

Commonwealth of Virginia: Opportunity Zone Designation Process

The Federal Tax Cuts and Jobs Act of 2017 included provisions for a new revitalization tool, the Opportunity Zone and Opportunity Fund. Broadly speaking, the Zones and Funds will allow investors to receive tax benefits on currently unrealized capital gains by investing those gains in qualified census tracts (Opportunity Zones). While the federal government is responsible for defining the investment process, the Governor of each state has until March 21, 2018 to nominate 25 percent of qualified census tracts as “Opportunity Zones.”

The Department of Housing and Community Development (DHCD) and the Virginia Economic Development Partnership (VEDP) are the lead agencies working to ensure the Governor’s nominations are based on the best available criteria and input. The major principles of the designation process are described below.

1) Scoring Criteria – The following criteria will be used to score the need and opportunity in each eligible tract. This weighting will be kept flexible in order to merge with local priorities:

- a. Tract is a qualified Opportunity Zone tract.
- b. Tract has identifiable state and/or local incentive programs, such as [Enterprise Zones](#).
- c. Tract is in a locality with above average or high [Fiscal Stress Index](#) ranking.
- d. Tract contains or is near an economic investment driver such as a research facility, port, university, hospital, and/or a facility designated by VEDP or other state agency as a strategic site.
- e. Tract has access to a major roadway.
- f. Tract was identified by the locality as a strategic economic development area. *The information furnished by local governments and interested stakeholders will strongly influence the final nominations, but it will likely not be possible to accommodate the priorities identified by every locality.*

2) Proportionality will be factored into final designation decisions:

- a. The process will consider proportionality at the regional, sub-regional, and local levels. However, due to the small number of eligible tracts in many localities, it is not possible to be strictly proportional.
- b. For initial mapping purposes, localities should expect no more than ~25% (and perhaps substantially less in cases where the vast majority of their eligible tracts have relatively weak scores) of their eligible census tracts placed in Opportunity Zones.
- c. The goal is to have each GO Virginia region have 25% of their eligible tracts placed in Opportunity Zones and we will strive for proportional balance within sub-regions, using regional Economic Development Organization (EDO) boundaries and other proxies for sub-regional shared economic interests.

3) DHCD will conduct a local input process through the chief appointed official (county administrator, city manager & town manager) in each locality with a strong recommendation for localities to solicit input from regional economic development partners.

DHCD will actively solicit local government input via a survey to prioritize the tracts at the local level. This input will be compared to the state inputs above and merged. VEDP will reach out to Regional Economic Development Organizations to encourage their input in the locality survey. DHCD will reach out to the GO Virginia Regions to encourage their participation as well. VEDP and DHCD will actively solicit input from other state agencies to help in identifying and prioritizing regional economic clusters, drivers, strategies, and assets that can be added to criteria. *Please be aware that final selection of Opportunity Zones is subject to approval by the Governor and final rules developed by the U.S. Treasury.*

4) DHCD will conduct a general input process through a standardized input form, available through the DHCD website.

DHCD will accept general and investor input through a standardized form to identify areas of investor interest. This input will be compared to the state and local inputs above and be considered in the final mapping.

Timeline

A final map of recommended Opportunity Zones, prepared by VEDP and DHCD, will be available for the Governor's review by March 9. The Governor must make the nominations to US Department of Treasury by March 22. While there is the possibility of a 30 day extension, the process has not been finalized. Therefore, the following timeline will be followed.

- **February 16–March 2**
 - Locality Input Survey – Survey to chief appointed officials (County Administrators, City Managers and Town Managers) requesting priority ranking of their eligible zones based on existing or planned local tools and efforts at encouraging start up activities and revitalization in specific eligible census tracts. Localities will be asked to identify 30% of their eligible tracts that are a priority for designation and any special consideration that should be given to 1 or 2 contiguous tracts.
 - DHCD and VEDP coordinate recommended map and criteria through input from state agencies (Port, Tobacco Commission, SCHEV, Agriculture, CIT, and others).
- **February 23-March 9** – DHCD and VEDP compile state and local input and compare it to identified criteria. Final mapping exercises.
- **March 9** – FINAL DHCD/VEDP nomination recommendations complete; Recommendations sent to Secretary of Commerce & Trade / Governor's Office
- **March 20 – Nominations Submitted**