



County of Fairfax, Virginia

Supervisor Pat Herrity
Board Matter Jointly with Supervisors Dan Stork and Jeff McKay
February 20, 2018
Opportunity Zones and Economic Revitalization Zones

Background: Opportunity Zones are an often overlooked \$1.5B new community development program established by Congress in the Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. The Opportunity Zones program provides a tax incentive for investors to re-invest their unrealized capital gains into Opportunity Funds that are dedicated to investing into Opportunity Zones. These Opportunity Zones will be designated by Governors by March 22, 2018. The Governor's office has communicated with the County Executive's office with a response requested by March 2, 2018. Due to the very short timeline I thought it prudent to bring this to the attention of the Board.

Fairfax County contains several eligible Opportunity Zone census tracts the largest group of which are in the Route 1 corridor. Governors may nominate up to 25 % of the eligible census tracts in the state to be Opportunity Zones which will receive these tax incentives once certified by the US Secretary of the Treasury.

I have spoken with the County Executive and he is in the process of identifying which tracts he will be submitting to the Governor's office. The business community is very interested in seeing Opportunity Zones set up in Fairfax County.

At our September 12, 2017 meeting the Board approved my motion (attached) to have staff review creation of Economic Revitalization Zones under HB 1970 which allows the county by ordinance to provide zoning and regulatory relief as well as tax relief in areas we identify as revitalization zones. I believe the combined incentives of Opportunity Zones and Economic Revitalization Zones could make certain areas of the County very attractive for economic revitalization.

Motion: Therefore Madame Chairman, due to the significant time constraints, I move that we ask the County Executive provide the board a brief review and discussion of Opportunity Zones at Friday's Legislative Committee. I further move we ask the County Executive to include the impact of Opportunity Zones in the review and analysis of Economic Revitalization Zones that will be coming before the Board at the April 3rd Economic Revitalization Committee meeting.

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Additional Information on Opportunity Zones from EIG.org

WHAT ARE OPPORTUNITY FUNDS? Opportunity Funds are private sector investment vehicles that invest at least 90 percent of their capital in Opportunity Zones. U.S. investors currently hold trillions of dollars in unrealized capital gains in stocks and mutual funds alone—a significant untapped resource for economic development. Opportunity Funds provide investors the chance to put that money to work rebuilding the nation’s left-behind communities. The fund model will enable a broad array of investors to pool their resources in Opportunity Zones, increasing the scale of investments going to underserved areas.

WHAT ARE THE INCENTIVES THAT ENCOURAGE LONG-TERM INVESTMENT IN LOW INCOME COMMUNITIES? The Opportunity Zones program offers investors the following incentives for putting their capital to work in low-income communities:

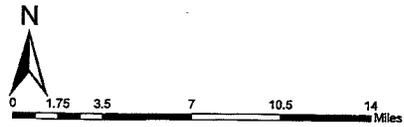
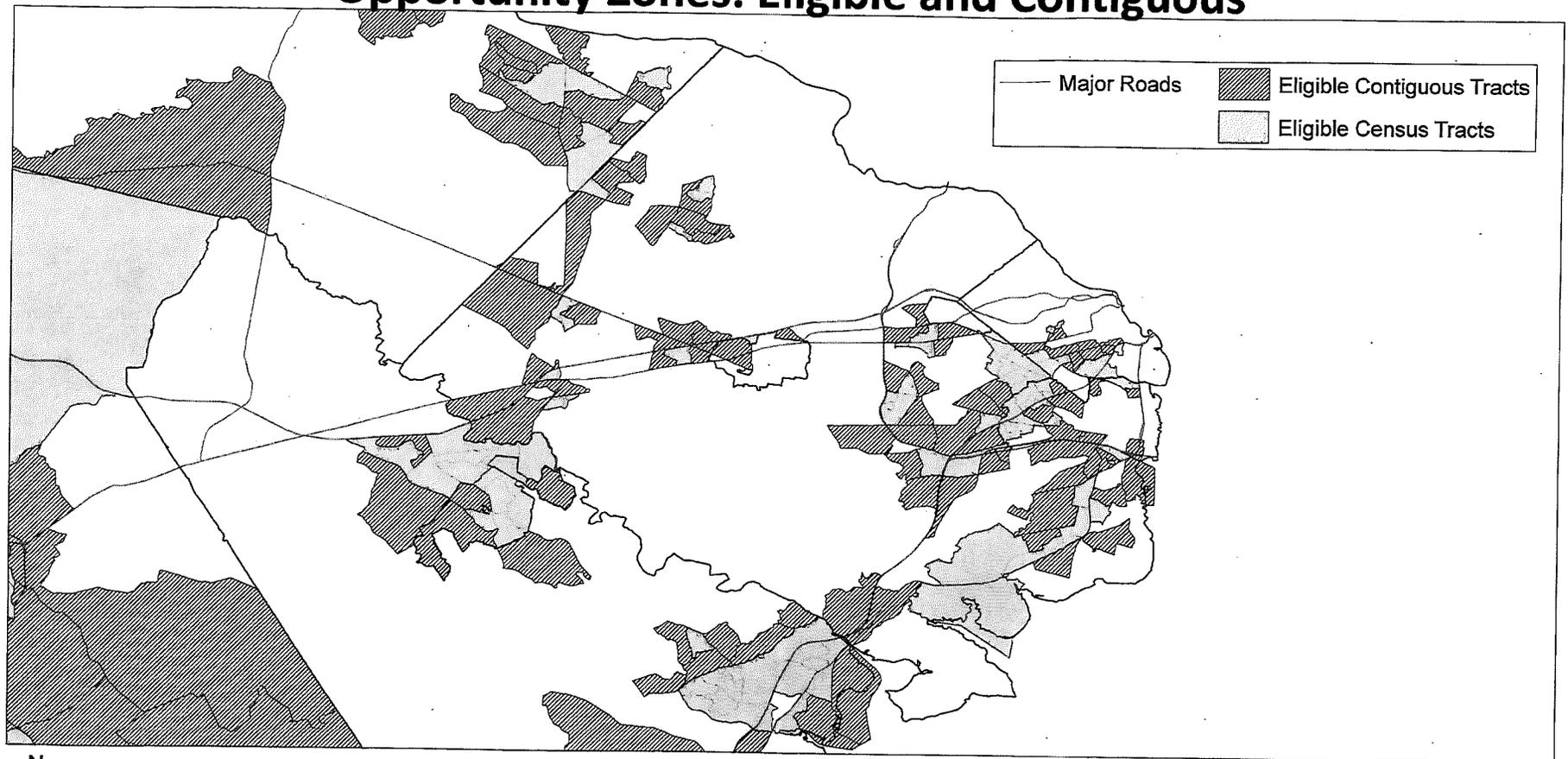
- A **temporary tax deferral** for capital gains reinvested in an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is sold or December 31, 2026.
- A **step-up in basis** for capital gains reinvested in an Opportunity Fund. The basis of the original investment is increased by 10% if the investment in the qualified opportunity zone fund is held by the taxpayer for at least 5 years, and by an additional 5% if held for at least 7 years, excluding up to 15% of the original gain from taxation.
- A **permanent exclusion from taxable income of capital gains** from the sale or exchange of an investment in a qualified opportunity zone fund, if the investment is held for at least 10 years. (Note: this exclusion applies to the gains accrued from an investment in an Opportunity Fund, not the original gains).

