

Opportunity Zones 2.0

ECONOMIC DEVELOPMENT & WORKFORCE COMMITTEE

1

Opportunity Zones

➤ Council Priority Alignment

- Workforce & Business Development

➤ Purpose

- Provide overview of Opportunity Zones 2.0, discuss changes from the previous iteration, and request action from Committee to support staff recommendation

➤ Key Takeaways

- OZ 2.0 will become effective in Q1 2027
- Public (including municipalities) may submit recommendations to NC Department of Commerce by June 7, 2026
- Governors will make recommendations to US Department of the Treasury beginning July 2026

2

Opportunity Zones – Key Terms

◀ Opportunity Zone (OZ)

- Census tract certified by US Treasury to receive private investment through Opportunity Funds

◀ Qualified Opportunity Fund (QOF)

- Investment mechanism organized as a corporation or partnership for the purpose of investing in Opportunity Zone property

◀ Qualified Opportunity Zone Property/Business

- Qualified stock, partnership interest, or tangible business property located within an Opportunity Zone
- No “sin” businesses
 - *Golf courses, country club, massage parlor, tanning salon, race track/gambling, off premise alcohol sales*

Opportunity Zones - Overview

- **Federal tax incentive program created by the 2017 Tax Cuts and Jobs Act to encourage long-term private investments in low-income census tracts**
- **Tax incentive operates through Qualified Opportunity Funds (QOFs), which pool investor capital and deploy it into eligible investments/qualifying activities in OZs**
- **Qualifying activities: real estate development, multi-family housing, rehabilitation of vacant properties, local operating businesses, manufacturing, energy projects, mixed-use developments**
- **Common criticisms around designated Ozs, rural incentives, and reporting**
- **Significant investment in OZs across the US**

Opportunity Zones – Tax Incentives



1. Temporary deferral of capital gains taxes by reinvesting eligible gains into a Qualified Opportunity Fund



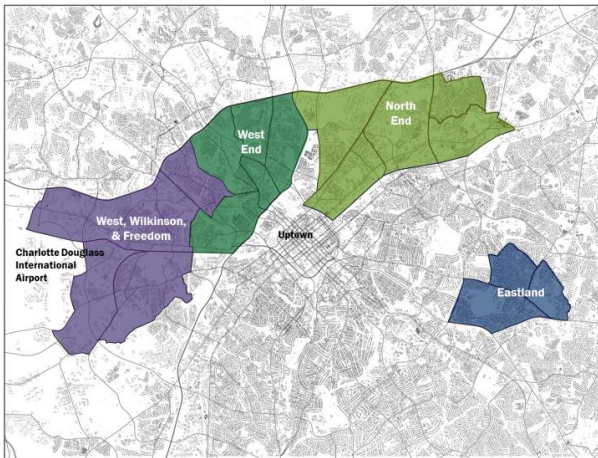
2. Reduction of deferred taxable gain through holding-period-based basis adjustments and enhanced incentives for certain qualifying investments



3. Exclusion of new capital gains generated from Opportunity Fund investments held for at least 10 years

Permanent Exclusion

Opportunity Zones – Existing Zones



Opportunity Zones 2.0

- Program was reauthorized in 2025 as a recurring component of the federal tax code, with Opportunity Zone designations updated every 10 years

Key Changes	Existing OZ Program	OZ 2.0
Program	One time Census tract designation 2018-2028	Permanent part of the tax code (Designations every 10 years)
Income eligibility	Median family income ≤ 80% of metro median	Median family income ≤ 70% of metro median
Contiguous tract rule	up to 5% allowed	exception removed
Rural incentive	10% basis step-up	Up to 30% basis step-up
# of Designated Tracts	8,764	~6,500
Reporting	Minimal	Enhanced transparency & reporting

OZ 2.0 Designation Timeline

- **May 2026:** NC Commerce opens Public Feedback for 30 days
- **July 1, 2026:** Governors' 90 day nomination window begins
- **Sep 29, 2026:** Governors submit the list of OZs to the Treasury
- **Jan 1, 2027:** OZ 2.0 new tract designations become active (2027-2036)
- **Dec 31, 2028:** OZ 1.0 map will formally sunset

NC Commerce Nomination Guidelines



Business Development and Job Creation

High growth, high-wage sectors such as advanced manufacturing, technology, life sciences, clean energy etc.



