

PREPARING YOUR LOCALITY FOR THE 2026 OPPORTUNITY ZONE UPDATE

January 7, 2026



Virginia
Economic
Development
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VEDP.org

BACKGROUND ON OPPORTUNITY ZONES AND THE 2026 DESIGNATION PROCESS

- Opportunity Zones are a federal incentive aimed at attracting investment to low-income areas
- Federal legislation has made important updates to Opportunity Zones. Between July – September 2026, governors will designate a new set of Opportunity Zones for their states
 - The new legislation made fewer census tracts eligible to be Opportunity Zones
 - New Rural Opportunity Zone-designation offers additional investment incentives
- DHCD and VEDP are looking to gather information to support the Governor's decision-making, including utilization of current Opportunity Zones and local prioritization of their eligible tracts
 - As tract eligibility is currently unknown, we will first be reaching out to determine impacts of current Opportunity Zones
- We hope to collaborate with organizations such as VEDA, VAPDC, VRC, VACO and VML to raise awareness of and encourage participation in the upcoming Opportunity Zone designation process

OPPORTUNITY ZONES OFFER FEDERAL TAX BENEFITS TO INVESTMENTS IN DESIGNATED CENSUS TRACTS



Opportunity Zones allow investors to defer or exclude capital gains on qualifying investments for federal taxes

- The longer the investment, the greater the tax benefit for investors
- Low-income and adjacent census tracts were eligible to be Opportunity Zones. Governors designated one-quarter of eligible tracts in their state
- Academic research indicates that, nationwide, Opportunity Zones were effective in spurring investments into multi-family housing

