WINTER QUARTERLY MEETING

January 26 – 27, 2022

Statewide Association of Community and Economic Development Organizations

AGENDA

- Welcome
- ARPA – Use of Funding
- Break
- Ohio Grants Partnership
- Break
- Opportunity Zones / New Market Tax Credits
- OCCD Business Meeting

ARPA – USE OF FUNDING

- Amista Naylor Lipot, Executive Director, Mayor’s Partnership for Progress, Ohio University
- Keary McCarthy, Executive Director, Ohio Mayors Alliance

Mayors' Partnership for Progress

www.mayorspartnership.org

Supported for over 25 years by:

OHIO UNIVERSITY | Voinovich School of Leadership and Public Service

MAYORS' PARTNERSHIP FOR PROGRESS

Vision: bring together mayors and city managers to share information and resources and tackle common issues throughout the region

Established in 1996

- MOU signed with Ohio University to provide technical assistance

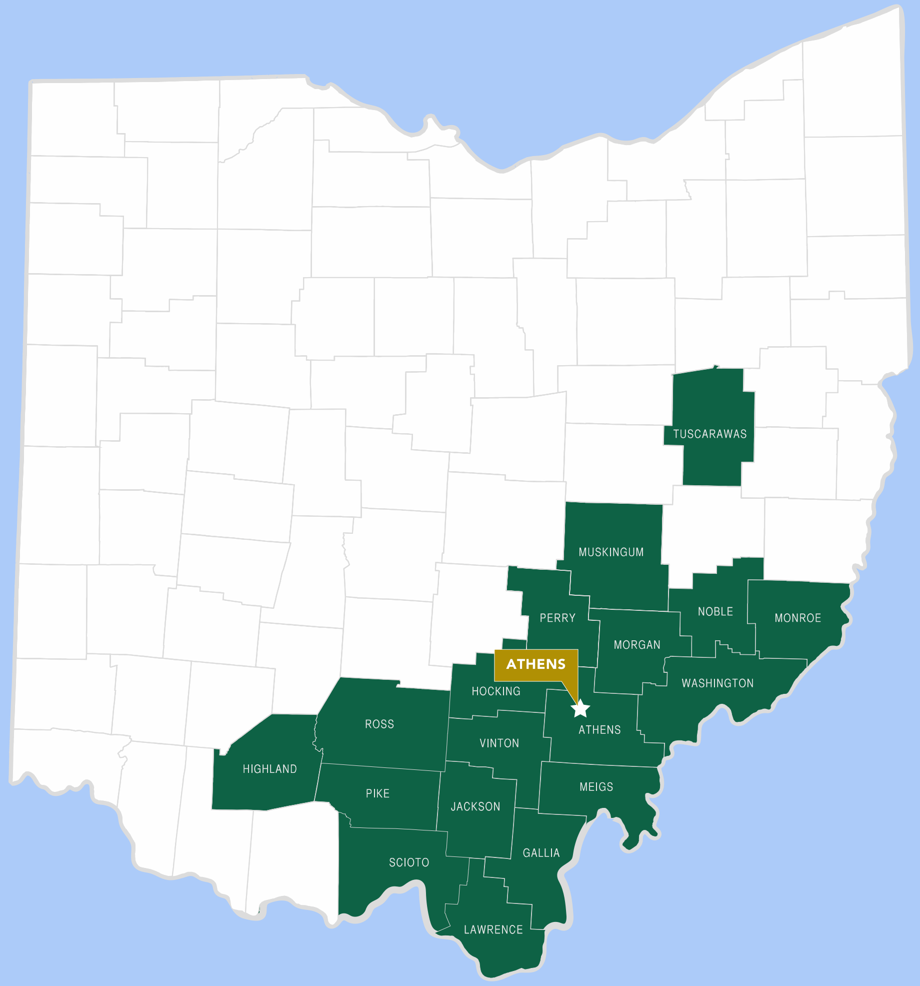
Nonprofit status granted in 2003

9 original counties has now grown to 18

18 SOUTHEAST OHIO COUNTIES

120 SMALL COMMUNITIES

NEARLY **800K** PEOPLE



MAYORS' PARTNERSHIP FOR PROGRESS

WHAT WE DO

- Monthly meetings in person and virtually
- Legislative Advocacy Day in Columbus
- Targeted communications across state and federal agencies advocating for community needs
- Identification and access to private and matching dollars
- Sharing of information and best practices
- Targeted technical assistance

Top: Members of the Mayors' Partnership for Progress join DSA Director Lydia Mihalik and State Representative Jay Edwards for a March 10, 2020 press conference at the statehouse discussing the importance of the Census to southeastern Ohio.

Bottom: Mayors' Partnership for Progress member Luke Feeney, Mayor of Chillicothe, guest lecturers in a 2019 high school class on the importance of bipartisan efforts at all levels.

CARES FUNDING BEST PRACTICES

- Technological advances for government meetings and communities
- Police station investments like self-sanitizing fingerprint equipment
- Grants for rent and mortgage assistance
- Grants to schools (technology)
- Small business grants
- Homeless shelters and community support through meal delivery and supplies
- After school / day care program support with items like chromebooks, washing machine, wifi hotspots, and food
- Contactless water meter system

Top: Ohio University's Certificate of Agreement with the Mayors' Partnership for Progress in 1996

Bottom: Mayors' Partnership for Progress former member Connie Pelletier, former Mayor of Wellston, working in her office in 2019

AMERICAN RESCUE PLAN ACT

NEU’s (non entitlement units) received their money directly – in our 18-county footprint we only had one NEU, the City of Marietta

The rest received their disbursement from the state of Ohio, in two tranches.

Costs must be obligated by December 31, 2024, and expended by December 31, 2026.

ARPA Allowable Uses per Treasury

- ❖ Capital expenditures that support an eligible COVID-19 public health or economic response
- ❖ Build certain affordable housing, childcare facilities, early learning facilities, schools, and hospitals
- ❖ Certain community development and neighborhood revitalization activities eligible for disproportionately impacted communities
- ❖ Broadband infrastructure investments to address challenges with broadband access, affordability, and reliability
- ❖ Eligible water and sewer infrastructure investments, including a broad range of lead remediation and stormwater management projects

ARPA Allowable Uses per Treasury

- Behavioral health care, such as mental health treatment, substance use treatment, and other behavioral health services
- Preventing and responding to violence
- Provide assistance to impacted industries like travel, tourism, and hospitality that faced substantial pandemic impacts, or address impacts to the public sector, for example by re-hiring public sector workers cut during the crisis

ARPA Allowable Uses per Treasury

- Replace lost public sector revenue using two options: • A standard allowance of up to $10 million in aggregate, not to exceed your award amount, during the program; or calculating your specific revenue loss each year using Treasury's formula

- Recipients may use funds up to the amount of revenue loss for government services; generally, services traditionally provided by recipient governments are government services, unless Treasury has stated otherwise

  - Common examples ✓ Construction of schools and hospitals ✓ Road building and maintenance, and other infrastructure ✓ Health services ✓ General government administration, staff, and administrative facilities ✓ Environmental remediation ✓ Provision of police, fire, and other public safety services (including purchase of fire trucks and police vehicles)

ARPA Uses NOT Allowed

- OFFSET A REDUCTION IN NET TAX REVENUE • States and territories may not use this funding to directly or indirectly to offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the funds provided have been spent.

- DEPOSITS INTO PENSION FUNDS • No recipients except Tribal governments may use this funding to make a deposit to a pension fund.

ARPA Innovative Uses

- Purchase blighted properties, rehab them and utilize for affordable housing
- Outdoor heaters for restaurants to assist with remaining opening during colder months
- Portable handwashing stations for parks and farmers markets
- Municipalities pulling their allocations together within counties to have projects with larger impacts through subgrant agreements

RESOURCES

- Local Development Districts

https://www.arc.gov/local-development-districts/?fwp_states_counties=ohio

- State of Ohio Auditor

https://ohioauditor.gov/resources/covid19_assistance.html

- Ohio Grants Partnership through OBM

https://grants.ohio.gov/fundingopportunities.aspx#funding-opportunities-arpa

- JobsOhio

https://www.jobsohio.com/american-rescue-plan-guidebook/

- US Treasury Final Rule

https://home.treasury.gov/system/files/136/SLFRF-Final-Rule.pdf

https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-Overview.pdf

OHIO MAYORS ALLIANCE

A COALITION OF OHIO'S 30 LARGEST CITIES

OHIO MAYORS ALLIANCE

HOW THE **AMERICAN RESCUE PLAN** IS SUPPORTING ECONOMIC RECOVERY IN OHIO CITIES

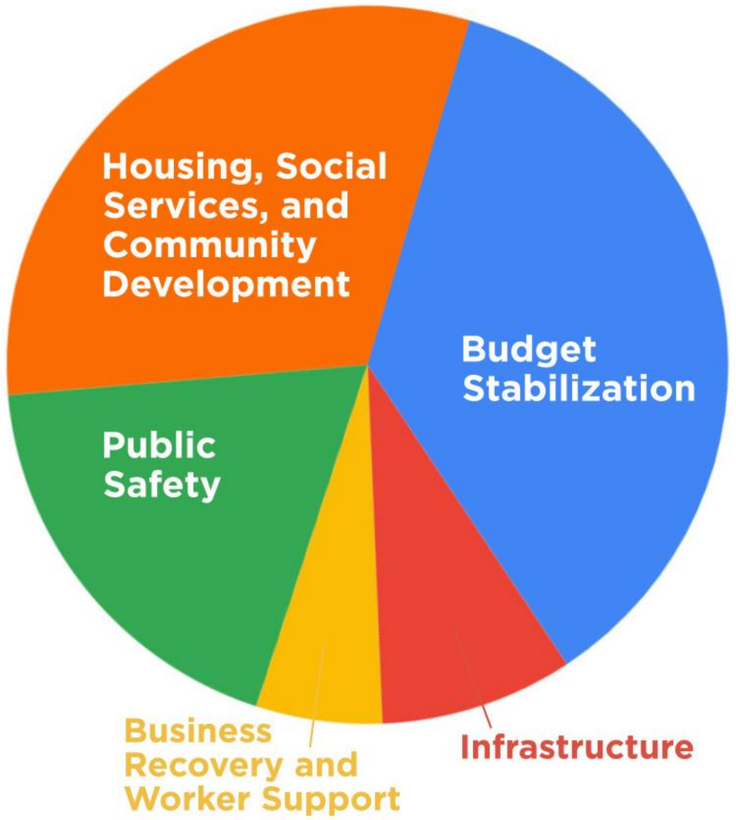
ohiomayorsalliance.org

Support for the research in this report was provided by the Joyce Foundation.

The Joyce Foundation

HOW ARE CITIES SPENDING ARPA FUNDS?

OHIO MAYORS ALLIANCE



Study looked at 28 large and mid-sized cities in Ohio.

The cities studied range in size from Columbus at over 900,000 to Lima at just under 35,000 people.

Summaries of spending pulled from news releases, city council minutes, and other publicly available data

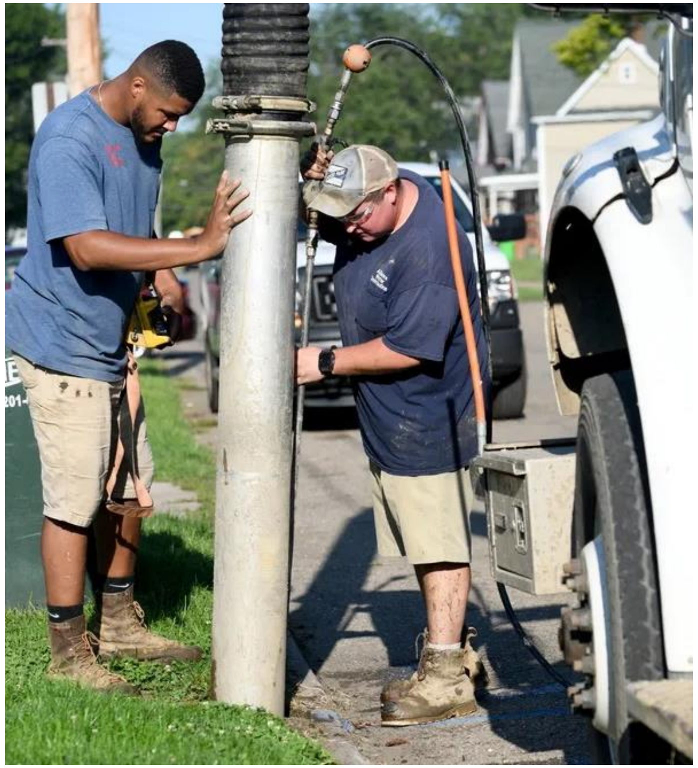
OMA collected evidence of proposals and allocations totaling over $1 billion.