Strategic Local Revitalization

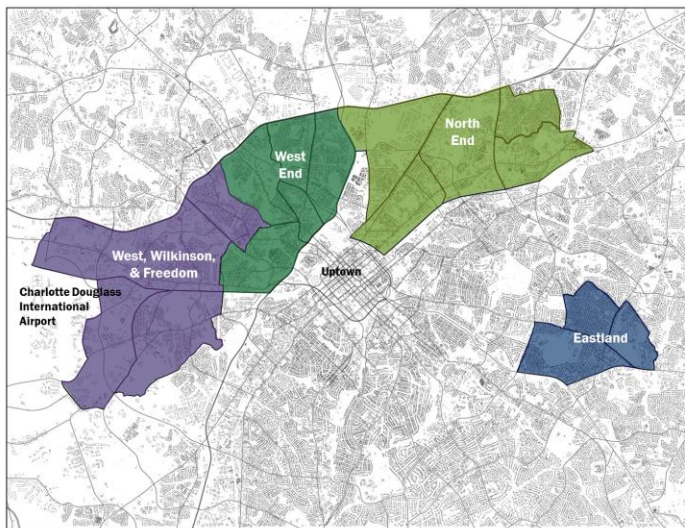
Local plans and/or recent investments for community revitalization, industrial site redevelopment, mixed-use projects, or other community driven initiatives



Pathways to Increased Housing Supply in High need areas

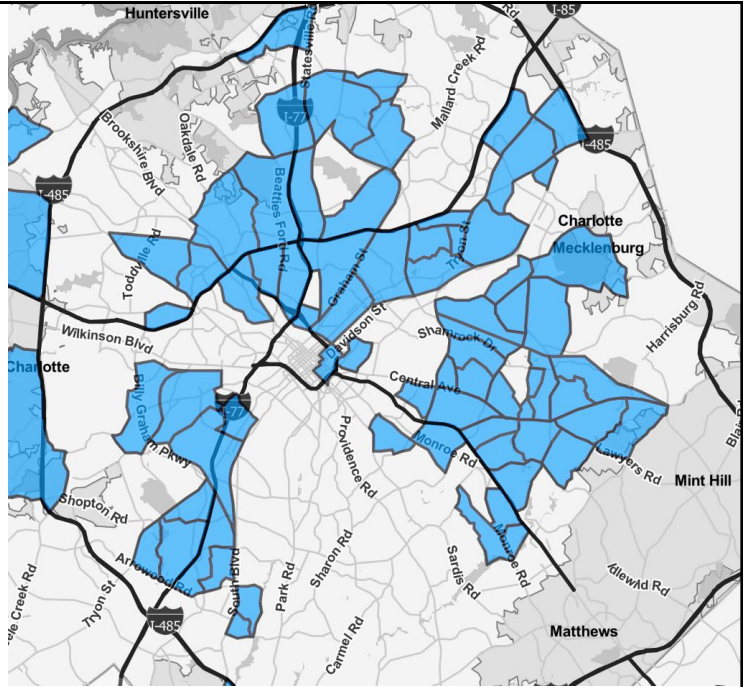
Major employment centers, transit corridors, recent public infrastructure investments, identified sites for significant housing development

Opportunity Zones – Existing Zones



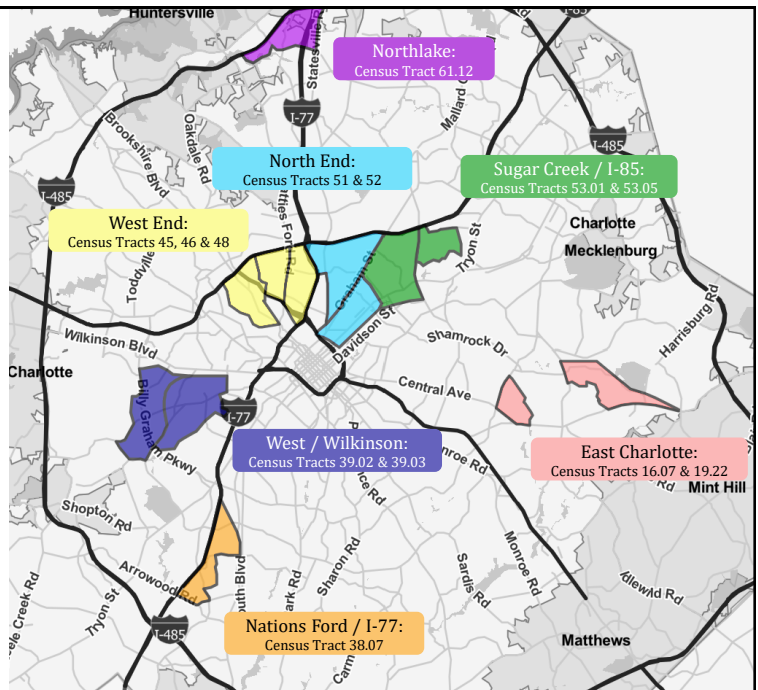
Eligible Census Tracts for OZ 2.0

- ◀ 74 Eligible Census Tracts in Mecklenburg County
- ◀ Not all existing OZs are eligible for 2.0



