

CALIFORNIA OPPORTUNITY ZONE OUTLOOK

Urban Land Institute

Opportunity Zone Update: Myths and Reality



*California is still the
land of opportunity*

February 6, 2019



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DISCLAIMER

None of the information contained or provided herein constitute a recommendation nor is to be construed as tax or legal advice. Please consult a qualified tax accountant or legal advisor regarding any potential investment in Opportunity Funds.

PRESENTATION OUTLINE



- **California OZ Outlook**
- California Cities Approach to OZs

OZ OPPORTUNITY AND CHALLENGES IN CA

**879 low-income Census tracts approved as California OZs:
>10% of the national market**

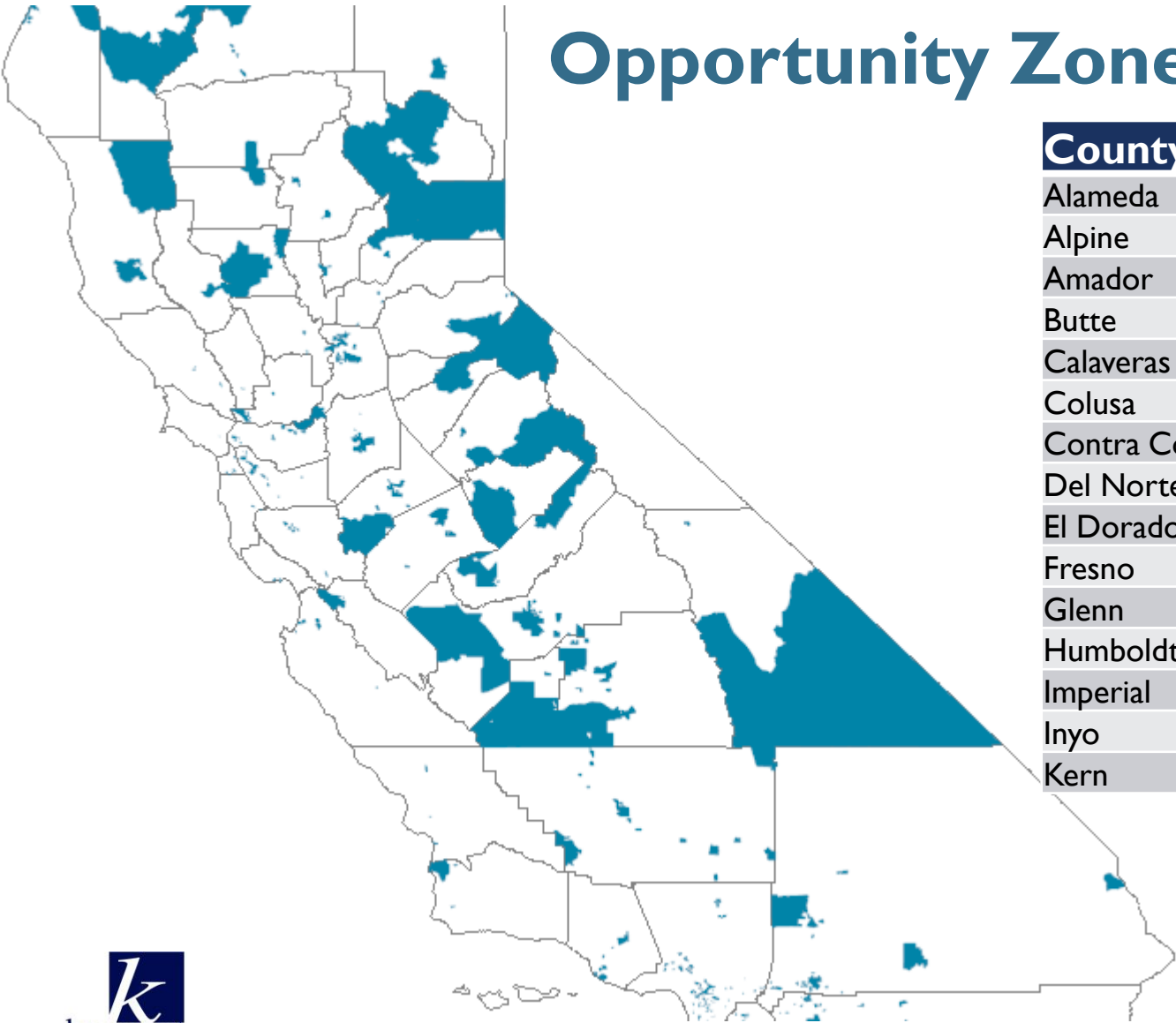
California is typically a preferred investor market:

