

# Opportunity Zones Update

Preparing for the Governor's  
July 1, 2026 nomination deadline

Planning and Economic Development  
04-27-2026

# What are Opportunity Zones (OZs)

- OZs are a federal tax incentive to spur private investment in low-income communities.
- OZs operate through Qualified Opportunity Funds (QOFs), which pool investor capital and fund projects within designated census tracts.
- Every 10 years governors nominate census tracts to be designated as Opportunity Zones (OZs).
- The uncapped, flexible nature of the OZ incentive has translated into more than \$100 billion of qualifying OZ investments in more than 5,300 census tracts nationwide since 2018.

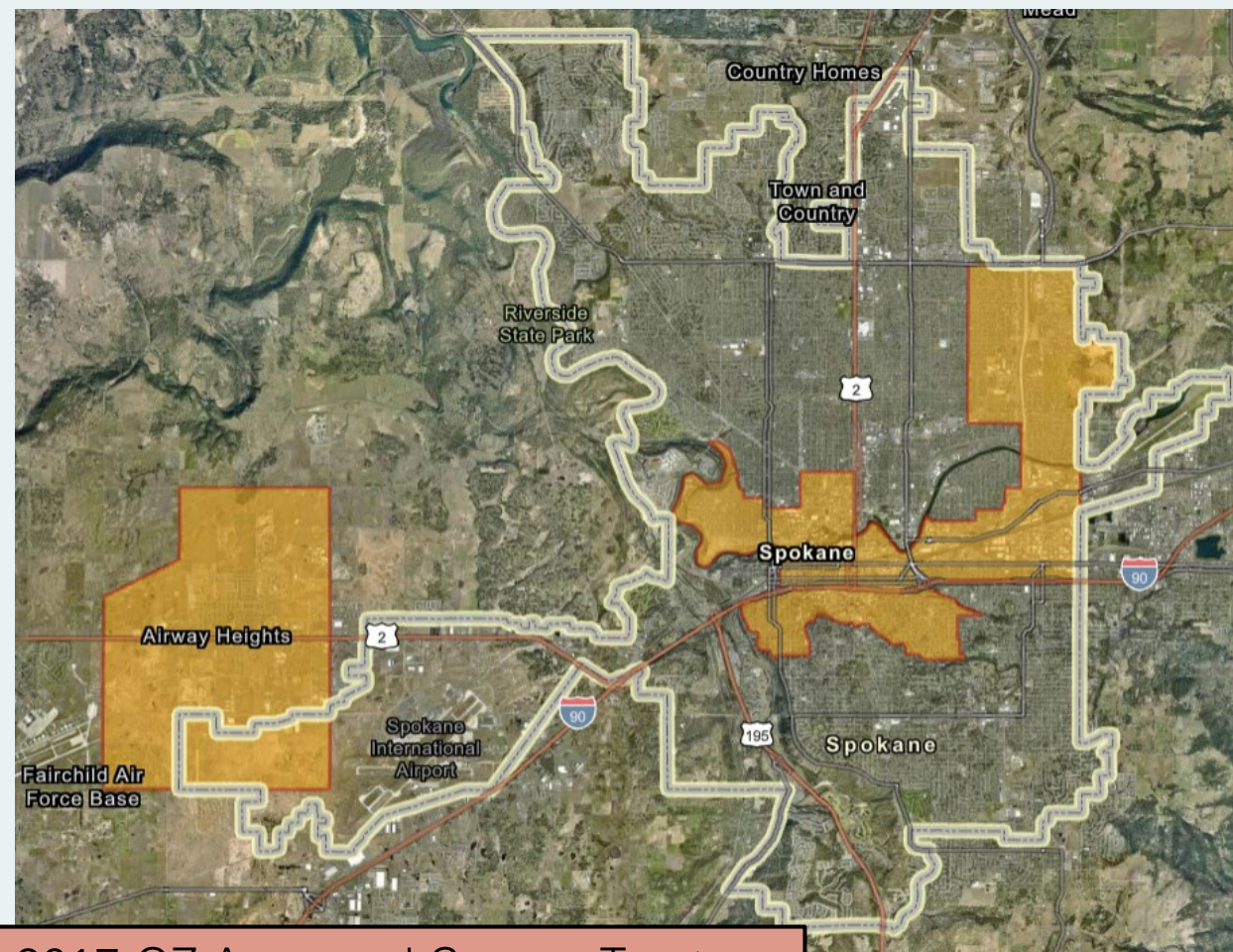


Moving money from Wall Street to Main Street



# Washington's 2017 Opportunity Zones

- The original OZ Program was authorized by the Tax Cuts and Jobs Act of 2017. The State designated 139 census tracts in 36 counties, including 11 in Spokane.
- The Department of Commerce is the state agency leading the State's nomination and selection process.



