



NEW JERSEY
COMMUNITY
CAPITAL

NJ Opportunity Zone Summit

Monday, March 11, 2019

Who We Are

As a CDFI founded in 1987, we have a toolkit of services and products to support neighborhood revitalization and economic development in disinvested communities, including:

- Revolving loan funds and related investment products
- Real estate development/foreclosure mitigation
- Homeownership counseling and mortgage products
- Capacity building and technical assistance

NJCC is the largest community development financial institution (CDFI) certified by the U.S. Department of Treasury serving the entire State of New Jersey.

NJCC's Target areas & populations

- Low- and moderate-income populations
- Concentrated in urban communities
- Distressed neighborhoods hit by foreclosures & economic devastation



What Are Opportunity Zones?

Opportunity Zones are poised to unlock the economic potential of underinvested communities

- Opportunity Zones create a place-based tax incentive by providing tax benefits to investors and are designed to spur long-term private sector investment in distressed communities that leads to development and job creation.
- Opportunity Zones were created under the Tax Cut and Jobs Act of 2017, thanks to legislation co-sponsored by U.S. Senator Cory Booker.
- Governor Phil Murphy recommended 169 Census Tracts, across all 21 of New Jersey's counties for designation as Opportunity Zones. These recommendations were certified by the U.S. Treasury and remain in effect for ten years. *

*<http://njdca.maps.arcgis.com/apps/View/index.html?appid=e2c7f2634ced45cd91c3ca52ab3f9989>



PRESS



4/27/2016: The legislation represents a new twist on a familiar approach in Washington: **using the tax code to affect behavior.** It's designed to encourage socially conscious investors to join forces to help communities where few investors ever tread.

The New York Times

1/29/2018: The law creates "Opportunity Zones," which will use tax incentives to draw long-term investment to parts of America that continue to struggle with high poverty and sluggish job and business growth. The provision **is the first new substantial federal attempt to aid those communities in more than a decade.**



5/2/2016: **Think of them (Opportunity Zones) as domestic emerging markets funds,** working with local governments to spur investment and infrastructure improvements that can not only provide jobs in the short run but also create a framework for sustainable development.

WHAT IS AN OPPORTUNITY FUND?

Opportunity Funds represent substantial opportunities for the creation of jobs, homes and educational attainment

- Qualified Opportunity Funds are investment vehicles that are set up as either a partnership or corporation for investing in eligible businesses and real estate located in an Opportunity Zone.
- Qualified Opportunity Funds utilize the investor's gains from a prior investment for funding the Opportunity Fund.
- Opportunity Funds enable investors with capital gains tax liabilities to receive favorable tax treatment including a temporary deferral, reduction or exemption on capital gains.

