Opportunity Zones 2.0: Regional Stakeholder Meeting

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEETING AGENDA – VIRTUAL SESSION 8/4/2026

Meeting Objectives:

1. Share high-level legislative information
2. Introduce Statewide Objectives and process for tract nomination
3. Collect feedback from affected regional stakeholders

Start Time	Duration (min)	Activity	Presenter
9:00 AM	5	Welcome	M. Wildman
9:05 AM	25	Legislation Presentation: OZ 2.0 Overview	M. Wildman
9:30 AM	20	Determining Tract Designations: Data and Methodology	K. Ahlers
9:50 AM	65	Workshop Activities	K. Ahlers and Co-Facilitators
10:55 AM	5	Thank you and Next Steps	K. Ahlers

Opportunity Zones 2.0: Legislative Overview and Michigan's Approach

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OPPORTUNITY ZONES 1.0

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The tool was initially conceived to reward qualifying investments in designated lower-income census tracts with a series of federal capital gains incentives.

Initially created under the 2017 Tax Cuts & Jobs Act

Federal government designated eligible census tracts; Governor selected from that list

Designed to encourage long-term investment; the initial program was temporary.

QUALIFYING PROJECTS

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- Commercial Real Estate
- Residential Real Estate
- Hospitality
- Energy
- Industrial & Manufacturing
- Agricultural
- Operating Businesses

BENEFITS OF OPPORTUNITY ZONES

1. **Tax deferral.** *Payment of taxes on capital gains can be delayed if invested in an Opportunity Zone.*

2. **Partial exclusion of tax deferral.** *A step-up in basis adjustment (or, a discount) for calculating the tax owed on the deferred capital gain.*

3. **Exclusion of additional gains.** *No tax liability due on additional capital gains if qualifying investments in OZ are held for 10+ years.*

BENEFITS OF OPPORTUNITY ZONES

	Non-OZ investment	OZ investment	Differences
Original capital gain	$1,000,000	$1,000,000	
Tax rate	30%	30%	
Tax on original cap gain	($300,000)	Deferred	Defer tax on capital gains
After tax investment	$700,000	$1,000,000	$300k more to invest
Compounded annual return	8%	8%	
Appreciation (over 10 years)	$811,247	$1,156,925	$345,678 more in asset value growth
Tax on appreciation	($243,374)	$0	No capital gains tax paid on appreciation
Long-term cap gains tax paid	$0	($270,000)	$30,000 less in taxes paid (less discount)
Final value	$1,207,873	$1,888,925	$681,052 increase in value

**Hypothetical examples; provided for informational purposes only.*

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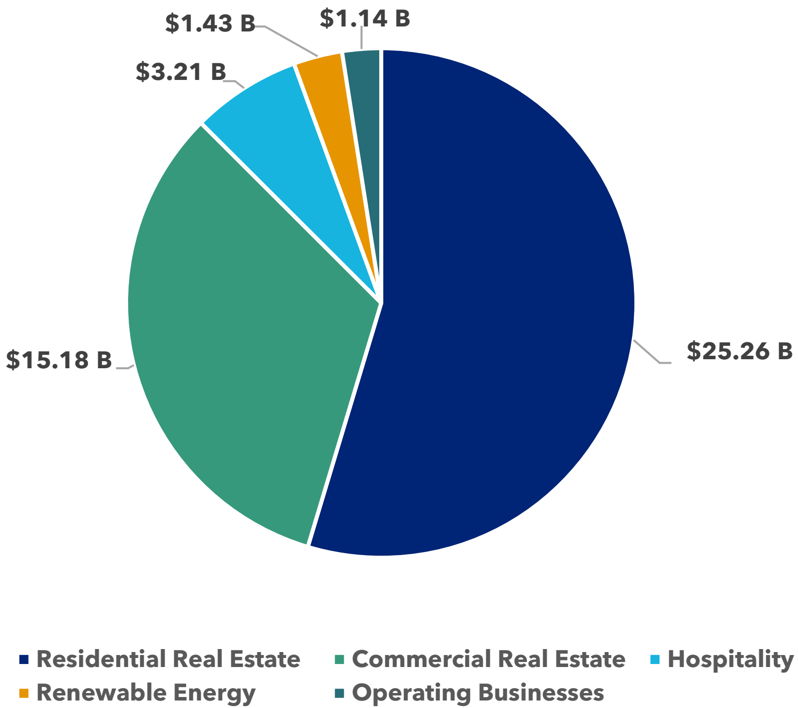
INVESTMENTS MADE UNDER OPPORTUNITY ZONES 1.0



OPPORTUNITY ZONE 2.0

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- Permanency **-** New census tracts will be designated in 2026 and again every ten years
- Governors can nominate up to 25% of their state’s eligible census tracts
- The federal list published in April of 2026 listed 856 eligible census tracts in Michigan
- Michigan can nominate 214 census tracts statewide.

OPPORTUNITY ZONE 2.0

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- "Lower income" must either:
  - Less than 70% of median family income (down from 80% under previous definition)
  - Poverty rate greater than 20% and less than 125% of median family income
- Contiguous tract language allowing higher income nominations is removed in OZ 2.0.

