

Building Community Capacity to Harness Opportunity Zones 2.0 Investments

October 8, 2026
3:00 to 4:00 PM ET



**Connecting
Communities**

Today's moderator



Sergio Galeano

Community and Economic Development Advisor
Federal Reserve Bank of Atlanta



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Today's panelists



Alex Flachsbart
President and CEO
Opportunity Alabama



Mauri Ingram
President and CEO
Whatcom Community Foundation



Dr. Daffney Moore
Former Chief Opportunity
Zone Officer



Jason Vargo
Senior Researcher
Federal Reserve Bank of San
Francisco



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Jason Vargo

Senior Researcher

Federal Reserve Bank of San Francisco



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What is the Opportunity Zones Tax Benefit?

A **tax incentive** that lets investors **defer, reduce**, and ultimately **eliminate tax on capital gains** by investing them in designated low-income communities.

The stated goal of the program is to **spur economic growth and job creation in low-income communities** while providing tax benefits to investors.



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OZ benefits can be significant

OZ return 46% higher than traditional investment

Metric	Opportunity Zone	Traditional Investment
Original Capital Gain	\$1,000,000	\$1,000,000
Tax on Original Capital Gain (Year 0)	\$0 (deferred)	(\$238,000)
Net Invested After Tax	\$1,000,000	\$762,000
Hypothetical Investor IRR	12.0%	12.0%
Value after 10 Years (pre-tax)	\$3,106,000	\$2,367,000
Tax on Appreciation	\$0	(\$384,000)
Deferred Original Gain Tax	(\$214,200)	\$0
Final Value Net Taxes	\$2,891,800	\$1,983,000

