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# Opportunity Zones 2.0

**Economic Development Committee**

April 6, 2026

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# Overview



- **OPPORTUNITY ZONES (2017)**
- **OPPORTUNITY ZONES 2.0 (2026)**
- **WORKING DRAFT MAP**
- **NEXT STEPS**

# Opportunity Zones (2017)

The initial Opportunity Zone (OZ) program was created with 2017 federal tax reform legislation (Investing in Opportunity Act) as a bipartisan effort to spur investment in economically distressed communities. The program is administered by the U.S. Department of Treasury.

**Opportunity Zones** are federally designated Census tracts eligible to receive investment through qualified Opportunity Funds. 97% of Opportunity Zones qualified as “Low-Income Communities”

Investments in an OZ must take place through investment tool known as a **Qualified Opportunity Fund (QOF)**

- QOF is capitalized by investors’ realized capital gains
- At least 90% of capital must be deployed in OZs
- Investments in a QOF must take place within 180 days of the capital gain activity
- QOFs must invest in qualified businesses

## What is the City’s role in the OZ program?

Outside of *nominating Census tracts* for consideration by the Governor’s Office, ***the City has no other role in the OZ program***

The City does not nominate projects, receive any reporting information, or provide any funding for the program

# Opportunity Zones Tax Benefits (2017)

The original 2017 OZ program provide 3 potential tax benefits:

## Deferral of Capital Gains Tax Payment

- Original gain invested in the QOF is taxable when the investment in the QOF is sold or on December 31, 2026, whichever occurs first

## Reduction of Capital Gains Tax Payment

- Original basis at time of investment is 0. After 5 years, the investor's tax basis is increased by 10%. At year 7, the investor's tax basis is increased by an additional 5%

## Forgiveness of Additional Gain

- If investor holds interest in a QOF for at least 10 years, its basis is stepped up to fair market value as of the date of sale
- Result is no gain (therefore no tax liability) on any appreciations above the amount of the initial investment

# Opportunity Zone Designations (2017)

Under the **2017 process**, governors of each state could designate up to 25% of all eligible Census tracts as OZs. Governor Abbott invited cities to nominate potential census tracts for consideration. Mayor Rawlings nominated 62 Census tracts in the city of Dallas to the Governor's Office On June 14, 2018.

Governor Abbott nominated 628 Census tracts in 145 counties of Texas (including **15 in Dallas**). All 628 were confirmed by the U.S. Department of Treasury.

Governor's Office's analysis was weighted toward three factors:

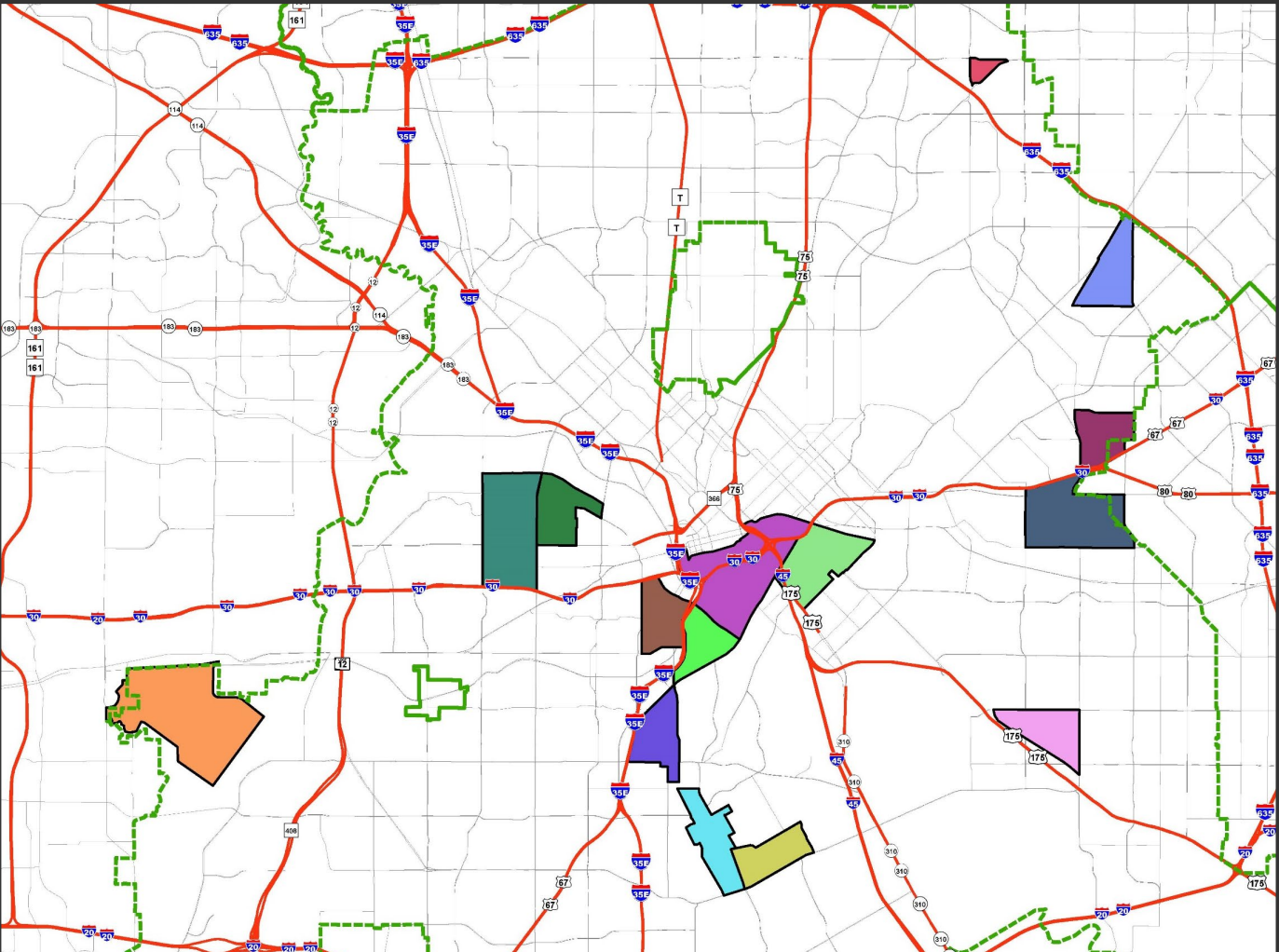
- Areas of **chronic unemployment**
- Areas with **lower population density**
- Areas experiencing significant economic disruptors such as **natural disasters** within the past two years

Dallas received **15 designations** (<https://www.dallasecodev.org/546/Opportunity-Zones>)

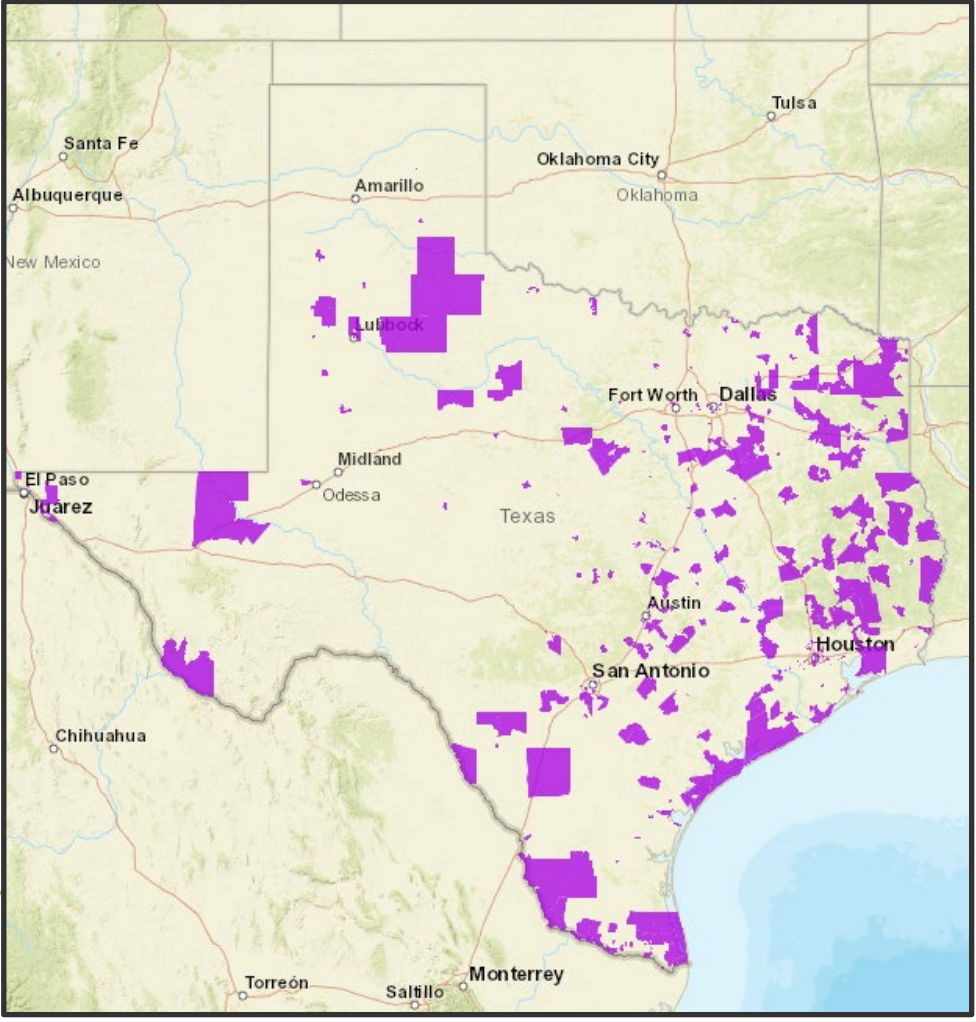
The 2017 OZ program Census tract designations will sunset on **December 31, 2028**