OPPORTUNITY ZONE 2.0

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- 30% step up in basis in Rural OZ's
- 10% step up in non-rural OZ's
- In rural OZs, substantial improvement test is 50% rather than 100%
- A new five-year deferral of the original capital gain tax
- Tax-free appreciation when property is sold after a 10-year hold

TIMELINE

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Q1 2026
Treasury to release eligible census tracts

Q2 2026
State engagement and forward progress

Q3 2026
Governor has 90-120 days to nominate 25% of eligible census tracts

Q4 2026
Treasury expected to certify state's nominations

Q1 2027
OZ 2.0 designations take effect: 1/1/2027 (10 Year designation)

[...]

Q4 2028
OZ 1.0 designations recognized through: 12/31/2028

IMPLEMENTING OPPORTUNITY ZONE 2.0

- MEDC is lead agency coordinating public comment and tract nomination
- Support from MSHDA, LEO, MI Treasury, and MDARD ensures Statewide alignment
- The purpose of today's meeting is to collect local economic development priorities, and to capture identified opportunities
- We will be reviewing tracts **statewide** during today's meeting
    - Breakout rooms for each region during workshop
- To submit feedback on other regions, visit: https://www.michiganbusiness.org/opportunityzones/

Questions regarding project eligibility and application should be directed to the federal Department of Treasury

Thank you

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Determining Opportunity Zone 2.0 Tract Designations: Data & Methodology Presentation

Kate Ahlers
Managing Director, Corporate Research and Customer Experience
ahlersk@michigan.org

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THIS PRESENTATION

Presentation Objective:
Provide an overview of the nomination process, including the criteria for tract nominations and opportunities for local/regional stakeholders to shape the process

Agenda:
Share high-level State of Michigan workplan & timeline for tract nomination

- Walk through tract nomination process – quantitative and qualitative methodology
- Introduce Statewide Objectives for OZ 2.0 tract nomination
- Explore opportunities for local prioritization and feedback

NOMINATION PROCESS

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PROCESS OF SELECTING NOMINATIONS

	June	July	August	September
Important Dates		Nominations open July 1		Nominations due to Treasury September 28th *(30-day extension possible)*
State of Michigan Workplan	<u>Step 1</u>: • Define Statewide objectives	<u>Step 2:</u> • Gather regional priorities and feedback • Build quantitative selection model	<u>Step 3:</u> • Synthesize findings	<u>Step 4:</u> • Send tract nominations to Governor's Office and federal Department of Treasury

STATEWIDE OBJECTIVES

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WHY ESTABLISH STATEWIDE OBJECTIVES?

- ✓ Ensure alignment with long-term Statewide economic development plans
- ✓ Foster transparent and defensible tract nominations
- ✓ Provide a framework for public comment

STATEWIDE OBJECTIVES FOR OZ 2.0 2026 TRACT NOMINATIONS

Housing

Support the creation of multifamily housing projects in communities with demonstrated need

Revitalization and Investment

Encourage revitalization, job creation and business investment in downtowns, and in strategic commercial and industrial corridors

Investment Potential Targeting

Target high investment potential by discounting tracts already experiencing rapid private investment and growth

Statewide Geographic Equity

Advance statewide geographic equity through the nomination of tracts across all ten prosperity regions

STATEWIDE OBJECTIVE BACKGROUND: HOUSING

Housing

Support the creation of multifamily housing projects in communities with demonstrated need

Background and Supporting Data

- Michigan is permitting 525 new homes per 1,000 jobs added, compared to U.S. average of 948 homes per 1,000 new jobs (2015-2024, MI Housing Data Portal)
- Historically, housing investments made in OZ 1.0 have been multifamily rental complexes and mixed-use development (easier longer-term investment)
    - In an OH case study: 64% of OZ capital went to partial or fully residential projects, 20% commercial projects, 6% industrial projects (Urban Institute)

Nomination Considerations

Quantitative

- Growth in number of housing units
- Housing units created
- Proportion of renting households
- Unemployment rate
- Proportion of large multi-family units
- Median household income

Qualitative

- Local priority sites/tracts
- Available sites
- Local support

STATEWIDE OBJECTIVE BACKGROUND: REVITALIZATION AND INVESTMENT

Revitalization and Investment

Encourage revitalization, job creation and business investment in downtowns, and in strategic commercial and industrial corridors

Background and Supporting Data

- OZ 2.0 is a flexible tool that allows many different types of investors to benefit – aligning targets to existing economic development plans helps Michigan leverage that flexibility
    - Targeting downtowns and strategic corridors maximizes infrastructure efficiency and attracts more talent and businesses (Dynamo)
    - Downtowns and strategic corridors naturally support clustered, repeatable, multi-project investment enabling compound benefits
- OZ 2.0 rules for "substantial improvement" reinforce a revitalization strategy

Nomination Considerations

Quantitative

- MEDC confirmed projects
- MEDC pipeline projects
- Mega and shovel-ready development sites
- MEDC Redevelopment Ready Certification communities
- MSHDA confirmed projects
- MSHDA pipeline projects