2017 OZ Approved Census Tracts

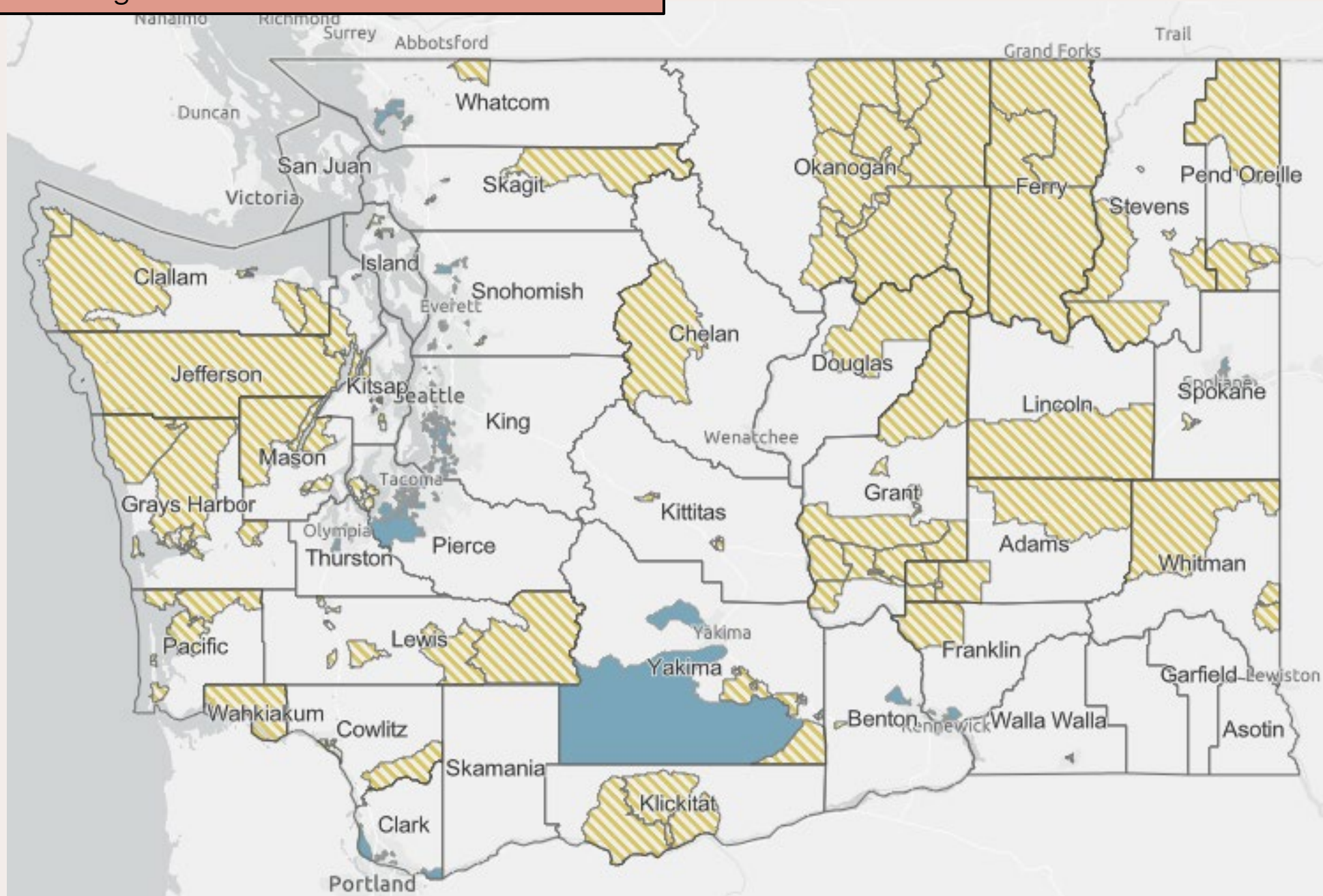
# Opportunity Zone Eligibility

- Eligible census tracts must have either a:
  - Poverty rate of 20% or higher; or
  - Median family income (MFI) less than 70% of the state or metro area's MFI
  - If qualifying on poverty, a census tract's MFI must not exceed 125 percent of our Metro MFI (\$117,782)
- Spokane MFI is \$94,226, 70% of the MFI is \$65,864