# Current OZ Designations (Expiring 12/31/2028)

15 in Dallas



628 in Texas



# Opportunity Zone Impacts (2017)

Because there are very limited reporting requirements, impact data for the 2017 Opportunity Zones program is incomplete. Per TIP Strategies [Laying the Groundwork for Opportunity Zones 2.0](#) report (December 2025):

- Mobilized more than \$89 billion by 2022 nationwide, with a total investment expected to exceed \$100 billion, channeled into over 5,600 low-income neighborhoods.
- OZ funded projects led to the development of around 300,000+ new housing units that likely wouldn't have been built otherwise, often extending development into nearby non-OZ areas.

Source: TIP Strategies

# Opportunity Zones 2.0 (2026)

The Opportunity Zone program was updated and made permanent in 2025 through the One Big Beautiful Bill Act.

The new program is referred to as “Opportunity Zones 2.0” and will take effect January 1, 2027.

Both the program and the nomination process have been revised, but the City of Dallas still has a role in nominating eligible census tracts for consideration by the Governor’s Office. Today’s briefing kicks off that nomination process.

# Opportunity Zones 2.0: *Changes to the Program*

## Permanent Program

- Census tracts are **redesignated every 10 years**
- New designations become effective **January 1, 2027**, lasting **10 years**

## Qualified Rural Opportunity Funds

- Creates a special class of **rural Qualified Opportunity Funds (QOF)** with additional benefits
- Expected to **increase interest in rural areas**

## New Eligibility Rules for OZ Designation

- Median family income changes to **70% of the area median** (down from 80%)
- Poverty rate remains at 20%
- **No contiguous tracts allowed**