OHIO MAYORS ALLIANCE

BUDGET STABILIZATION

Cities reported over $371 million in revenue loss in 2021.

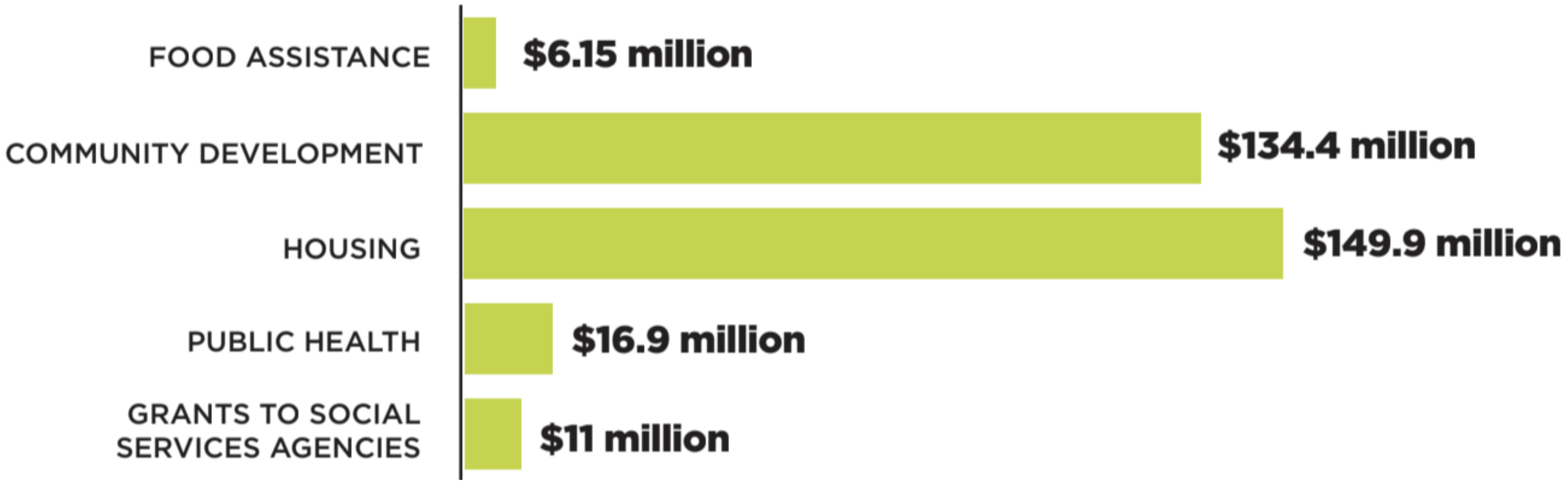
ARP is helping cities fill those budget holes, keep city workers and first responders employed, and continue planned projects and needed upgrades to city infrastructure.



OHIO MAYORS ALLIANCE

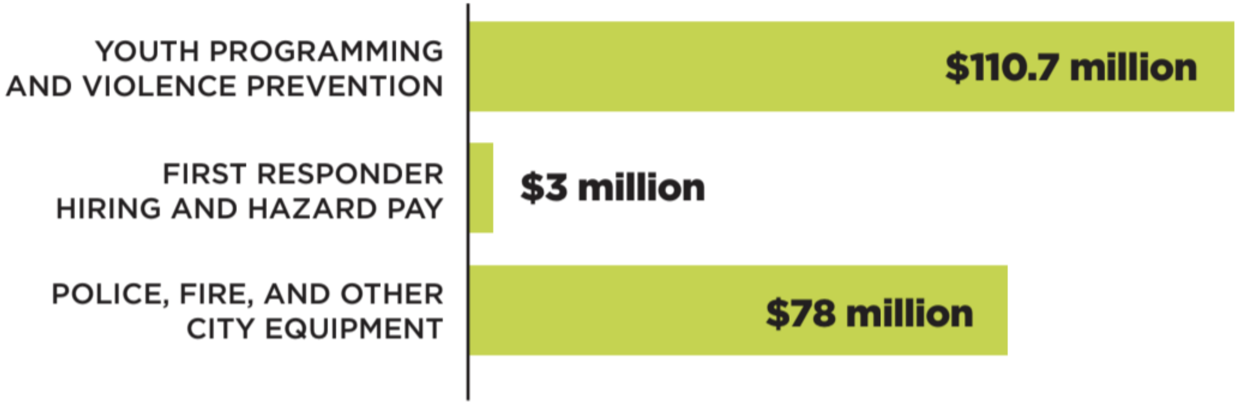
HOUSING, SOCIAL SERVICES, COMMUNITY DEVELOPMENT

In 2021, cities allocated over $318 million to urgent community needs



PUBLIC SAFETY

In 2021, Ohio Mayors Alliance members proposed allocating over $192 million in ARP dollars to spearhead public safety investments in:



OHIO MAYORS ALLIANCE

INFRASTRUCTURE

Ohio cities allocated over $89 million in ARP funds to infrastructure projects in 2021.

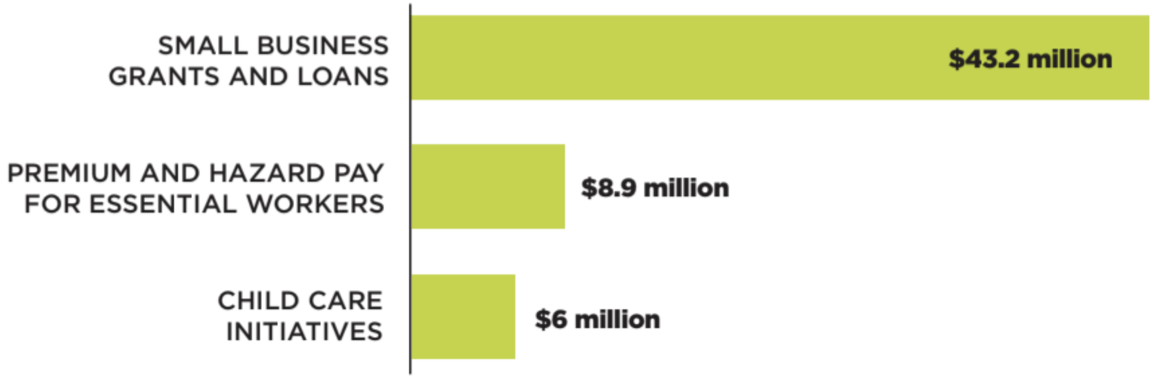
*** Beavercreek - $4.6 million in backlogged infrastructure work**

*** Akron and Toledo - replacing lead water lines**

*** Cleveland Heights and Lakewood - sewer system and water line upgrades**

BUSINESS RECOVERY AND WORKER SUPPORTS

In 2021, Ohio Mayors Alliance cities proposed over $58 million in business recovery and worker support funds.



OHIO
MAYORS
ALLIANCE

For more information, please visit:
www.OhioMayorsAlliance.org/ARPA

Helping People, Changing Lives

Ohio Conference of Community Development

10-Minute Break

Next Session begins at 10:10 a.m.

January 26, 2022

Statewide Association of Community and Economic Development Organizations

OHIO GRANTS PARTNERSHIP

- Stacie Massey, Senior Financial Manager, Office of Budget and Management

The Ohio Grants Partnership

Navigating Grants

An Introduction to the Ohio Grants Partnership

Stacie Massey, Ohio Office of Budget and Management
Ohio Grants Partnership

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Navigating Grants: The Ohio Grants Partnership

About

The Ohio Grants Partnership

Created by the Ohio Office of Budget and Management to provide support to Ohio's grant management community

The partnership's vision is to be the leading resource for the Ohio grants community to help build the capacity of its partners to successfully apply for and manage grant programs; and in doing so ensure Ohio maximizes the amount of federal funds awarded while optimizing the use of funds received and prioritizing to achieve the greatest result

Key component of the partnership's mission is to assist the local grants community

Resources

Ohio | The Ohio Grants Partnership

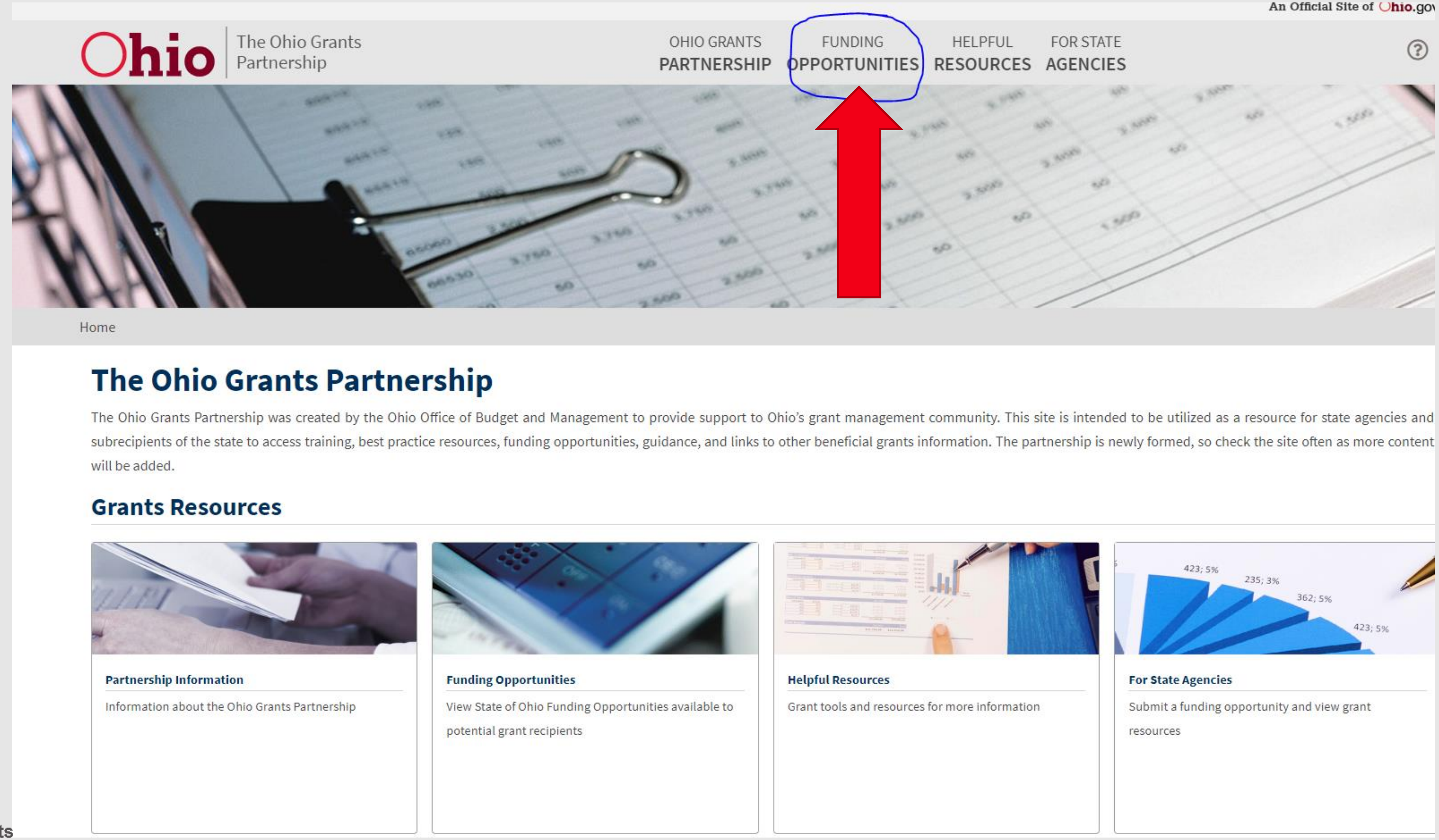
The Ohio Grants Partnership website is https://grants.ohio.gov/ and contains beneficial resources for managing grant funds:

- Subscribe to the OhioConnect$ Newsletter
- Helpful links
- DUNS and SAM Registration instructions
- Grants Training
- Ohio Grants Summit recordings and information
- Funding Opportunities and links to agency sites