# National OZ Nominations

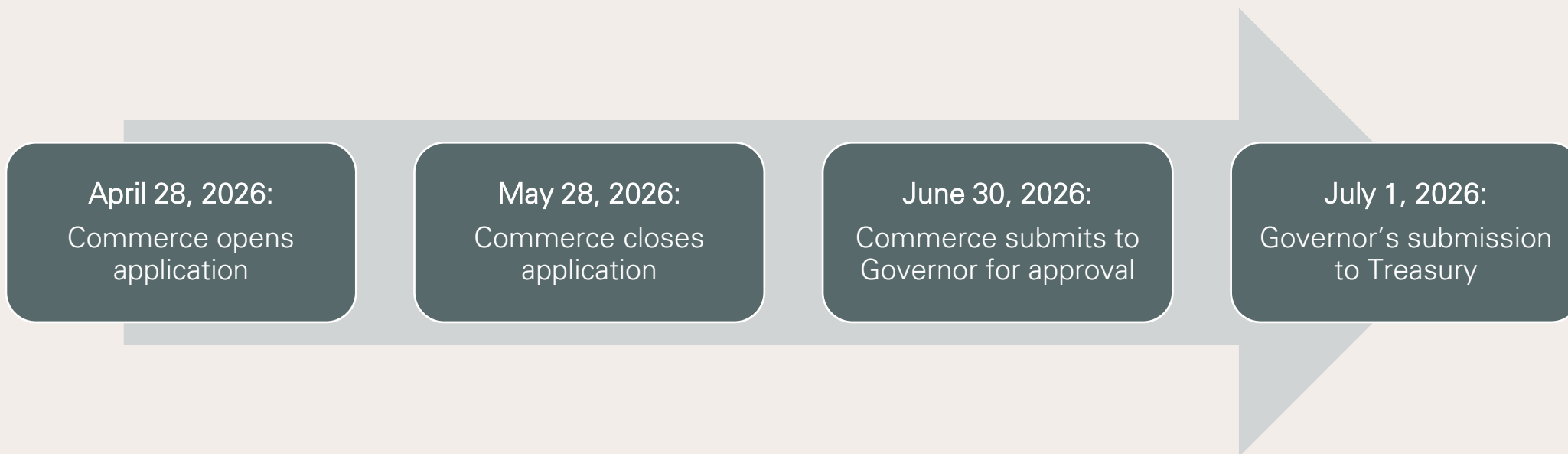
- All US states are nominating updated eligible census tracts in 2026.
- Governors play the leading role determining designated areas where OZ tax incentives will apply for the next 10 years.
- States may nominate up to 25% of eligible tracts, with a minimum guarantee of 25 census tracts per State.
- 25% of a state's OZ tracts must be rural census tracts under the new OBBBA requirements.

