

## OVERVIEW OF OPPORTUNITY ZONES AND WASHINGTON'S DESIGNATION PROCESS.

The federal tax bill passed in December 2017 allows Governors to designate a portion of eligible census tracts as Opportunity Zones. Investments made by individuals through special funds in these zones may defer or eliminate federal taxes on capital gains. Each state's governor can designate up to 25 percent of census tracts that either have poverty rates above 20 percent or median family incomes of no more than 80 percent of statewide or metropolitan area family income, or meet other specified criteria.

Washington state has a total of 555 eligible census tracts; therefore, a total of 139 tracts (25%) may be designated as Opportunity Zones.

Governor Inslee directed the Washington State Department of Commerce (Commerce) to develop a procedure for nominating tracts. Commerce consulted with a diverse group of stakeholders, and as a result, set the following goals:

- Transparent process
- Create a process that helps strengthen communities
- Create ability for tribes to directly access some portion of the available census tracts
- Create ability for each county, in conjunction with the applicable associate development organization (ADO) to access some portion of the available census tracts
- Create a competitive portion of tracts that will be awarded to the areas that most likely result in new investment and job creation.

To accomplish these goals, Commerce is requesting that cities, towns, counties, tribes, associate development organizations, port districts and housing authorities nominate tracts through one or more of the following three options:

County/ADO Set-Aside: up to 69 tracts total	Each county, through the applicable ADO, may nominate a certain number of eligible census tracts within the county for designation. The number of tracts per county is allocated based on the total number of eligible tracts in the county, and is shown in Appendix A. Counties will receive a minimum of one and a maximum of five tracts through this formula. If fewer than 69 tracts are nominated, any remaining tracts will be added to competitive process.
Federally recognized Tribe Set-Aside: Up to 29 tracts total	Each of the state's federally recognized tribes may nominate one eligible census tract for designation. The tract may, but need not, include lands owned or controlled by the nominating tribe. If fewer than 29 tracts are nominated, any remaining tracts will be added to the competitive process.
Competitive Process: 31 or more tracts (total will depend on the number of set-aside tracts that are returned to the competitive pool)	Eligible entities (cities, towns, counties, tribes, ADOs, housing authorities, and port districts) may submit applications to nominate tracts for designation based on criteria specified below.

	Each application may nominate as many as three tracts, and entities may submit more than one application. A review team will score each application, and the top-scoring areas will be nominated for designation.
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In addition, a “reserve” of 10 tracts will be held back for the purposes of being assigned to key areas that are of strategic competitive need for the state, in the event those tracts are not selected through the first three nomination processes. If it is determined that there is no need to use the reserve, then these tracts will be released back into the competitive pool, and the next most highly ranked tracts from that process will be selected.

## IDENTIFYING ELIGIBLE TRACTS WITHIN YOUR COMMUNITY

The U.S. Department of the Treasury (Treasury) has published an Information Resource with a list of eligible census tracts, available here (<https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx>). Prior to proceeding further, entities wishing to nominate tracts should consult the Treasury list to confirm that each tract is eligible for nomination. All census tracts designated as eligible using this tool are eligible for designation as an Opportunity Zone.

As detailed at the link above, a tract may be eligible for designation as an Opportunity Zone because it meets specified criteria as a low-income community (LIC). In addition, certain additional tracts are eligible for designation if they are contiguous with a qualifying tract that is also being designated. Washington may include up to seven of these “contiguous tracts” in the total of 139 “LIC tracts” to be designated. If Commerce receives nomination requests for more than seven contiguous tracts, priority will be given to tracts nominated through the set-aside or state reserve processes, then based on the ranking of competitive applications.

The list of tracts linked to above is based on the 2011–2015 American Census Survey 5-Year data. Treasury has guaranteed that LIC or contiguous tracts identified as eligible on that list will be accepted for designation. In addition, guidance from Treasury and the IRS allows LIC tracts to qualify for designation using the recently released 2012–2016 American Census Survey (ACS) 5-Year data. That guidance is available here (<https://www.irs.gov/pub/irs-drop/rp-18-16.pdf>).

Commerce will accept nominations for LIC tracts not shown as eligible on the Treasury list as long as supporting information based on these guidelines and using the 2012-2016 data is included with the nomination. However, given the uncertainty surrounding designation of these tracts, Commerce strongly encourages entities to nominate only tracts shown on the Treasury list.

## APPLICATION GUIDELINES

## 1. FEDERALLY RECOGNIZED TRIBE SET-ASIDE

Each of the 29 federally-recognized tribes in Washington state may nominate one eligible LIC tract for designation. The tract may, but need not, include lands owned or controlled by the nominating tribe.