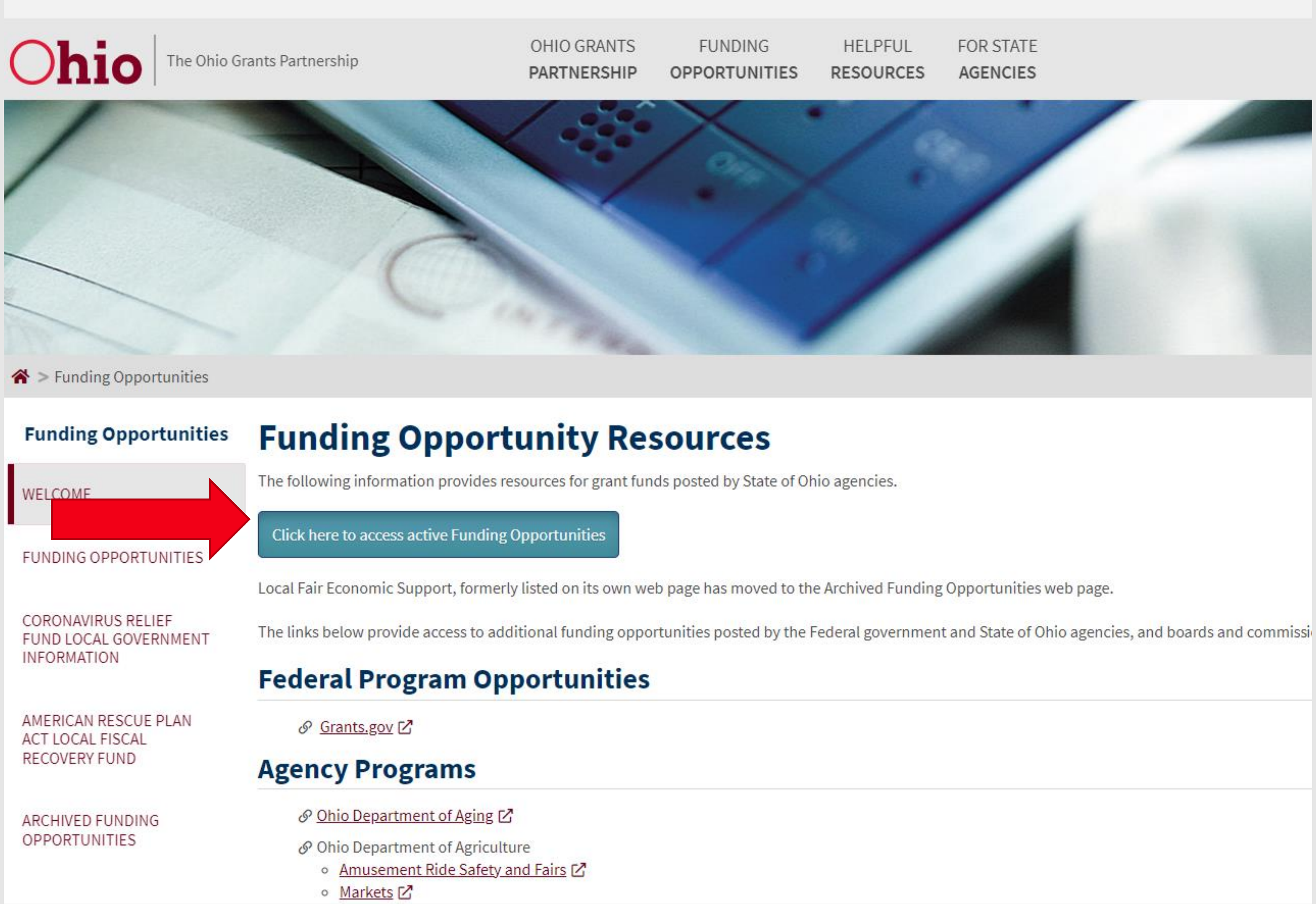
Resources to manage State and Local Fiscal Recovery funds such as:

- Links to webinars and slides
- US Treasury guidance and frequently asked questions links

Find state funding opportunities at **grants.ohio.gov**
Click on “Funding Opportunities”



Click on “Click here to access active Funding Opportunities”



Search active funding opportunities or click the archive to see the history

Ohio | The Ohio Grants Partnership

OHIO GRANTS PARTNERSHIP | FUNDING OPPORTUNITIES | HELPFUL RESOURCES | FOR STATE AGENCIES

> Funding Opportunities > Funding Opportunities

Funding Opportunities

- WELCOME
- FUNDING OPPORTUNITIES
- CORONAVIRUS RELIEF FUND LOCAL GOVERNMENT INFORMATION
- AMERICAN RESCUE PLAN ACT LOCAL FISCAL RECOVERY FUND
- ARCHIVED FUNDING OPPORTUNITIES

Funding Opportunities

All Categories | All State Agencies | All Eligible Applicant Ty | Search by Name or CFDA# | Reset

Grant Name	Funding Category	State Agency	Application Due Date	Grant Description
American Rescue Plan Act - Coronavirus Local Fiscal Recovery Funds for Ohio Non-Entitlement Units of Local Government	COVID-19	Office of Budget & Management (OBM)	February 11, 2022	The American Rescue Plan Act of 2021 (ARPA) appropriates $19.53 billion of Coronavirus Local Fiscal Recovery Funds to States for distribution to “non-entitlement units of local government” (NEUs). The Ohio Office of Budget and Management (OBM) is facilitating the allocation and distribution of these funds to Ohio’s eligible NEUs. OBM Read More...
FY22 Technology Grants Fund Request for Applications from Local Ohio Courts	Justice	Judiciary / Supreme Court (JSC)	February 16, 2022	
Ohio Attorney General’s FY22 School Safety Grant	Education	Attorney General (AGO)	February 28, 2022	The Ohio Attorney General’s Office (AGO) is offering the FY22 School Safety Grant opportunity to eligible schools. House Bill 110, which was signed into law in July 2021, appropriated funding for school safety initiatives, training, and school climate programs for Ohio public schools, chartered nonpublic schools, educational service centers, STEM, Read More...
Ohio Governor’s Expedited Pardon Project (GOEPP) Proposal - Community Partners	Justice	Department of Rehabilitation and Correction (DRC)	June 30, 2022	The Expedited Pardon Project (EPP) is aimed at enhancing and expediting the proposed process by which people apply for a formal pardon from the Governor under Ohio’s laws. The project seeks to reduce challenges surrounding a clemency application in Ohio for people meeting certain criteria with exceptional stories who can Read More...

2021 Ohio Grants Summit

Sessions included the Ohio Broadband, Emerging Issues in Federal Grants, Allowable Uses of Fiscal Recovery Funds: Water and Wastewater Infrastructure, Preparing for a Single Audit, Compliance Considerations with COVID Funding, and Federal Procurement Requirements.

The recording and presentation slides are available at:

https://grants.ohio.gov/Summit/2021.aspx

Contact Us with Questions

Ohio Grants Partnership
E-Mail: grants@obm.ohio.gov

Ohio Grants Partnership Team

- Stacie Massey, Senior Financial Manager
- Gene Berry, Financial Manager
- Jessica Martin, Financial Manager
- Kim Berryman, Program Administrator
- Neal Bucklew, Program Administrator
- Paul Mann, Program Administrator
- Merrilie Munsey, Program Administrator

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Questions?

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Ohio | The Ohio Grants Partnership

American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Fund

Stacie Massey, MBA
Senior Financial Manager

Final Rule and Major Provisions

Summary of Key Changes in the Final Rule

- **Public Health and Economic Impacts**
  - Use of funds for capital expenditures
  - Expanded set of households and communities that are presumed “impacted” and “disproportionately impacted” with a broader set of uses
  - Broader use of funds to restore and support public sector employment
- **Premium Pay**
  - Expanded the list of eligible workers who can receive premium pay without written justification
- **Revenue Loss**
  - Added a standard allowance option
  - Other minor changes with the calculation of revenue loss
- **Water, Sewer, and Broadband Infrastructure**
  - Broadens eligibility for broadband projects
  - Added additional eligible water and sewer projects

Terminology within the Final Rule

- “Should” and “must” = mandatory
- “May” and “encourage” = suggestion, discretion of recipient allowed
- ***Proportional*** & ***Reasonable*** are key concepts stressed in the rule in determining the level of investment for eligible activities.
- ***Enumerated*** by Treasury means specifically listed as an eligible use of funds in the Final Rule.
- ***Impacted*** – those impacted by the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency.
- ***Disproportionately Impacted*** – those that experienced disproportionate public health or economic outcomes from the pandemic, Treasury recognizes that pre-existing disparities amplified the impacts of the pandemic causing more several impacts in underserved communities.

Key Changes in the Final Rule – Revenue Loss

- **Added an option to elect a "standard allowance" of up to $10 million in revenue loss through the life of the program**
  - Treasury recognizes the standard allowance may cover an entire allocation and has indicated reporting will be streamlined
  - Do not have to illustrate there was an actual revenue loss
- Recipients may use revenue loss funds for ***general government services up to the revenue loss*** amount
- General government services means any service traditionally provided by a government, unless Treasury has stated otherwise

Key Changes in the Final Rule – Revenue Loss (cont.)

- May calculate revenue loss on a ***fiscal year <u>or</u> calendar year*** (e.g., December 31 for years 2020, 2021, 2022, and 2023)
  - Must select one and be consistent throughout the performance period
  - Clarified the base year to be the last full fiscal year prior to January 27, 2020
- Revenue loss ***growth adjustment changed from 4.1% to 5.2%*** as the new standard default allowance for the formula
- General revenue now includes ***utility and liquor store revenue***
- Must adjust actual revenue totals for the effect of ***tax cuts and tax increases that were adopted after January 6, 2022***

Revenue Loss Reminders

- **Parameters that apply to the use of revenue loss funds**
  - No debt service or financial reserves replenishment (e.g., rainy day, budget reserves, budget stabilization, etc.)
  - No satisfaction of settlements or judgements
  - No extraordinary pension contributions
  - Use may not conflict with or contravene the purpose of the American Rescue Plan Act statute (e.g., use undermines COVID-19 mitigation practices in line with CDC guidance and recommendations)
- **Revenue loss funds are considered federal funds and must follow Uniform Guidance requirements**
  - Must be treated and tracked as federal expenditures
  - Provisions of the Uniform Guidance such as procurement apply
  - Terms and Conditions of Award apply (e.g., conflicts of interest, civil rights, etc.)
  - Revenue loss funds must be expended within the period of performance

Revenue Loss as Non-Federal Match?

Funds under the “revenue loss” eligible use category generally may be used to meet the non-federal cost-share or matching requirements of other federal programs.

The use as non-federal match for the state’s Medicaid and CHIP programs are unallowable.

Funds beyond eligible revenue loss cannot be used as a non-federal match or cost-share requirement other than as specifically provided for by statute (i.e., Infrastructure Investments and Jobs Act, Bureau of Reclamation projects and certain broadband deployment projects)

Public Health and Negative Economic Impacts – Eligible Use Categories

- Organized around the types of assistance a recipient may provide and includes several sub-categories:
  - Public health,
  - Assistance to households,
  - Assistance to small businesses,
  - Assistance to non-profits,
  - Aid to impacted industries, and
  - Public sector capacity.

Public Health and Negative Economic Impacts – Enumerated, Presumed Population, or Not?

Treasury has provided lists of enumerated uses and presumptions for populations that were impacted. ***Recipients providing enumerated uses of funds to populations presumed eligible (impacted or disproportionately impacted) are clearly operating consistently with the final rule.***

Eligible uses in this category must meet two criteria:

1) Identify a COVID-19 public health or economic impact on a specific household, business, or non-profit; or to a class of households, businesses, or non-profits (i.e., group), **AND**
2) Design a response (program, service, or capital expenditure) that addresses or responds to the impact.

Responses must be ***related***, ***reasonably proportional*** to the harm identified, and ***reasonably designed*** to benefit those impacted.

Public Health – COVID-19 Mitigation and Prevention

Enumerated eligible uses include:

- ✓ Vaccination/testing programs
- ✓ Monitoring, contact tracing, and public health surveillance
- ✓ Public communication efforts
- ✓ Public health data systems
- ✓ COVID-19 prevention and treatment equipment, such as ventilators and ambulances
- ✓ Medical and PPE/protective supplies
- ✓ Support for isolation or quarantine
- ✓ Ventilation system installation and improvement
- ✓ Technical assistance on mitigation of COVID-19 threats to public health and safety
- ✓ Transportation to reach vaccination or testing sites, or other prevention and mitigation services for vulnerable populations
- ✓ Support for prevention, mitigation, or other services in congregate living facilities, public facilities, and schools
- ✓ ***Support for prevention and mitigation strategies in small businesses, nonprofits, and impacted industries***
- ✓ Medical facilities generally dedicated to COVID-19 treatment and mitigation
- ✓ Temporary medical facilities and other measures to increase COVID-19 treatment capacity
- ✓ Emergency operation centers and emergency response equipment (e.g., emergency response radio systems)
- ✓ Public telemedicine capabilities for COVID-19 related treatment

Negative Economic Impacts – Population Presumptions

Treasury defines "impacted" and "disproportionately impacted" populations and provides presumptions for each assistance category (household, small business, non-profit, and industry).

