

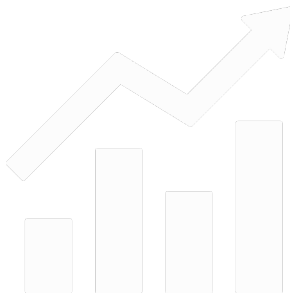
Opportunity Zones 2.0

Emerald Coast OZ



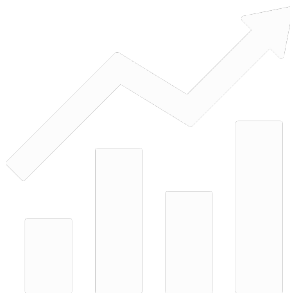
Opportunity Zones – A Federal Investor Program

- **Critical to understand it offers an incentive to people that want to avoid taxation on their capital gains**
- **Low Risk is key to investors**

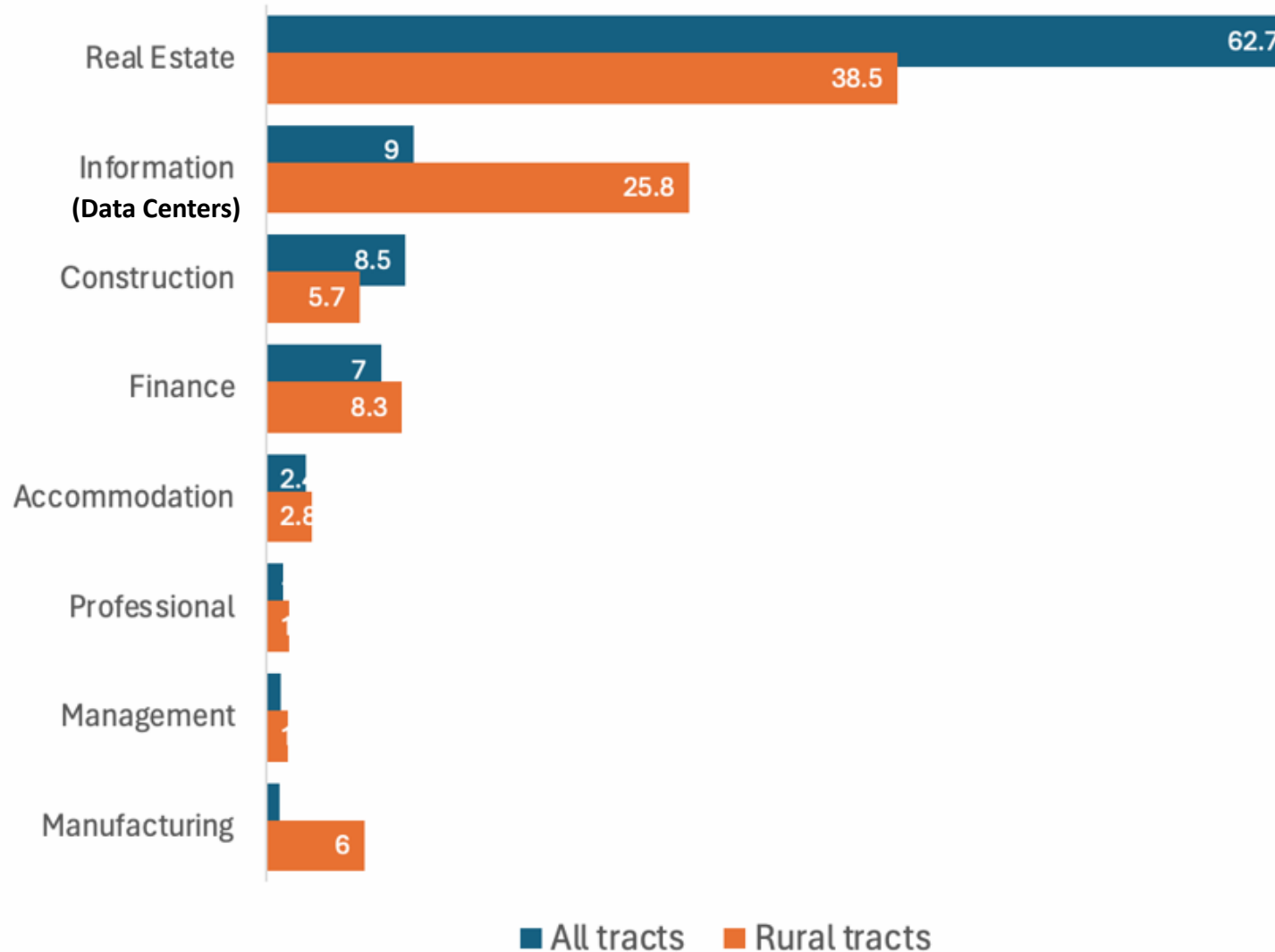


OZ 1.0 Investments & Lessons Learned

- 6 known Investments in Clallam County - The Wharf, Pacific Trailside, SGTM, Harbor Towne, Anian Shores, Eric Dupar
- Generally, OZ designations served as a “sweetner” - didn’t drive new projects
- Investors chose to put their money into Real Estate with long term leases, not businesses unless it was their own business; why – increased risk
- Investors would not accept risk associated with RE if they didn’t own the land (Port or Tribally owned land)