Tax Benefits for Investors with Capital Gains

Gains go into qualified funds and eventually to properties/businesses in OZs

**Investors /
taxpayers
can get tax
benefits**



For making timely
investments in a



**Qualified
Opportunity
Fund (QOF)**



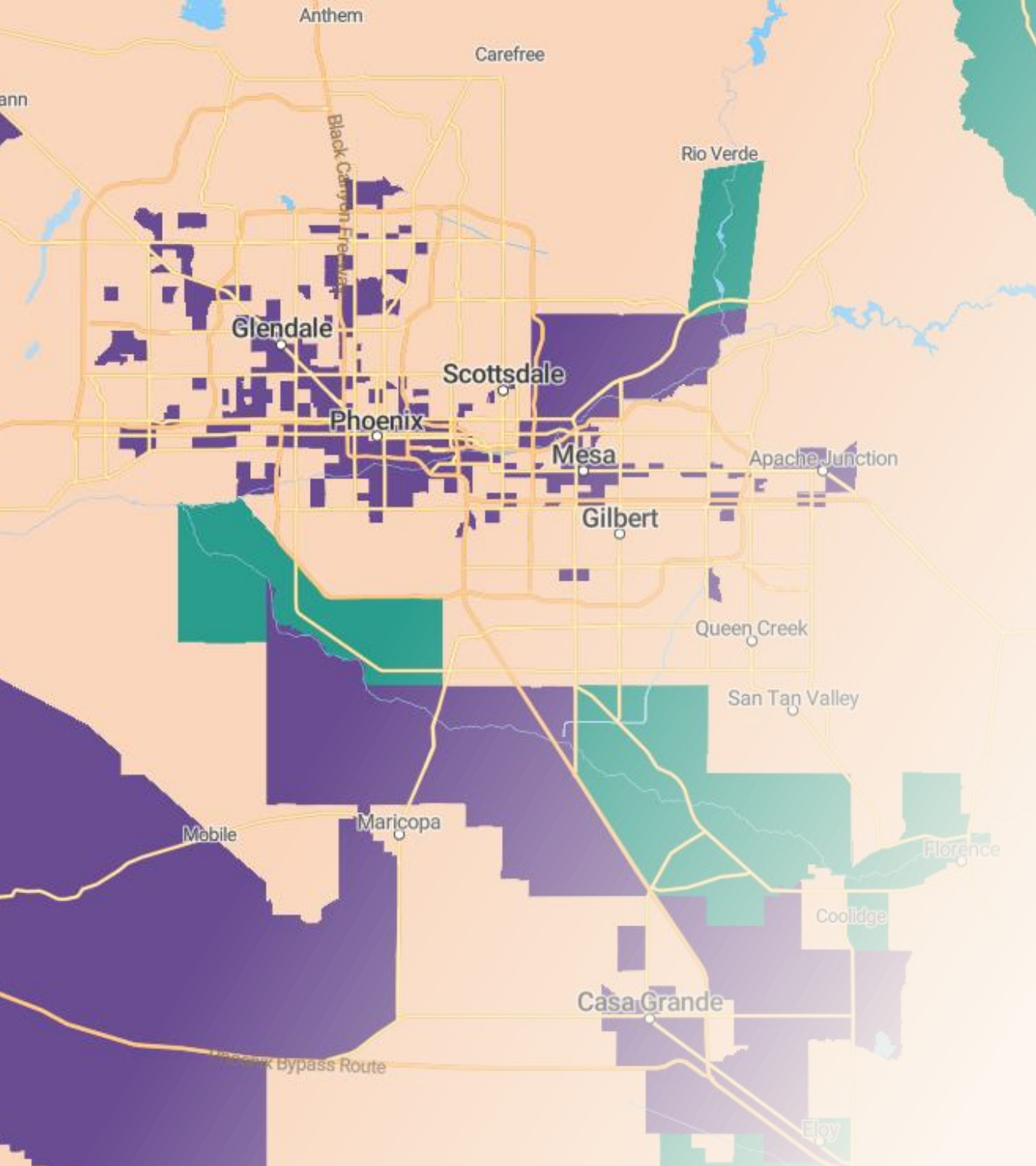
Which invests
its funds in



Capital put to work for
community development through
projects or businesses.

**Qualified
Opportunity
Zone Property**





The incentive is place-based

'Zones' are census tracts

Must meet Treasury criteria to be eligible

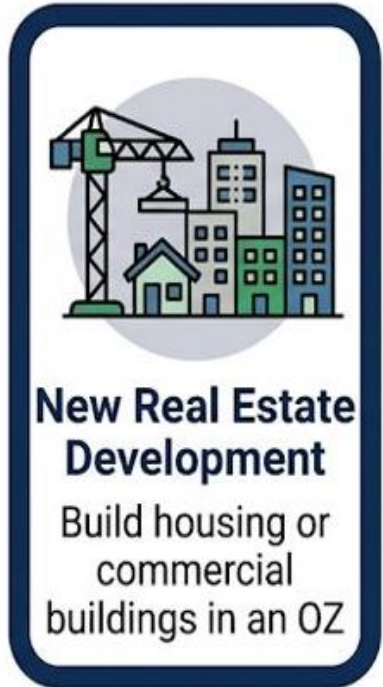
low-income

low-income and rural

States nominate up to 25% of eligible census tracts for official designation

Types of projects that OZ equity can fund

Real Estate



Operating Businesses



Source: HUD

OZ 1.0 and OZ 2.0

2027 will launch the second iteration of OZs

1.0

OZ 1.0 began in 2017 and led to more \$100B in investment

It was limited to a decade

Investments tended to be in metro real estate

Projects with little community impact gave impression that it has not lived up to its stated goal

2.0

OZ 2.0 passed in 2025 and begins in 2027

Makes OZs a permanent part of tax code

It includes greater rural incentives and uses a stricter low-income definition

Requires regular reporting to Treasury



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Program Timeline

Transition from 1.0 to 2.0

We are in the middle of the tract nomination process which will define which tracts are Opportunity Zones for the next 10 years