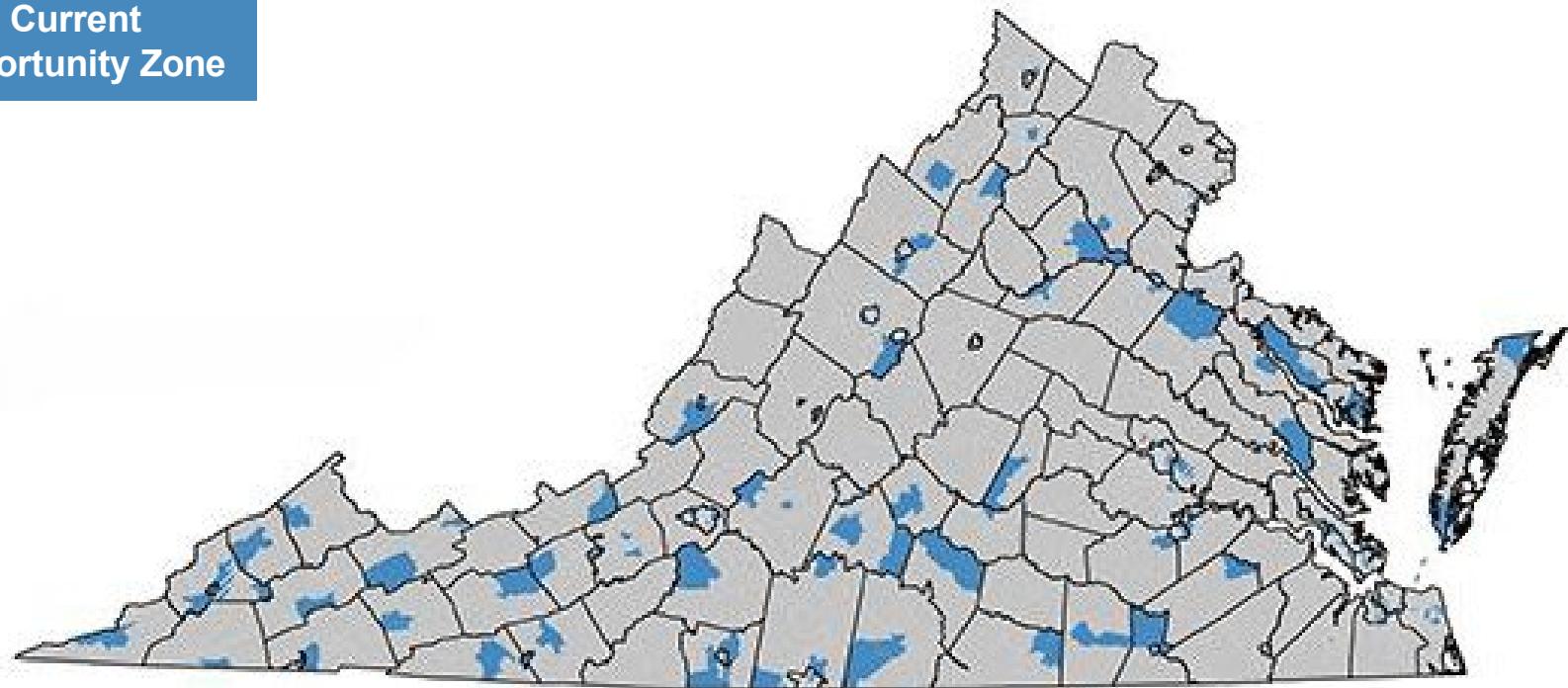


2025 changes to the Opportunity Zones may make them more impactful

- Program made permanent, benefits now on rolling ten-year basis
- Rural Opportunity Zones introduced, offer accelerated gain deferrals and easier qualification for investment into existing buildings
- Eligibility criteria have been tightened (more info in following pages)

VIRGINIA'S CURRENT 212 OPPORTUNITY ZONES ARE LOCATED IN DISTRESSED COMMUNITIES THROUGHOUT THE COMMONWEALTH

Current
Opportunity Zone



ELIGIBILITY CRITERIA HAVE CHANGED: NOT ALL CURRENT OZS WILL BE ELIGIBLE; RURAL OZS WERE CREATED

Opportunity Zone Eligibility	Previous eligibility criteria	Revised eligibility criteria
Low Income Community within Metro Area	Census tract with either: <ul style="list-style-type: none"> ▪ Less than 80% of metro median family income ▪ Poverty rate of 20% or higher 	Census tract with either: <ul style="list-style-type: none"> ▪ Less than 70% of metro median family income ▪ Poverty rate of 20% or higher And less than 125% of metro median family income
Low Income Community outside Metro Area	Census tract with either: <ul style="list-style-type: none"> ▪ Less than 80% of state median family income ▪ Poverty rate of 20% or higher 	Census tract with either: <ul style="list-style-type: none"> ▪ Less than 70% of state median family income ▪ Poverty rate of 20% or higher And less than 125% of state median family income
Areas adjacent to Low Income Communities	Census tract adjacent to a community with less than 125% of metro/state median family income	Eliminated

Rural Opportunity Zone Eligibility	Previous eligibility criteria	Revised eligibility criteria
Subset of Opportunity Zones located in Rural Areas	N/A – did not previously exist	Census tract that is not: <ul style="list-style-type: none"> ▪ A city or town with a population greater than 50K ▪ An area adjacent to a city or town with a population greater than 50K

PRELIMINARY PROCESS FOR DEVELOPING OPPORTUNITY ZONE RECOMMENDATIONS TO THE GOVERNOR

Approx. Timeframe	Key Step
Jan – Mar 2026	<p>Incorporate new administration feedback based on their Opportunity Zone goals</p> <p>Engage localities regarding opportunity zone process</p>
February	Launch local OZ outreach survey: past OZ investments, feedback on proposed evaluation criteria and stakeholder engagement
April	Launch local prioritization survey for localities with OZ-eligible census tracts
April	Solicit priorities of and info from additional partners
End May	Provide draft OZ analysis to administration
End June	Final OZ analysis provided to administration
Sept. 28	Determinations due to federal government
Fall 2026	Review outcome with partners, respond to questions about Opportunity Zone determinations