- Worked Best if this was one tool in concert with other federal, state and local incentives such as NMTC and MFTC
- Just Marketing Emerald Coast Opportunity Zone (ECOZ) was ineffective



In OZ 1.0 most investments in rural communities occurred in real estate or data centers



■ All tracts ■ Rural tracts

OZ Zone 2.0 Rural Tax Advantages



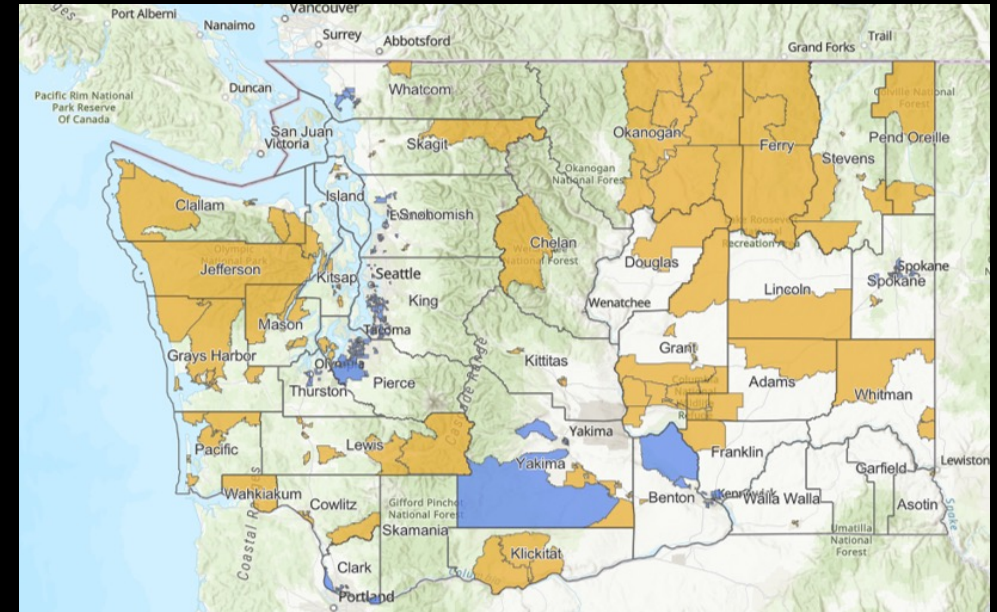
BENEFITS

Opportunity Zones encourage investment by providing a series of capital gains tax incentives for qualifying activities in designated areas:

- Deferral: Investors may defer taxes on capital gains that are reinvested in a QOF for up to five years.
- Basis step-up: After the five-year deferral, 30 percent for investments in rural-specific QOFs.
- Tax-free growth: Gains earned on investments in QOFs held for at least 10 years are permanently exempt from federal capital gains tax.