(see [Opportunity Zones 2.0 will offer place-based investment in low-income communities](#) for complete timeline)



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Opportunity Zones 2.0 timeline



Groundwork for Impact

OZ 2.0: What Comes After Zone Designation

Source: EIG <https://eig.org/ozs-after-zone-designations/>





Mauri Ingram
President and CEO
Whatcom Community
Foundation



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Building Community Capacity to Harness
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October 8, 2026



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VISION

Everyone who lives here thrives



MISSION

Cultivate neighborliness
Lift community voices
Invest in equity and hope



Everyone deserves
to **thrive**

Access to three Game Changers



Vision

- Ability to imagine a bright future



Path

- Know the steps to achieve it



Resources

- People, processes and money



Our Community Challenges & Opportunities

Housing and childcare crises

Barriers to economic opportunity and prosperity

Risk of job and revenue losses as baby boomers step away from business ownership

Untapped entrepreneurial potential on the sidelines

A stressed, under resourced, exhausted nonprofit sector

Once in a lifetime (or two) opportunity to redevelop central waterfront for widespread community benefits

It's all connected.



Measuring What Matters

- Access to capital and infrastructure
- New business and quality job creation
- Workforce development
- High workforce participation
- Broad-based ownership - businesses and real estate
- Housing supply to serve all income levels
- Childcare/early learning capacity
- Broadband access



Goal: *Impactful, ongoing* benefits for communities





Alex Flachsbart

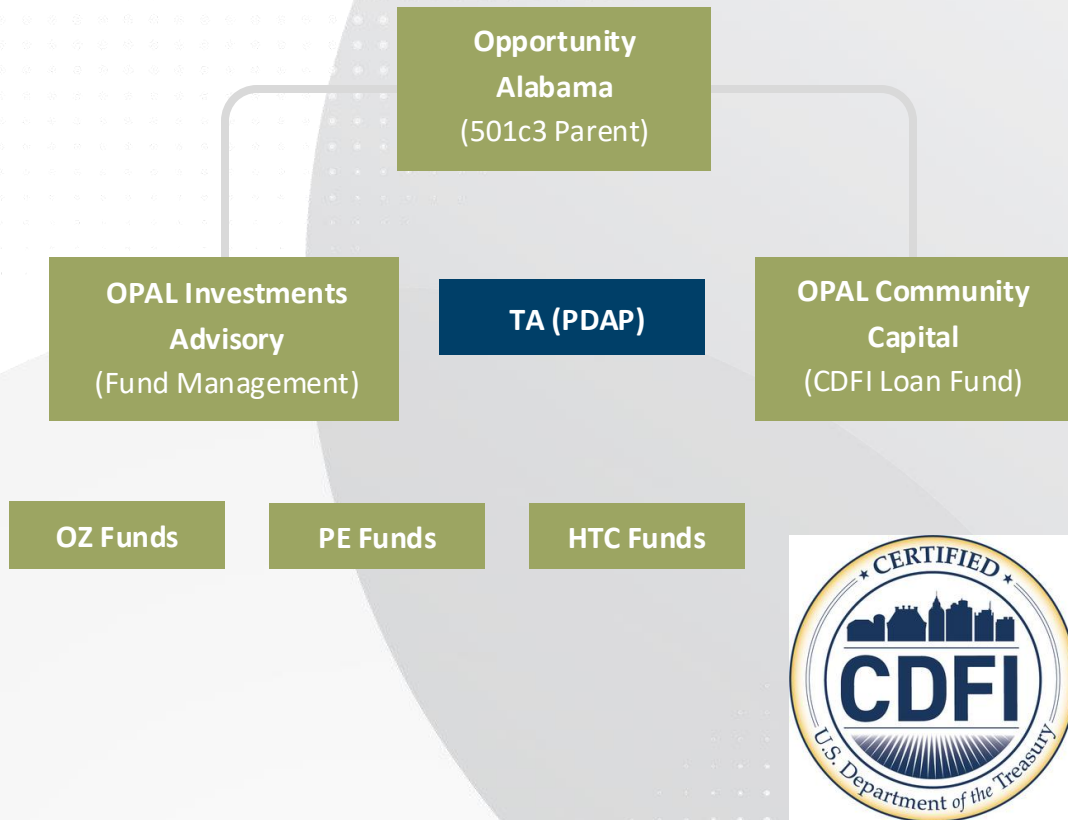
President and CEO

Opportunity Alabama
(OPAL)