# OZ 2.0 Eligible Census Tracts from Commerce



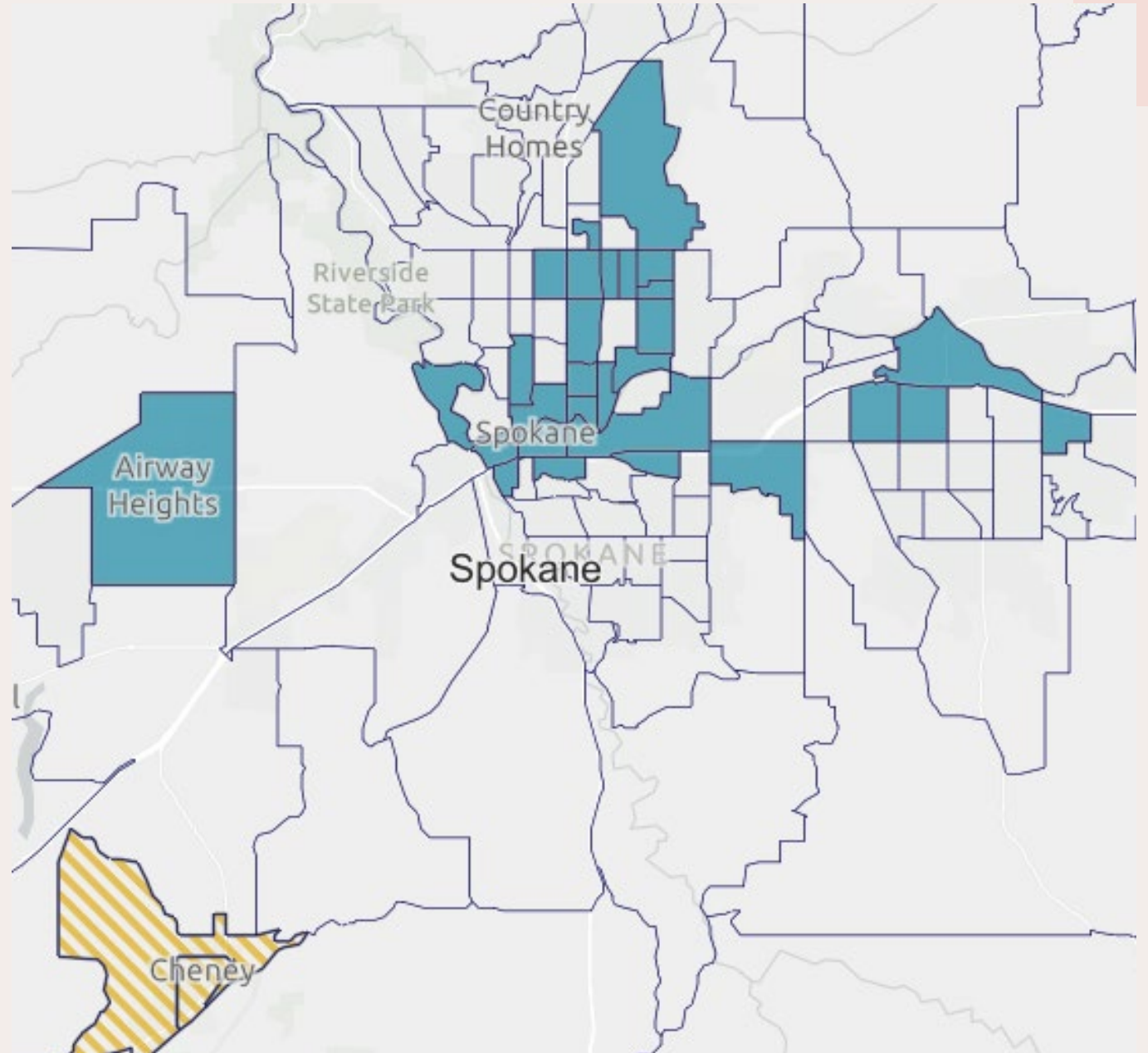
# Washington State Nominations

- Washington State has 1,772 census tracts, of which 394 are eligible for Opportunity Zone 2.0 nomination for this 10-year period.
- Application opens – April 28
- Application closes – May 28
- Commerce’s final recommendation due to Governor for approval – June 30



# Spokane County

- 31 eligible Census Tracts, 2 rural and 29 non-rural.
- Spokane: 23
- Spokane Valley: 5
- Airway Heights: 1
- Cheney: 2 rural tracts