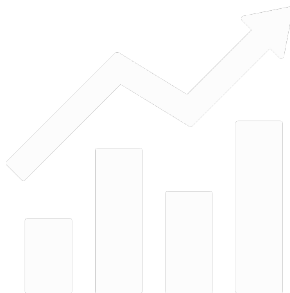
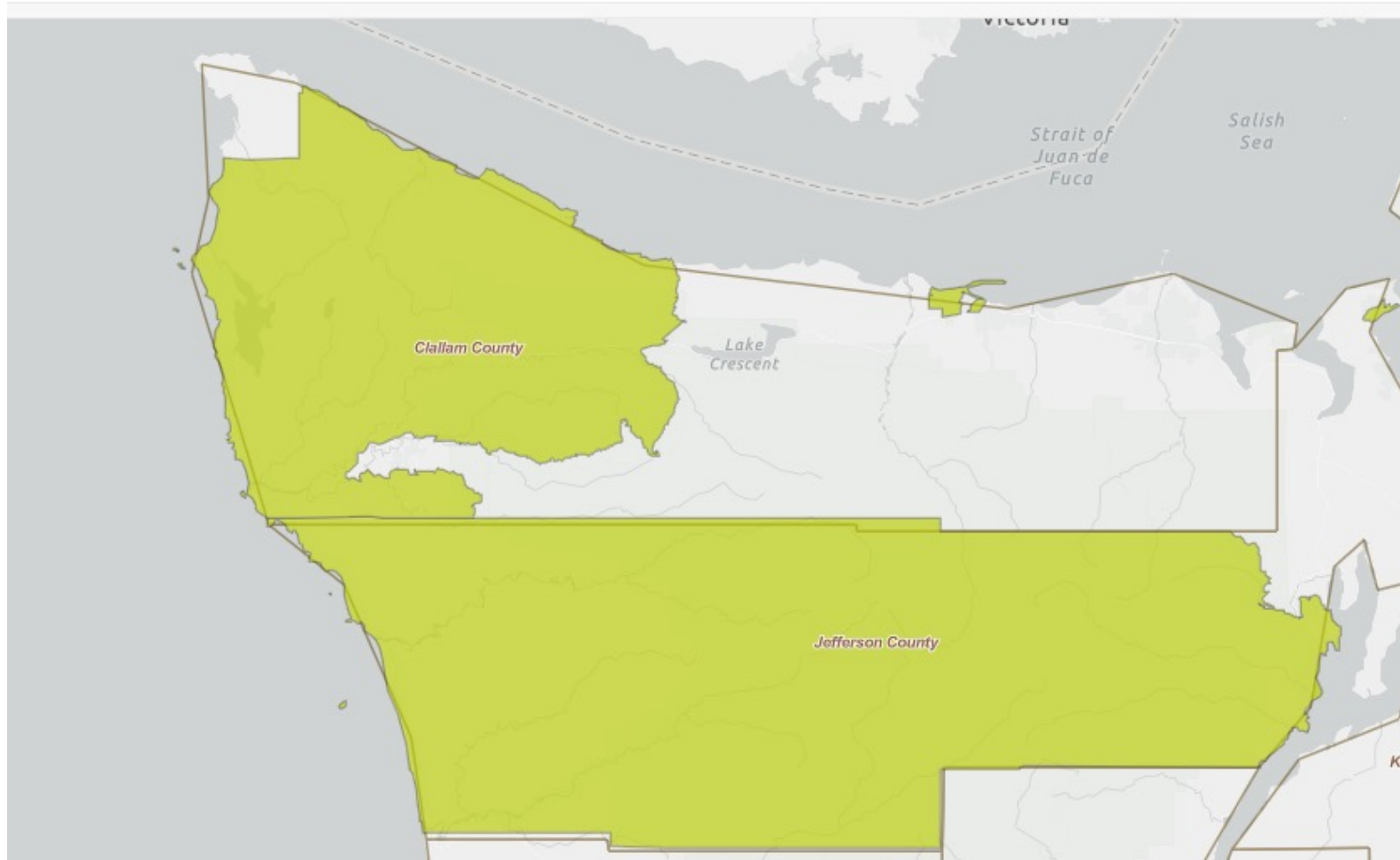
Timeline

