



IN THE Corridor

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OPPORTUNITY ZONES TARGET MASON CITY FOR INVESTMENT

MASON CITY HAS A NEW TOOL TO ATTRACT INVESTORS AND DEVELOP THE COMMUNITY under a federal program called Opportunity Zones.

Established as part of the Tax Cuts and Jobs Act of 2017, the program is designed to link up low-income zones with investors seeking a capital gains tax deferral. Mason City is one of 62 Iowa communities that have received approval by the U.S. Treasury for a designated Opportunity Zone.

North Iowa Corridor Economic Development Corp. and the City of Mason City applied to the State of Iowa for recognition of several possible development areas, based on U.S. Census data identifying low income and other criteria. Chad Schreck, President and CEO of NIC, said Governor Kim Reynolds was only permitted to pick 25% of eligible tracts across the state, and one of Mason City's proposed zones made it through. This Opportunity Zone includes part of downtown Mason City as well as part of the Industrial Park south of town towards the Avenue of the Saints.

According to Schreck, the program starts with individuals who have capital gains issues; for instance, they sold a building and that income is subject to capital gains tax. Now they can put the money into a fund to be invested in an Opportunity Zone project. For example, the fund could be used to build housing, purchase land, or improve a retail business in the zone. It could be a direct investment - back into their own business - or indirect, through an investment fund focusing on a community project.

"Their capital gains taxes would be deferred as long as the money stays in the fund. If they leave it at least seven years and up to ten years, any money they make on it is not taxed," Schreck says.

"The Opportunity Zone makes us that much more attractive to investors. There's a lot of potential money out there, and we are working to position ourselves to get it invested in our community. We're looking for local investors with capital gains events to invest in the zone."

Schreck says now NIC and the city are looking for the best projects to put forward in the identified zone. They also are determining other details of how the program can best serve this community. For instance, can Mason City create an opportunity fund itself and look for investors? Or should it use a fund already created nationally, maybe one specializing in an area like housing or retail?

Opportunity Zones also offer an attractive philanthropic angle for investors. According to the Governor's Office, in order to qualify the Mason City zone needed to have a poverty rate of 20 percent or greater and/or family income less than 80 percent of the area's median income.

"This will get money into areas that don't typically get it. Investors want to get it to areas that really need it," Schreck says. "The cool deal is that we can hopefully capitalize on this for housing, retail, downtown, or industrial development."



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