Seminar Agenda

- Overview and Maps:
  - Mike Downing, City of Jonesboro
- Program Summary, Benefits, and Process:
  - Curt Hawkins, Waddell, Cole and Jones
- Potential projects in the OZ areas:
  - Industrial area: Mark Young, Chamber of Commerce
  - City-owned property: Jonathan Smith, Jonesboro Land Bank
- Recent Downtown Projects:
  - Lindsey Ford Wingo, Downtown Jonesboro Alliance
  - Restrictive codes and zoning
  - Derrel Smith, City of Jonesboro
- City’s New Boarding Ordinance:
  - Mike Tyner, City of Jonesboro

Opportunity Zone - Basics

- Federal tax benefits – applicable only to newly reinvested capital gains.
- Project must be in an Opportunity Zone.
  - 3 in Jonesboro
- Can’t be owner-occupied housing.
- Must be fair size: Maybe $1 million +

Opportunity Zones

85 Arkansas Opportunity Zones

Jonesboro Opportunity Zones (3)
A New Tool For Investment

• Qualified Opportunity Zones ("QOZs") are new investment opportunities created by the 2017 Tax Cuts and Jobs Act (the "Act").

• These zones are designated low-income population areas designed to increase economic development and job creation in distressed communities.

• In order to achieve this, the Act provides tax benefits to investors who invest otherwise taxable capital gains into investment vehicles called Qualified Opportunity Funds ("QOFs") organized for the purpose of investing in Qualified Opportunity Zone property.

How Can I Benefit?

• US taxpayers who invest capital gains in QOZs can benefit from new tax incentives.

• These incentives include the following:
  • Tax deferral on the capital gains;
  • Reduction in invested capital gains for long-term investment; and
  • Exclusion of appreciation on the investment.
Tax Deferral

- Until December 31, 2026, a taxpayer may elect to defer capital gains if those gains are properly invested in a QOF and didn't arise from a transaction with a related party.
- The taxpayer in question is any person that recognizes capital gains for income tax purposes including:
  - Individuals;
  - Business Entities;
  - Trusts; and
  - Estates
- The deferred gain will eventually be included in income for the tax year that includes the earliest of:
  - The date on which the investment is sold or exchanged; or
  - December 31, 2026

Gain Exclusion

- For investments held by the taxpayer for at least 10 years, the basis of the property will be equal to its fair-market value at the time the investment is sold or exchanged.
- In other words, gains accrued on the investment made in a QOF will be permanently excluded from taxable income if the investment is held for at least 10 years.
- Note that this exclusion does not apply to the original deferred gain.

Basis Increase

- Over time, provided the investment remains in the QOF, the taxpayer's basis in the investment is increased, ultimately reducing the amount of capital gains to be paid on recognition.
- If the investment is held for 5 years, the basis is increased by 10%, leading to an exclusion of 10% on the deferred gain.
- If the investment is held for 7 years, the basis is increased by an additional 5%, for a total of 15%.
- Note that the current recognition date of December 31, 2026 will fall before the 7-year mark.

Mechanics of Investment

- Generally, to receive tax benefits, a taxpayer must invest capital gains in a QOF during the 180-day period beginning on the date of the sale or exchange.
- Additional options exist for partnerships and S-corporations.
- In calculating gain to be invested, the taxpayer need not reduce the gain by any losses, but gain required to be re-characterized as ordinary income (for example, gain from depreciated property) will not be eligible.
- The taxpayer must elect to defer the gain on Form 8949 in the tax year of the deferral. Specific direction can be found in the IRS' published instructions for Form 8949.

What is a Qualified Opportunity Fund (QOF)

- A Qualified Opportunity Fund is an investment vehicle organized to invest in QOZ property.
- They may be organized as a corporation or a partnership and self-certify by filing IRS Form 8996.
- At least 90% of QOF assets must be QOZ property, and this is measured twice a year.

Types of Qualifying Property

- Three types of property qualify as QOZ property:
  - Qualified Opportunity Zone Property
  - Qualified Opportunity Zone Stock
  - Qualified Opportunity Zone Partnership Interest
  - Qualified Opportunity Zone Business Property
Qualified Opportunity Zone Business Property

- QOZ Business Property is tangible property acquired by a Qualified Opportunity Fund after December 31, 2017.
- "Substantially all" of the use of the property must occur in a Qualified Opportunity Zone during "substantially all" of the period the property is held by the Fund.
- Either the original use of the property in the Zone must begin with the Fund or the Fund must substantially improve the property by essentially doubling its basis over a 30-month period.
  - Original use may be satisfied if a property has remained vacant over a long period of time.

QOZ Stock & Partnership Interest

- Taxpayer
- Qualified Opportunity Fund
- Qualified Opportunity Zone Stock or Partnership Interest

Why Add The Layer?