PRELIMINARY PROCESS: TWO SURVEYS ARE PLANNED TO ALLOW MORE EFFECTIVE ANALYSIS AHEAD OF OZ DETERMINATION

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Survey data will be used to identify characteristics of high-performing Opportunity Zones, allowing more effective analysis ahead of the governor's determination in 2026

PRELIMINARY LIST OF STAKEHOLDERS FOR OUTREACH: DHCD AND VEDP ARE SEEKING YOUR INPUT TO REFINE

- GO Virginia Support Organizations
- LISC Virginia
- Port of Virginia
- REDOs
- Tobacco Commission
- VA CDFI Coalition
- VA Chamber of Commerce
- VACO
- VAPDC
- VA Rural Center
- VEDA
- VIPC
- Virginia Funders Network
- Virginia Housing
- VML
- VTC

DRAFT POTENTIAL OPPORTUNITY ZONE EVALUATION CRITERIA

Category	Factor	Description	Rationale
Fundamental	Support Distressed Regions	Eligible OZs designated by locality and by region	Support full breadth of Virginia's distressed communities
	Level of Distress	Poverty and wage rates	Tailor support to the level of support of distress*
	Community Prioritization	Locality rank of their own eligible OZs	Ensure alignment with community development plans
Best Practices	Continuity	Previously an OZ (Y/N)	Avoid disruption of development plans
	Contiguity	Adjacent OZs	Form more efficient coverage
	Utilization	Community use of OZs and/or EZs	Target areas likely to use
Housing	Housing Affordability	Median housing price; median rent (as % of income); % cost burden	Address housing cost challenges
	Housing Demand	Vacancy rates	Target housing toward growth
	Housing Supply	Total units per capita; building permits by type per capita, units under construction per capita	Measure housing growth
Economic Development	Sites	Developable acreage	Attract manufacturing projects
	Transportation	Interstate Access	Attract mfg & distribution projects
	Workforce	Workers in 45 min	Meet projects' employment needs
	Momentum	Announced jobs	Demonstrated growth potential

*Target distressed tracts where OZs are both sufficient and necessary to attract investment, as recommended by Urban Institute and others

DRAFT SURVEY: BETTER UNDERSTANDING OF THE IMPACTS OF CURRENT ZONES WILL SUPPORT THE DESIGNATION PROCESS

Structure	Question (Answer format)
Identification	<p>Please select the locality you represent (Locality)</p> <p>Who should be your locality's primary contact for OZ outreach, including the April survey? (Name, email)</p>
Investments in Current OZs (per OZ)*	<p>Are you aware of any Opportunity Zone Funds active in this OZ? (Names, emails)</p> <p>How much qualified investment are you aware of in this Opportunity Zone? (\$ or Unknown)</p> <p>Are you aware of any residential, commercial, or industrial projects that would not have occurred without this Opportunity Zone? Please list the largest five and the size of the investment, if known. (Name and \$ x5)</p>
Evaluation Criteria	<p>Please rank the three previously listed criteria you believe should be prioritized</p> <p>Would you like to suggest an additional criteria? (Short response)</p>
Stakeholders	Should any additional stakeholders be engaged? (Free response)
All Localities	Do you have any comments or questions about the Opportunity Zone designation process? (Free response)

*To be confirmed by OZ tract number and reference to online application's map

PREPARING YOUR LOCALITY FOR THE 2026 OPPORTUNITY ZONE DESIGNATION PROCESS

- Determine if your locality has an Opportunity Zone or Zones at Virginia's [interactive map](#)
- While no federal eligibility determinations have been made, there are [preliminary tools](#) that estimate which census tracts are likely eligible.
 - Consider consulting these tools to understand if Opportunity Zones could be a priority for your locality
- Identify key public and private sector partners you should consult with about Opportunity Zones and the upcoming process
 - Consider people working in housing, economic development, finance and investment, philanthropy, and community development
- Discuss key questions that will be covered in the first survey, anticipated for February 2026
 - What have been investments in current Opportunity Zones?
 - What criteria should be prioritized?
 - Which stakeholders should be engaged?
- This will support your locality as you prioritize locally eligible census tracts in the survey anticipated for April 2026

QUESTIONS?