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OPAL Investment Platform



2.6M+

Sq. Ft. **Developed or Under Development**

Residential | Retail
Industrial | Office |
Hospitality | Mixed Use

50+

Investments
Closed Since 2022

\$800M+

Total
Project
Cost

\$120M+

Total OPAL
capital
deployed

160+ Unique Investors
60% Individual
40% Institutions

25

HTC Deals
Delivered or
Underway

\$310M+

Total
Project
Cost



OPAL-WIDE PORTFOLIO

34

Projects Currently
in Portfolio

\$119M

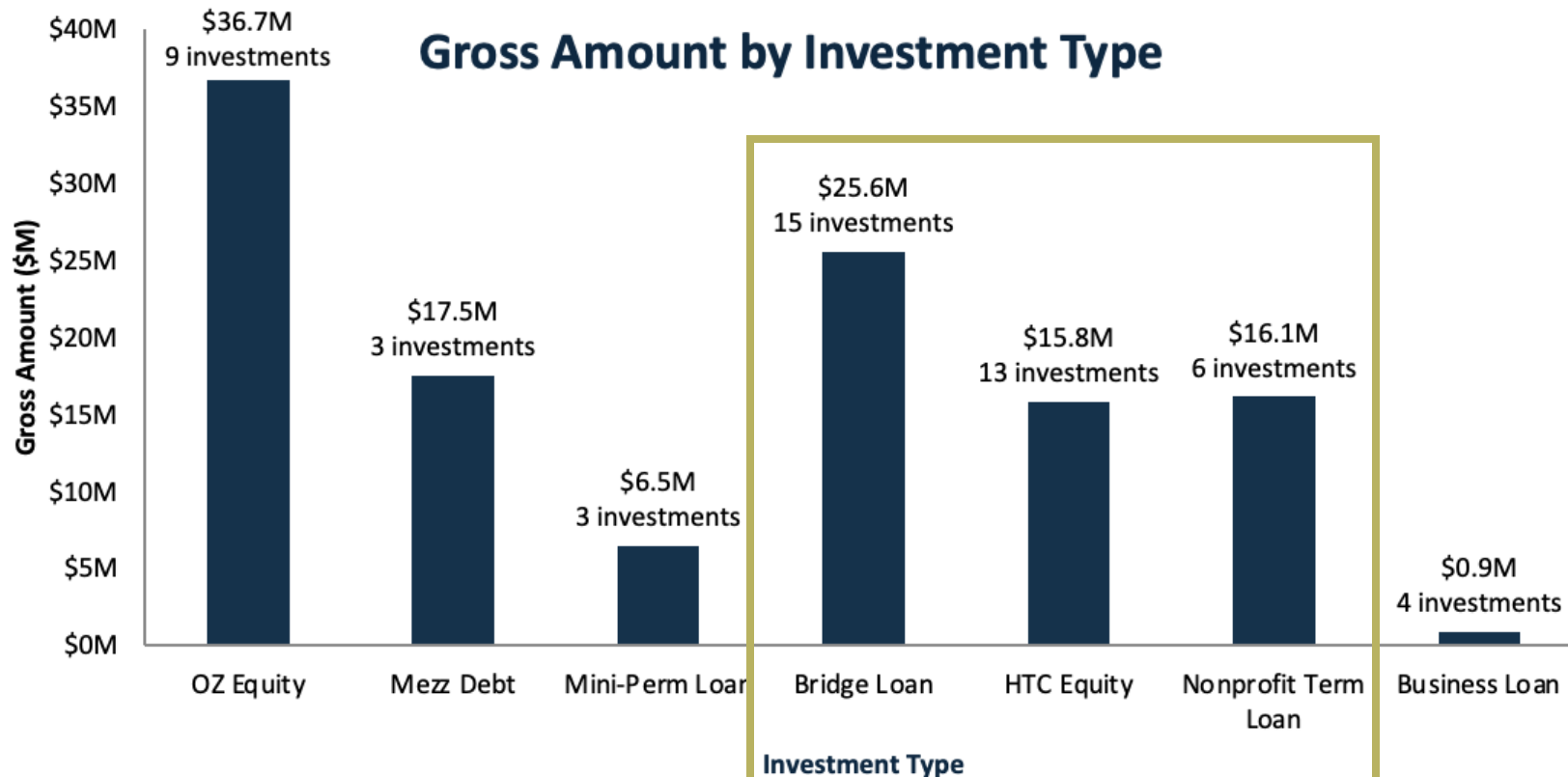
Total Deployment
(to date)