OZ 2.0 Eligible Census Tracts from Commerce

# \*Draft Commerce Criteria

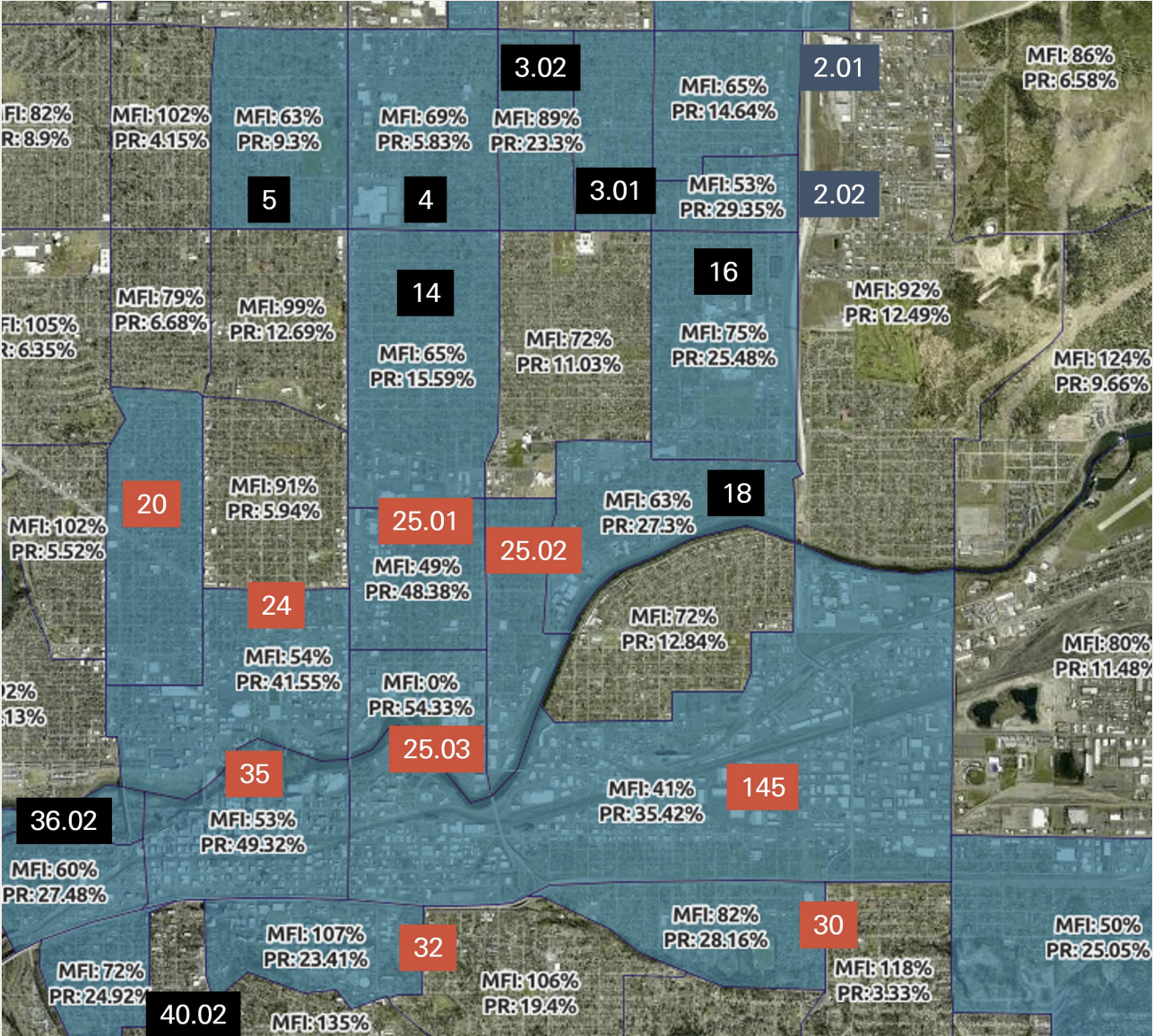
- \*Draft scoring criteria from Commerce scores census tracts as follows:
  - Category 1: Community Economic Need – 21 points max.
  - Category 2: Market Test/Investment Readiness – 104 points max.
    - For each census tract, up to 3 identified projects can contribute 51 points
  - Category 3a: Policy Test/Strategic Alignment – 20 points
  - Category 3b: Policy Test/Community Support – 23 points
  - Category 4: Rural/Tribal Representation and Special Considerations – 17 points

**Maximum: 185 points**

# Staff Recommendation

Nomination of the following  
Census Tracts:

1. 24
2. 25.02
3. 25.03
4. 25.01
5. 30
6. 145
7. 35
8. 20
9. 32



# Questions?

City staff are requesting City Council approve a Resolution of Support as we finalize the Commerce applications due May 28, 2026.



