared to their urban and suburban counterparts in having the resources to create redevelopment plans and market them to attract OZ investments.*

WHITE HOUSE OPPORTUNITY AND REVITALIZATION COUNCIL

Department of Housing and Urban Development	Department of Treasury	Attorney General	Department of Interior
Department of Agriculture	Department of Commerce	Department of Labor	Department of Health and Human Services
Department of Transportation	Department of Energy	Department of Education	Environmental Protection Agency
Office of Management and Budget	Small Business Administration	Council of Economic Advisers	Council on Environmental Quality

Opportunity Zone portal: <https://opportunityzones.hud.gov/>



Guidance

Provide guidance on how to target investments



Coordination

Coordinate to administer programs and leverage resources



Measure

Measure investment outcomes



Promoting communities to create and achieve their future vision.



Federal partnerships to support investment in healthy, vibrant, thriving communities



The Brownfields and Superfund programs result in cleaned up sites for redevelopment.



Energy efficiency, stormwater, air attainment, etc. support healthy places.



Our EPA programs and regions often work in many of the Opportunity Zone designated areas

What are EPA's connections to Opportunity Zones?



US EPA Programs Supporting Community Revitalization in Opportunity Zones

The USEPA program assistance listed below represent the best matches for site investment in Opportunity Zones



Land Cleanup

- Brownfields
- Superfund
- Resource Conservation and Recovery Act
- Leaking Underground Storage Tanks

Infrastructure Investment

- WIFIA
- State Revolving Funds - Drinking Water and Clean Water
- Urban Waters
- Sustainable Water Infrastructure

Technical Assistance

- Community Revitalization Workshops (OCR)
- Environmental Justice
- Land Revitalization
- Superfund Redevelopment Initiative

Geographic Initiatives

- Community-Driven Solutions
- Great Lakes Restoration Initiative (R5)
- Chesapeake Bay (R3)
- Puget Sound (R10)

Air Quality & Energy

- Tools for Nonattainment Areas (Redesignation / "Advance")
- Energy Star
- Green Power Partnership

Opportunity Funds Positioned to Invest

East Chicago, IN – RCRA & Superfund

Former DuPont Industrial Plant East Chicago, IN

- Originally established as part of the Graselli Chemical Company later purchased by E.I. DuPont de Nemours & Co. in 1928
- Centrally located to many major interstates, international airports and downtown Chicago.
- EPA Region 5 RCRA Program oversight
- ECGP successfully negotiated purchase of the 438 acre property.
- Logistics Complex 3.8 M sqft.
- Over 225 acres of developable land.



EPA: Companies agree to \$26.6 million cleanup settlement for former DuPont site in East Chicago

EAST CHICAGO — The site of the former DuPont chemical manufacturing plant on Kennedy Avenue ...



EAST CHICAGO — A vacant, contaminated industrial site on the north bank of the Grand Calumet River will be redeveloped as one of the first federal Opportunity Zone projects of its scale, according to one of its lead investors.

East Chicago Gateway Partnership co-owner and partner Scott Aschoff said a fund created to invest in the site is the first Qualified Opportunity Zone Fund to be fully capitalized and to take ownership of a parcel the size of the 440-acre former DuPont property east of Kennedy Avenue. The partnership plans to create a logistics center there that will take advantage of its proximity to the Gary/Chicago International Airport.

Brownfields Selected as Investment Targets

Cleveland, OH

Opportunity Corridor

Census Tracts: 1135.00, 1136.00, 1138.01, 1141.00, 1143.00, 1145.01, 1146.00, 1147.00, 1192.02, 1193.00, 1196.00

Municipality: Cleveland

Area: 4.9 square miles

Population: 15,186

Notable Infrastructure: Opportunity Corridor boulevard (completion 2022), Interstates 490 and 77; RTA Red Line, Blue Line, and Green Line; Norfolk Southern and CSX freight rail.

Notable Assets: Karamu House Performing Arts Theater; Urban Agricultural Innovation Zone; Green City Growers Greenhouse; Bridgeport Place; Heritage View Homes; St. Luke's Manor; Ken Johnson Recreation Center; Luke Easter Park.

District Development Partners: City of Cleveland; Cuyahoga County; Ohio Department of Transportation; Cleveland Development Advisors; Burten Bell Carr Development; Fairfax Renaissance Development; Slavic Village Development; Cleveland Neighborhood Progress; Cuyahoga Metropolitan Housing Authority; Northeast Ohio Regional Sewer District.

