

Opportunity Zones



Welcome to South Ogden City and thanks for taking an interest in learning about the city's willingness to be an active participant in helping to maximize the benefits of redevelopment in South Ogden, both for the city and investors.

This brochure has been designed to help investors understand how to take advantage of federal investment incentives within designated Opportunity Zones in South Ogden.

For additional information regarding developing within South Ogden or the Opportunity Zones program please contact Matt Dixon, City Manager, at 801.622.2707 or at mdixon@southogdencity.com.

Sincerely,

Russ Porter

Mayor



Opportunity Zone

Definition – an economically distressed area where new investments, under select conditions, may be eligible for preferential tax treatment through an established opportunity fund – U.S. Treasury

Purpose & Intent – an economic development tool – to spur economic growth and job creation in distressed communities by providing tax benefits to investors - U.S. Treasury

General Tax Provisions:

- 1) **Temporary deferral** of capital gains taxes until 2026 by allowing investors to put and keep unrealized gains in an opportunity fund
- 2) A **ten percent reduction** on deferred taxes on capital gains if the opportunity fund is held for five years, and **another five percent reduction** if held for seven years
- 3) A **complete tax exemption** on capital gains on investments made through the opportunity fund as long as the investor holds the investment for ten years





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- \$10,000,000 roll of capital gains into an opportunity fund
- Capital gains tax is not required until year 7 following rollover
 - Capital gains following 15% opportunity zone adjustment = \$1,700,000
- New investment is sold in ten years
 - New value = \$20,000,000
 - New capital gains taxes = \$0
- Total capital gains = \$1,700,000



- \$10,000,000 roll of capital gains into a NON opportunity zone area
 - Immediate capital gains tax = \$2,000,000
- New investment is sold in ten years
 - New value = \$20,000,000
 - New capital gains taxes = \$2,000,000
- Total capital gains = \$4,000,000

Difference = \$2,300,000 (not including state capital gains taxes and additional benefits from gains on debt!)



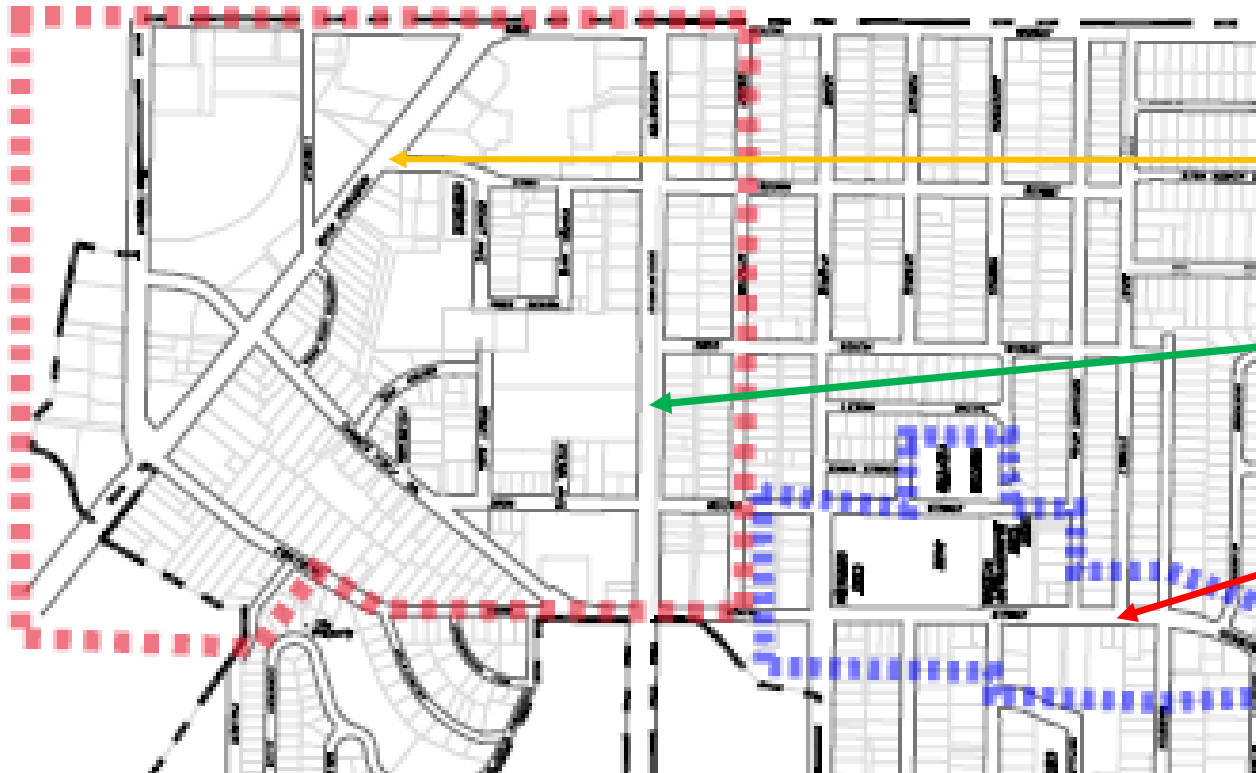
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- All else equal, a developer/investor has \$2,300,000 in additional value incentives to develop/invest in an Opportunity Zone (per the previous example)
 - To attract tenants, the financial advantage could be partially utilized by providing superior construction to competitive sites
 - A reduced initial rent (or more tenant incentives) could be offered to be competitive to other, non-Opportunity Zone sites
- Tenants can also invest in the Opportunity Zone and receive similar savings for job expansion and business growth

- All else equal, sites not in Opportunity Zones will be less competitive for investment dollars

South Ogden CRA Survey Areas within the Opportunity Zone



Riverdale Road

Washington Blvd.

40th Street

Steps South Ogden will take to Capitalize on Opportunity Zones

- Create CRA's to provide additional incentives
- Educate property owners on the advantages of an opportunity zone
- Have zoning and plans in place that allow for ready development processes at the densities and use types that are desired by the city and development community
- Market to investors the development options and incentives that are possible and *ready* within the Opportunity Zones
- Market to potential tenants the advantages of an Opportunity Zone