\$125M+

In Bridge Pipeline
(25 States, 50+ deals)

\$100M+

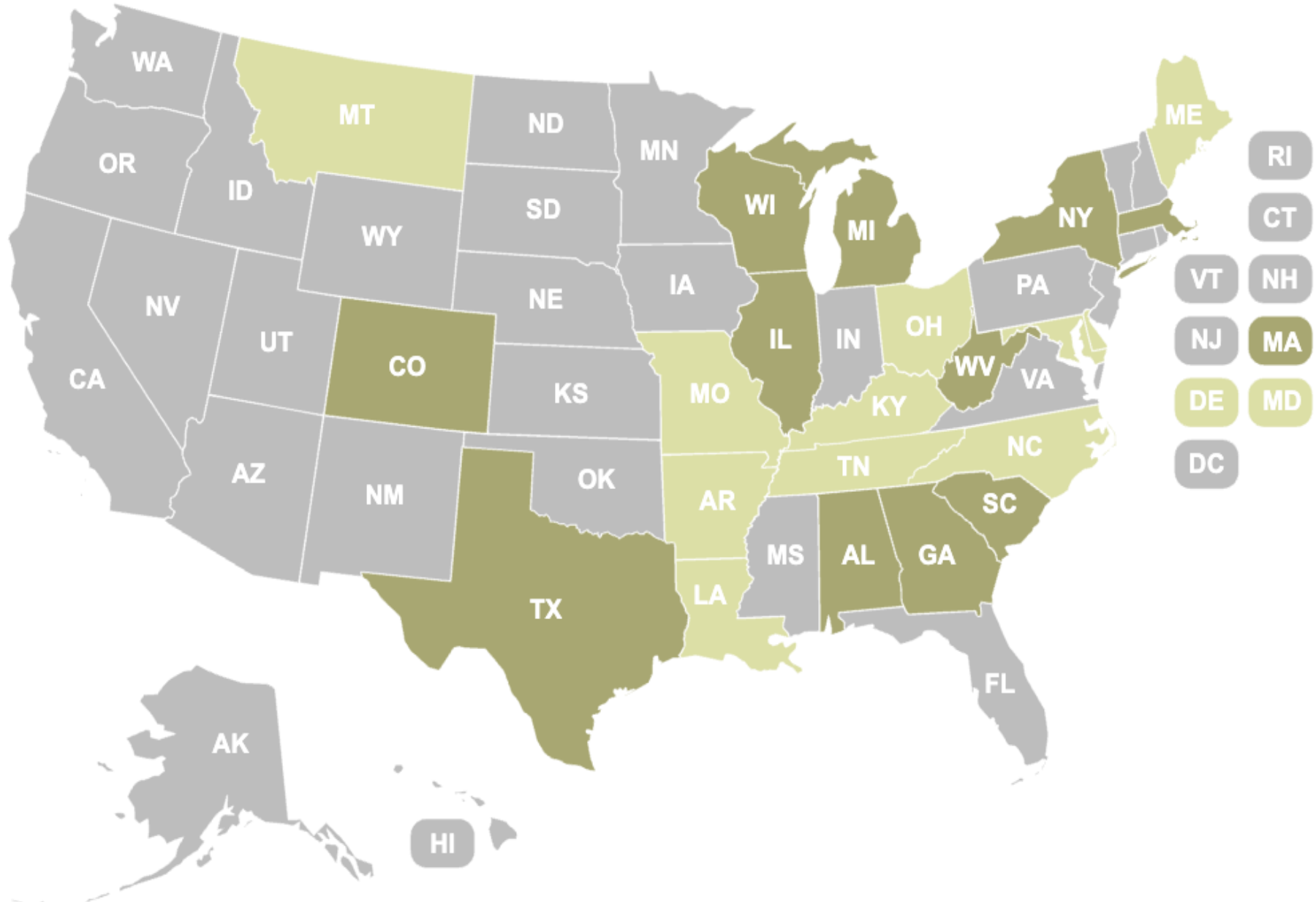
In Bridge Pipeline
(25 States, 50+ deals)