Qualitative

- Local priority sites/tracts
- Available sites
- Local support

STATEWIDE OBJECTIVE BACKGROUND: TARGET INVESTMENT POTENTIAL

Investment Potential Targeting

Target high investment potential by discounting tracts already experiencing rapid private investment and growth

Background and Supporting Data

- OZ 1.0 capital often concentrated in urban areas where investment was already rising (Urban Institute):
  - 78% of rental units in multifamily developments built using OZ 1.0 capital had rents over 120% the median rent in the census tract
  - OH Case study: Investment was focused in 33% of designated tracts, and is associated with high growth in the share of population with bachelor's degrees, drop in poverty rate, and high growth in median household income
- The State wants to use the OZ 2.0 to attract investment in tracts that demonstrate high need
- OZ 2.0s tighter eligibility and ban on contiguous tracts reinforce this strategy

Nomination Considerations

Quantitative

- Growth in housing prices
- Decline in number of households below poverty line
- Growth in number of households
- Growth in share of population with bachelor's degree or higher
- Labor force participation

Qualitative

- Saturated demand

STATEWIDE OBJECTIVE BACKGROUND: STATEWIDE GEOGRAPHIC EQUITY

Statewide Geographic Equity

Advance statewide geographic equity through the nomination of tracts across all ten prosperity regions

Background and Supporting Data

- The ten prosperity regions provide an equitable and transparent method for distributing Statewide support

Nomination Considerations

Quantitative

- Population
- Business Concentration
- Rural designation

PROCESS OF SELECTING NOMINATIONS

June	July	August	September
Step 1: • Define Statewide objectives	Step 2: • Gather regional priorities and feedback • Build quantitative selection model	Step 3: • Synthesize findings	Step 4: • Send tract nominations to Governor’s Office and federal Department of Treasury

- Housing
- Revitalization and Investment
- Investment Potential Targeting
- Statewide Geographic Equity

Regional Priority Meetings:

- Discuss regional development objectives
- Note alignment/mis-alignment w. Statewide objectives
- Vote for local priority tracts
- Vote on quantitative model weights

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Quantitative Selection Model:

- Led by MSHDA/MEDC Research
- Add sources/metrics from local feedback

- Identify top indexed census tracts according to quantitative model
- Adjust quantitative model and final nominations based on local feedback:
  - Re-weight model components
  - Prioritize tracts with strong opportunity or interest - minimal variance from local “votes”

- MEDC sends tract nominations to Governor's Office
- Governor's Office sends nominations to Department of Treasury

QUESTIONS?

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OPPORTUNITY ZONES 2.0 WORKSHOP

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WORKSHOP ACTIVITY AGENDA

Activity 1:
Breakout Rooms
Regional Tract Walkthrough and Discussion

Check-In:
Full Group
Tract Prioritization and Review

Activity 2:
Full Group
Quantitative Model Review and Weighting

SUPPORT AND EXPECTATIONS

MEDC regional staff will be leading breakout rooms

“Raise your hand” to share observations and questions

Map link is in the “chat”

Respect collaborators and leave space for equal talk-time

WORKSHOP ACTIVITIES

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ACTIVITY 1: TRACT WALKTHROUGH AND DISCUSSION

Participants from regional events held 6/30-7/30 provided **initial insights on priority tracts**

Visit the map to review the results

Visit the Michigan Eligibility Map

https://tinyurl.com/444jc39a

ACTIVITY 1: TRACT WALKTHROUGH AND DISCUSSION

In **Regional Breakout Rooms**, discuss:

1. What are your reactions to the Statewide Objectives?
2. What are your reactions to the tracts prioritized during in-person meetings?
3. What areas stand out as high opportunity to you?

Visit the Michigan Eligibility Map

https://tinyurl.com/444jc39a

ACTIVITY 1:
TRACT WALKTHROUGH AND DISCUSSION

Select your Region's Breakout Room

Return in 30 mins

Visit the Michigan Eligibility Map

https://tinyurl.com/444jc39a

CHECK-IN:
TRACT PRIORITIZATION

To nominate tracts for your organization or community visit: **michiganbusiness.org/opportunityzones**

OZ 2.0 Submission Form

Use the form below to share additional feedback and opportunities. All submitted forms will be reviewed and considered in Michigan's approach to ranking and nominating new 2.0 Opportunity Zones.

The form submission deadline is **Wednesday, August 19th, at 11:59 PM EST.**

* First name

* Last name

Company/Organization

* Email address

* Eligible Census Tract:

* How does this tract align with local and State economic development priorities?

Click Next to to submit your attachments.