Recipients can identify other impacted or disproportionately impacted populations beyond those presumed eligible.

Impacted – those impacted by the disease itself or the harmful consequences of the economic disruptions resulting from or exacerbated by the COVID-19 public health emergency.

Disproportionately Impacted – those that experienced disproportionate public health or economic outcomes from the pandemic. Treasury recognizes that pre-existing disparities amplified the impacts of the pandemic causing more severe impacts in underserved communities.

Assistance to Households and Communities – Population Presumptions

Impacted Households	Disproportionately Impacted Households
Low-and-moderate income (LMI) households, defined as those at or below 300% of FPG or 65% of AMI	Low income (LI) households, defined as those at or below 185% of FPG or 40% AMI
Households experiencing unemployment or food or housing insecurity	Households located in QCTs
Households that qualify for certain federal programs (CHIP, Childcare Subsidies, CCDF or Medicaid)	Households that qualify for certain federal programs (i.e., TANF, SNAP, SSI, WIC, Section 8 vouchers, LIHEAP)
Households that qualify for National Housing Trust Fund *– for affordable housing programs*	Households receiving services provided to Tribal governments (N/A to Ohio)
Any student that lost access to in-person education *– services to address lost instructional time in K-12*	Households residing in the US territories or receiving services from these governments

Assistance to Households and Communities – Enumerated Eligible Uses

Impacted Households	Disproportionately Impacted Households
➢ Food assistance & food banks ➢ Emergency housing assistance ➢ Health insurance coverage expansion ➢ Benefits for surviving family members who have died from COVID-19 ➢ ***Assistance to individuals to work (i.e., job training, childcare and transportation support, subsidized employment, assistance to start small business, etc.)*** ➢ Financial services for the unbanked and underbanked ➢ Burials, home repair, & weatherization ➢ Programs, devices, and equipment for internet access and digital literacy ➢ Cash assistance ➢ Paid sick, medical, and family leave programs ➢ Assistance in accessing public benefits or services ➢ Childcare and early learning services, home visiting programs, services for child welfare involved families and foster youth & childcare facilities ➢ Learning loss for K-12 students ➢ ***Long-term housing security programs or services: affordable housing and permanent supportive housing***	➢ Community health workers to help households access health and social services ➢ Remediation of lead paint or other lead hazards ➢ Primary care clinics, hospitals, integration of health services into other settings, and other investments in medical equipment and facilities designed to address health disparities ➢ Housing vouchers and assistance relocating to neighborhoods with higher economic opportunity ➢ ***Investments in neighborhoods to promote improved outcomes*** ➢ ***Improvements to vacant/abandoned properties*** ➢ Services to address education disparities ➢ Schools and other education equipment & facilities

Assistance to Small Business – Population Presumptions

Treasury defines small business as having no more than 500 employees, in general, and is independently owned and operated and is not dominant in its field of operation.

Impacted Small Businesses	Disproportionately Impacted Small Businesses
➢ Decreased revenue or gross receipts ➢ Financial insecurity ➢ Increased costs ➢ Capacity to weather financial hardship ➢ Challenges covering payroll, rent or mortgage, and other operating costs	➢ **Small business operating in Qualified Census Tracts (QCT)** ➢ Small business operated by Tribal governments or on Trible lands ➢ Small businesses in the U.S. territories

Assistance to Small Business – Enumerated Eligible Uses

Impacted Small Businesses	Disproportionately Impacted Small Businesses
➢ Loans* or grants to mitigate financial hardship, such as by supporting payroll and benefits, costs to retain employees, and mortgage, rent, utility, and other operating costs ➢ ***Technical assistance, counseling, or other services to support business planning*** **Refer to Treasury Final Rule and guidance on loan provisions*	➢ ***Rehabilitation of commercial properties, storefront improvements & façade improvements*** ➢ ***Technical assistance, business incubators & grants for start-up or expansion costs for small businesses*** ➢ ***Support for microbusinesses, including financial, childcare, and transportation costs***

Assistance to Impacted Industries

There are two main ways an industry can be designated as "impacted."

1) If the industry is in the ***travel, tourism, or hospitality sectors***, the industry is impacted.
2) If the industry is outside the travel, tourism, or hospitality sectors, the industry is impacted if:
   a. The industry ***experienced at least 8% employment loss from pre-pandemic levels, <u>or</u>***
   b. The industry is ***experiencing comparable or worse economic impacts as the national tourism, travel, and hospitality industries*** as of 1/6/22 based on totality of economic indicators or qualitative data (if quantitative data is unavailable), and if the impacts are generally due to the COVID-19 public health emergency

Final rule provides flexibility to define impacted industries eligible for aid. Aid may only be provided to support those ***operating prior to the pandemic and affected by required closures and other efforts to contain the pandemic***.

Assistance to Impacted Industries – Enumerated Eligible Uses

Treasury recognized the following enumerated responses to impacted industries:

- ✓ Aid to mitigate financial hardship, such as supporting payroll costs, lost pay and benefits for returning employees, support of operations and maintenance of existing equipment and facilities
- ✓ ***Technical assistance, counseling, or other services to support business planning***
- ✓ COVID-19 mitigation and infection prevention measures

Public Health and Negative Economic Impact – Capital Expenditures

<table>
<tr><th>If a project has total capital expenditures of</th><th>and the use is enumerated by Treasury as eligible, then</th><th>and the use is beyond those enumerated by Treasury as eligible, then</th></tr>
<tr><td>Less than $1 million</td><td>No Written Justification required</td><td>No Written Justification required</td></tr>
<tr><td>Greater than or equal to $1 million, but less than $10 million</td><td>Written Justification required but recipients are not required to submit as part of regular reporting to Treasury</td><td rowspan="2">Written Justification required and recipients must submit as part of regular reporting to Treasury</td></tr>
<tr><td>$10 million or more</td><td>Written Justification required and recipients must submit as part of regular reporting to Treasury</td></tr>
</table>

Capital Expenditures – Written Justification

- ***Written justification*** includes:
  - Description of harm or need to be addressed
  - Why a capital expenditure is appropriate
  - Comparison against at least two alternative capital expenditures and demonstration of why the proposed capital expenditure is superior
- Consideration to alternatives of improving existing capital assets already owned or leasing other capital assets.
- Treasury presumes that the following capital projects **<u>are generally ineligible</u>**:
  - ✓ Construction of new correctional facilities as a response to an increase in rate of crime
  - ✓ Construction of new congregate facilities to decrease spread of COVID-19 in the facility
  - ✓ ***Construction of convention centers, stadiums, or other large capital projects intended for general economic development or to aid impacted industries***

Reporting Requirements

- ***Written justification*** includes:
  - Description of harm or need to be addressed
  - Why a capital expenditure is appropriate
  - Comparison against at least two alternative capital expenditures and demonstration of why the proposed capital expenditure is superior
- Consideration to alternatives of improving existing capital assets already owned or leasing other capital assets.
- Treasury presumes that the following capital projects **<u>are generally ineligible</u>**:
  - ✓ Construction of new correctional facilities as a response to an increase in rate of crime
  - ✓ Construction of new congregate facilities to decrease spread of COVID-19 in the facility
  - ✓ Construction of convention centers, stadiums, or other large capital projects intended for general economic development or to aid impacted industries

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Resources

Final Rule and Supporting Resources

Coronavirus State and Local Fiscal Recovery Funds (SLFRF)

https://home.treasury.gov/policy-issues/coronavirus/assistance-for-state-local-and-tribal-governments/state-and-local-fiscal-recovery-funds

SLFRF Text of Final Rule

https://home.treasury.gov/system/files/136/SLFRF-Final-Rule.pdf

SLFRF Overview of Major Provisions

https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-Overview.pdf

SLFRF Compliance Statement

https://home.treasury.gov/system/files/136/SLFRF-Compliance-Statement.pdf

Tool for Determining Low- and Moderate-Income Households

https://home.treasury.gov/system/files/136/SLFRF-LMI-tool.xlsx

Treasury Final Rule Webinar

https://youtu.be/rwcwxguVR0I

Treasury Final Rule Slide Presentation

https://home.treasury.gov/system/files/136/SLFRF-Final-Rule-Webinar.pdf

Compliance and Reporting Guidance

https://home.treasury.gov/system/files/136/SLFRF-Compliance-and-Reporting-Guidance.pdf

Reporting Guides

Project and Expenditure Report User Guide

https://home.treasury.gov/system/files/136/Project-and-Expenditure-Report-User-Guide.pdf

NEU Agreements and Supporting Documents User Guide

https://home.treasury.gov/system/files/136/NEU-Non-UGLG-Agreements-and-Supporting-Documents.pdf

Accessing Treasury Portal

https://home.treasury.gov/system/files/136/Login.gov-User-Guide.pdf

Recipient Reporting Tiers Listing

https://home.treasury.gov/system/files/136/SLFRF-Recipient-Tiers-January-Reporting.xlsx

Treasury Webinars

Project and Expenditure Reports

https://www.youtube.com/watch?v=6YTsxrEMS1o

Reporting Tiers

https://youtu.be/JnoKlSwCA-g

Account Creation and Login

https://youtu.be/MS7EAO2uCs0

User Roles

https://youtu.be/w7vbi94rVDI

<u>Other Related Grant Resources</u>

Code of Federal Regulations (Uniform Guidance)

https://ecfr.io/Title-02/cfr200_main

System for Award Management

https://sam.gov/SAM/

Federal Acquisition Regulations

https://www.acquisition.gov/browse/index/far

Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS)

https://www.fsrs.gov/

USASpending.gov

https://www.usaspending.gov/#/

Pandemic Response Accountability Committee

https://pandemic.oversight.gov/

Contact Information

Contact the Ohio Grants Partnership with questions or assistance at grants@obm.ohio.gov

For authoritative guidance, contact the U.S. Treasury at SLFRP@treasury.gov

Helping People, Changing Lives
Ohio Conference *of* Community Development

10-Minute Break

Next Session begins at 11:00 a.m.

January 26, 2022

OPPORTUNITY ZONES / NEW MARKET TAX CREDITS

- Jessica Firmstone, New Markets Compliance Officer, WesBanco
- Graham Allison, CEO and Co-Founder, Opportunity Zone Development Group

New Markets Tax Credits

Ohio Conference of Community Development, Inc.
January 2022

Jessica Firmstone, DFCP

New Markets Compliance Officer

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Introduction – New Markets Tax Credit Program

What Is It and What Does It Do?

The NMTC Program is jointly administered by the CDFI Fund and the Internal Revenue Service (IRS).

The NMTC Program incentivizes community development and economic growth through the use of tax credits that attract private investment to distressed communities.

The NMTC Program attracts private capital into low-income communities by permitting individual and corporate investors to receive a tax credit against their federal income tax in exchange for making equity investments in specialized financial intermediaries called Community Development Entities (CDEs). The credit totals 39% of the original investment amount and is claimed over a period of seven years.

Introduction – New Markets Tax Credit Program

How Does It Work?

- NMTCs provide a credit against Federal income taxes for investors that make Qualified Equity Investments (QEIs) in certified financial intermediaries called "Community Development Entities (CDEs)."
- NMTCs are awarded to CDEs, not to individuals or businesses.
    - To qualify as a CDE, a domestic corporation or partnership must apply for and receive certification from the CDFI Fund.
- CDEs, in turn, use the proceeds of these QEIs to make Qualified Low-Income Community Investments (QLICIs), such as business loans, in Low-Income Communities.
    - Any capital or equity investment in, or loan to, a "Qualified Active Low-Income Community Business" (QALICB).
    - Purchase of a loan from another CDE if the loan is a QLICI.
    - Any equity investment in, or loan to, a CDE.
    - "Financial Counseling and Other Services" (FCOS) to businesses located in, or residents of, Low-Income Communities (LICs).