- Climate
- Labor Force
- Diversification
- Port Activity
- Quality of Life

California has some OZ challenges:

- OZ Competition from 49 States
- Slow/Costly Entitlement Process & Local Government Approvals
- CEQA Timing and Litigation Exposure

Opportunity Zones in 57 California Counties



County	OZ	County	OZ	County	OZ	County	OZ
Alameda	47	Kings	5	Plumas	2	Siskiyou	3
Alpine	1	Lake	3	Riverside	49	Solano	9
Amador	1	Lassen	2	Sacramento	43	Sonoma	3
Butte	9	Los Angeles	274	San Benito	2	Stanislaus	17
Calaveras	1	Madera	5	San Bernardino	57	Sutter	4
Colusa	2	Marin	1	San Diego	47	Tehama	1
Contra Costa	17	Mariposa	2	San Francisco	11	Trinity	2
Del Norte	2	Mendocino	3	San Joaquin	20	Tulare	17
El Dorado	3	Merced	11	San Luis Obispo	3	Tuolumne	2
Fresno	47	Modoc	2	San Mateo	4	Ventura	8
Glenn	2	Monterey	9	Santa Barbara	7	Yolo	7
Humboldt	7	Napa	2	Santa Clara	13	Yuba	3
Imperial	7	Nevada	2	Santa Cruz	4		
Inyo	2	Orange	27	Shasta	6		
Kern	35	Placer	3	Sierra	1		



CITIES CAN CAPITALIZE ON OZ INVESTMENT

Opportunity Zone Funds are Forming Across the Country

- ~70 funds pursuing investment opportunities
- Diverse preferences for investment types:
 - urban/suburban
 - real estate and business operations

State is Prioritizing OZ Program in Econ. Development Toolkit

“We also want to pair EIFDs with the Opportunity Zones. This is the Big Idea.”

— Gov. Newsom

January 10th, 2019

2019-2020 State Budget Release

“The Governor’s Office of Business and Economic Development will help foster relationships between local EIFDs and investors to facilitate investments for disadvantaged communities or other targeted areas. **The state will explore layering additional programs on Opportunity Zones and EIFDs to increase the production of affordable and moderate-income housing.**”

- Budget Summary, Governor Newsom’s 2019-2020 Proposed Budget, Page 94

OZs: NEW PRIORITY FOR CA ECON. DEVELOPMENT

2019-2020 State Budget: Gov. Newsom sets OZs and EIFDs as a **priority**:

- Pair EIFDs with OZs leveraging earlier OZ investment with longer term tax increment
- Conform CA Income Tax with fed. income tax sched. for **low/mod. housing & greentech**
- Excess State Property to be put to the market (OppSites Marketplace)
- CEQA Streamlining for certain OZ projects to mitigate timing challenges
- Housing Projects will be treated with preference across policies / funding programs

LEGISLATIVE RESPONSES TO OZ CHALLENGES

SB25: Streamline CEQA for OZ Projects

- Introduced 12/3/18 by Senator Caballero
- Fast-tracks CEQA procedures for OZ Projects: 270-day timeline, can only appeal analysis

SB 128: Eliminate EIFD 55% Voter Threshold for Debt

- Introduced 1/10/19 by Senator Beall
- Authorizes EIFD public financing authority to issue bonds without submitting a proposal to the voters, improving EIFD interaction with OZs