Next

ACTIVITY 2: QUANTITATIVE DATA REVIEW

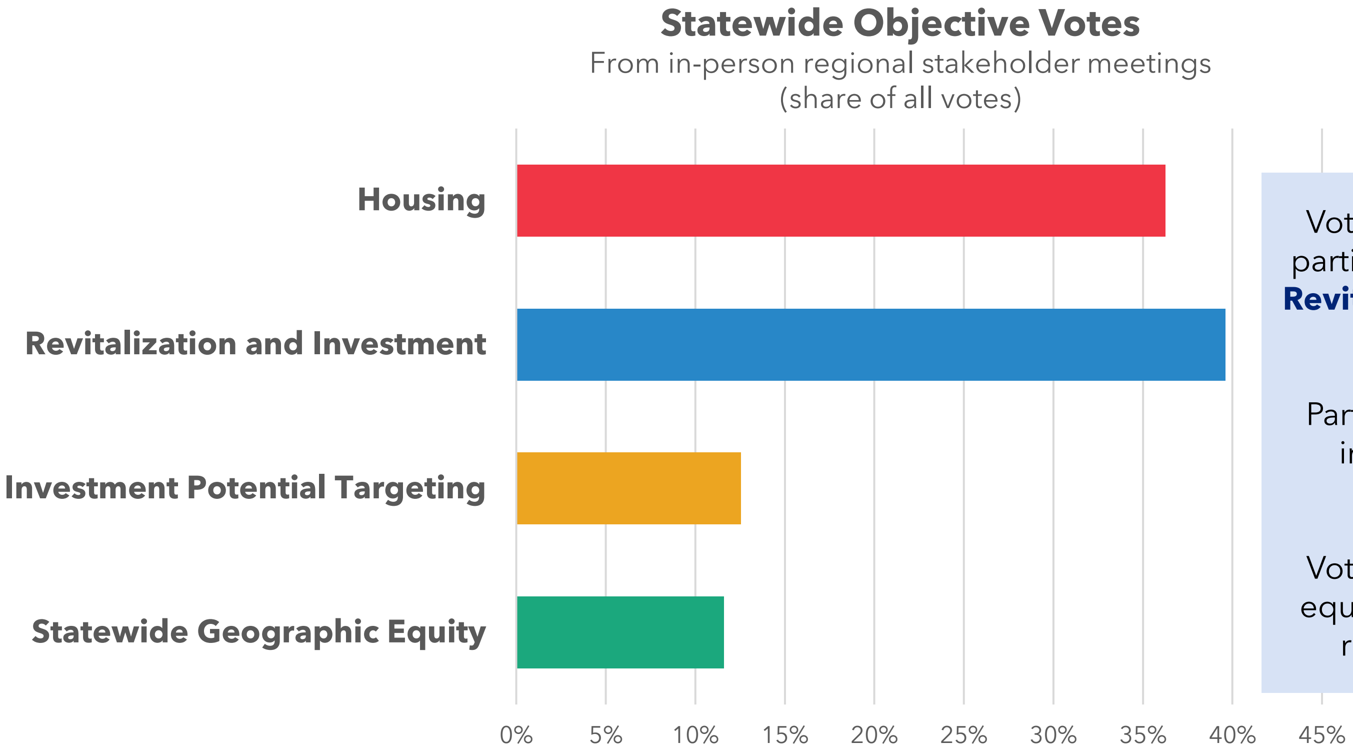
Statewide Objectives	Measures and Sources	
Housing	Growth in number of housing units	U.S. Census Bureau
	Housing units created	MEDC pipeline and/or approved projects
	Housing units created	MSHDA pipeline and/or approved projects
	Median household income	U.S. Census Bureau
	Proportion of large multifamily units	U.S. Census Bureau
	Proportion of renting households	U.S. Census Bureau
	Unemployment rate	U.S. Census Bureau
Revitalization and Investment	# upcoming projects	MSHDA pipeline and/or approved projects
	# upcoming projects	MEDC pipeline and/or approved projects
	# "Site Ready" sites	MEDC data; sites prepped for shovel-ready development
	Jobs created	MEDC pipeline and/or approved projects
	Private investment	MEDC pipeline and/or approved projects
	Revitalized square feet	MEDC pipeline and/or approved projects
	Redevelopment Ready Certification	MEDC data; municipality at-large
Investment Potential Targeting	Decline in # of households below poverty line	U.S. Census Bureau
	Growth % population with BA/BS degree or higher	
	Growth in labor force participation	
	Growth in housing prices	
	Growth in number of households	
Statewide Geographic Equity	Population	
	Business concentration	
	Rural designation	

Recall:
A quantitative model based on Statewide Objectives is being designed to identify high opportunity tracts.

Weighting can be adjusted to reflect <u>your</u> priorities.