Introduction – New Markets Tax Credit Program

New Markets Loan Program - WBCDC

- The New Markets Loan Program (NMLP) is made possible through New Markets Tax Credit (NMTC) allocations awarded to WesBanco Bank Community Development Corporation (WBCDC) by the CDFI Fund. WesBanco's Investment into the NMLP is used to finance businesses and breathe the new life into neglected, underserved and distressed communities.
- The New Markets Loan Program helps support development in highly distressed communities in Indiana, Kentucky, Ohio, Pennsylvania, Maryland and West Virginia.
- In the past five years, the New Markets Loan Program assisted in total projects in excess of $78,100,000, impacting over 1,800 jobs
- Prioritized projects include those in rural counties and underserved states as well as loans less than $2,000,000. However, we will accept and consider all applications for projects that are located in qualified geographies.
- The WBCDC program makes traditional loans and does not seek investors for projects

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Qualifications for the NMLP

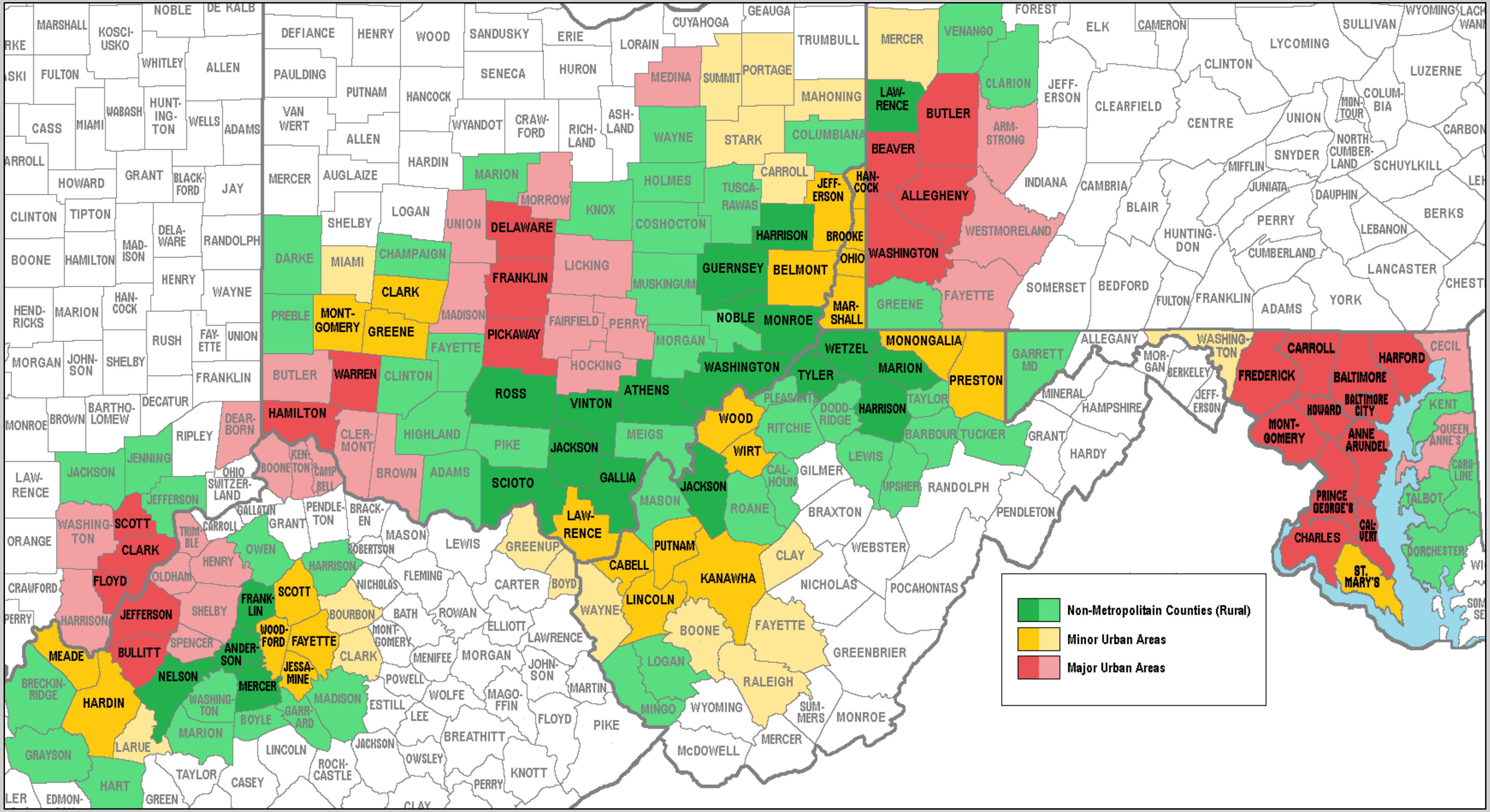
- Business or project must be located in a qualified census tract.
- Create and/or maintain quality and accessible jobs for low-income residents.
- Provide goods and services to low-income community residents.
- Projects that are part of a larger, comprehensive neighborhood or revitalization plan
- Projects that are anticipated to catalyze additional private investment in the area
- Projects that demonstrate a need for NMLP financing
  - What benefit does NMLP financing bring to this project's success (examples: community benefits, need to fill budget gap, inability to obtain conventional financing, inadequate other funding sources available in a timely manner)?

FOCUSING ON RURAL AREAS

WBCDC is a Rural CDE

To be a Rural CDE, an organization must:

- Have a track record of at least 3 years of direct financing experience
- Have dedicated at least 50% of its direct financing activities in the last 5 years to Non-Metropolitan Counties
- Commit that at least 50% of QLICIs will be directed to Non-Metropolitan Counties.



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Disqualifications

Projects not located in a NMTC eligible census tract (severely distressed area)

Businesses that perform the following services:

- Massage Parlor
- Hot Tub Facility
- Suntan Facility
- Country Club
- Racetrack or other facility used for gambling
- Sale of alcoholic beverages for off-site consumption
- Development or holding of intangibles for sale
- Private or commercial golf course
- Farming, in certain instances

Other Disqualifers of note:

- Government entities as borrowers
- Most instances of refinance
- Unidentifiable community impact
- 100% residential projects

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Features of the NMLP

- Loan rate of 50% below market (fixed for 7 years)
- No loan origination fees

Other Optional Features:

- Interest-only for construction financing up to 24 months
- Higher than standard Loan to Value
- Non-traditional forms of collateral
- Lower than standard Debt Service Coverage Ratio
- Extended amortization periods –
  - 7 years for non-real estate loans
  - 25 years for real estate loans

In expansion efforts and the low market rate, lack of origination fees and flexible credit terms can assist in allowing the companies to grow faster and on a larger scale, while in revitalization efforts, these same features can allow for financing companies that may struggle in obtaining conventional financing.

(loans remain subject to credit approval)

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Project/Company Description: The borrower is a preschool that accepts children ages 1-5 with a mission to work with families on early childhood development, as well as provide a quality preschool education to increase the number of kindergarten-ready children in their low to moderate neighborhood. In outgrowing their facility, the borrow needed to purchase a new location to allow them to accept over 75 children to their program, creating 20 jobs.

Loan Amount:	**$199,800**
Total Project:	**$224,000**
Job Creation:	**20**
Job Retention:	**0**
Living Wage Jobs:	**65%**
Accessible Jobs:	**45%**

Purpose of Loan: Property acquisition and renovation

Need for NMLP Financing: The borrower would not qualify for this loan conventionally due to financing 90% of the purchase price. The borrower also needs the low 7 year fixed rate, no origination costs in order to pursue this project.

Community Impact:
This project increased capacity of current preschool children from 20 to 100, increasing child readiness for kindergarten in a highly distressed area.

Living Wage is defined as the Living Wage for 2 Adults and 1 Child based on the MIT Living Wage Calculator for the County in which the Project is located (http://livingwage.mit.edu/).
Low Income Accessible Job means a job that is available to individuals who possess a high school diploma or equivalent education.

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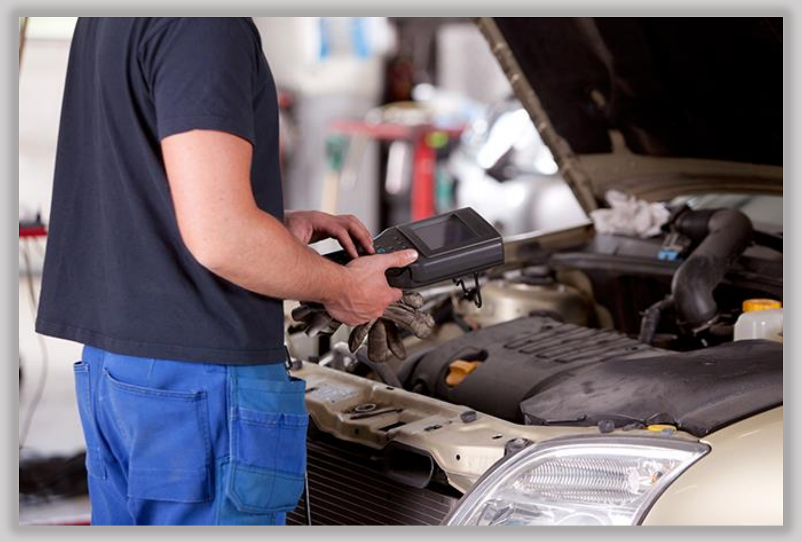
Project/Company Description: The owner has operated the borrowing entity for 15 years in several different facilities, most notably the purchase and renovation to a new facility from residential to commercial use. Financing was used for construction of a retail facility to provide auto service center along with operations of a towing business

Loan Amount:	**$1,742,000**
Total Project:	**$2,117,000**
Job Creation:	**71**
Job Retention:	**20**
Living Wage Jobs:	**92%**
Accessible Jobs:	**92%**

Purpose of Loan: Construction of new facility

Need for NMLP Financing: Financing would have proved difficult without the NMLP and the client would have needed to sell a location. It would not be able to cash flow its current facility while doing construction on the new location. Without the NMLP, combined cash flow exceeded bank standards.

Community Impact:
This project created a significant number of quality and accessible jobs.



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Loan Amount:	**$1,079,500**
Total Project:	**$1,285,311**
Job Creation:	**58**
Job Retention:	**32**
Living Wage Jobs:	**100%**
Accessible Jobs:	**36%**

Community Impact:

The borrower provides outpatient alcoholism, drug addiction, mental health and interment services. They currently provide care for approximately 150 patients a week with some of these patients receiving care for more than twelve months. The new facility will allow them to contact approximately 250 patients per week and 13,000 patients annually. This will allow a positive impact on the drug and opioid crisis in the community.

Project/Company Description: The borrower was remodeling a facility to fit the needs of a new lessee, an outpatient facility whose mission is to support and assist individuals who are experiencing distress in their lives and assist people to recover from substance abuse disorders. The borrower provided a need for the lessee, who will in turn provide a positive impact and service to our community

Purpose of Loan: Property renovation

Need for NMLP Financing: The lower cost financing provided by the NMLP program allows the borrower to provide a reduced lease payment to the proposed tenant; therefore, providing them the ability to greatly expand their program to help curb the opioid epidemic in this area.

<u>Living Wage</u> is defined as the Living Wage for 2 Adults and 1 Child based on the MIT Living Wage Calculator for the County in which the Project is located (http://livingwage.mit.edu/).

<u>Low Income Accessible Job</u> means a job that is available to individuals who possess a high school diploma or equivalent education.

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Loan Amount:	**$8,000,000**
Total Project:	**$8,000,000**
Job Creation:	**0**
Job Retention:	**750**
Living Wage Jobs:	**91%**
Accessible Jobs:	**49%**

Community Impact: The market served has a slightly declining population of approximately 135 thousand. It is also the second poorest county in the state of Pennsylvania. In addition, the Hospital represents the largest nongovernmental employer in the area making it a vital part of the community both from a health and an economic perspective.

Project/Company Description: A large healthcare system was seeking financing for an Electronic Medical Record System installations at a recently acquired community hospital. As part of this acquisition, the community hospital needed to switch electronic medical record systems to the standard platform used across the healthcare system in order to improve patient care across the span of health care services throughout the state of West Virginia and now Pennsylvania.

Purpose of Loan: Purchase and installation of medical record system software

Need for NMLP Financing: The Hospital became operationally and financially distressed in recent years as a result of a failed relationship with another large healthcare system along with the realities of operating an independent, rural hospital in the current healthcare industry. The new relationship will stabilize and enhance the availability of healthcare services in the community and promote the services not otherwise available locally.

<u>Living Wage</u> is defined as the Living Wage for 2 Adults and 1 Child based on the MIT Living Wage Calculator for the County in which the Project is located (http://livingwage.mit.edu/).
<u>Low Income Accessible Job</u> means a job that is available to individuals who possess a high school diploma or equivalent education.

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Loan Amount RE:	**$247,500**
Loan Amount OE:	**$350,000**
Total Project:	**$800,000**
Job Creation:	**9**
Job Retention:	**0**
Living Wage Jobs:	**100%**
Accessible Jobs:	**67%**

Community Impact: 50% of the target population was being underserved by the single competitor in the county. The borrower anticipates providing 12,345 commercial goods and services and 950 community services (in the form of immunizations and medication therapy management) to the distressed community.

