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San Leandro Opportunity Zone Dashboard Presentation

BACKGROUND

Staff recently completed an Opportunity Zone Dashboard (a central location for information) to better track, analyze and promote its Opportunity Zone. Tonight, staff presents the online Dashboard to the City Council and public. The Dashboard is on the City website at <https://dashboards.mysidewalk.com/sanleandro>.

The Opportunity Zone incentive is a new community investment tool established by Congress in the federal Tax Cuts and Jobs Act of 2017 to encourage long-term investments in low-income urban and rural communities nationwide. Opportunity Zones provide a tax incentive for investors to re-invest their unrealized capital gains into dedicated Opportunity Funds.

The City of San Leandro has one Opportunity Zone that geographically covers the area north of Springlake Drive, west of Bayfair Center, south of East 14th Street, and east of Washington Avenue. Investors can take advantage of the program in San Leandro by investing in eligible real estate and business development projects located within the designated Opportunity Zone.

In order to provide investors with the most current demographics and statistics about the City of San Leandro and the Opportunity Zone area, staff contracted with mySidewalk, a city intelligence tool company that helps communities use visualized data to describe and create an Opportunity Zone Dashboard that “tells the story” of the Zone. The mySidewalk dashboard platform includes:

- Access to U.S. Census and national datasets aggregated by the following categories: economy, education, elections, health & wellness, housing, population & demographics, transportation and environment;
- Local community data at the following geographic layers: state, county, zip code, neighborhood, census tract, and census block group;

- Comparison of key measures of competitiveness and inclusion with regional, state, national, and peers using mySidewalk's Data Library and apportionment tools;
- Highlighted city business attraction and retention efforts;
- Custom data and demographic reports to prospective employers and site selection consultants;
- Demonstration of how catalytic real estate projects result in tangible results for people and places; and
- Holistic location siting - housing, transportation, anti-displacement and access to quality jobs.

With this Opportunity Zone Dashboard, potential investors have a central location to access the information they need about the Opportunity Zone, as well as population, workforce, housing, economic and health statistics. San Leandro has identified two unique clusters, the Bay Fair Transit-Oriented Development (TOD) Plan Area and the San Leandro Business Center (100 Halcyon), each with their own unique and valuable markets, culture, assets and opportunities.

What are Opportunity Zones/Funds?

Opportunity Zones are a new tool for community development that provide tax incentives for investment in designated census tracts. Investments made by individuals through special Opportunity Funds in these zones are allowed to defer or eliminate federal taxes on capital gains.

A Qualified Opportunity Fund is an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in an Opportunity Zone and that utilizes the investor's gains from a prior investment for funding the Opportunity Fund. A Fund must hold at least 90% of its assets in qualifying property.

There are three tax advantages to investing in Opportunity Zones.

1. Temporary Deferral (Year 1)

A temporary deferral of inclusion in taxable income for capital gains reinvested into an Opportunity Fund. The deferred gain must be recognized on the earlier of the date on which the opportunity zone investment is disposed of or December 31, 2026.

Those who invest realized capital gains into a Qualified Opportunity Fund can defer paying capital gains tax for those earnings until April 2027 for investments held through December 31, 2026. Gains must be invested in a Qualified Opportunity Fund within 180 days in order to qualify for any tax treatment available under the Opportunity Fund program.

2. Step-Up in Basis (Year 5 or 7)

A step-up in basis for capital gains reinvested in an Opportunity Fund. The basis is increased by 10% if the investment in the Opportunity Fund is held by the tax payer for at least 5 years and by an additional 5% if held for at least 7 years, thereby excluding up to 15% of the original gain from taxation.

Those who hold their Opportunity Fund investments for at least five years prior to December 31, 2026, can reduce their liability on the deferred capital gain principal invested in the Opportunity Fund by 10%. If the investment is held for a minimum of seven years prior to December 31, 2026, the tax liability can be reduced by 15% total.

3. Permanent Exclusion (Year 10)

A permanent exclusion from taxable income of capital gains from the sale or exchange of an investment in an Opportunity Fund if the investment is held for at least 10 years. This exclusion only applies to gains accrued after an investment in an Opportunity Fund.

Those who hold their Opportunity Fund investment for at least 10 years can expect to pay no capital gains taxes on any appreciation in their Opportunity Fund investment. That's because Opportunity Fund gains earned from Opportunity Zone investments can qualify for permanent exclusion from the capital gains tax if the investment is held for at least 10 years.

Current Agency Policies

City Council Goals:

- Advance projects and programs promoting sustainable economic development, including transforming San Leandro into a center for innovation.
- Support and implement programs, activities and strengthen communication that enhances the quality of life and wellness, celebrates the arts and diversity and promotes civic pride.

Applicable General Plan Policies

Policy ED-1.1 Leveraging San Leandro's Assets. Build on San Leandro's strengths, including its central location, transportation infrastructure, affordability, industrial land supply, and business-friendly reputation to leverage economic growth and private investment in the city.

Policy ED-1.4 Emerging Industries. Promote and support the growth of new and emerging industries, especially industries requiring work space that is consistent with San Leandro's building stock and industries with the potential to provide quality jobs at all skill levels and wage levels for San Leandro residents.

Policy ED-1.9 Marketing and Branding. Promote positive media coverage, branding, and marketing campaigns that build civic pride and create a favorable image of San Leandro on a regional, national, and global scale.

Policy ED-4.1 Retail Diversity. Encourage a diverse range of commercial uses, offering goods and services that fully meet the needs of San Leandro residents and businesses. The City should recruit new businesses that: (a) fill gaps in the range of goods and services currently available; and (b) act as catalysts for attracting other retailers to the City.

Policy ED-4.6 Shopping Centers and Neighborhood Business Districts. Support and encourage the repositioning of San Leandro's shopping centers and neighborhood business districts to remain competitive and meet the changing needs of the community, including the provision of merchandise and services for an increasingly diverse population.

Policy ED-4.8 Bayfair Center. Support continued reinvestment in Bayfair Center, restoring the center's role as a regional destination while reinventing it to reflect modern retail trends and incorporate a more pedestrian-oriented, mixed use format.

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