OPAL's REACH

Invested

Pipeline



OZ 1.0 vs. 2.0 Benefits

OZ 1.0

CAPITAL GAIN

\$1M

2026

1

Defer Tax
(until
2027)

2027

2

Pay Tax
(on
\$1M)

Cash Flow +
Depreciation

2036+

3

Sell
Deal/Investment
After 10+ Years

BENEFITS

Initial Tax Deferral (Timed)
No Tax on Appreciation
No Depreciation Recapture

OZ 2.0

CAPITAL GAIN

\$1M

2027

1

Defer Tax
(until
2027)

2032

2

Pay Tax
(on
\$1M)

2037+

3

Sell
Deal/Investment
After 10+ Years

BENEFITS

5 Year Deferral (Rolling)
Discount on Tax Due
No Tax on Appreciation
No Depreciation Recapture



OZ 1.0 - What We Saw on the Ground

Where OZ Equity Works

- **Real Estate**
 - **Multi-family housing**
 - **(Some) For-rent single family**
 - **Downtown revitalization**
 - **(Some) hotels**
 - **Office / Retail / Mixed Use**
 - **(some) Industrial buildings**
- **“Fixed asset” / “Goldilocks” businesses**
(not too big to have their own capital, not too small to not be able to take it on)
- **IN GENERAL: WHERE WILL MY INVESTMENT APPRECIATE SIGNIFICANTLY OVER A DECADE?**