Upcoming: Income Tax Alignment with Feds

- Fed. conformance expected for state priorities (low/mod housing, green technology)
- Bills expected from Sen. Hertzberg and others

PRESENTATION OUTLINE



- California OZ Outlook
- **How California Cities Approach to OZs**

CITIES STARTING TO FOCUS ON OZ INVESTMENT

1. Opportunity Zones can be used as part of an economic development strategy, **creating jobs, stimulating economic activity, and jump-starting projects** within a community.
2. Opportunity Zones can stimulate housing development, **paving the way for cities to meet legislative housing mandates.**
3. Opportunity Zones can be augmented by incentive strategies, **enhancing the economic viability of an OZ project** (EIFDs, TIF, NMTC, Tax Credits).

CITIES MUST GET PREPARED:

- **Educate** city council, staff, and the community on Opportunity Zones
- **Identify** key projects, property owners, and stakeholders in OZ areas
- **Develop** an OZ investment strategy: OZ Businesses, OZ Properties, or both
- **Update** economic development plans and zoning to align with targets
- **Streamline** local project approval processes and align with CEQA
- **Create Prospectus** to market target projects to OZ investors

CITIES: USE OZ PROSPECTUS TO ATTRACT INVESTORS

OZ Prospectus: emphasize strategy, stability, and structural advantages of your city to highlight market opportunities for OZ Funds.

Prospectus Components

- **Top-level Storytelling** highlights growth and vision for city's future
- **City/Regional Momentum** analysis of recent development, demographic/econ. indicators, & anticipated growth
- **Economic Development Planning & Zoning Updates** show comprehensive preparation & commitment
- **Streamlined Local Processes** ease timing concerns and improve competitiveness
- **Other Funding Sources** can be paired to enhance economic viability of projects (e.g. EIFD, TIF, NMTC, etc.)
- **Target Areas** describe key locations of growth in city
- **Target Projects/Sites** provide prime opportunities for OZ investment

With over 8,000 approved Opportunity Zones across the country, competition for Opportunity Fund investment is high



STATEWIDE TOOLS & RESOURCES FOR OZs & EIFDs

"Opportunity Zones have the potential to be the largest infusion of private capital into disadvantaged communities in decades."

*– Lenny Mendonca
recently appointed Director of the Office of Business and Economic Development*

GO-Biz

- State resource for economic development efforts

OppSites – Official State of California OZ Marketplace

- Assist cities with OZ project cataloging, marketing, and matchmaking





The California OZ Marketplace Is Now Open

[Learn more and post your projects](#)

State of California OZ Marketplace

www.Oppsites.com

OPPSites

Places ▼

Find the places that matter to you

[Home](#)

[Notifications](#)