- May 28: Application window closed
- October 8: Governor Ferguson selected 99 Opportunity Zones, including all five census tracts proposed through the Emerald Coast Opportunity Zone partnership
- January 1, 2027: New OZs made official

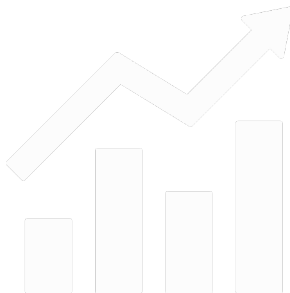


All Five Emerald Coast Opportunity Zone 2.0 Applications Selected

Opportunity Zone 2.0



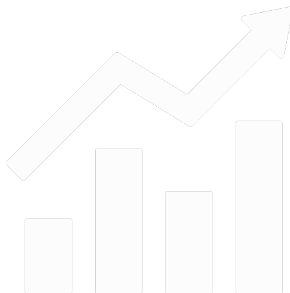
Clallam County Census Tracts



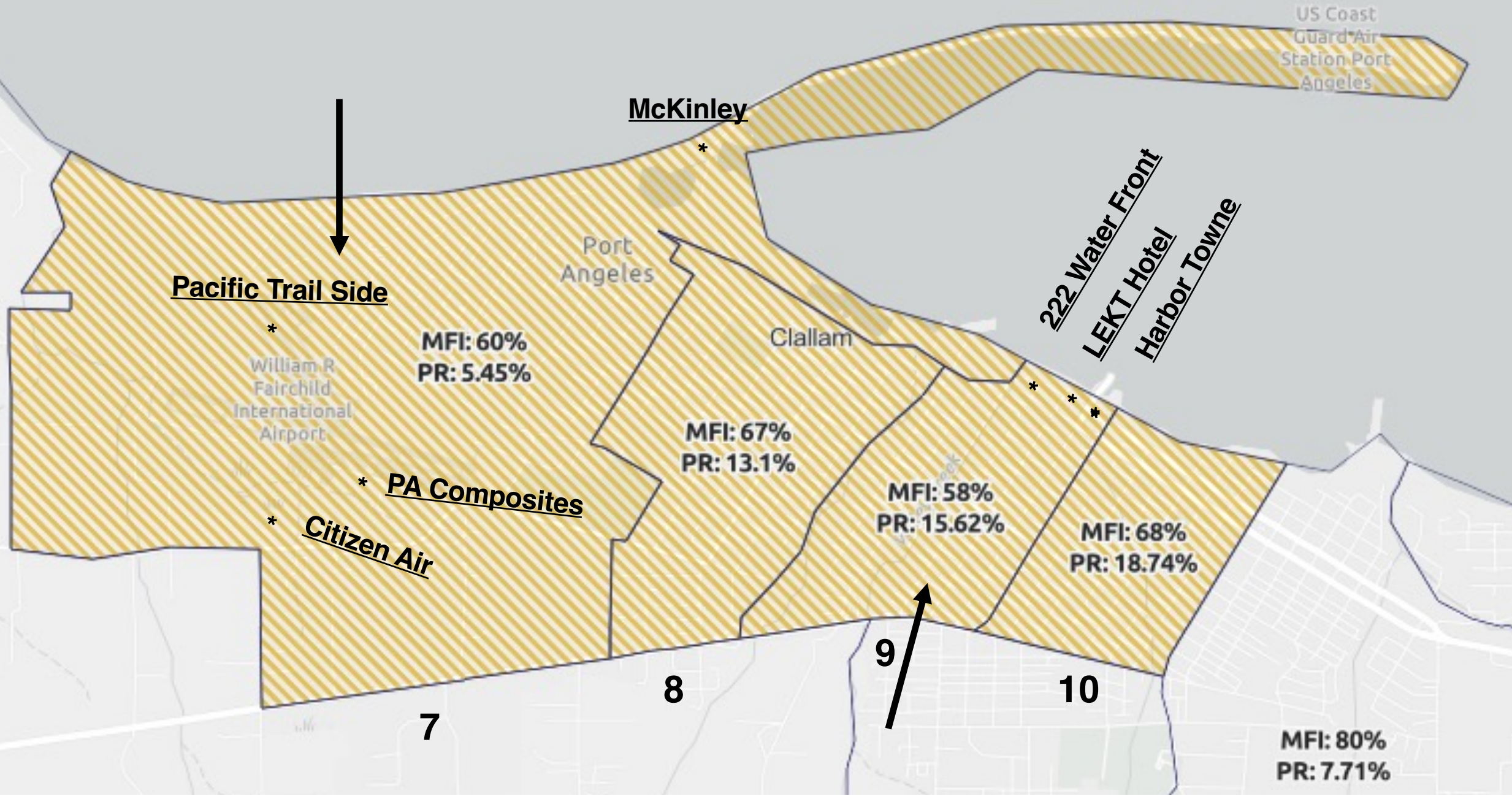
Application Built on Local Investor Interest