Project/Company Description: The borrower is a start up pharmacy offering a variety of pharmacy services including customary prescription provisioning, individual consultations with in-house pharmacist(s), and private counseling for disease state management in a private consultation room. In addition, the borrower provides immunizations, comprehensive medication reviews, and top-notch personal care for patients.

Purpose of Loan: Real estate loan for construction of building. Operating entity loan for start-up expenses.

Need for NMLP Financing: The increased LTV limits on real estate loans as well as the low fixed interest rate allowed the pharmacy to focus on hiring the staff needed to serve the community and generate sufficient cash flow to support the repayment of debt, as well as support the ongoing operations. Keeping the startup cost low also allowed the borrower to focus on business development.

<u>Living Wage</u> is defined as the Living Wage for 2 Adults and 1 Child based on the MIT Living Wage Calculator for the County in which the Project is located (http://livingwage.mit.edu/).
<u>Low Income Accessible Job</u> means a job that is available to individuals who possess a high school diploma or equivalent education.

Contact Information

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Qualified Opportunity Zones and Qualified Opportunity Funds

January 26, 2022, Columbus, Ohio

Graham Allison, CEO, Opportunity Zone Development Group

OPPORTUNITY ZONE DEVELOPMENT GROUP

Agenda

I. Overview of Qualified Opportunity Zones (OZ), Qualified Opportunity Funds(QOF) and Qualified Opportunity Zone Businesses (QOZB)

II. Insights and Rules of the Road

Investors

Developers and Property Owners

III. Current OZDG & Cargominiums Opportunity Fund Projects

The Cargominium

V. Questions

OZ Overview

Tax Cuts and Jobs Act of 2017 established new Internal Revenue Code Section 1400Z - Opportunity Zones.

This new tax code section provides a special tax incentive for the **treatment of capital gains** recognized by a taxpayer that **invests through Qualified Opportunity Funds** (QOF) **in areas designated as Opportunity Zones**.

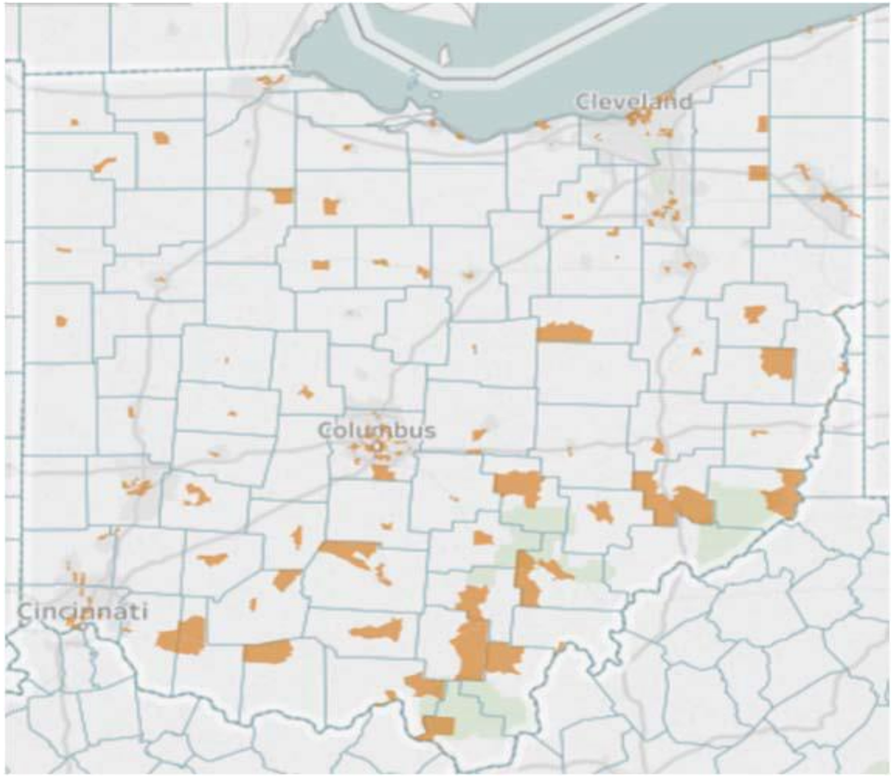
Why?

Opportunity Zones seek to encourage economic growth and investment in designated distressed communities by providing Federal income tax benefits to taxpayers who invest in business located within these zones.

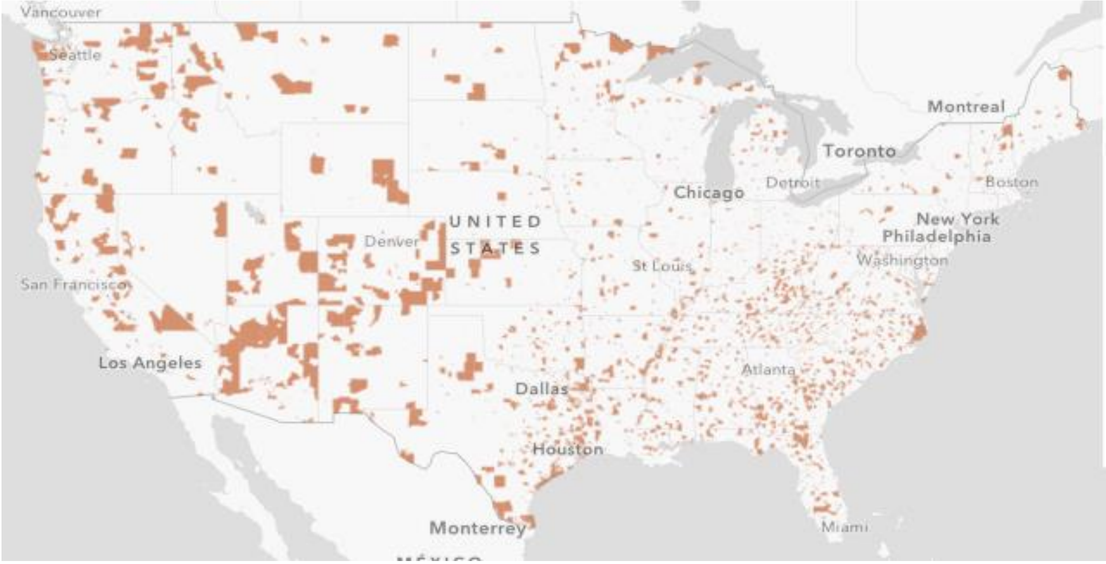
- Low-income census tracts that have been specifically designated by the state and federal government.
- Nationwide, 8,700 census tracts have been qualified as QOZs.
- 320 census tracts are located in Ohio

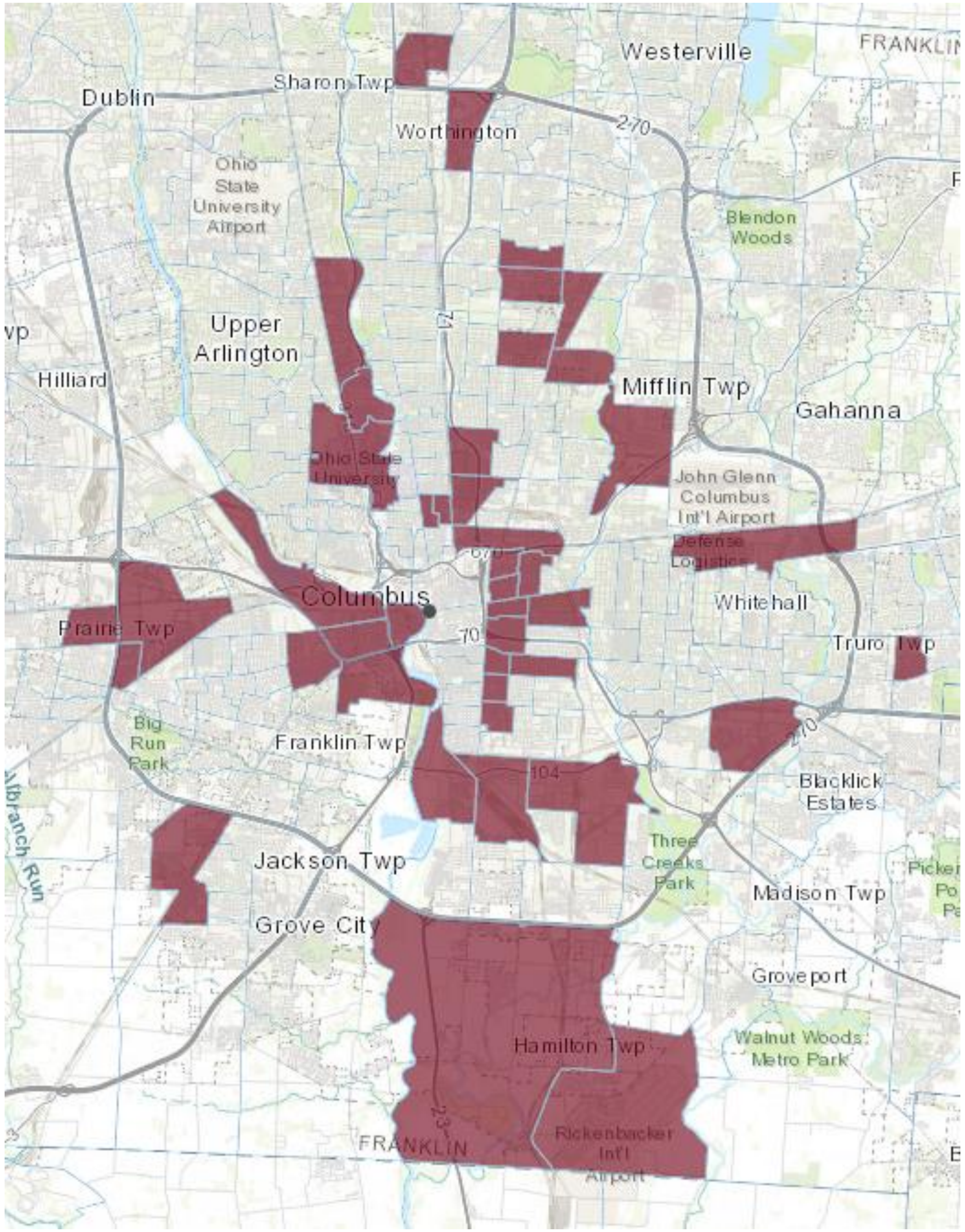
Where are they located?

Ohio Development Services Agency
(https://development.ohio.gov)



Economic Innovation Group
(https://eig.org/opportunityzones)





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What can be invested?

- Capital Gains ONLY
- Any taxpayer that ***recognizes capital gains*** for Federal income tax purposes
  - individuals, C Corps, RICs, REITS, partnerships, S Corps, trusts, and estates
- Capital gain must be recognizable before ***January 1, 2027*** unless deferred through an Opportunity Zone investment
- Capital gain ***cannot*** arise from related party transaction
  - Section 267(b) & 707(b)(1) apply but with 20% threshold
  - If common ownership of 20% or greater then related.
  - Includes unrecaptured Section 1250 gain (held for investment)
  - Includes Section 1231 gain (used in a trade or business)

The Big Picture

- Impose time limitations (must reinvest in QOF within 180 days of sale)
- Substantially all $ of a QOF (90% or more) must be invested in QOZ
- Original use of the property in the QOZ must commence with the QOF investment, or the QOF must substantially improve the property over 30 months after investment

How are capital gains invested?

- Taxpayer must invest capital gains into a **Qualified Opportunity Fund** (QOF) within **180 days** from the date that the gain would be realized for Federal income tax purposes
- A QOF is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in a QOZ.
- Start date is often the date of the asset's sale or exchange
- An investment in a QOF must be an equity interest and cannot

be a debt instrument under 1275(a)(1)

- May be preferred equity or have a special allocation of cash
- An equity interest is not impaired if used as collateral for a loan (5:1)
- *Taxpayer may have a non-gain investment in the QOF but will*

not obtain the tax benefits on the non-gain investment

Qualified Opportunity Fund (QOF)

Any **investment vehicle** organized as a **corporation** or a **partnership** in 50 states, D.C. or U.S. Possession

- May be an LLC if taxed as a corporation or partnership
- No related party test for the investment
- May be a newly created or a pre-existing entity
- Organized for the **purpose of investing in Qualified Opportunity Zone Property**

(other than another QOF) (QOZP) – No Funder of Funds

- U.S. Possession QOF must be organized for the purpose of investing in QOZP that relates to

a trade or business operated in U.S. possession in which it is organized.