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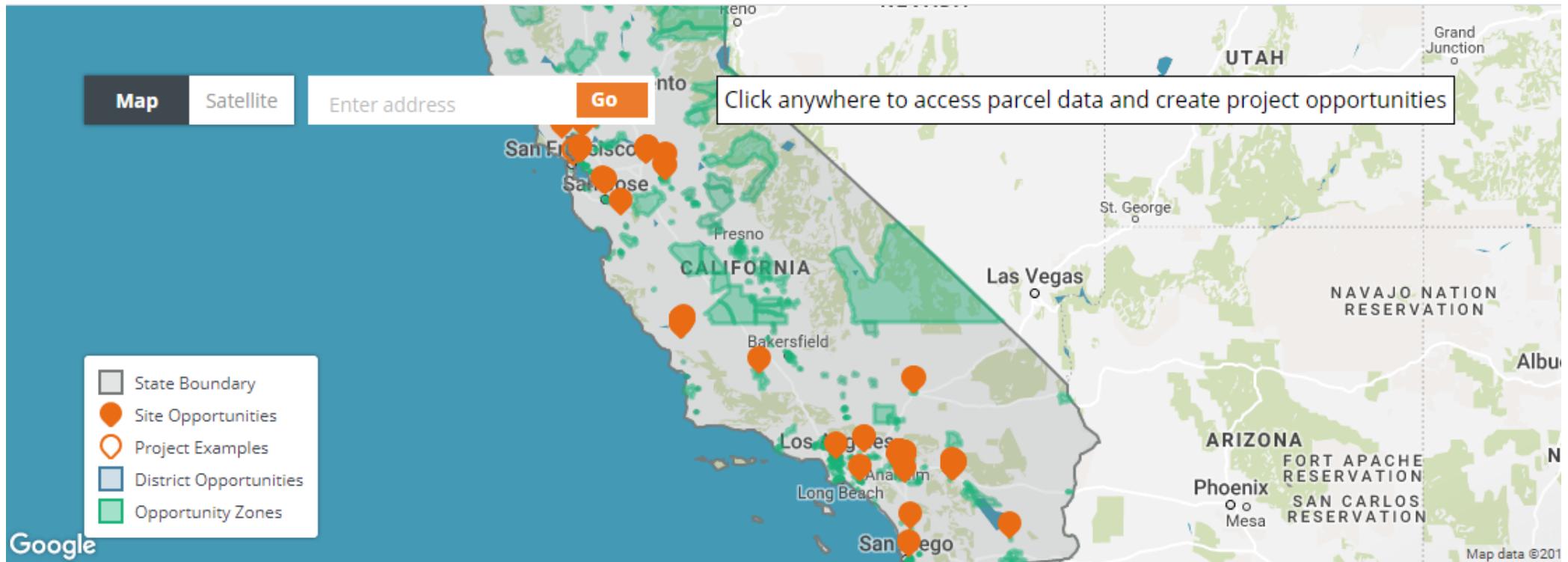
[Profiles](#)

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[Place Networks](#)



California [Learn more about California](#)

[Join Community](#)

The Marketplace & Network

connecting capital to
California communities

The screenshot displays the OppSites website interface. At the top, there is a navigation bar with the logo 'OppSites', a 'Projects' dropdown menu, a search bar with the placeholder text 'Search for projects by keyword', and utility links for 'Home', 'Notifications' (with a '2' badge), 'About', 'Profiles', and 'My Places'. Below the navigation bar are three main sections: 'Project Marketplace', 'Member Network', and 'Place Networks'. The 'Project Marketplace' section features a prominent orange box titled 'Share your Project Search' with the text 'Tell the Community what you are looking for.' and a 'Save and Share' button. To the right of this box is a filter sidebar with options to 'deselect all filters' and 'I want to find' (with checkboxes for Project Opportunities, Development Opportunities, Business Opportunities, Investment Opportunities, and Space Available), 'Project Examples', and 'In Opportunity Zones'. Below the filter sidebar is a 'Filter by Place' section with an input field 'Enter a place:' and a 'Project Types' section with various checkboxes for categories like Transportation, Infill Development, Downtown or Town Center, etc. The main content area displays a grid of project cards under the heading '1421 Projects in the Network'. Each card includes a project image, location, status (e.g., 'COMPLETED', 'ONGOING'), project name, address, and a 'Peter Saab' profile link.



Showcase your Opportunities
Project Marketplace



Create your Profile
Member Network



Connect with Project Partners
Place Networks

Project Marketplace

Discover Business and Real Estate opportunities in Opportunity Zones throughout the nation.

Project Opportunities

- Real Estate Opportunities
- Business Opportunities

Filterable by 'Opportunity Zone', project size, type, location, source, and timing.

screen shot from the Market Network BETA. The Project Marketplace is already calibrated for Promotion and Discovery of Opportunity Zone projects.