- **Developed applications demonstrating economic need and potential to attract private investment.**
- **Documented interest from local investors and business owners in projects, expansions, and development opportunities.**
- **Secured 28 letters of support from investors, business owners, local governments, and community partners.**
- **Demonstrated the North Olympic Peninsula's potential for future investment, economic growth, and opportunity.**

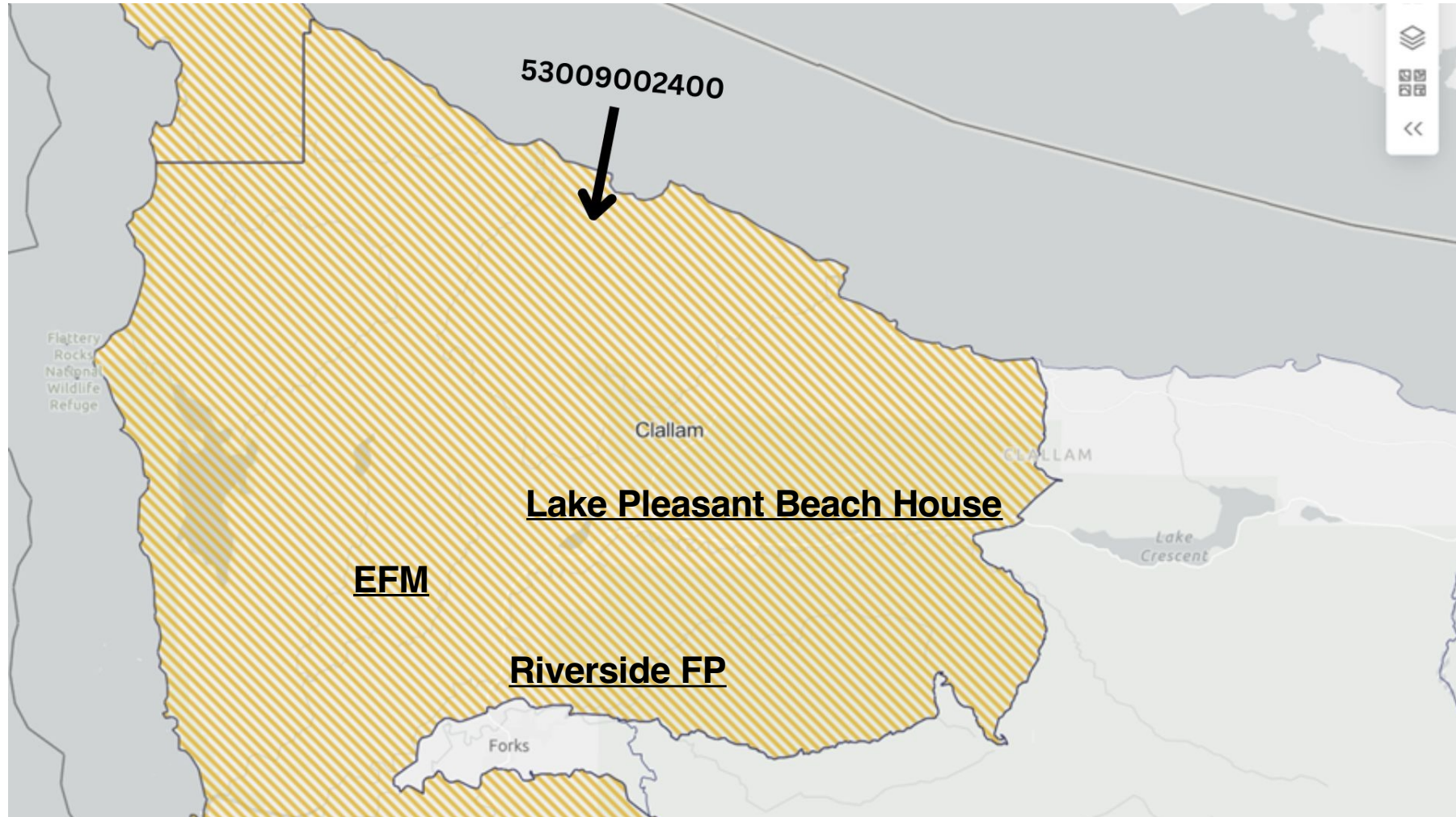
Thank you to everyone who helped make these designations possible!