Next:
1. Review weighting assigned in regional meetings
2. Participate in online activity to adjust model weighting

ACTIVITY 2: QUANTITATIVE DATA REVIEW

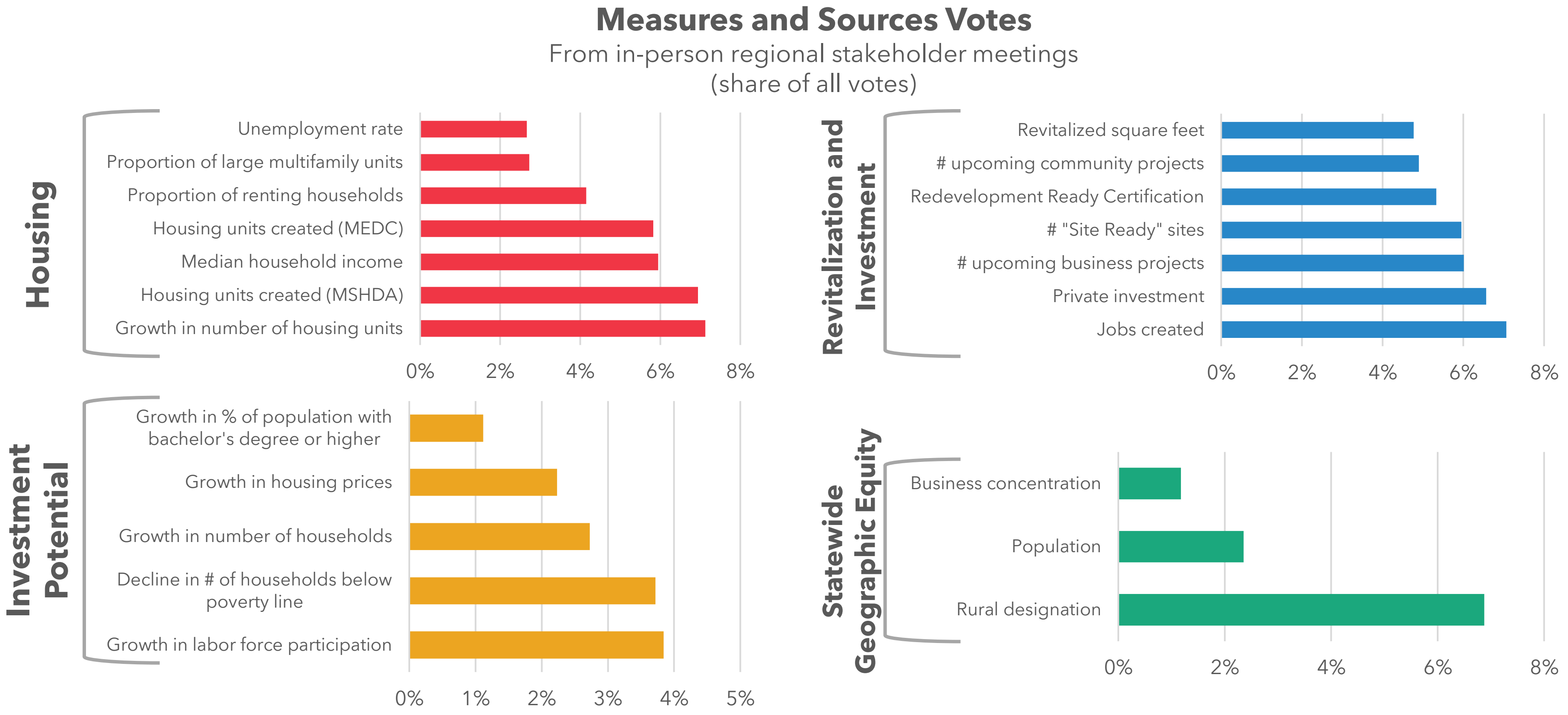


Votes provided by regional event participants place higher weight on **Revitalization and Investment**, and **Housing**.

Participants encouraged a careful interpretation of **investment potential targeting**.

Votes for **Statewide Geographic** equity provided by predominately rural stakeholders (see next).