## Enhanced Reporting

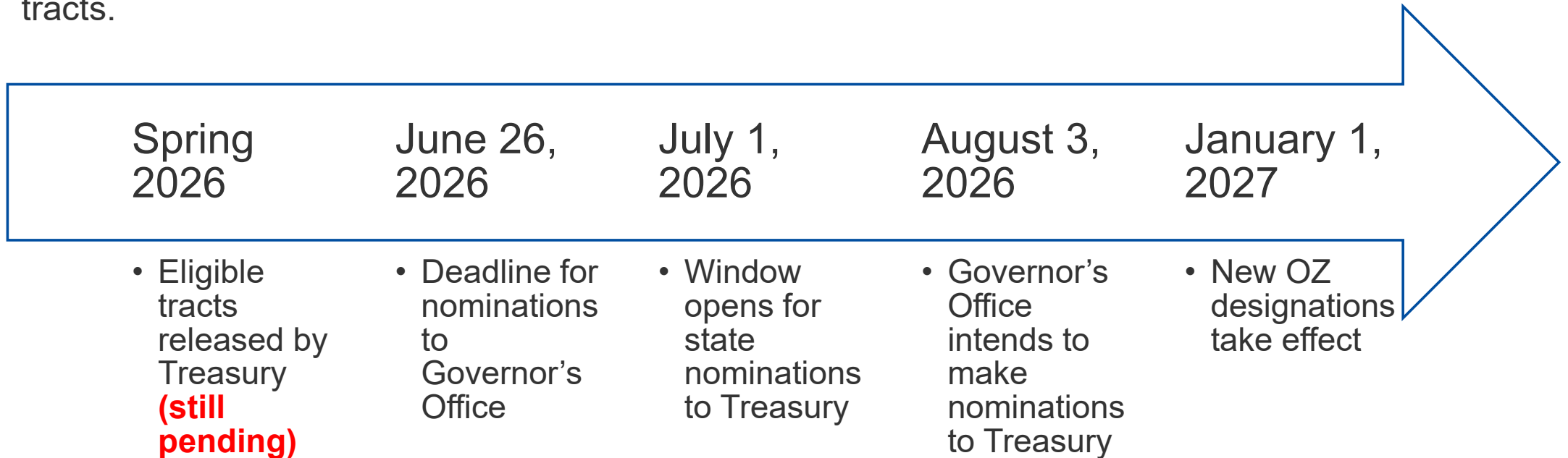
- QOFs must report **project-level data** to IRS
- IRS must provide **tract-level data** to the public annually

## Enhanced Tax Benefits

- Investors can roll recently realized capital gains into a QOF at any point and still benefit from a standard five-year deferral and the 10% step-up in basis
- Will encourage ongoing investment in OZs

# Opportunity Zones 2.0: *Census Tract Designation*

Under Opportunity Zones 2.0, state governors will be able to nominate 25% of their respective state's eligible Census tracts every ten years for U.S. Treasury certification as Opportunity Zone tracts.