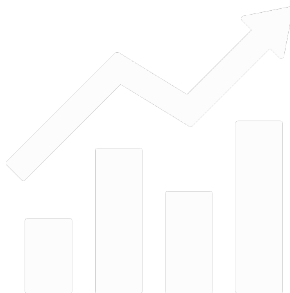
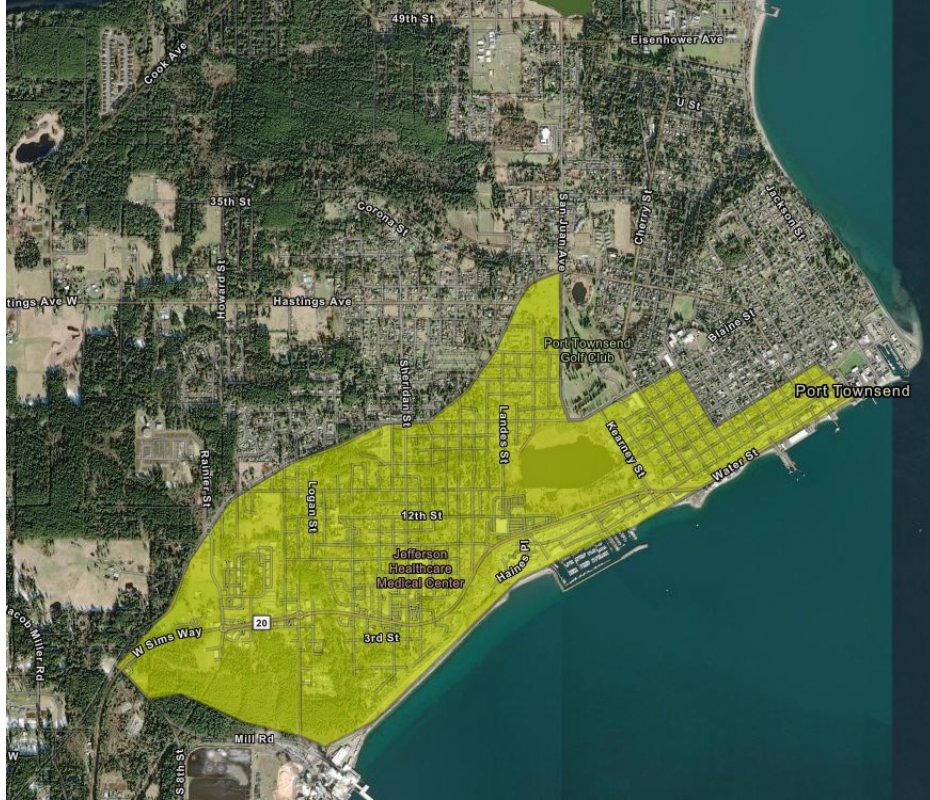
Investments Identified



Investments Identified



Jefferson County Census Tracts



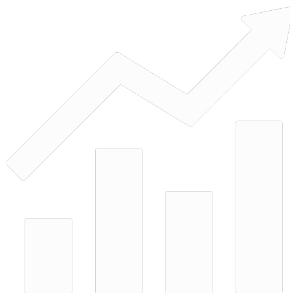
Example:

In 2011, a “wealthy investor” purchases \$600K of Apple stock in a taxable account (not a 401k)

In 2026, they sell the Apple stock for \$1M

That means the basis is \$600K and their gain was \$400K ($\$1\text{M} - \$600\text{K} = \$400\text{K}$)

Typically, they would have to pay a capital gains tax, which is about 23.8% of the gain for wealthy investors. In this example, normally that is about \$95K in capital gains tax.