The screenshot displays the OppSites Project Marketplace interface. At the top, there is a navigation bar with the OppSites logo, a 'Projects' dropdown menu, a search bar with the placeholder text 'Search for projects by keyword', and user navigation links for Home, Notifications (with a '2' badge), About, Profiles, and My Places. Below the navigation bar are three main sections: 'Project Marketplace', 'Member Network', and 'Place Networks'. The 'Project Marketplace' section is highlighted and contains an orange box with the text 'Share your Project Search' and 'Tell the Community what you are looking for.', along with a 'Save and Share' button. Below this is a filter panel with the following options: 'deselect all filters', 'I want to find' (with a dropdown arrow), 'Project Opportunities' (checked), 'Development Opportunities' (checked), 'Business Opportunities' (checked), 'Investment Opportunities' (checked), 'Space Available' (checked), 'Project Examples' (unchecked), 'In Opportunity Zones' (unchecked), 'Filter by Place' (checked), and an 'Enter a place' input field. Under 'Project Types', there are several unchecked options: Transportation, Infill Development, Downtown or Town Center, Redevelopment or Reuse, Transit Oriented Development, Historic Preservation, Tactical Urbanism, Office/Business Park, Brownfield, Greenfield, Ground Up Development, Public-private Partnership (P3), and Plans and Policies. The '1421 Projects in the Network' section displays a grid of project cards. Each card includes a status label (COMPLETED or ONGOING), a project image, the address, location, project type, and the user's name and role (Peter Saab, Client Communications | NextSit...). The cards are: 1. 2798 Pass Rd, Biloxi, MS, Mixed Use, General Commercial. 2. 2600 W Beach Blvd, Gulfport, MS, General Commercial, marked as an Opportunity Zone. 3. 9310 Highway 49, Gulfport, MS, General Commercial. 4. 200 Folsom Street, San Francisco, CA, 4 Collaborators. 5. 15096 Creosote Road, Gulfport, MS, General Commercial. 6. 3505 25th Avenue, Gulfport, MS, Research/Medical, Light Industrial, Heavy Industrial, Warehouse or Distribution,.... 7. 119 West Railroad Street, Long Beach, MS, Other, General Commercial. The bottom row shows three more project cards, each with an aerial map view and a star icon.

PlaceNetworks

Connect with projects, funds, sponsors, owner-operators, investors, fund managers, and service providers focused on investing in specific cities and neighborhoods.

Connecting People to Fuel Opportunities

- Create and share project opportunities.
- Find funds operating in specific cities.
- Access fund project requirements, mission, timing, and project interests.
- Connect with local service providers to perform due diligence.
- Receive real-time notifications about activity, new project opportunities, new business opportunities, and new members and organizations.

The screenshot displays the OppSites interface for the Riverside, CA community. At the top, there's a navigation bar with 'Projects', a search bar, and user options like 'Home', 'Notifications', 'About', 'Profiles', 'My Places', and 'lan'. Below this is a map of Riverside, CA, with various neighborhoods labeled (e.g., Jurupa Valley, Downtown Riverside, University Heights) and a legend for 'City Boundary', 'Site Opportunities', 'Project Examples', 'District Opportunities', and 'Opportunity Zones'. The map is titled 'Riverside, CA Community in Riverside County / California' and includes buttons for 'Member' and 'Notifications'. Below the map, there are links for 'All Updates', 'Discussion', 'Searches', 'Project Opportunities', 'People', 'Organizations', and 'Project Examples'.

On the left side of the profile grid, there are two sections of expertise filters:

- Professional Expertise:**
 - architecture / building design
 - real estate investment
 - real estate development
 - real estate brokerage
 - planning | entitlement
 - urban design
 - construction
 - finance | economics | market analysis
 - public affairs | communications
 - technology
 - marketing | branding
 - transportation | mobility | bike | ped
 - engineering
 - legal
 - environmental engineering
 - capital | lending
- Project Expertise:**
 - Transportation
 - Infill Development
 - Downtown or Town Center
 - Redevelopment or Reuse
 - Transit Oriented Development
 - Historic Preservation
 - Tactical Urbanism
 - Office/Business Park
 - Brownfield
 - Greenfield
 - Ground Up Development
 - Public-private Partnership (P3)
 - Plans and Policies