- Entity **self-certifies** as a QOF by filing Form 8996
- Requires organizing documents to state that QOF's purpose of investing *by end of QOF's*

First year

- **Must hold at least 90% of its assets in QOZP**

Qualified Opportunity Fund

Step 1: Sell an appreciated asset

Step 2: Reinvest gain realized from the sale into a QOF

Step 3: The QOF, in turn, must invest that gain into "<u>qualified</u> opportunity zone property".

What are the benefits of Opportunity Zones?

DEFER and ELIMINATE

Benefit No. 1: DEFER: Temporary Deferral

A taxpayer can defer taxes owed on capital gains realized upon sale of existing property until the earlier of:

(a) December 31, 2026, or

(b) the date when the taxpayer disposes of the new QOZ investment.

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Investor Benefits

- **Benefit No. 2: ELIMINATE**: Permanent exclusion on QOZ investments held longer than 10 years:
  - Taxpayer still pays tax on original capital gains less any partial step-up in basis
  - After recognition of the original gains, the basis equals the Fair Market Value
  - Results in a “step up’ in basis attributable to the appreciation of the original investment
  - Requires a special election upon sale prior to **December 31, 2047**
  - **Depreciation is not recaptured if assets are held 10 years.**

How does the State of Ohio support OZs?

10% Ohio OZ Tax Credit!

- Successful applicants receive a certificate for a non-refundable income tax credit equal to 10% of the amount invested into Ohio opportunity zone property.
- Investments of eligible gains and ordinary after-tax cash qualify for the credit.
- The Ohio OZ tax credit is capped at $2 million per taxpayer, and up to $50 million for all taxpayers, during the 2021-2022 biennium period.
- The tax credit certificate may be used for up to 5 years, or transferred in whole on a one-time basis, meaning they can be sold for an immediate cash return on investment.
- The application period is in January of each year and the tax credits are awarded on a first-come, first-served basis.

Identifying Risks

- How do Opportunity Zone projects compare with conventional projects?

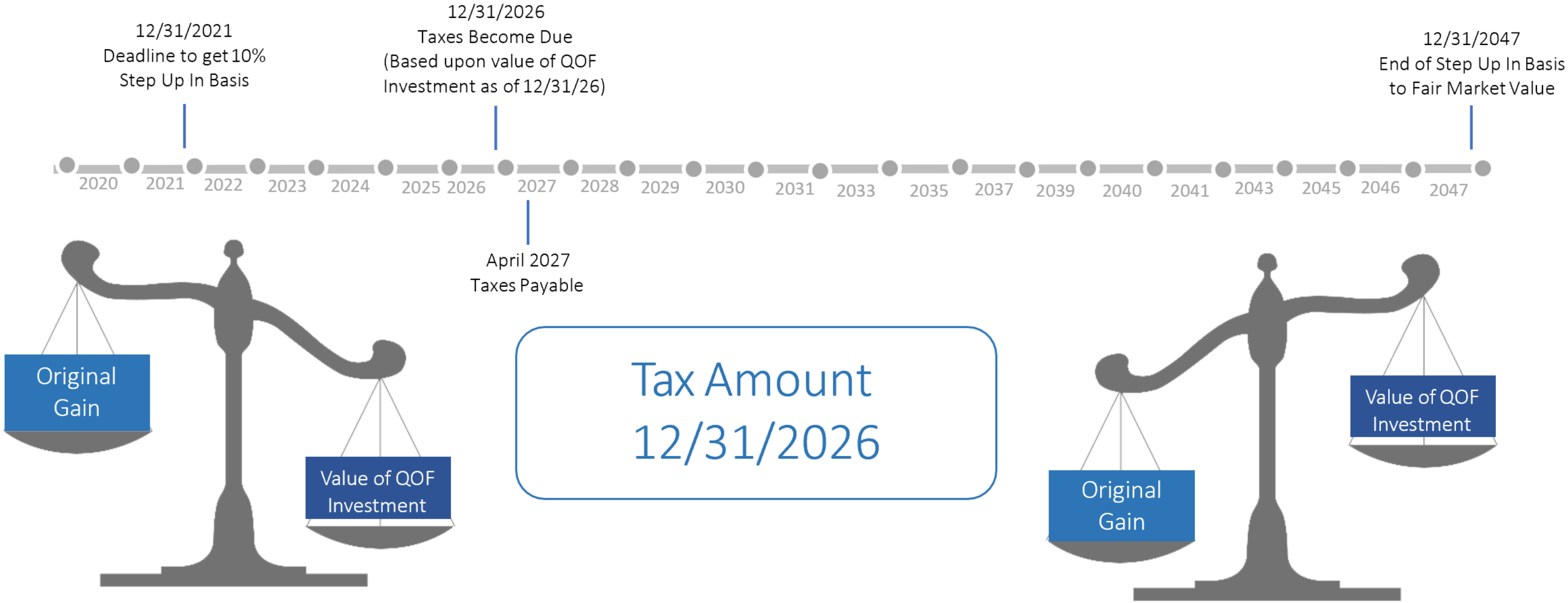
The below sensitivity table demonstrates the after-tax net value of a $1,000,000 re-investment of capital gains in a traditional investment as compared to the re-investment of the same capital gains into an Opportunity Fund.

QOF Sensitivity Analysis

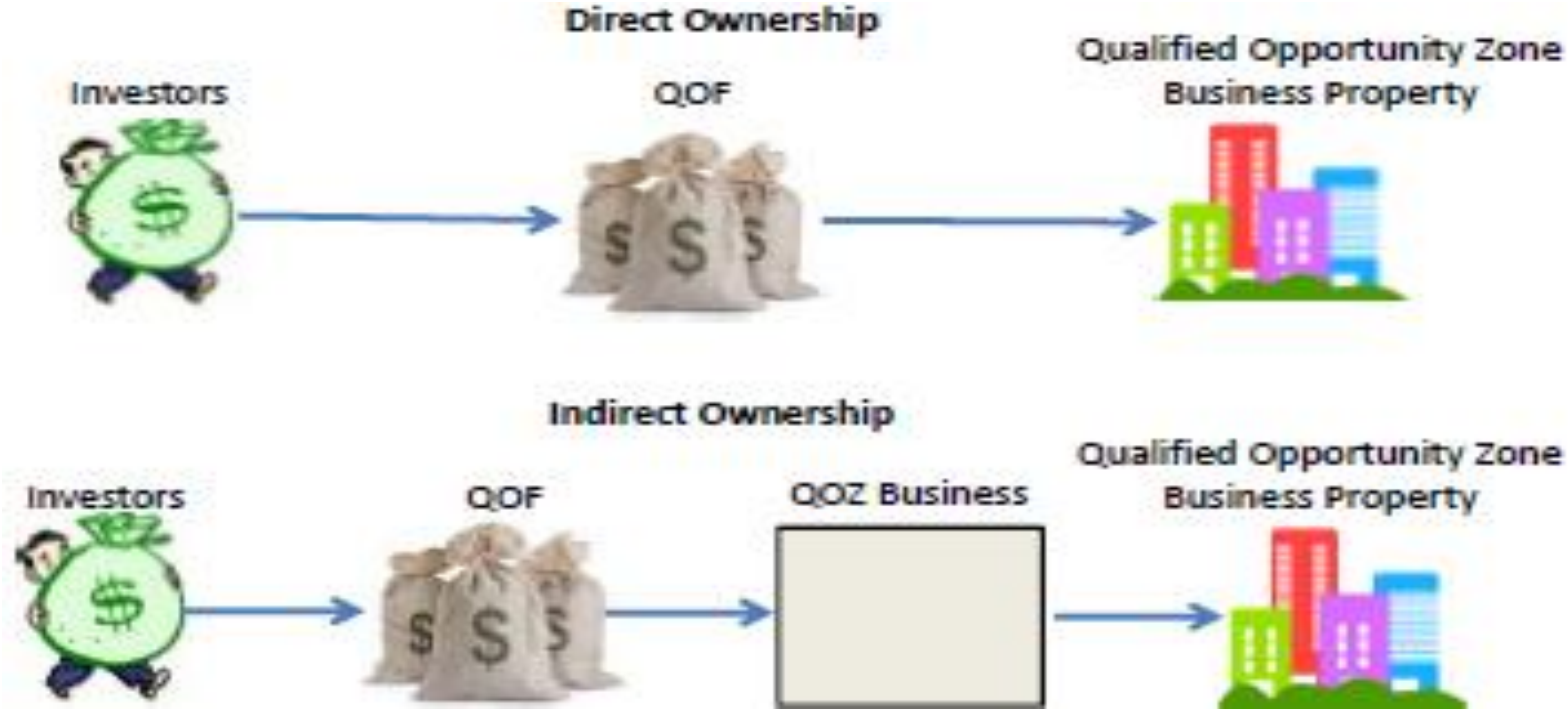
ANNUAL INVESTMENT APPRECIATION	TRADITIONAL INVESTMENT	QOZ INVESTMENT	ADDITIONAL GAIN
4%	$1,040,851	$1,277,944	$237,093
6%	$1,221,201	$1,588,548	$367,347
8%	$1,434,923	$1,956,625	$521,702
10%	$1,687,397	$2,391,442	$704,045
12%	$1,984,748	$2,903,548	$918,800
14%	$2,333,932	$3,504,921	$1,170,990
16%	$2,742,829	$4,209,135	$1,466,306
18%	$3,220,351	$5,031,536	$1,811,184
20%	$3,776,551	$5,989,436	$2,212,886

Note: The amounts shown are not net of fees and carry in either the traditional investment or the QOZ investment. This is to illustrate the tax benefits of QOZ investments prior to any fee structures.

Taxes Due on 12/31/2026 (payable in April 2027)



Types of QOF Investments



QOZB – Qualified Opportunity Zone Business Property

Tangible property ***used in a trade or business*** of the QOF (direct) or QOZB (indirect)

- Acquired **by purchase after December 31, 2017** from an **unrelated party** (20% standard)
- *Either* its **Original Use** of such property in the Opportunity Zone commences with the QOF (direct) or QOZB (indirect); or
- QOF (direct) or QOZB (indirect) must "**substantially improve**" the property
- During *substantially all* of the QOF (direct) or QOZB (indirect) holding period of such property *substantially all* of the use of such property was in a qualified opportunity zone

Original Use Requirement

Original Use of Land

- Rev. Rul. 2018-29: Provides guidance that the Original Use Requirement is not applicable to the land on which a building is located and being substantially improved
- Land must still meet the other requirements (used in a trade or business, purchased after 12/31/2017)

- Original use can be obtained until the point that the asset is “put in service”. “Put in Service” is a safe harbor based on facts and circumstance.
    - Active depreciation has not been taken by the previous owner.
    - Cannot have rented it.
    - Not yet received their certificate of occupancy
- What does this mean? You can buy a shopping center or development before it is complete.
- *Note: Abandoned Buildings include anything that was abandoned a year prior to 2017 or 3 years prior to year purchased.*

Substantially Improved Requirement

Tangible property is ***substantially improved*** if, during *any 30-month period* **after** acquisition, additions to the basis of the property exceed an amount equal to the adjusted basis of the property at the beginning of the period.

- Substantial improvement to a building located on land wholly within the QOZ is measured by the additions to the adjusted basis of the building.
- Land on which an existing building is located does not also have to be substantially improved.
- Working Capital Safe Harbor for QOZBs (*indirect only*) allows tangible property not to fail during the expenditure period merely because planned expenditures are not yet made.
- QOZB may need sufficient designated working capital on hand to meet QOZBP test.

Qualified Opportunity Zone Stock or Partnership Interest

Can be any stock in a domestic corporation or any capital or profits interest in a domestic partnership (special rules for a U.S. Possession)

• Must be acquired by QOF from the entity at its original issue for cash **after**

December 31, 2017

• No related party test

• Solely in exchange for cash

• The entity must be a "**Qualified Opportunity Zone Business**" ***at the time of investment*** (or was being organized for the purpose of being a Qualified Opportunity Zone Business)

• ***Must continue to*** be a Qualified Opportunity Zone Business during "**substantially all**" of the QOF's holding period (>90%)

Qualified Opportunity Zone Businesses – Five Tests (All of the following)

- A ***trade or business*** in which ***substantially all*** of the ***tangible property owned or leased*** by the taxpayer is **qualified opportunity zone business property** (QOZBP)

1. *"Substantially all"* is *satisfied if* ***at least 70%*** *of the tangible property owned or leased from an unrelated party is QOZBP*

- **Working Capital Safe Harbor (31 months)**
- Statutory QOZBP Safe Harbor
- Additional business operation requirements

2. 5% Limit on "Nonqualified Financial Property" (cash and securities)

3. 50% "Active" Trade or Business Gross Income Test - *Triple Net (NNN) Leasing traditionally not considered active*

4. Use of "Substantial Portion" of the Intangible Assets in the "Active" Portion of the Trade or Business Test – Goodwill

5. "Sin" Business Prohibition (Casinos, Racetracks, Massage Parlors, etc.)