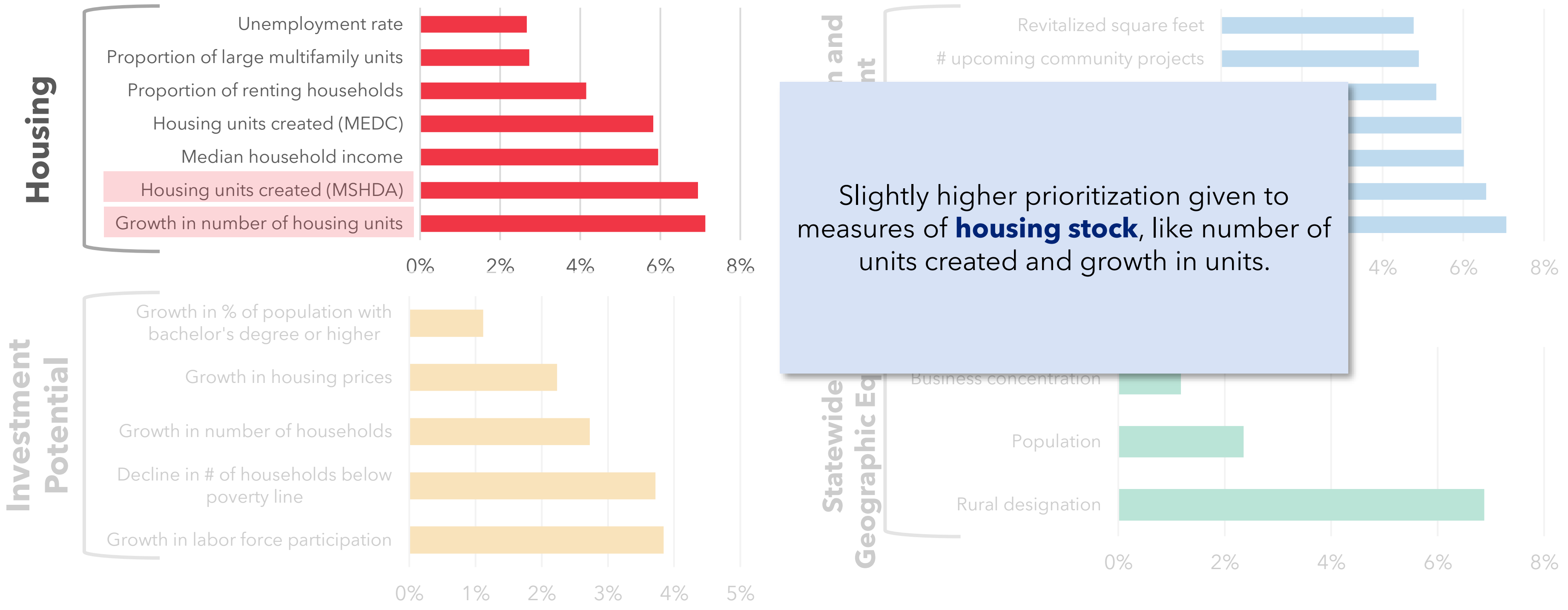
ACTIVITY 2: QUANTITATIVE DATA REVIEW



ACTIVITY 2: QUANTITATIVE DATA REVIEW

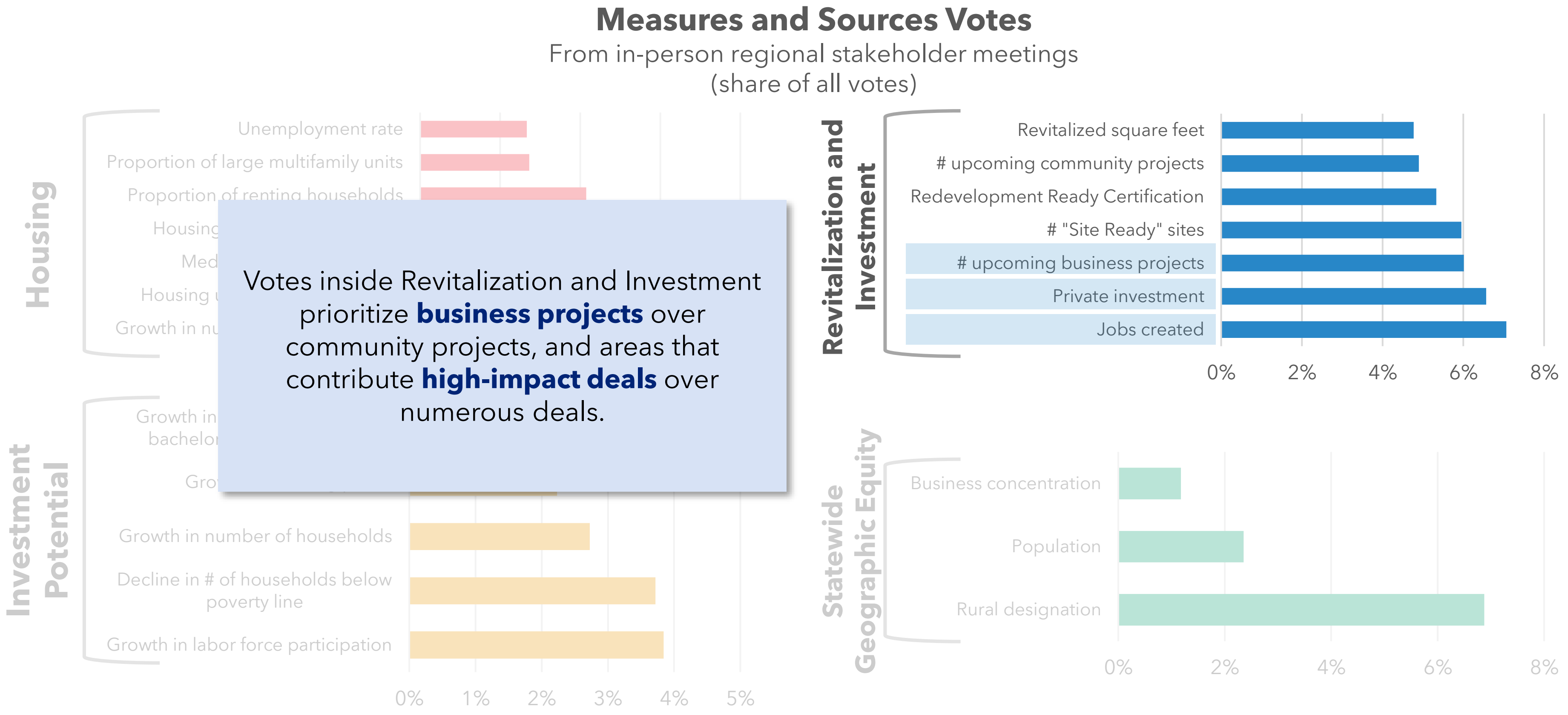
Measures and Sources Votes

From in-person regional stakeholder meetings
(share of all votes)



Slightly higher prioritization given to measures of **housing stock**, like number of units created and growth in units.