Nominations in this category must include the following information:

- The name and contact information of the person submitting the nomination
- The 11-digit number of the LIC census tract being nominated, which can be found on the Treasury's list.
- An official letter of support. The letter of support should identify the census tract proposed for nomination.
- If the tract being nominated is not included on the Treasury's list, please include an attachment demonstrating how the LIC tract meets the required guidelines based on 2012-16 ACS data as discussed above. (Commerce strongly encourages entities to nominate only LIC tracts shown on the Treasury list, as there is no guarantee that other tracts will be accepted.)

NOTE: A LIC tract nominated through this set-aside must qualify for designation on its own, rather than qualifying due to being contiguous to a qualifying tract. Tribes wishing to nominate a group of tracts that include such contiguous tracts may do so through the competitive process.

## 2. COUNTY/ADO SET-ASIDE

Each county, through the applicable ADO, may nominate a certain number of eligible census tracts within the county for designation. The number of tracts per county is based on the total number of eligible tracts in the county, as follows:

Number of eligible tracts in the county	County/ADO set-aside
1-9 tracts	1
10-19 tracts	2
20-29 tracts	3
30-39 tracts	4
40+ tracts	5

A complete list of all counties with associated ADOs, and number of eligible and set-aside tracts, is provided in Appendix A.

Nominations in this category must be submitted by the applicable ADO, and must include the following information:

- The name and contact information of the person/ADO submitting the nomination
- The 11-digit number(s) of the census tract(s) being nominated, which can be found on the Treasury's list.

- An official letter of support from the county’s legislative authority, chief executive officer, or chief economic development officer. The letter of support should identify the census tracts proposed for nomination
- If any of the tracts being nominated are not included on the Treasury’s list, an attachment demonstrating how the LIC tract meets the required guidelines based on 2012-16 ACS data as discussed above. (Commerce strongly encourages entities to nominate only LIC tracts shown on the Treasury list, as there is no guarantee that other tracts will be accepted.)

NOTE: Counties that are able to nominate more than one tract through this set-aside *may* include tracts that qualify due to being contiguous to a qualifying LIC tract, so long as that qualifying LIC tract is also included in the nomination. Counties that may only nominate one tract through this category must nominate an LIC tract (rather than a contiguous tract), but may submit additional applications for groups of tracts that include such contiguous tracts through the competitive process.

### 3. COMPETITIVE PROCESS

Eligible entities (cities, towns, counties, tribes, ADOs, housing authorities, and port districts) may submit applications to nominate tracts for designation based on criteria specified below. Each application may nominate as many as three tracts, and entities may submit more than one application. Tracts contained within each individual application should be similar enough that responses to the questions below speak to the whole area being nominated.

Nominations in this category must be submitted by a lead applicant that is an eligible entity, and must include the following information:

- The name and contact information of the person/ADO submitting the nomination
- The 11-digit number(s) of the census tract(s) being nominated, which can be found on the Treasury’s list. Each application may include up to three census tracts.
- An official letter of support from the lead applicant’s legislative authority, chief executive officer, or chief economic development officer. Each letter of support should identify the census tracts proposed for nomination
- Official letters of support from any partner organizations. Each letter of support should identify the census tracts proposed for nomination.
- If any of the tracts being nominated are not included on the Treasury’s list, please include an attachment demonstrating how the LIC tract meets the required guidelines based on 2012-16 ACS data as discussed above. (Commerce strongly encourages entities to nominate only LIC or contiguous tracts shown on the Treasury list, as there is no guarantee that other tracts will be accepted.)
- Narrative responses to the following five prompts, subject to the word limitations noted:
  - Overview. Please provide an overview of the area, including a brief description of current or planned land use, available workforce, infrastructure advantages, and any significant public or private investments that have occurred in the past few years. Describe the availability of developable sites, proximity to roads, rail, or ports, and any other significant features of the area. Note any other special designations the area has (i.e., if the area includes a Promise Zone, Community Empowerment Zone, Innovation

- Partnership Zone, etc.), and if applicable, describe how the area fits into your community's economic development strategy or comprehensive plan. (500 words)
- Investment opportunity. Please explain how designation as an Opportunity Zone will help attract new private investment to the area over the next three to five years, including how your organization and any partners anticipate promoting investment opportunities in the area. If specific projects are in the pipeline, including but not limited to new housing, industrial facilities, or commercial development, please discuss those projects and describe any other sources of funding that are anticipated to be leveraged in addition to investments from Opportunity Funds. (250 words)
  - Economic impact. Please describe recent changes in economic activity such as business openings or closings within the area, and the anticipated economic impact that will result from private investment in this area. Be as specific as possible about anticipated impacts, such as employment or wage growth, new or expanded businesses, etc. (250 words)
  - Social equity. Please describe how designating this area as an Opportunity Zone will or will not improve social equity, i.e. the fair, just, and equitable distribution of resources. In particular, please describe how designation will promote development of affordable housing, or services or employment opportunities for traditionally underserved or marginalized populations. (250 words)
  - Partnerships. Please describe any partnerships you have formed with other organizations that are in support of this application, such as other units of state, local, or tribal government; private- or non-profit organizations; or other community groups. Please particularly note any partnerships with organizations that may be likely to form Opportunity Funds to invest in the area, including community banks and CDFIs. (250 words)

**IMPORTANT:** The word limits shown above are strict. Additional words beyond the limits will not be passed on to reviewers.