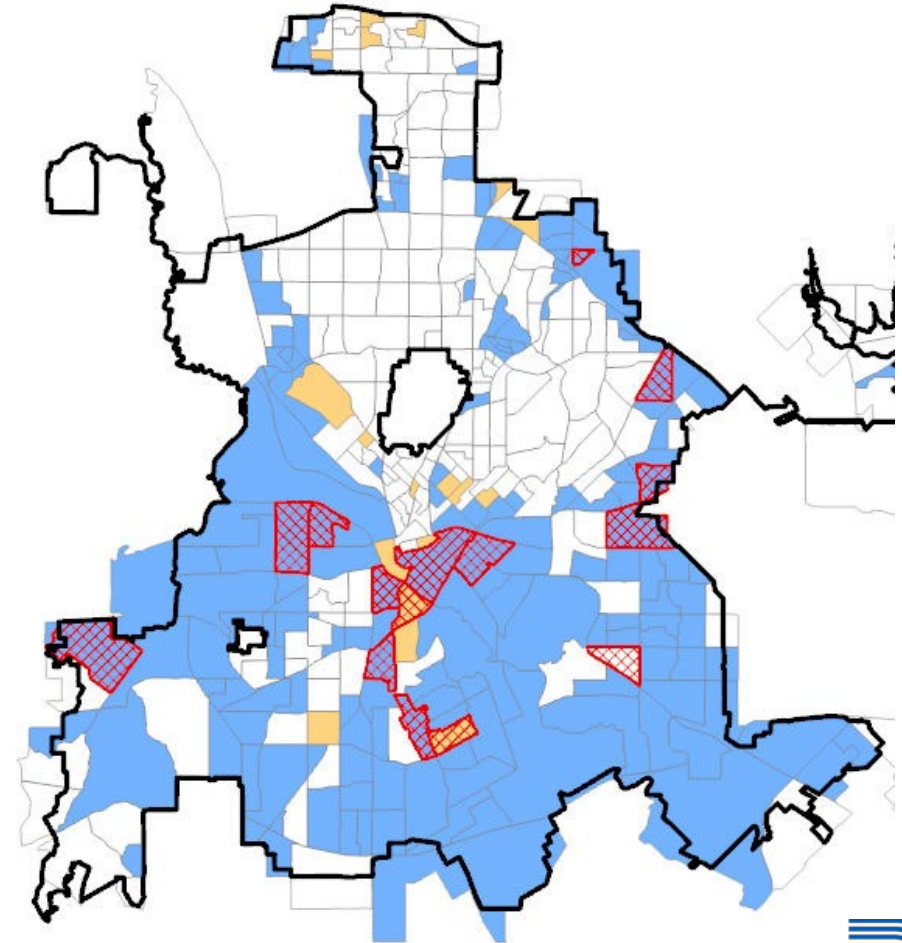


# Opportunity Zones 2.0: Census Tract Eligibility

To be eligible:

- Tract must have a **median family income (MFI) less than 70%** of state/metro MFI
- OR**
- **Poverty rate greater than or equal to 20% and MFI less than or equal to 125%** of state/metro MFI.

 Eligible Tract     Insufficient Information     Current OZ



# Opportunity Zones 2.0: *State Process*

The Economic Development & Tourism Office within the Governor's Office will lead the effort to develop a transparent and data-driven selection process for Opportunity Zones 2.0. Local economic development organizations (i.e. the City of Dallas Office of Economic Development) can nominate eligible tracts in the communities for consideration by Governor's Office.

Each tract can earn **up to 10 points** based on the following **four criteria**:

- 1. Statutory compliance:** All nominated tracts must meet federal eligibility requirements as described on previous slide
- 2. Local support (up to 4 points):** Strong consideration will be given for those tracts which the local community will support through incentives offered, rebates, and agreements

# Opportunity Zones 2.0: *State Process*

- 3. Project viability (up to 4 points):** communities should prioritize shovel-ready sites where private capital can realistically deploy in 24-48 months and where investments drive inclusive growth in the community (e.g. affordable housing commitments, anti-displacement tools, workforce initiatives, etc.).
- 4. Geographical balance (up to 2 points):** Governor's Office will ensure representation across regions of Texas; leverage rural incentives (**1 point**) without selecting unworkable tracts and provide additional incentive for tracts which have been affected by a declared disaster\* over the last three (3) years (**1 point**)

**NOTE: Each nominated tract must include detailed information for scoring**

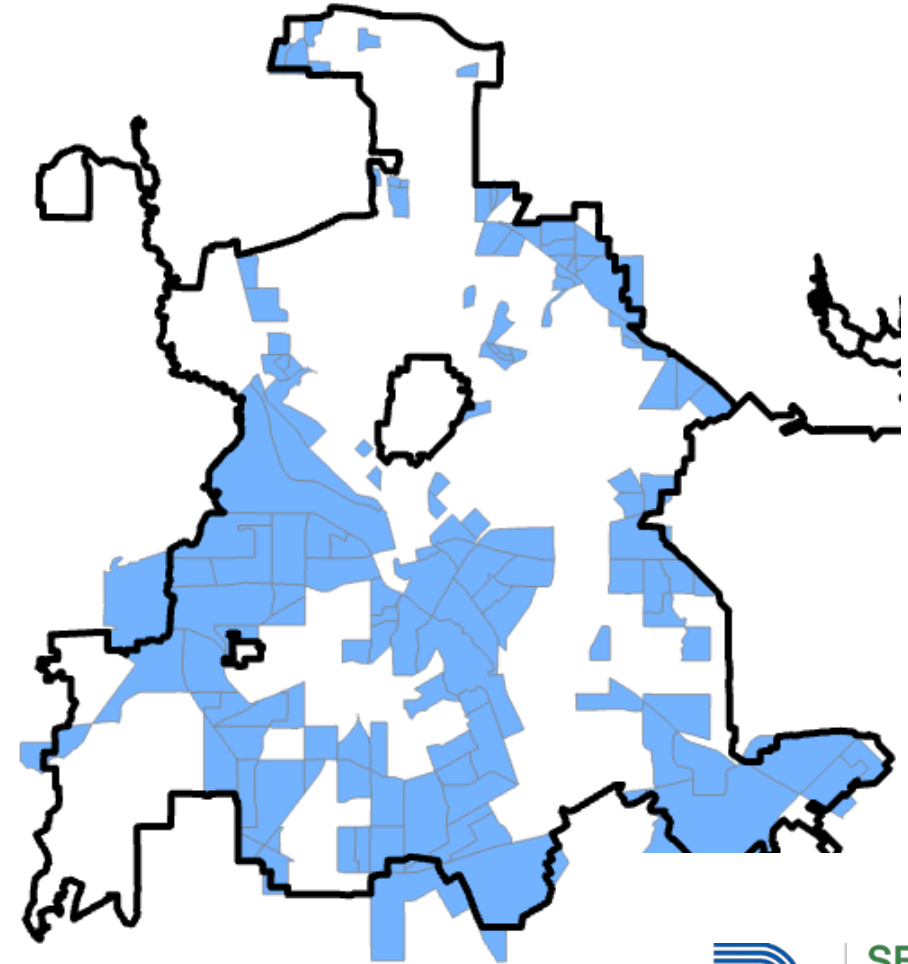
\*FEMA-4781-DR, Texas Disaster Declaration as of 09/23/2024 impacted Dallas, and Collin counties (Texas Severe Storms, Straight-line Winds, Tornadoes, and Flooding)