Recommended OZ 2.0 Zones

- ◀ Recommend nominating 13 Census Tracts as new Opportunity Zones
- ◀ Primarily commercial corridors
- ◀ Alignment with existing initiatives (SIA, Corridors of Opportunity, etc.)
- ◀ Potential to catalyze private investment



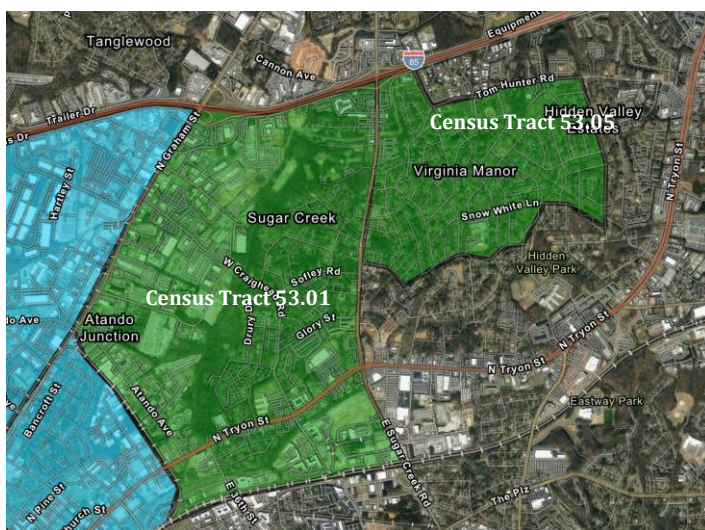
Northlake Mall

- ◀ 1 Census Tract
- ◀ Notable advantages:
 - Northlake Mall
 - SIA



Sugar Creek & I-85

- ◀ 2 Census Tracts
- ◀ Notable advantages:
 - Corridors of Opportunity
 - SIA

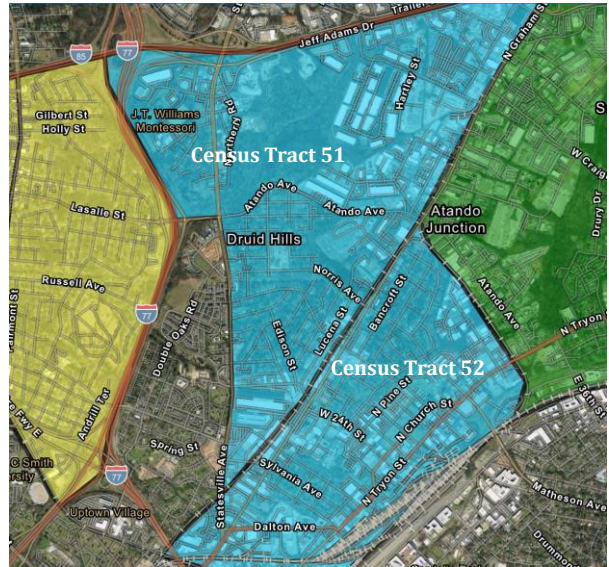


North End

◀ 2 Census Tracts

◀ Notable advantages:

- Corridors of Opportunity
- Camp North End
- Red Line
- SIA
- Brownfield redevelopment sites



West End

◀ 3 Census Tracts

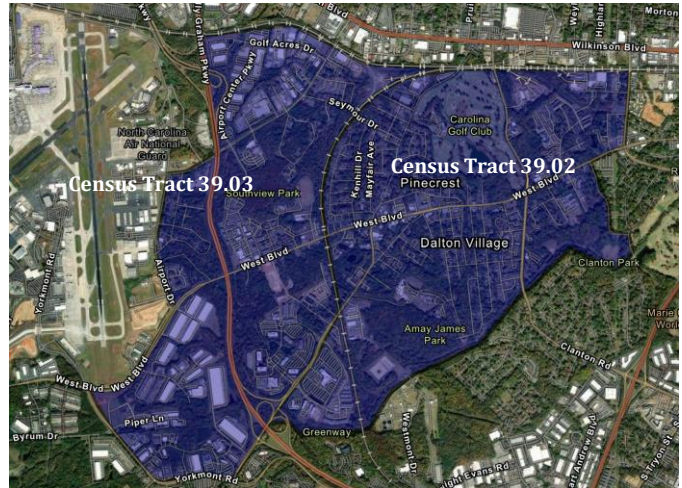
◀ Notable advantages:

- Corridors of Opportunity
- Gold Line
- SIA
- Main Street



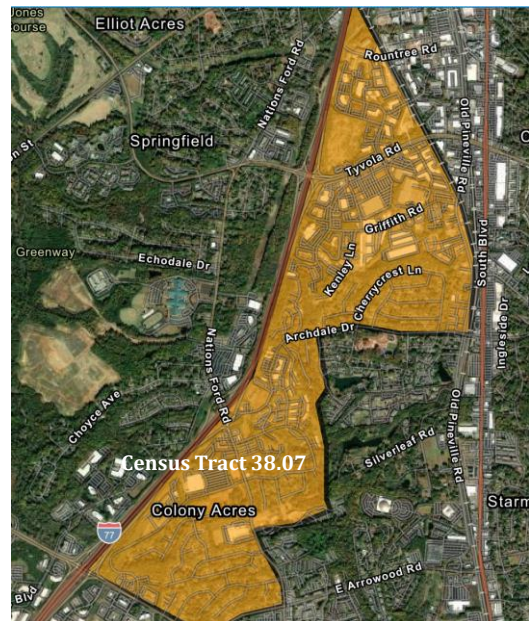
West & Wilkinson

- ◀ 2 Census Tracts
- ◀ Notable advantages:
 - Corridors of Opportunity
 - Airport area
 - Employment centers
 - SIA



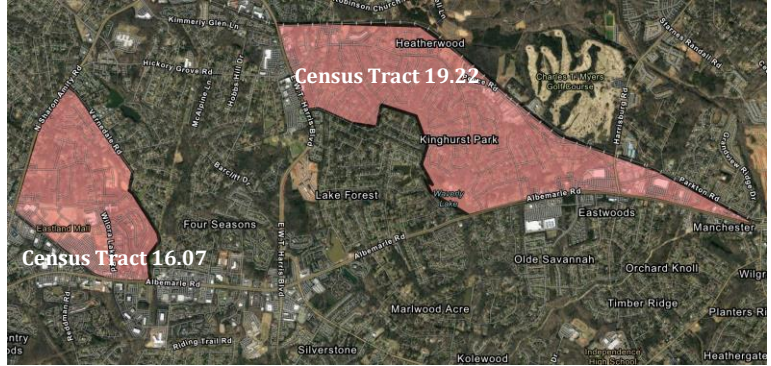
Nations Ford / I-77

- ◀ 1 Census Tract
- ◀ Notable advantages:
 - Arrowood SIA
 - Future TOD opportunities
 - Business Corridor Revitalization Area



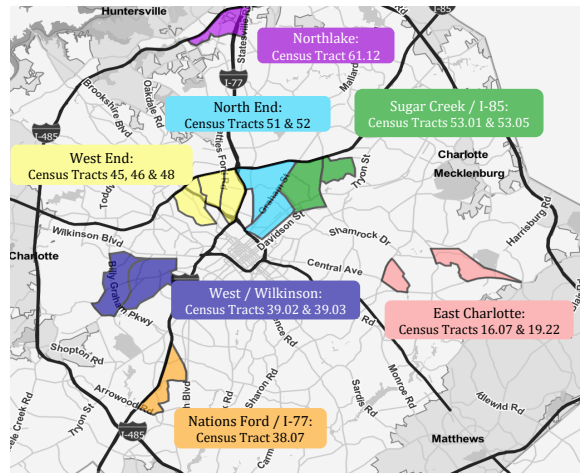
East Charlotte

- ◀ 2 Census Tracts
- ◀ Notable advantages:
 - Eastland Yards
 - Corridors of Opportunity
 - SIA
 - Commercial opportunities in “Far East”



Opportunity Zones - Recommendation

- ◀ Recommended Action:
 - Authorize staff to submit recommended eligible census tracts within the City of Charlotte to the North Carolina Department of Commerce for consideration under the federal Opportunity Zones 2.0 initiative and potential nomination by the State of North Carolina to the U.S. Department of the Treasury for designation as Qualified Opportunity Zones



Census Tract	Area	Council District	Census Tract	Area	Council District
61.12	Northlake	4	45	West End	2
53.01	Sugar Creek / I-85	1	39.02	West / Wilkinson	3
53.05	Sugar Creek / I-85	1	39.03	West / Wilkinson	3
52	North End	1	38.07	Nations Ford	3
51	North End	1	16.07	East Charlotte	5
48	West End	2	19.22	East Charlotte	5
46	West End	2			

Discussion