ACTIVITY 2: QUANTITATIVE DATA REVIEW

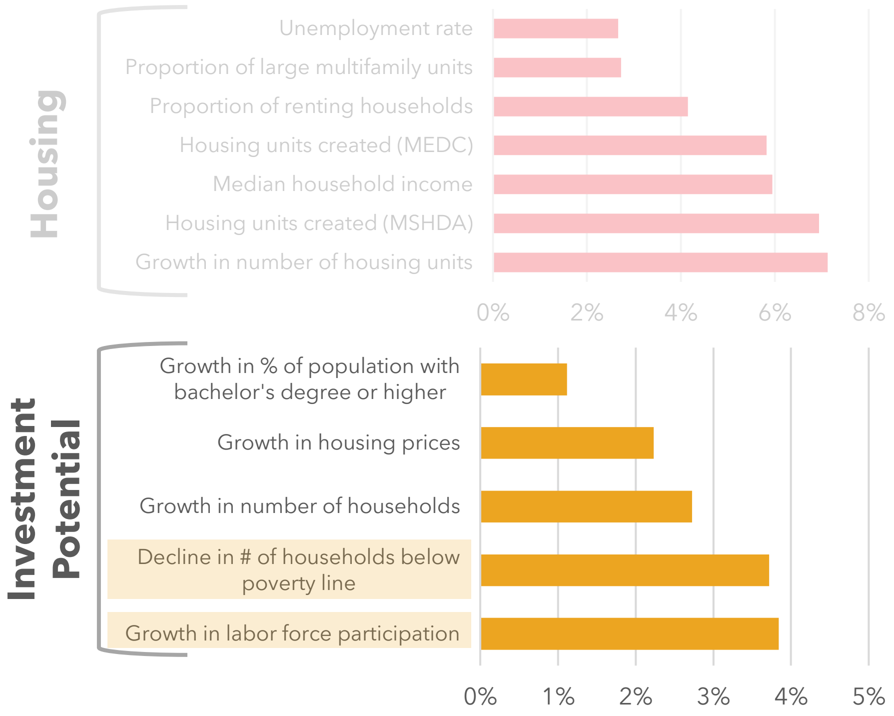


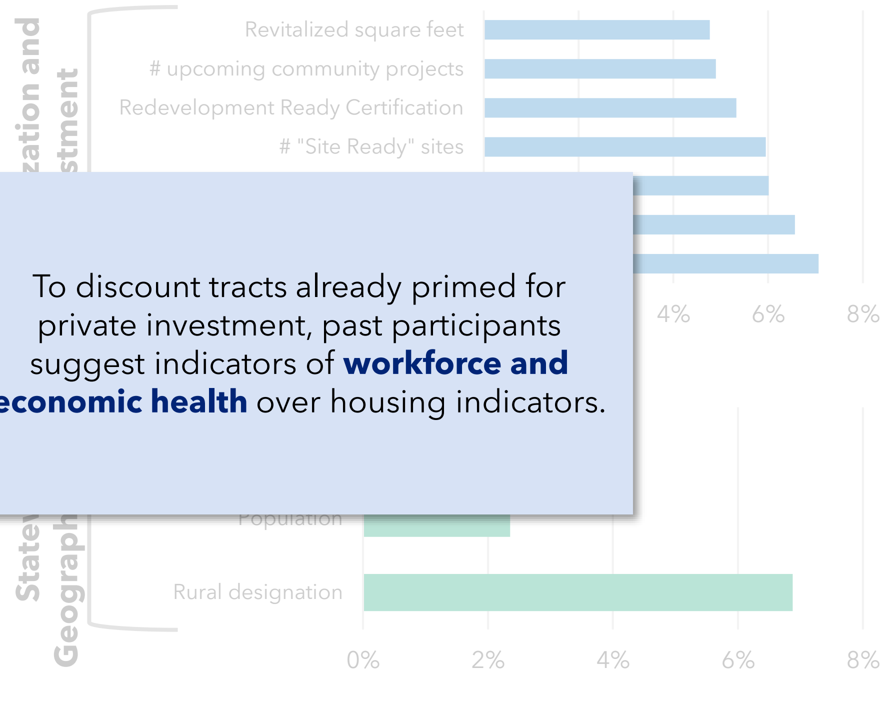
Votes inside Revitalization and Investment prioritize **business projects** over community projects, and areas that contribute **high-impact deals** over numerous deals.