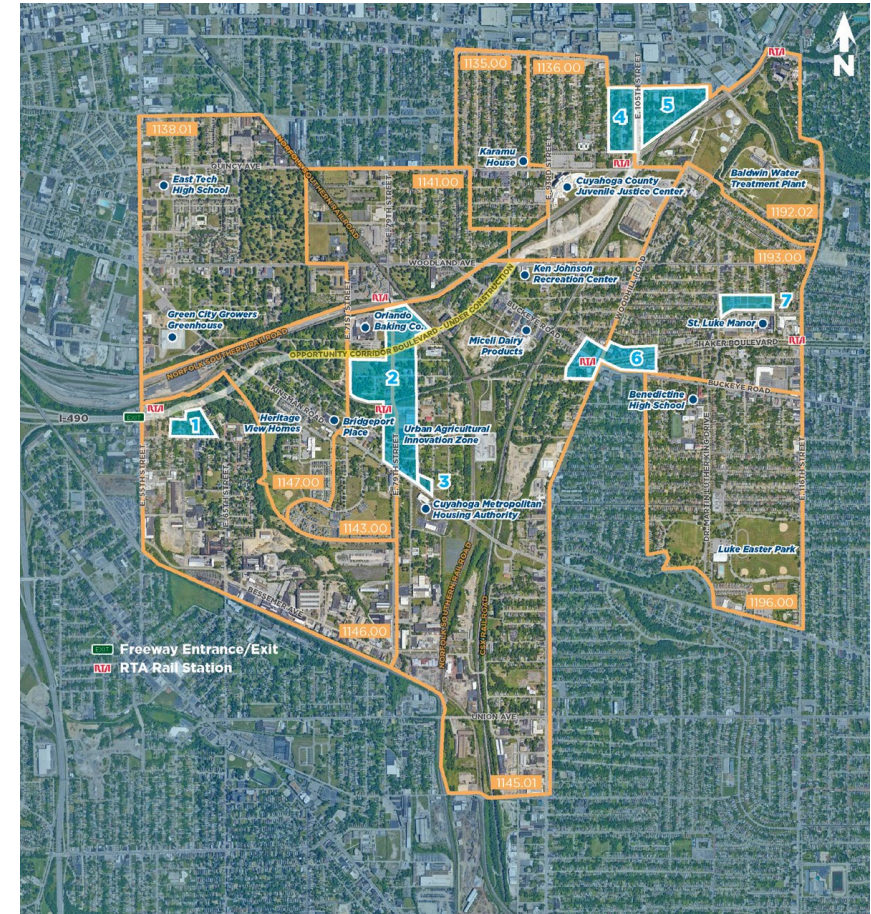


Notable Projects & Plans Primary Developer Overview

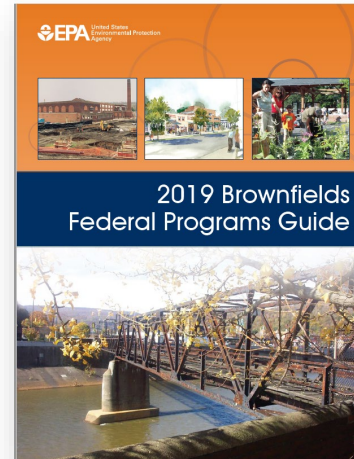
Notable Projects & Plans	Primary Developer	Overview
BoxSpot Cleveland	Burten Bell Carr Development	Possible expanded incubator space using shipping container construction
Buckeye-Woodhill RTS Plan	City of Cleveland	Transit-oriented development plan around recently rebuilt rail station
E. 79th Street TOD Plan	City of Cleveland	Transit-oriented development plan within core investment area of OC
Innovation Square	Fairfax Renaissance Development	New construction of mixed-income single- and multi-family residential
New Economy Neighborhood	Fairfax Renaissance Development	New construction of high-tech district with office, R&D, and lab space
St. Hyacinth TOD Plan	Slavic Village Development	New construction infill housing adjacent to key transit station
St. Luke's Pointe	Cleveland Neighborhood Progress	New construction single-family residential development

E. 79th Street TOD Plan

City of Cleveland



US EPA Resources



CURRENT ASSESSMENT GRANT ACTIVITIES ARE TARGETED TO THE SOUTH PARK STREET REVITALIZATION AREA, AN OPPORTUNITY ZONE ELIGIBLE CENSUS TRACT.