A qualified Opportunity Fund is a privately managed investment vehicle organized as a corporation or a partnership for the purpose of investing in qualified opportunity zone property (the vehicle must hold at least 90 percent of its assets in such property). Governors (or the Mayor in the case of the District of Columbia) may designate 25 percent of their state’s low-income census tracts as qualified opportunity zones, subject to certification by the U.S. Secretary of the Treasury.

Governors may nominate up to **25 percent of a state’s Low-Income Community census tracts** for Opportunity Zone designation. For example, if a state has 500 low-income census tracts, 125 may be designated as Opportunity Zones. If the number of low-income tracts in a state is less than 100, then a total of 25 qualifying tracts may be designated. Designations, once made, remain in effect for 10 years. The 2011-2015 American Community Survey serves as the basis for determining eligibility.

Commonwealth of Virginia

Opportunity Zones: Eligible and Contiguous



Source: US Census, CDFI Fund, DHCD



2/2/2018



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JEFFREY C. MCKAY
LEE DISTRICT SUPERVISOR

Joint Board Matter

Supervisor Jeff McKay
Supervisor Dan Storck

February 20, 2018

Madam Chairman—The Mount Vernon Voice, perhaps the most prominent local newspaper in Lee and Mount Vernon Districts, is ending its circulation after over sixteen years of service to the community. Marlene Miller and Steve Hunt, the two publishers and main contributors, made the decision last week, and the impact is already being felt in our community.

Their work has made an indelible impact on the neighborhoods in Lee and Mount Vernon, bringing voices to our residents and telling stories that are unique to the southeastern region of Fairfax. If anything of note happened in our community, you could be sure that there would be a story about it in the next issue of the Mount Vernon Voice.

Like many Lee and Mount Vernon residents, we looked forward to every issue and enjoyed every article, from the crime beat to the movie reviews. The Voice was always authentic and rang true, keeping its finger on the districts' pulse. We are fortunate to have such dedicated journalists in our County.

Therefore Madam Chairman, without objection we ask that we bring Marlene Miller and Steve Hunt before our Board for recognition at a future Board meeting.



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Madam Chairman – This year marks the 45th anniversary of MVLE, a not-for-profit 501(c)3 organization that works with residents with disabilities across Fairfax County and Northern Virginia. MVLE has connected those residents with job training and employment opportunities, giving them an opportunity to be part of our workforce and growing our economy at the same time. Through MVLE, countless residents with disabilities have been able to provide for themselves and contribute to their communities.

MVLE is seeking a capital investment of \$100,000 to develop a Culinary Arts and Training Program, making use of their existing space alongside the creation of a commercial kitchen to create additional learning options and collaborative spaces. The program will be introduced through an upcoming event, “Farm to Table-A Dining With Purpose Experience” and feature local celebrity chefs creating homegrown dishes, with a focus on how individuals with disabilities can join the culinary industry.

As you can see in the attached document, MVLE’s Culinary Arts and Training Program will have an immeasurable positive impact on the

residents of Fairfax County and its economy, while also strengthening our ability to deliver effective human services and grow job opportunities for people with disabilities, all with a strong return on investment. Nearly 85% of people with disabilities are unemployed, and this program would be a strong local solution.

Therefore, Madam Chairman, we move that the Board of Supervisors direct the County Executive to prepare an Initial Project Evaluation to review this project under the guidelines adopted for the Economic Development Support Fund. We further move to direct the County Executive to evaluate the MVLE Culinary Arts and Training Program's impact to furthering the goals of the Economic Success Strategic Plan and make recommendations for the Board to consider allocating Economic Development Support Funds to this capital project.

Lastly, we move to direct the County Executive to make no investment from the Economic Development Support Fund into the MVLE Culinary Arts and Training Program unless and until the Board has approved the use of funds for that purpose.