Where OZ Equity Struggles

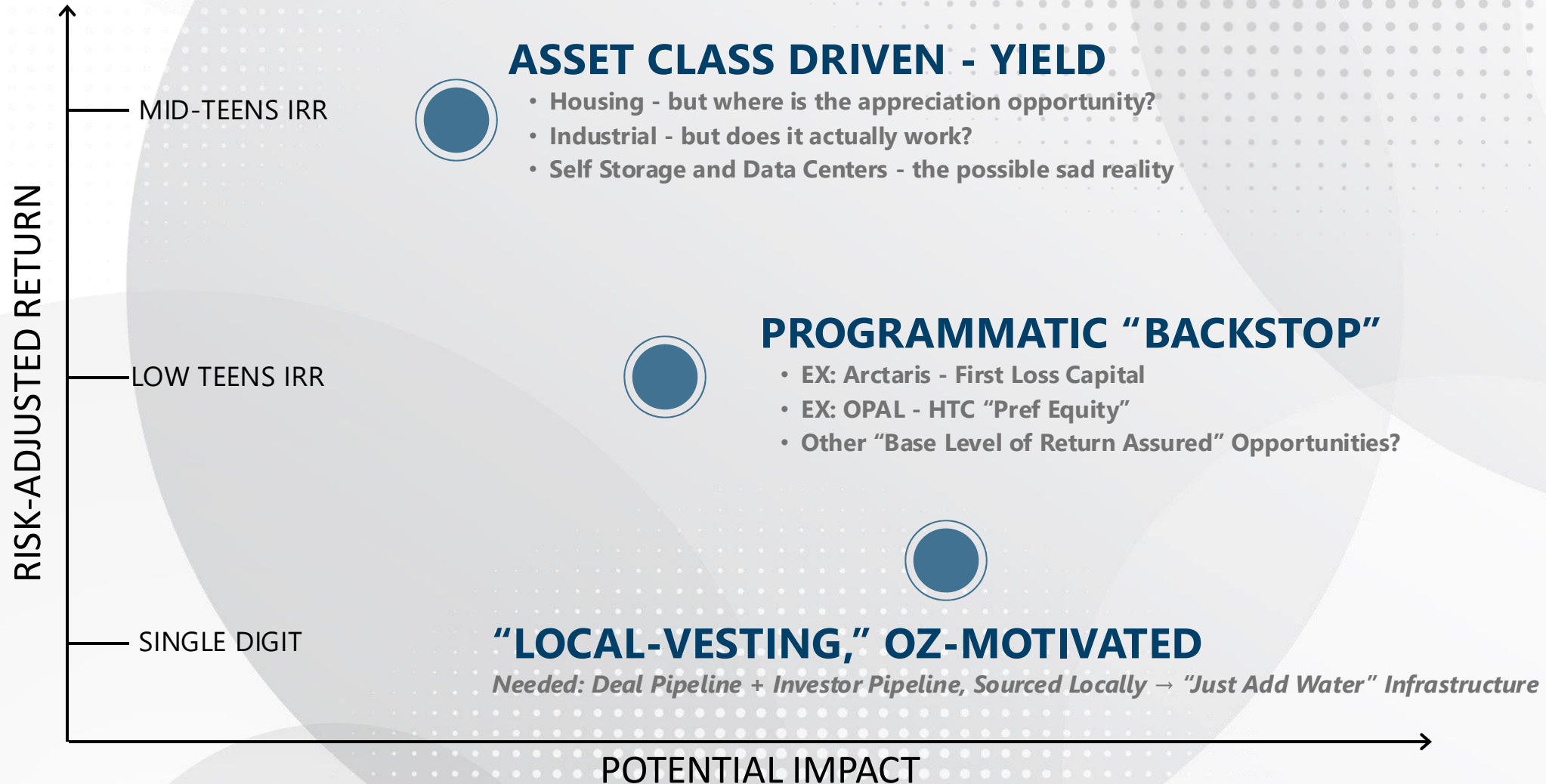
- **Affordable (LIHTC/Section 8) Housing**
- **For-sale single family**
- **Industrial in most cases**
- **Most operating businesses (especially ones that are not scalable and do not have substantial in-place fixed assets)**

AND, IN GENERAL... ANY ASSET NOT LIKELY TO APPRECIATE SIGNIFICANTLY OVER A DECADE



OZ 2.0 - The Rural Opportunity Set

KEY - 30% "TAX SAVINGS" ON GAIN: \$1M GAIN → \$60K IN SAVINGS (6% roi)





Dr. Daffney Moore
Former Chief Opportunity Zone Officer



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From designation to delivery

LOCAL GOVERNMENT / NONPROFIT PERSPECTIVE • OPPORTUNITY ZONES

Opportunity Zones create an investment incentive. Local strategy determines whether communities are positioned to turn that opportunity into ready projects, aligned partners and meaningful neighborhood outcomes.