Opportunity Zones

Opportunity Zone Visit In Frankfort, KY

EPA was in Frankfort, KY, an Opportunity Zone, to help revitalize the community through access to healthy food. [Learn more about Local Foods, Local Places](#)

Announcements

- [149 Communities to Receive \\$64.6M for Brownfields Grants to Address Contaminated Properties Across the Nation](#)
- [Brownfields: Properties with New Purpose booklet](#)

Basic Information

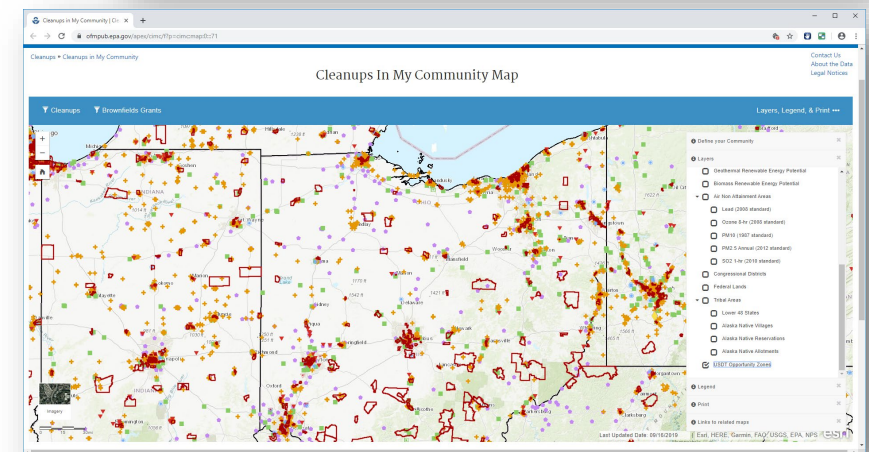
- [Overview of EPA's Role](#)
- [White House website](#)

Technical Assistance

- [Smart Growth Technical Assistance Programs](#)

Tools and Publications

- [Community Revitalization Assistance](#)
- [Attracting Infill Development in Distressed Communities: 30 Strategies](#)
- [Framework for Creating a Smart Growth Economic Development Strategy](#)
- [Local Foods, Local Places Toolkit: A Guide to Help Communities](#)



Opportunity Zone
Lorain County / Black River

THURSDAY
July 26, 2018

NAIOP Northern Ohio, US EPA, Lorain County, Lorain Port Authority, Lorain County Board of Commissioners and Vita Nuova present the
Lorain County / Black River Opportunity Zone.

PROGRAM HIGHLIGHTS:

- Overview of 500+ acres of publicly-owned land available for development along the Black River
- A look at the new Opportunity Zones program, which will allow funds to be used for economic development purposes in exchange for Federal tax breaks
- History of the Black River clean up – **Don Romancak**, Lorain County Community Development, Community Development Director
- Local incentives to development – Lorain County Commissioner **Ted Kalo**
- Environmental and financial incentives available at these and other sites – **Patricia Overmeyer**, Acting Deputy Office Director, EPA Office of Brownfield and Land Revitalization
- Panel Discussion with **Tracey Nichols**, Director of Financial Services/ Project Management Consultants; **Dan Bergrin**, Vice President & Tax Counsel, GBX Group; **Diana Rife**, Revitalization Project Manager, JobsOhio; Moderated by **Michael Taylor**, President, Vita Nuova
- Boat tours along the Black River before and after the program
- Cocktail & appetizers networking reception

DATE:
Thursday, July 26, 2018
Registration begins at 2:00. Program 3:30-5:00.
Black River boat tours available before and after the program (advance reservations required).

LOCATION:
Lorain Port Authority Train Station
421 Black River Lane, Lorain, OH 44052

REGISTRATION:
\$15 NAIOP Members | \$35 Non-Members
(Prices will increase \$10 for registrations made after July 19)
Registration & up-to-date details at:
<http://www.naiopnorthernohio.com/event/opportunity-zone-lorain-county-black-river>

NAIOP Northern Ohio • 440.899.0010 • naiop@wherryassoc.com • NaiopNorthernOhio.com

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Investor-Project Matchmaking Needed