ACTIVITY 2: QUANTITATIVE DATA REVIEW

Measures and Sources Votes

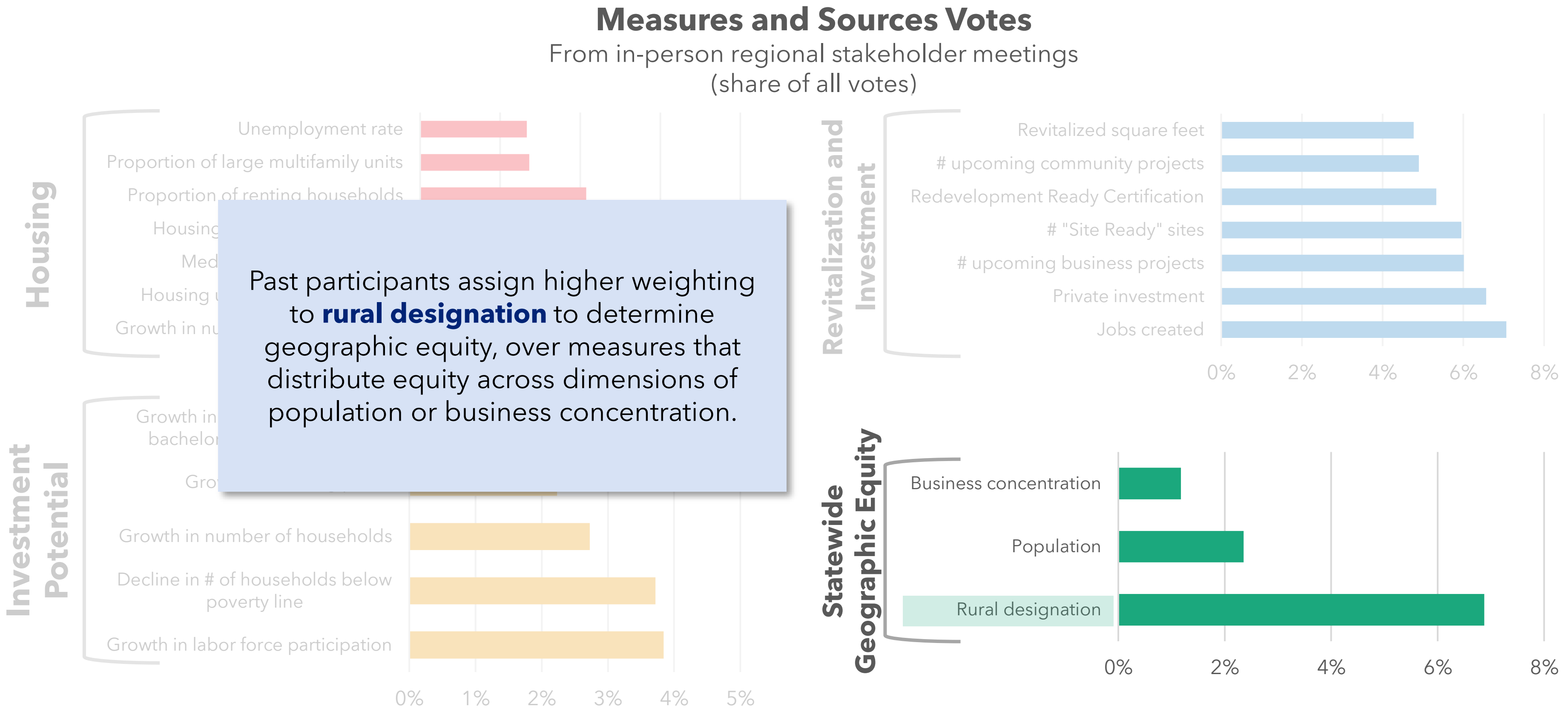
From in-person regional stakeholder meetings (share of all votes)





To discount tracts already primed for private investment, past participants suggest indicators of **workforce and economic health** over housing indicators.

ACTIVITY 2: QUANTITATIVE DATA REVIEW



Past participants assign higher weighting to **rural designation** to determine geographic equity, over measures that distribute equity across dimensions of population or business concentration.

ACTIVITY 2:
QUANTITATIVE DATA REVIEW

In another browser window,

visit our

LucidSpark
Virtual Collaboration
Board

KEEP THIS ZOOM MEETING OPEN

URL in the "chat"

CLOSING

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PROCESS OF SELECTING NOMINATIONS

June	July	August	September
Step 1: COMPLETE • Define Statewide objectives	Step 2: IN PROGRESS • Gather regional priorities and feedback • Build quantitative selection model	Step 3: UPCOMING • Synthesize findings	Step 4: DUE: 9/28/26 *Possible extension: 10/31/26* • Send tract nominations to Governor's Office and federal Department of Treasury

Housing

Revitalization and Investment

Investment Potential Targeting

Statewide Geographic Equity

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THANK YOU!

Nominations will be announced
in coordination with the Governor's Office

Additional comments and tract selection feedback can be submitted at:
michiganbusiness.org/opportunityzones

THANK YOU

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	Growth in housing prices	U.S. Census Bureau
	Growth in number of households	U.S. Census Bureau
Statewide Geographic Equity	Population	U.S. Census Bureau
	Business concentration	Dun and Bradstreet
	Rural designation	OZ 2.0 eligibility criteria