- Scoring: The available score for each proposal is 100 points, with the following points per question:
  - Overview: 25 points
  - Investment opportunity: 20 points
  - Economic need and impact: 20 points
  - Social equity: 25 points
  - Partnerships: 10 points

## HOW TO APPLY

Complete applications, including all required letters of support or other attachments, must be submitted no later than 5 p.m., Monday, March 26, 2018.

Please submit the application form as a Word document (rather than .PDF). Attachments may be submitted in any common file format.

Commerce encourages you to submit your applications early. We will review applications as they are received, and will contact you if any information is missing or incomplete to the extent time and staff resources permit.

Applications, including all attachments, should be submitted by email to [opportunityzones@commerce.wa.gov](mailto:opportunityzones@commerce.wa.gov).

Please email questions about this application to [opportunityzones@commerce.wa.gov](mailto:opportunityzones@commerce.wa.gov). For urgent matters, you may call Jaime Rossman at (360) 725-2717. More information is available at <http://www.commerce.wa.gov/growing-the-economy/opportunity-zones/>.

NOTE: Information submitted after the 5 p.m., Monday, March 26, 2018 deadline will be excluded from consideration, except under extraordinary circumstances at Commerce's sole discretion.

DISCLAIMERS:

1. The Governor and/or the Washington State Department of Commerce on behalf of the Governor reserves the right to accept or reject any proposals and to contact sponsors of proposals to ask for more information or to request a modification. The Governor has ultimate discretion when nominating census tracts, regardless of whether the tract or tracts were sponsored by a specific proposal through this process.
2. Commerce is subject to the Public Records Act. Consequently, any information submitted in support of an Opportunity Zone nomination may be disclosed upon request. Please do not submit confidential or proprietary information.

**APPENDIX A**

<b>County</b>	<b>ADO</b>	<b>Total number of eligible tracts</b>	<b>Number of tracts that may be nominated through the County/ADO Set-Aside*</b>
Adams	Adams County Development Council	4	1
Asotin	Southeast Washington Economic Development Association	4	1
Benton	Tri-City Development Council	15	2
Chelan	Port of Chelan County	5	1
Clallam	Clallam County Economic Development Council	10	2
Clark	Columbia River Economic Development Council	33	4
Columbia	Port of Columbia	1	1
Cowlitz	Cowlitz Economic Development Council	10	2
Douglas	Port of Douglas County	6	1
Ferry	Tri-County Economic Development District	3	1
Franklin	Tri-City Development Council	6	1
Garfield	Southeast Washington Economic Development Association	1	1
Grant	Grant County Economic Development Council	9	1
Grays Harbor	Greater Grays Harbor, Inc.	12	2
Island	Island County Economic Development Council	5	1
Jefferson	Economic Development Council of Jefferson County	3	1
King	Economic Development Council of Seattle and King County	100	5
Kitsap	Kitsap Economic Development Alliance	13	2
Kittitas	Kittitas County Chamber of Commerce	4	1
Klickitat	Klickitat County Public Economic Development Authority	2	1
Lewis	Lewis County Economic Development Council	14	2
Lincoln	Lincoln County Economic Development Council	2	1
Mason	Economic Development Council of Mason County	8	1
Okanogan	The Economic Alliance	8	1
Pacific	Pacific County Economic Development Council	7	1
Pend Oreille	Pend Oreille County Economic Development Council	5	1
Pierce	Economic Development Board for Tacoma-Pierce County	78	5

Skagit	Economic Development Alliance of Skagit County	12	2
Skamania	Skamania County Economic Development Council	3	1
Snohomish	Economic Alliance Snohomish County	41	5
Spokane	Greater Spokane Incorporated	52	5
Stevens	Tri-County Economic Development District	9	1
Thurston	Thurston County Economic Development Council	14	2
Wahkiakum	Wahkiakum Chamber of Commerce	1	1
Walla Walla	Port of Walla Walla	6	1
Whatcom	Port of Bellingham	10	2
Whitman	Southeast Washington Economic Development Association	7	1
Yakima	Yakima County Development Association	32	4
<b>Total</b>		<b>555</b>	<b>69</b>

Note: San Juan County does not include any census tracts that are eligible for designation.