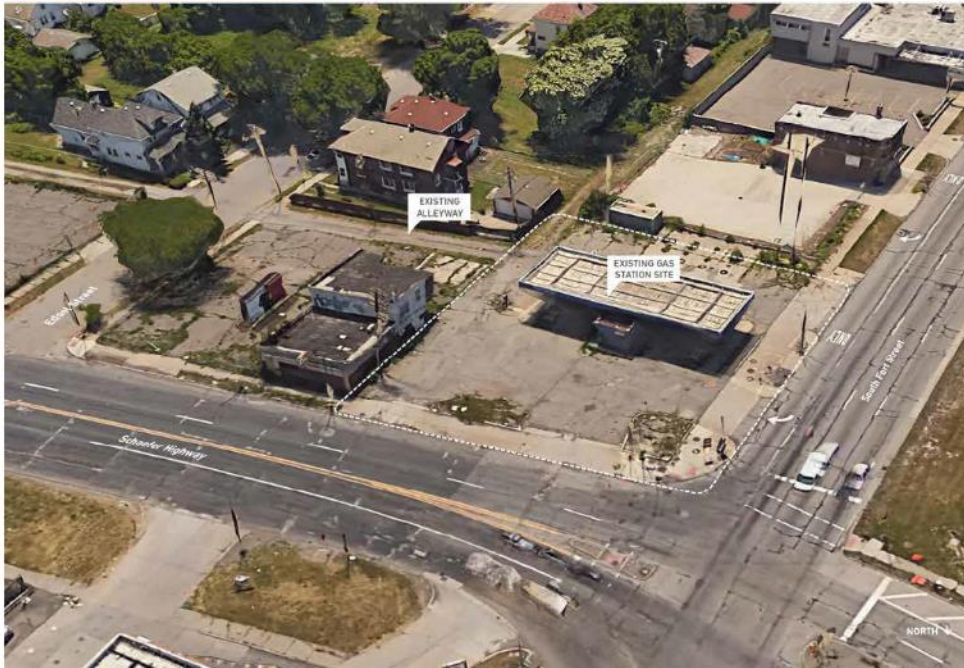
Locally-led strategies

- Inventory sites ready for redevelopment
 - Call local developers and landowners
 - Review environmental status
- Summarize site readiness
- Collect information together
- Create a local prospectus document or website portal
- Actively market sites to development community
- Coordinate with State and Federal agencies

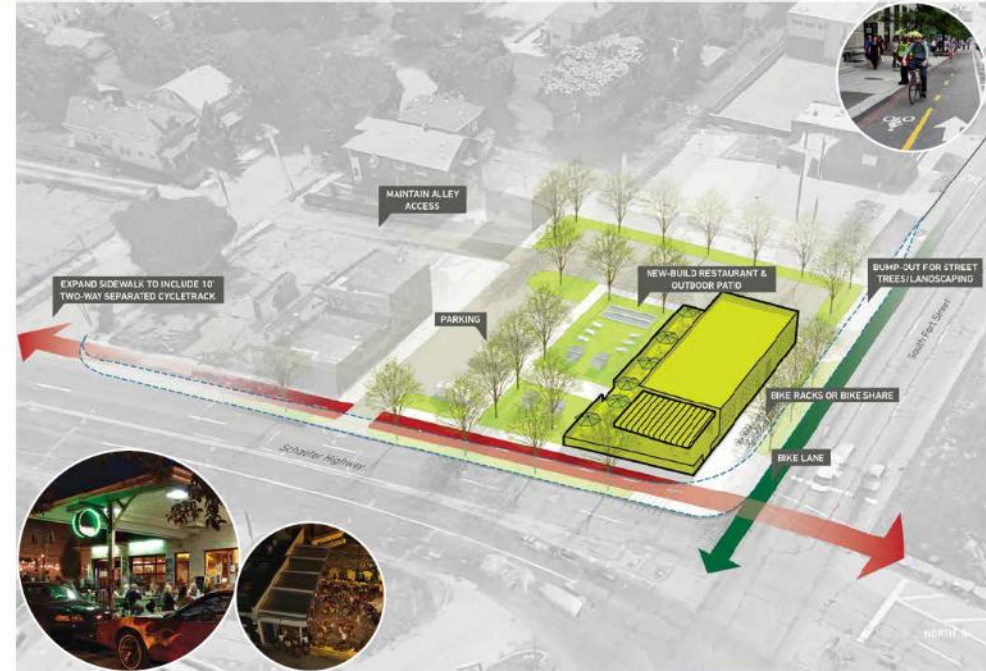
Contaminated Sites Need Vision and Strategy

EPA Technical Assistance can provide redevelopment options

DEVELOPMENT SCENARIOS GAS STATION | EXISTING



DEVELOPMENT SCENARIOS GAS STATION | SCENARIO 1



Investors want to know possibilities...

DEVELOPMENT SCENARIOS GAS STATION | SCENARIO 2



DEVELOPMENT SCENARIOS GAS STATION | SCENARIO 3



Challenges



Lack of reporting requirements



Market-based vs. community-based development



Accessibility and connection to EPA resources



Community capacity



Marketing

Environmental Finance Connections

Need to Close Gaps in Knowledge and Communication

- **Linking Projects to Opportunity Funds – How to connect projects to capital in distressed communities**
 - EPA delivering technical assistance and developing new tools – How best to use them in the real world and what other actions are needed?
- **Rural / Small Communities Face Additional Challenges – How best to address rural / small community needs?**
 - Rural / small communities need both access to Opportunity Funds and other federal assistance.
- **Bundling Other Environmental Financing with Opportunity Zones**
 - For Example: How to better integrate Property Assessed Clean Energy (PACE) Financing and Opportunity Funds