- Additional flexibility is available for a QOF that plans to hold qualified stock or partnership interests, instead of holding property outright:
  - Only 70% of all tangible property owned or leased needs to be qualified property;
  - 50% of gross income must be derived from conduct of business in the QOZ;
  - A substantial portion (40%) of any intangible property must be used in active conduct of the business; and
  - Certain non-qualified financial properties must be held to less than 5%.

- Unlike a QOF that owns property outright, a qualified business owned by a QOF can maintain working capital for a 31-month period subject to certain requirements.

Passed and Upcoming Dates

- 12/31/2017 – Qualifying property may be acquired.
- 12/31/2019 – Investment must be made in order to get 15% reduction in deferred gain if held until 12/31/2026.
- 12/31/2021 - Investment must be made in order to get 10% reduction in deferred gain if held until 12/31/2026.
- 12/31/2026 – Deferred gain must be recognized.
1504 East Johnson

- **Zoning:**
  - D-3 General Commercial
  - D-3 LUO
  - R-2 Multifamily Low Density
- **Acres:** 9.4
- **Total Square Footage:** 409,542
- **Land Use Plan:** Moderate intensity
- **Asking Price:** Negotiable

**Potential Uses**
- Single family residential
- Attached single family residential
- Duplexes, triplexes, and fourplexes
- Neighborhood market and services
- Office
- Retail
- Multifamily
- Schools
- Community serving retail
- Social services
- Bank
- Farmers Market
- Pocket Park

1020 Aggie Road
(Wolverine Site)

- **Zoning:**
  - I-1 Limited Industrial
- **Acres:** 3.9
- **Total Square Footage:** 170,755
- **Land Use Plan:** Redevelopment & Urban Village District
- **Asking Price:** Negotiable

**Suggested Uses**
- Encourage a mixture of uses in this area, including offices, services, government facilities, and housing
City of Jonesboro - Land Bank
2020 Request for Qualifications (RFQ’s)
March 10 – April 10
870-819-9358
JSMITH2@JONESBORO.ORG

- Jonesboro Business License
- Arkansas Contractor’s License
- Submit proof that your bonded
- 3 Letters of Reference
- Must be a resident of Jonesboro or have a business located in Jonesboro
- No real property with open violations of the State or local codes and ordinances
- No delinquent taxes or have forfeited title due to nonpayment of taxes
- Transactions are structured in a manner that permits the City to enforce conditions upon title pertaining to development and use of the property

Investing in Downtown Jonesboro

Lindsey Ford Wingo
Derrel Smith
Director of Planning
Codes and Zoning in Redevelopment Areas

Form Based Codes

What are Form Based Codes
• Put simply, a form based code is a way to regulate development that controls building form first and building use second.
• Provides a sense of place between public and private realm.
• Conventional zoning has focused on privately owned land and ignored the “public realm” – that part of the town that belongs to all of us.

How can Form Based Codes help developers
• Form based codes streamline the approval process
• Greater predictability
• Smaller scale of development
• More diversity
• Greater compatibility
• Higher quality public realm

Form Based Codes

Mike Tyner
Director of Code Enforcement
Jonesboro Ordinance Sec. 105-259
Boarding & Securing – General Circumstances

• Applicable to all residential, commercial, and industrial buildings.
  • Public health, safety, and welfare as determined by the Chief Building Official, Chief Fire Marshal, or their designee.
  • Building has been declared a nuisance by the City Council.
  • Property has been vacant and has had no utilities for a period in excess of 60 days.

Jonesboro Ordinance Sec. 105-259
Boarding & Securing Requirements

• All boarding material must be cut to fit openings to be secured.
• Materials shall be weatherproofed and painted with a color that blends with the overall structure.
• Broken/damaged windows shall be boarded and/or secured within 7 days of the incident causing damage if they are not repaired or replaced.
• Any damage to a roof requiring a tarp to prevent damage to the interior must be repaired and the tarp removed within 6 months.

Jonesboro Ordinance Sec. 105-259
Boarding & Securing Requirements

• All boarding material shall be removed and all doors and/or windows repaired to code within 6 months.
• The Chief Building Official may extend the 6 month time frame if:
  • a permit for repair is acquired and work is ongoing on the premises,
  • a demolition permit is issued for the premises, or
  • there is an ongoing criminal or insurance investigation that requires the property to remain untouched.
• In the event of an undue hardship, the Chief Building Official may extend the time frame up to additional 6 months one time.

Jonesboro Ordinance Sec. 105-259
Boarding & Securing - Enforcement

• Enforcement efforts will begin on April 1, 2020.
  • Properties that currently require boarding and securing will be given 30 days to be brought into compliance.
  • Properties that currently have a tarped roof shall be repaired and the tarp removed within 6 months.
  • Violations of this section shall be punishable by a fine of no less than $100.00.
  • Each day a violation continues shall be deemed a separate offense.

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