



# County of Los Angeles CHIEF EXECUTIVE OFFICE

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SACHI A. HAMAI  
Chief Executive Officer

Board of Supervisors  
HILDA L. SOLIS  
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MARK RIDLEY-THOMAS  
Second District  
SHEILA KUEHL  
Third District  
JANICE HAHN  
Fourth District  
KATHRYN BARGER  
Fifth District

June 7, 2018

To: Supervisor Sheila Kuehl, Chair  
Supervisor Hilda L. Solis  
Supervisor Mark Ridley-Thomas  
Supervisor Janice Hahn  
Supervisor Kathryn Barger

From: Sachi A. Hamai  
Chief Executive Officer

## **OPPORTUNITY ZONES IN THE UNINCORPORATED COUNTY OF LOS ANGELES (ITEM NO. 7, AGENDA OF FEBRUARY 20, 2018)**

### **BACKGROUND**

On February 20, 2018, the Board of Supervisors (Board) adopted a motion (Motion) by Supervisors Ridley-Thomas and Barger directing the Chief Executive Officer (CEO), in consultation with the Community Development Commission (CDC), to work with the Governor's Office of Business and Economic Development to provide input into the process to recommend unincorporated County of Los Angeles (County) census tracts for Opportunity Zone designation by the Governor. Further, the Motion asked for the CEO to seek input from each Supervisorial District Office on the low-income census tracts to be submitted by the Office of the Governor to the United States Department of the Treasury (Treasury Department) for consideration and approval.

### **OPPORTUNITY ZONES PROGRAM**

The Opportunity Zones Program was established by the United States Congress in the *Tax Cuts and Jobs Act of 2017* (Act) to encourage long-term investments in low-income and rural communities. Opportunity Zones will offer favorable capital gains treatment for taxpayers who invest in designated low-income neighborhoods. Per the established eligibility criteria for the Opportunity Zones Program, census tracts eligible for designation are to have either: 1) a poverty rate of at least 20 percent, or 2) a median family income that does not exceed 80 percent of statewide median income. Congress empowered governors to nominate up to 25 percent of a State's eligible census tracts for Opportunity Zone designation within 90 days from the law's date of enactment.

## **OPPORTUNITY ZONES DESIGNATION PROCESS**

The CEO initially determined that there were 116 census tracts in the unincorporated areas of the County meeting threshold eligibility requirements for Opportunity Zone designation. Under the Act, the governors of each State were given until March 21, 2018, to make recommendations to the Treasury Department or request a one-time 30-day extension. The CEO worked with the Economic Development Policy Committee, as well as each Board office, to ensure that County Opportunity Zone designation recommendations would foster favorable investments in distressed communities consistent with the intent of the Program.

Initially, to narrow the total number of census tracts recommended for Opportunity Zone designation in the unincorporated areas, the CEO mapped: 1) Eligible census tracts that were zoned for mixed-use commercial development and prepared to accept Opportunity Fund investment to uplift the surrounding community; and 2) Eligible census tracts that were deemed most heavily disadvantaged, meaning they held the highest ranking on the California Environmental Agency's CalEnviroScreen 3.0 tool. Additionally, the CEO surveyed current and planned economic development projects, and met with each Board Office to add a third factor to further narrow the list of proposed Opportunity Zone recommendations; and 3) Eligible census tracts in unincorporated communities with planned future development. By adding this third factor, the recommendations were put into a real-world context instead of solely relying on data analytics.

On March 2, 2018, the CEO sent a letter to Governor Brown, requesting Opportunity Zone designation for 66 of the County's 116 eligible tracts, spanning all five Supervisorial Districts. The recommended census tracts faced environmental, health and socioeconomic disadvantages, and were determined to be best-suited to accept future Opportunity Fund investment. Shortly thereafter, the Governor put forth a preliminary set of recommended tracts using the following criteria: 1) Focus on poverty; 2) Areas with business activity; and 3) Geographic diversity. A two-week comment period followed, whereupon the CEO worked with Board offices and the State to further advocate for Opportunity Zone designation and refine the County's initial set of recommendations.

## **OPPORTUNITY ZONE CERTIFICATION**

Governor Brown submitted California's final set of 879 nominated eligible census tracts to the Treasury Department for certification on March 21, 2018. On April 9, 2018, the Treasury certified all 879 nominated tracts as Qualified Opportunity Zones under Internal Revenue Code (IRC) Section 1400Z-1(b)(1)(B). An interactive map of

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the designated Opportunity Zones in the unincorporated area of the County can be viewed in Google Chrome at <http://arcg.is/SnCTm>.

With respect to the County, the Treasury Department certified a total of 17 Opportunity Zones, or 15 percent of eligible census tracts, in unincorporated Los Angeles County. Of these 17 Opportunity Zones, three are located within the boundaries of the First Supervisorial District, and 14 within the boundaries of the Second Supervisorial District. There were no Opportunity Zones designated within the boundaries of the other three Supervisorial Districts in spite of the fact that the CEO's initial recommendation to the Governor was to include an equitable allocation across all eligible census tracts in the unincorporated areas of the County.

#### **NEXT STEPS**

The Internal Revenue Service is currently working on guidance for the Opportunity Zones Program under IRC Section 1400Z-2, including what is considered an eligible investment in Qualified Opportunity Zones. The Internal Revenue Service is accepting comments on forthcoming rules for program implementation. As such, the CEO intends to submit public comments on behalf of the County on or before June 30, 2018.

If you have any questions regarding this report, please contact Doug Baron of this Office at (213) 974-8355 or [dbaron@ceo.lacounty.gov](mailto:dbaron@ceo.lacounty.gov).

SAH:JJ:DSB  
CMT:acn

c: Executive Office, Board of Supervisors  
County Counsel  
Community Development Commission  
Economic Development Policy Committee