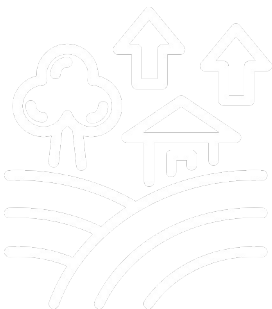
OZ 2.0 Tax Advantages

With the Opportunity Zone 2.0 Program, the money that was put into a rural-specific qualified opportunity zones (RQOF) is eligible for tax benefits.

Deferral: Investors may defer taxes on capital gains that are reinvested in a RQOF for up to five years.

Basis Step up: After the five-year deferral, RQOF investors receive a 30 percent reduction (in step-up basis) on their deferred capital gains tax liability.

Additionally, gains earned on investments in QOFs held for at least 10 years are permanently exempt from federal capital gains tax.



Back to the Apple Stock Example:

If the investor rolls the gain into a RQOF with the 30% stepped-up basis, the calculation is $1.3 \times \$600\text{k (basis)} = \$780\text{k}$

Now the gain is \$220K (\$1M - \$780k) (instead of \$400K) AND they don't have to pay the tax on the \$220k gain for 5 years.

If the investor is taxed at 23.8%, now the investor only has to pay \$52,360 after the 5-year deferral because of the 30% step-up basis (instead of paying \$95,200 in taxes – a \$42,840 tax savings).

Additionally, gains earned on investments in QOFs held for at least 10 years are permanently exempt from federal capital gains tax.



Rural vs. Non-Rural OZ Zones

After the five-year deferral, Rural QOF investors receive a 30 percent reduction (in step-up basis) on their deferred capital gains tax liability.

Compared to the Non-Rural 10 percent reduction (step-up in basis) on their deferred capital gains tax liability

Rural

$1.3 \times \$600\text{k (basis)} = \$780\text{k}$

Non-Rural

$1.1 \times \$600\text{k (basis)} = \$660\text{k}$

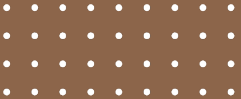


What Happens Next

The U.S. Department of the Treasury will review and certify state-submitted nominations, with new designations scheduled to take effect Jan. 1, 2027.

Investors can begin preparing by registering their Qualified Opportunity Funds (QOFs) with the IRS and reviewing realized 2026 capital gains. Visit the [IRS webpage on investing in a Qualified Opportunity Fund](#) for more information.

Interested investors, developers and business owners can learn more at [Clallam EDC's Opportunity Zone 2.0 webpage](#) and stay informed about the Emerald Coast Opportunity Zone at <https://www.emerald funds.org/>



Recap –Tax Advantages & What's New in Opportunity Zones 2.0

- **Capital Gains Deferral:** Investors can defer taxes on eligible capital gains reinvested in a Qualified Opportunity Fund (QOF) for up to five years.
- **Reduced Taxable Gains:** After five years, investors receive a 10% reduction in deferred taxable gains, increasing to 30% for investments in Qualified Rural Opportunity Funds (QROFs).
- **Tax-Free Investment Growth:** Gains on qualifying QOF investments held for at least 10 years can be permanently exempt from federal capital gains tax.
- **Lower Rural Investment Requirements:** Rural properties must make capital improvements equal to 50% of their adjusted basis, compared to 100% under the standard requirement.
- **Extended Designations:** Certified Opportunity Zones will retain their status through December 31, 2036, with new designations taking effect January 1, 2037, as part of a recurring 10-year cycle.
- **Increased Transparency:** New IRS reporting requirements will help track investment, job creation, and other economic impacts of the program.





Thank You

<https://www.emerald funds.org>