THANK YOU!



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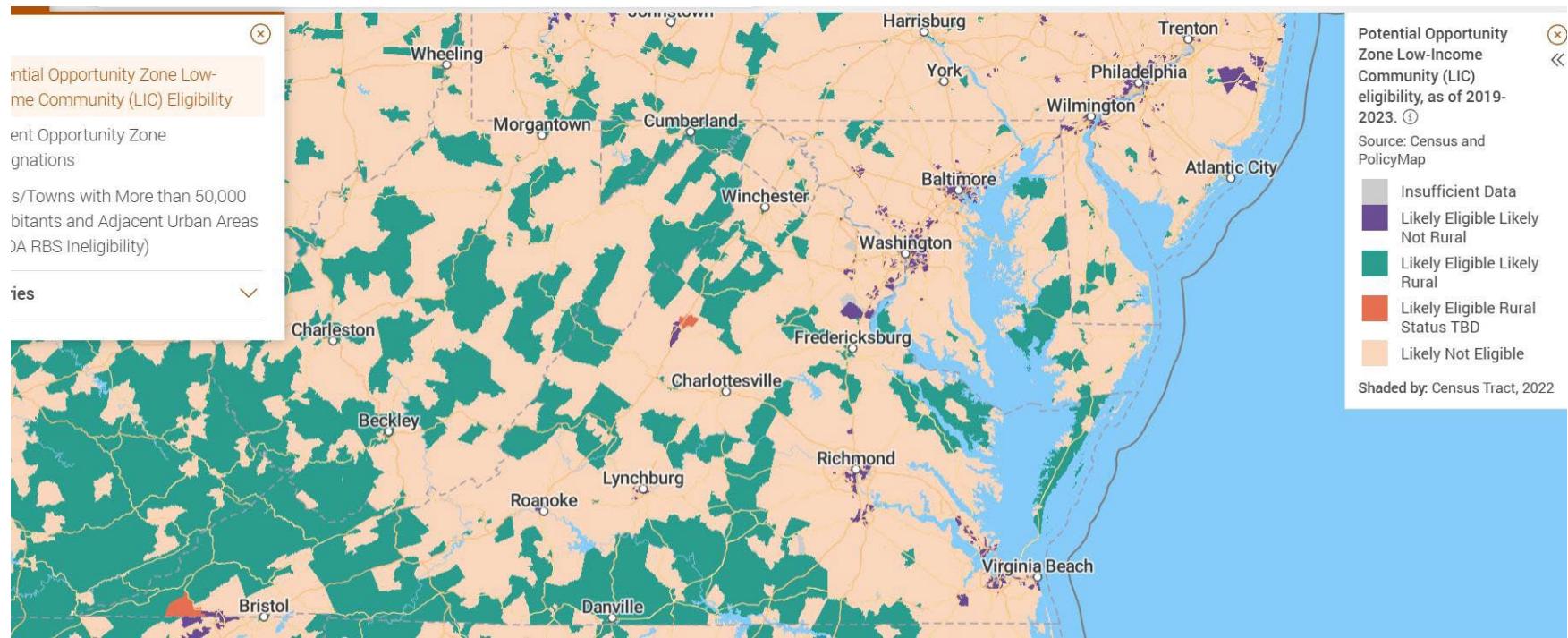
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APPENDIX

POTENTIAL OPPORTUNITY ZONE ELIGIBILITY



POTENTIAL OPPORTUNITY ZONE ELIGIBILITY AND CURRENT ZONES