# Opportunity Zones 2.0: *Working map of OZ tracts*

While we continue to wait for the official list of eligible tracts to be released by Treasury, the Office of Economic Development reviewed the preliminary list of 183 eligible Census tracts against the Governor's Office's scoring criteria and removed tracts that:

- have **insufficient data** due to lack of MFI information (17, which may be added back based on the final Treasury determination)
- are located within **flood zones**
- are **not the focus of City of Dallas economic development incentive policy** (TIF districts, Economic Development Target Areas, NMTCs)
- are comprised of less than 25 percent commercial property (i.e. are **highly single-family residential**)

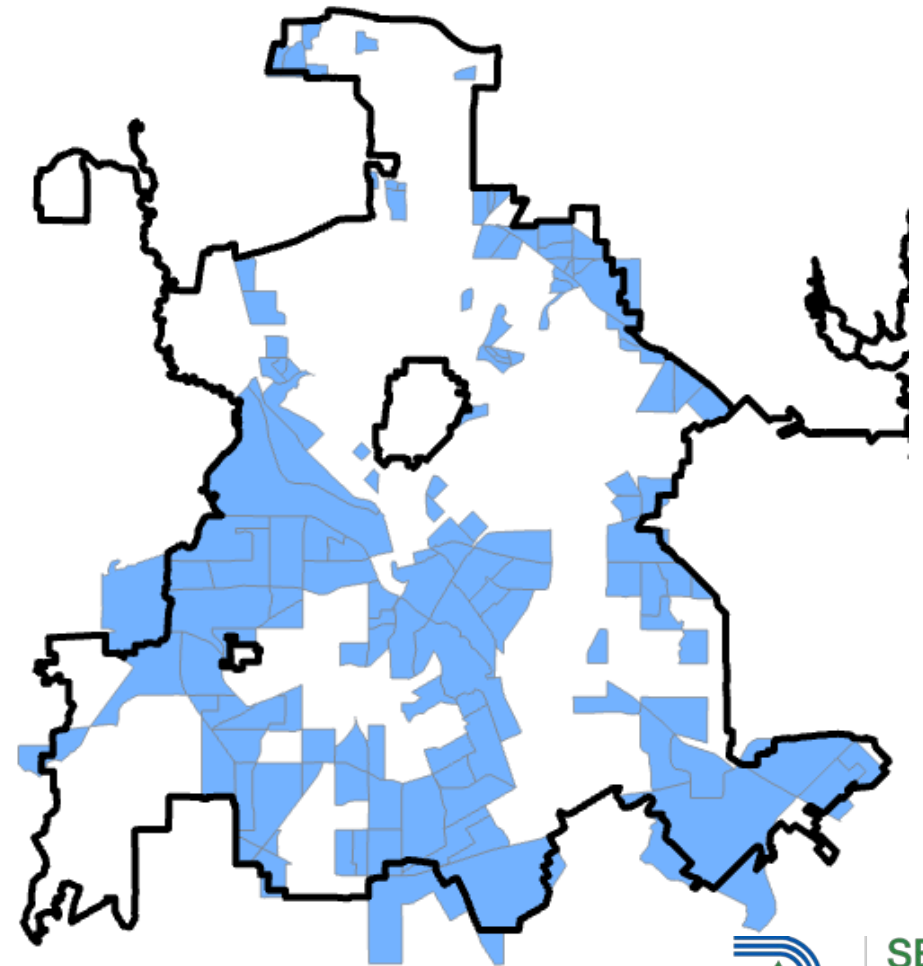
**Total number of Census tracts remaining: 132**