QOZB’s – What about operating businesses?

- Gross Income Test (**Any** of the following)
- At least 50% of total compensation in the business must be paid to employees and independent contractors working in the OZ
- Total hours worked by employees of the QOZB within the OZ must be al least 50% of the hours worked
- Tangible property and management “homeruns” to the OZ (regularly use the OZ office in the course of carrying out their duties, and managed directly and substantially on a day-to-day basis)
- Substantial “Facts and Circumstances” show that 50% of the gross income comes from an OZ

Qualified Opportunity Zone Business Safe Harbor

Working Capital Safe Harbor

Working capital assets must be:

- ***Designate in writing*** the amounts to be held for acquisition, construction, or substantial improvement of property;
- With a ***written schedule*** consistent with the ordinary start-up of a trade or business for the working capital assets to be used within 31 months of receipt of the assets;
- ***Actually used*** the working capital assets substantially consistent with the written designation and written schedule; and
- 70% QOZBP Test: Tangible property being substantially improved ***must be expected*** to satisfy the requirements of QOZBP ***as a result of the planned expenditures*** of those working capital assets.

Statutory Safe Harbor

Tangible property that ceases to be QOZBP shall continue to be treated as QOZBP for

- the lesser of (i) 5 years after the date on which shall it ceases to be QOZBP or

(ii) the date on which it is no longer held by the business

QOZBP Direct Method

Advantages:

- Up to 10% of assets may be held in cash without qualifying as reasonable working capital
- Rev. Rul. 2018-29 applies to QOF's redevelopment of an industrial site for "residential rental property"
- No Additional Operational Tests:
- No "Active" Trade or Business Test
- No 5% Nonqualified Financial Property Test
- Must purchase QOZBP from an unrelated party
- Must carefully structure QOF, its election and property purchases

QOZBP Indirect (Stock) Method

Advantages:

- Only a 70% tangible asset threshold (a 63% total threshold)

= 30 “Bad Asset” bucket is possible

- 5-year Statutory Safe Harbor for QZOBP classifications
- 31-Month Working Capital Safe Harbor
- Additional timing and structuring flexibility

Notes:

- Allows QOZB stock or purchase from a related entity
- Requires additional structuring for operational requirements

Identifying Risks

- What are the risks?
- All the same risks remain, plus Opportunity Zone compliance risk, for developers and fund managers and investors.
- What if you cannot find a project?
- If you do find a project, how do you know it is a good investment?

Identifying Risks

- Not all Opportunity Zones are created equal. How does Whitehall or Linden level the playing field with Franklinton?
- For developers, would you rather be a pioneer, or a settler?
- Think about your community…

…Are some areas receiving more investment than others now? Would those zones receive more rapid natural and forced appreciation and how would that affect a 10-year waterfall exit and overall tax revenues for the City and County?

How does each community mobilize its staff, investors, developers and other stakeholders?

Identifying Risks

- For economic developers, don't go it alone!
- Public-private partnership (P3) is still essential to mitigate real estate risk, and several tools are available:
  - Expediting permits, abatements, exemptions, tax credits (HTC & NMTC) and financing programs, cost segs., etc.
  - OZ are the catalyst. Developer and communities must still find good projects and good economic developers must also perform their due diligence.
  - *Our philosophy is to find solid to great deals and let the benefits of the Opportunity Zone go to work for our investors. Can cross-pollinate!*

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Takeaways and the Future

Get. Professional. Advice.

Tax – Legal – Wealth - Estate

Takeaways and the Future

- 2022 should be another big year!

- OZDG – What do we see out there?

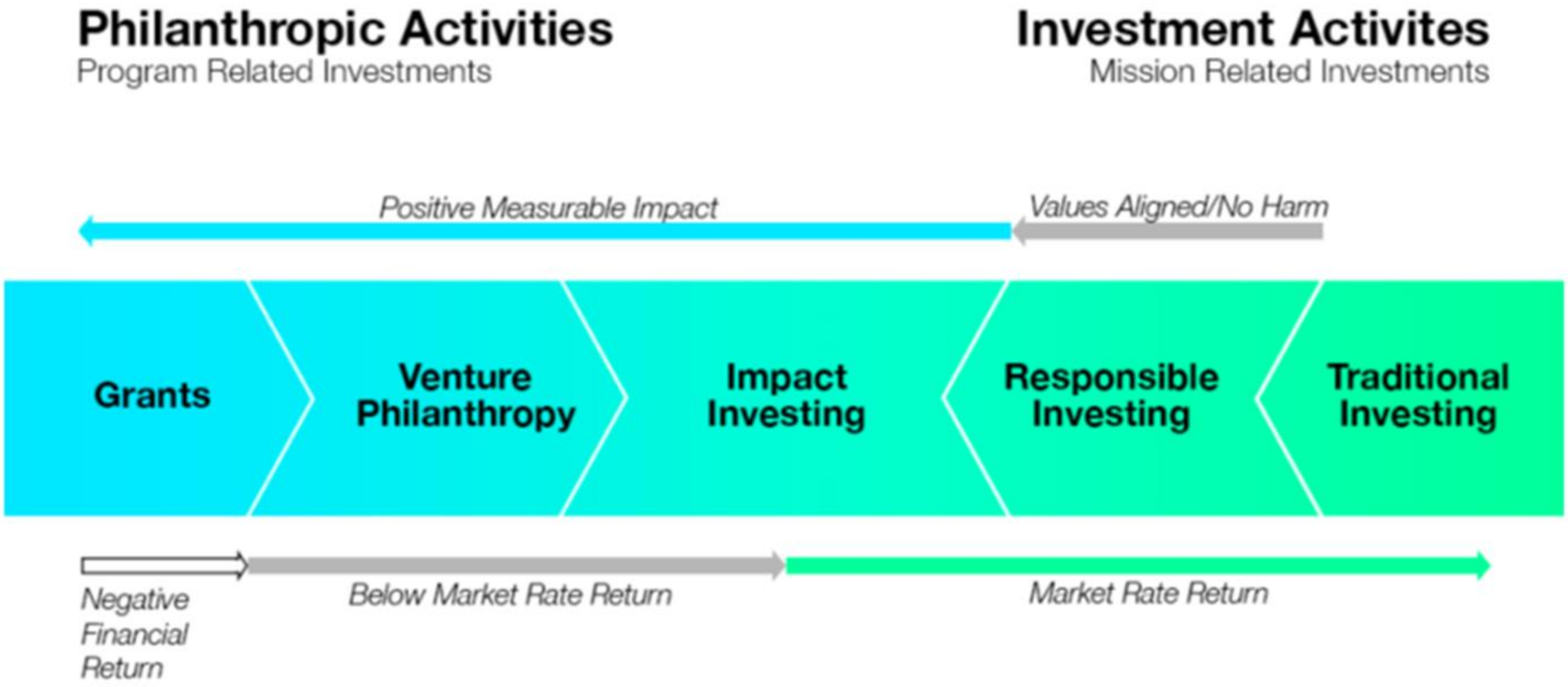
- Bi-partisan support – Expect additional reporting on social and economic impact

Takeaways and the Future

- How would it feel to invest in your community?
  - A different mindset…10 years is a long time.
- All things being equal, an OZ deal beats a Non-OZ deal
- NISRE- Social impact. Great returns.

Impact Investing

Creating positive and social and environmental change



EXECUTIVE SUMMARY

$3.00M Total Raise

$1M Annual Rent for 15 years

17.7% Target IRR without OZ benefits

24.43% Target IRR pre-tax equivalent with OZ benefits

Vision

Provide an affordable and sustainable housing solution for a non-profit to reintegrate based on a State government contract + a 24.43% target IRR pre-tax equivalent for community impact investors.

Investment Overview

- **QOZ Property:** Formerly called Cargominiums, The Phoenix Community is an Affordable, Sustainable Community Residential Center
- **Total Raise:** $3.00M capital gains raised from multiple states
- **Type:** 10-year, opportunistic closed-end investment
- **Investment Structure:**
  - Taxpayer-investors invest in Cargominiums Opportunity Fund, LLC
  - Qualified Opportunity Fund-investors invest in Cargominium Partners, LLC
- **Investor Type:** Accredited, subject to verification
- **Opportunity Zone Tax Incentives:**
  - Temporary deferral
  - 15% deferred tax reduction
  - 100% tax-free exit
  - 10% State of Ohio OZ Tax Credit (not included in IRR)
- **Investment Strategy:** Capitalize a qualified opportunity zone business to acquire title to, complete development of, and lease a 50-bed residence to a faith-based non-profit partner under a 15-year lease at a fixed-rent.
- **Investor Exit:** Cross-purchase or redemption by sole tenant after 10-year investment period.

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ECONOMIC INNOVATION GROUP

Opportunity Zone Investment Profile

The Phoenix Community

Location: **Columbus, OH**

Congressional District: **OH-3**

Opportunity Fund Name: **Cargominiums Opportunity Fund, LLC.**

Opportunity Fund Manager: **Opportunity Zone Development Group**

Investment Date: **Q4 2019**

Project Details: **Mixed-use building with reentry housing and support services**

Opportunity Fund Partners with Non-profit, Jumpstarts Stalled Project for Formerly Incarcerated Men

For 13 years, the faith-based nonprofit organization, Nothing Into Something Real Estate, Inc (NISRE), envisioned piloting an innovative solution to address Columbus's growing shortage of affordable homes. In 2016, the development of an affordable housing community commenced on a lot owned by the non-profit, but then stopped shortly thereafter due to third-party circumstances. The project remained stalled until 2019, when the Opportunity Zone Development Group (OZDG) partnered with NISRE to breathe new life into the project and reposition it as a mixed-use building called "The Phoenix Community" which will provide affordable housing and support services to residents transitioning from incarceration.

People who have been incarcerated are up to 13 times more likely to experience homelessness compared to the general public, and pre-pandemic, the unemployment rate among formerly incarcerated individuals was 27 percent. Housing insecurity and unemployment are among multiple contributing factors that lead to the nation's high recidivism rate. By providing affordable homes and support services at The Phoenix Community, OZDG and NISRE are helping to break the cycle of incarceration for individuals transitioning back into communities.

The Phoenix Community is a 50-bed residence with new office space for NISRE on the first floor. The non-profit has a contract with the State of Ohio to operate restorative, supportive housing programs such as this and will lease the property for 15 years at a predetermined rate. Once OZDG exits the investment in year-10, NISRE has first right of refusal to purchase the property so it may remain a beacon of hope in the community.

Projected Impact

Jobs created for restored citizens:	20
Full-time non-profit jobs supported:	40
New office space for non-profit organization:	1,500 square feet
Beds for formerly incarcerated individuals:	50
Formerly incarcerated individuals served annually:	70-100

Community Stats

	Census Tract: 23	MSA: Columbus, OH
Median Family Income:	$33,162	$81,325
Poverty Rate:	14.3%	13.2%
Adults Not Working:	36.7%	14.8%
Minority Population:	82.7%	27.2%
Bachelor's Degree or Higher:	10.9%	36.7%
Housing Vacancy:	30.4%	7.2%

"This social impact project simply would not have closed but for OZDG's innovative approach to Opportunity Zones."

– Andrew Doup, Kegler Brown Hill + Ritter


GRADALL


Ohio OZ
Partners,
LLC 2022
COFFEE
COFFEE

Takeaways and the Future

- A unique opportunity…

…Let's make the most of it!

Are there any questions?

OPPORTUNITY ZONE DEVELOPMENT GROUP

OPPORTUNITY ZONE DEVELOPMENT GROUP

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Helping People, Changing Lives

Ohio Conference of Community Development

Business Meeting

January 26, 2022

Statewide Association of Community and Economic Development Organizations

OCCD BUSINESS MEETING

- Call to Order
- Committee Reports
  - Membership
  - Sessions & Training – Terri Fetherolf
  - State Programs – Nikki Reese
  - Legislative
  - Finance – Terri Fetherolf

OCCD BUSINESS MEETING

- Opportunity for Engagement
  - Strategic Plan Committee/Subcommittees
  - OCCD Standing Committees
    - Membership
    - Sessions & Training Programs
    - State Programs
    - Legislative
    - Finance

If you are interested in participating in one of the committees, please contact Patricia Richards at office@occd.org

OCCD BUSINESS MEETING

- OCCD Foundation
  - Tawana Jones
- Adjournment

Thank you for attending the OCCD Winter Quarterly Meeting.

You will receive an email invitation for Day 2 later this afternoon.