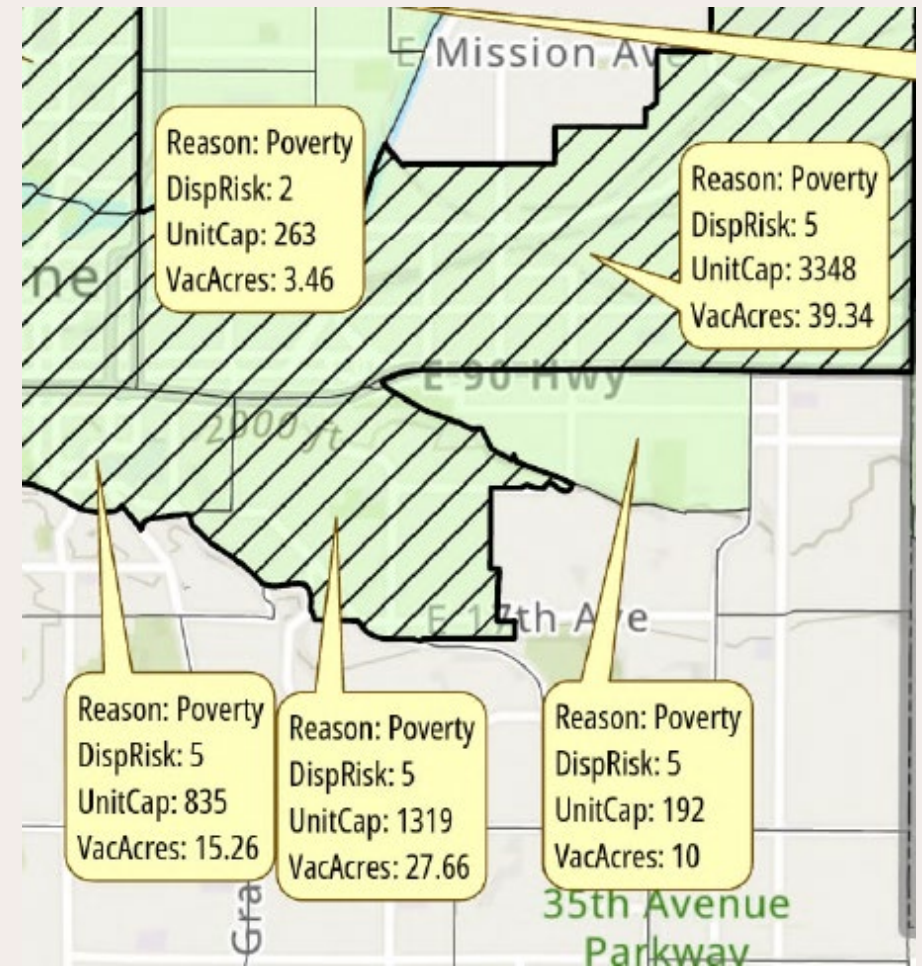
# Scores for City of Spokane Census Tracts

Staff are still finalizing which census tracts will be included in the City's nomination.

Census Tract	Category 1	Cat. 2	Cat. 3a	Cat. 3b	Cat. 4	Total Score
24	21	79				
25.02	16	39				
25.03	21	17				
25.01	21	17				
30	18	15				
145	21	89				
35	21	83				
20	13	59				
32	9	40				

# Evaluating Census Tracts

- Alignment with City priorities – Comprehensive Plan, subarea planning, CIP, regional planning efforts
- Available vacant land
- Presence of PDAs, BIDs, or other community organizations
- Infrastructure disposition
- Displacement risk
- Supportive zoning
- Shovel-ready projects or potential
- Ability to layer other local, state, and federal incentives or monies



# OZ 2.0 Incentive Structure

- Investor's initial gain deferral is a rolling 5-year period.
- Now there is a standard 10% basis step-up after 5 years.
- Rural OZs get a 30% basis step-up after 5 years.
- No change to the benefit of 0% capital gains if held for 10+ years, but it is now capped at 30 years.
- Those who invested under the original 2017 law must pay taxes on their deferred gains by the end of 2026.
- According to Novogradac, the 10-year hold benefit is worth more than the temporary deferrals or capital gains exclusions.