# Opportunity Zones 2.0: *Working map of OZ tracts*

Depending on the resolution of the insufficient data, there could be between 132 and 146 Census tracts generally eligible for nomination

Given the Governor's Office's nomination requirements and scoring criteria, and the amount of documentation required for each nominated tract, the Office of Economic Development anticipates recommending a smaller subset of Census tracts for nomination



# Next Steps

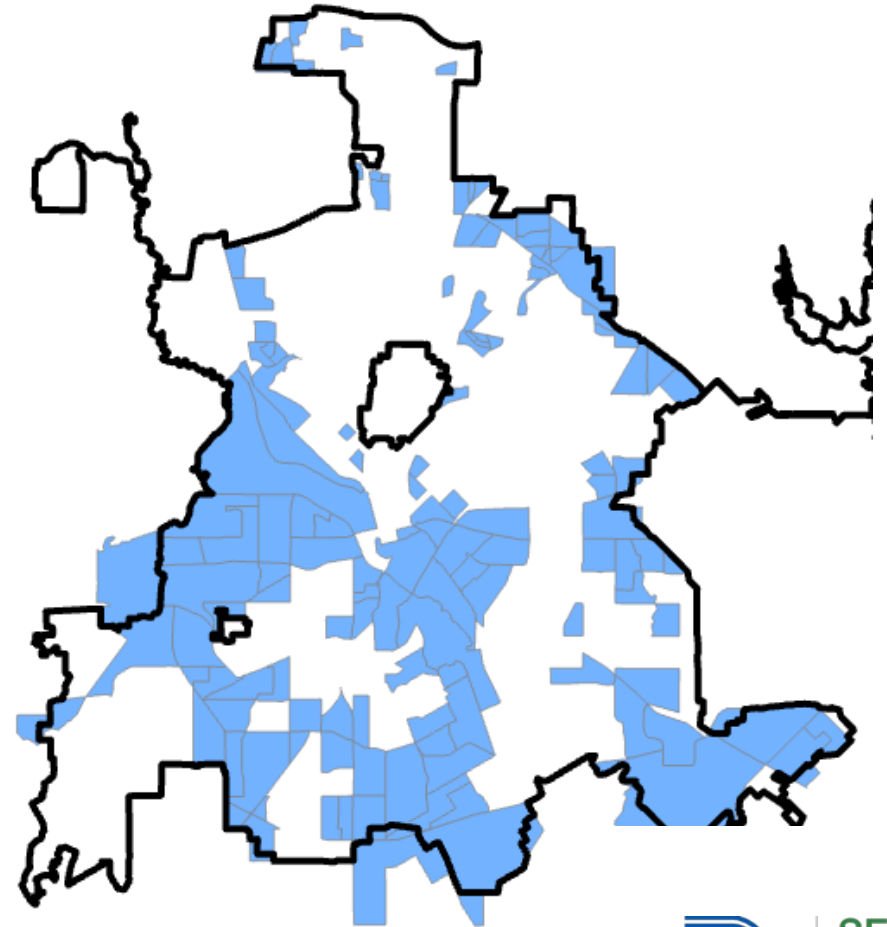
**Today:** seek Economic Development Committee general feedback on working map of Census tracts, initial review criteria, and process

**April 7-24:** Publish working map of Census tracts on Economic Development website for public feedback (with media release, Friday memo, and special newsletter blast)

**May 4:** Return to Economic Development Committee with summary of public feedback and refined working map of Census tracts

**June 1:** Return to Economic Development Committee with staff's final recommendation for nominations

**June 26:** Deadline to submit nominations to Governor's Office





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