OPPORTUNITY ZONE TAX INCENTIVES

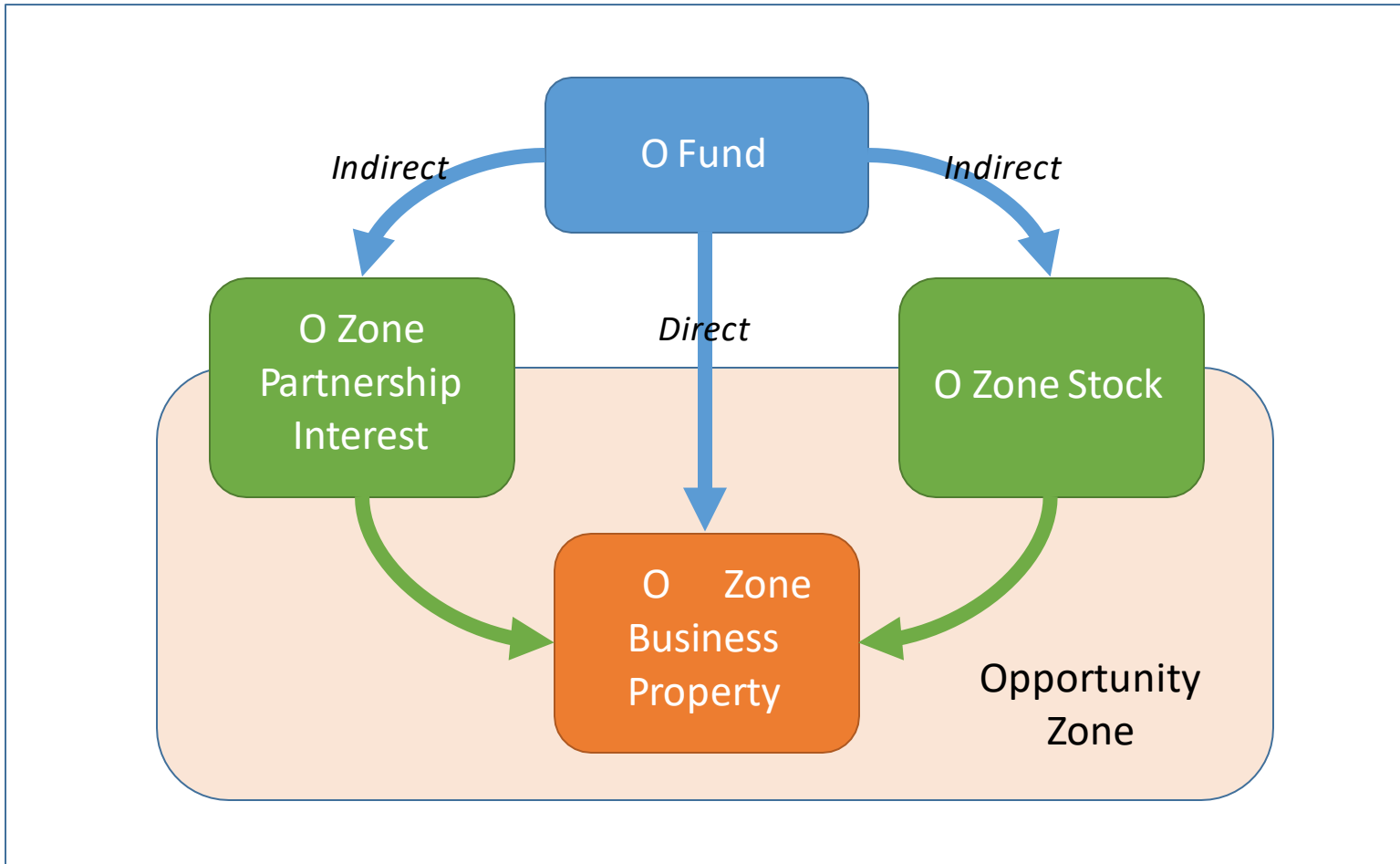
The Opportunity Zones program offers investors three incentives for putting their capital to work rebuilding economically distressed communities:

1. A temporary deferral: An investor can defer capital gains taxes until 2026 by putting and keeping unrealized gains in an Opportunity Fund.
2. A reduction: The original amount of capital gains on which an investor has to pay deferred taxes is reduced by 10% if the Opportunity Fund investment is held for 5 years and another 5% if held for 7 years.
3. An exemption: Any capital gains on investments made through the Opportunity Fund accrue tax-free as long as the investor holds them for at least 10 years.



STATUTORY REQUIREMENTS

Qualified Opportunity Zone Property



NJCC AND O ZONES IN NEW JERSEY

Example Qualified Opportunity Zone Businesses

NJCC will target businesses holding real estate or long-lived assets, including:

- Rental housing – multi-family or scattered site
- Commercial real estate development
- Mixed-Use real estate development
- Business expansion to or within an O Zone

10 OZ INVESTMENT DISTINCTIONS

- Business Investment Decision Distinction
- Investment Orientation Distinction
- Property Distinction
- Publicity vs. Performance Distinction
- As-of-Right Entitlements vs. Incentives Distinction
- Supportable Project vs. Sponsored Project Distinction
- Distinction between the Size of Investment
- Time is the Enemy & Not Your Friend Distinction
- Distinction between Investment & Speculation
- Investment Returns Distinction

WHY NJCC?

NJCC is uniquely positioned to establish and administer Qualified Opportunity Fund and deploy this new source of capital to target communities

- Strong relationships across the government, nonprofit and investor sectors.
- Ability to leverage further investments in the form of New Markets Tax Credits and other financing vehicles to maximize social and economic impacts.
- 32 - year track record of working in distressed communities throughout New Jersey to create jobs, affordable housing and education opportunities.
- Ability to provide investor partners with a tax benefit and a meaningful, lasting social return.



For More Information

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