- 2019 - Rockefeller Foundation Community Capacity Building Initiative
- Chief Opportunity Zone Officer - St. Louis Development Corporation - serving on behalf of the City of St. Louis



St. Louis OZ 1.0 – Building the local playbook

We were not handed a blueprint; we created one while building the local capacity to use the incentive well.

1 Position the market

Prospectus, website and project portal created a clearer investor narrative and made the City and its projects visible.

2 Organize the ecosystem

Working groups + community engagement brought residents, CDCs, developers, banks, institutions and government together.

3 Build the pipeline

Projects were identified, profiled and organized; the Connector helped surface capital needs and opportunities.

4 Strengthen readiness

EPA/CDFA technical assistance supported development finance, brownfields, site preparation and organizational capacity.

5 Align partners + capital

Public, state and federal resources were layered with banks, CDFIs, philanthropy and private capital.

6 Connect to community outcomes

Workforce, small business, minority contractors, housing and equitable development remained central to implementation.

1,070 | \$5.35M

Small-business recovery grants Covid-19 ultimately awarded citywide

\$359M

Opportunity Zone Pipeline - 27 Census Tracts

16 + 6

Published + unpublished projects on the OZ portal in 2021

60+ / 1,370

Engagements / participants

5-Partner North Star

Community organizations aligning around the MLK corridor



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What worked in OZ 1.0

CLEAR LOCAL OWNERSHIP

- A dedicated point of accountability kept agencies, projects and partners moving in the same direction.

TECHNICAL ASSISTANCE BEFORE CAPITAL

- EPA/CDFA and professional support helped move projects from idea toward readiness.

PARTNERSHIPS + TOOL LAYERING

- Public, private, philanthropic and institutional resources worked better when aligned around shared priorities.

TRUSTED COMMUNITY RELATIONSHIPS

- Residents, CDCs and local businesses helped surface priorities and reach people traditional systems often miss.

PROJECT VISIBILITY

- Prospectus + project portal/connector made local opportunities easier to understand and easier to engage.

PLACE-BASED STORYTELLING

- Investors needed to see assets, existing investment and momentum in disinvested neighborhoods - not just deficits.



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Navigating the gaps

STRUCTURAL BARRIERS

- No direct OZ project funding
- Investor-driven capital decisions
- Limited city control over final tract selection
- Weak city–state coordination
- Community engagement was not built into the federal structure

PROJECT-`READINESS BARRIERS

- Gap financing + predevelopment capital
- Financial modeling + deal structuring
- Site preparation, land assembly + acquisition
- Brownfields / environmental assessment + cleanup
- Banking access + capacity for smaller developers and nonprofits

**COVID-19 TESTED THE
SYSTEM**

**In-person outreach and
planned convenings stopped**

**EPA/CDFA technical assistance
moved virtual — the work
continued**

**Existing community relationships
became delivery infrastructure for
recovery outreach**



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OZ 1.0 vs. OZ 2.0 - What changed

Five changes that matter most as communities prepare for the next generation of Opportunity Zones

ELEMENT	OZ 1.0	OZ 2.0
Program structure	Temporary; one-time designation map	Permanent; new 10-year designation cycles beginning in 2027
Eligible tracts	8,764 designated tracts; broader low-income criteria; limited contiguous-tract exception	Fewer expected (~6,500 estimate; final TBD); tighter criteria; contiguous tracts prohibited
Gain deferral	Fixed inclusion date: Dec. 31, 2026	Rolling 5-year deferral from the investment date
Basis step-up + rural	Prior 10% / 15% step-up windows were tied to investment timing	10% at 5 years; 30% for QROFs; 50% substantial-improvement threshold in rural areas
Reporting	Basic IRS compliance forms	Enhanced annual reporting, public transparency and stronger compliance requirements

Sources: U.S. HUD Opportunity Zones updates; IRS guidance on enhanced incentives for qualified rural Opportunity Zone investments.



Closing remarks and requests

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Thank you for joining us



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