The main grid features six professional profiles:

- Sarah Humbargar:** 30 to for things Downtown Colorado Spr... Downtown Partnership of Colorado Spr... [Follow](#)
- Steve Ferris:** Management & Development Services fo... The Real Estate Garage [Follow](#)
- Tommy Pacello:** President Memphis Medical District Collaborative [Following](#)
- Nathan Norris:** Founding Principal CityBuilding Partnership LLC [Following](#)
- Emily Brown:** Director of Economic Strategy Fourth Economy Consulting [Following](#)
- Randy Saffold:** Sr. Management Analyst City of Manteca, CA [Following](#)

On the right side, there are several call-to-action buttons and links:

- Have an Opportunity to add in Riverside?
- [Add Development Opportunity](#)
- [Add Business Opportunity](#)
- [Add Investment Opportunity](#)
- [Add Available Space](#)
- Share your past projects with Riverside
- [Add Project Examples](#)
- Tell the community what you're looking for
- [Development Opportunities](#)
- [Business Opportunities](#)
- [Investment Opportunities](#)
- [Available Space](#)
- [People and organizations](#)
- [Best Practices and Resources \(Coming soon\)](#)

Three Steps to Join the Conversation

**1. Create
your Profile**

**2. Join
Place Networks**

**3. Share
Opportunities**



C A L I F O R N I A
OPPORTUNITY ZONES

OPPSites

California Department of General Services



- Thousands of Surplus Properties
- For sale, for lease, and P3 Opportunities in Opportunity Zones and nearby Districts.
- Connecting capital to California cities and counties.



Follow Join Org

California Department of General Services

About Us

The Department of General Services (DGS) serves as business manager for the state of California. General Services helps to better serve the public by providing a variety of services to state agencies through procurement and acquisition solutions, real estate management and design, environmentally friendly transportation, professional printing, design and Web services, administrative hearings, legal services, building standards, oversight of structural safety, fire/life safety and accessibility for the design and construction of K-12 public schools and community colleges, and funding for school construction.



State Owned Pomona Park Armory Pomona

Jim Martone
Chief, Asset Management Branch | California Department of General Services



State owned Brawley Armory Brawley

Jim Martone
Chief, Asset Management Branch | California Department of General Services



State Surplus: Santa Ana State Building Santa Ana

Jim Martone
Chief, Asset Management Branch | California Department of General Services

WHATS NEXT FOR OZ DEVELOPMENT

Expansion of California Digital Platform

- **OppSites** will make OZ matchmaking easier for cities and investors

Federal OZ Regulations

- Regs and guidance last released in October 2018
- Updated regs expected on February 14th to address key issues:
 - affiliated parties test, business profits/location, original use, investment transfers

California Proposed Legislation to Accelerate OZ Investment

- **SB 25:** CEQA streamlining for OZ projects
- **SB 128:** EIFD vote requirement for debt will be eliminated
- **Income Tax Changes:** to be proposed soon

“I know it’s also controversial, but seriously, if you can create **CEQA waivers** to expedite stadium projects...we sure as hell should be able to do that for 130,000 souls that are out on the damn streets and sidewalks in this state.”

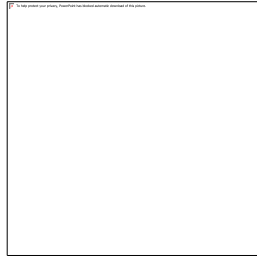
— **Gov. Newsom**

January 10th, 2019

2019-2020 State Budget Release

OPPORTUNITY ZONES

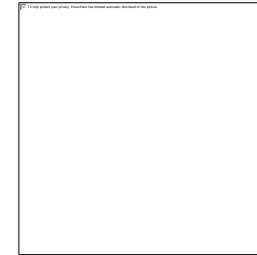
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