Economic Development Committee
Committee Meeting Agenda
January 21, 2020
8:00 AM
City Council Chamber

1. **Call to Order**
2. **Roll Call**
3. **Approval of Minutes**
    1. **Approval of October 15, 2019 Economic Development Committee Meeting Minutes**
4. **New Business**
    - ***A. New Chamber Executive Director***
    - ***B. Creve Coeur Business Awards Nominations***
5. **Business from Members**
6. **Business from the Staff Liaison**
    - ***A. Creve Coeur Building Code & Permit Fees***
        1. **Proposed Building Code Changes**
        Summary: Staff is sharing information presented to Council on January 13, 2020 for proposed building code ordinance changes.
    - ***B. Medical Marijuana Permits***
    - ***C. Benson Hill***
    - ***D. 20-Apartment Complex***
    - ***E. East Olive Rezoning***
    - ***F. 39 North Greenways Plan***
    - ***G. Opportunity Zones***
        1. **Opportunity Zones**
        Summary: Staff is sharing some recent articles about Opportunity Zones tax incentives.
7. **Adjourn**
8. **Important Dates**
    - ***A. Business Awards Nomination Deadline - Mar 2, 5PM***
    - ***B. EDC Regularly Scheduled Meeting - Mar 17, 8AM***
    - ***C. Building Code Ordinance 2nd Reading - Apr 13, 7PM***

Economic Development Committee
Committee Meeting Minutes
October 15, 2019
8:00 AM
City Council Chamber

1. Roll Call

Roger Levy	Committee Member	
David Morris	Chamber of Commerce Representative Member	
Ned Maniscalco	Committee Member	
Norty Cohen	Committee Member	
John Meek	Chair	
Mark Manlin	Vice-Chair	(Absent)
Barry Glantz	Mayor	
Charlotte D'Alfonso	Council Liaison	(Absent)
Mark Perkins	City Administrator	
Sharon Stott	Assistant City Administrator	
Jason Jaggi	Director of Community Development	

John Meek called the meeting to order at 8:00 AM. A quorum was present.

2. Approval of Minutes

1. Approval of July 16, 2019 Economic Development Committee Meeting Minutes

Ned Maniscalco moved, seconded by John Meek to approve the minutes of July 16, 2019. Motion approved unanimously.

RESULT:	**ACCEPTED [UNANIMOUS]**
AYES:	Levy, Morris, Maniscalco, Cohen, Meek
ABSENT:	Manlin

3. Unfinished Business

A. East Olive Work Sessions Follow Up

Director of Community Development Jason Jaggi provided an overview of the East Olive meetings and the joint work session with City Council, Planning & Zoning Commission (P&Z) and Economic Development Committee (EDC).

Staff received direction from the joint work session to work with P&Z to: 1) focus on a planned development ordinance to address East Olive; and, 2) provide a revised simplified drive-through restaurant ordinance to maintain some, but less stringent, controls.

Mr. Jaggi stated the property on Olive is shallow and is adjacent to residential with existing businesses focus primarily on personal service industry (car wash, gas station, barber, groceries). Planned commercial district plan will be discussed in the future with EDC.

Mayor Glantz stated due to the close proximity of residential properties along East Olive Boulevard, proposed developments are often closely monitored by, and draw interest from residents.

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B. EDC Strategy Action Item #2 Discussion

John Meek asked members for suggestions or ideas to include specific action items related to #2 Retention of Current Business in the EDC Mission and Strategy.

Ned Maniscalco suggested the document provide measurable goals.

David Morris stated the Creve Coeur-Olivette Chamber of Commerce is in the process of hiring a new executive director. There are ways to collaborate with the Chamber, such as conducting a business survey. He stated the Chamber just emailed one to the membership today. Sharon Stott will forward the survey to EDC members.

Norty Cohen suggested hosting a series of “Ted X” or “Talk like Ted” talks whereby talks are structured to last 18 minutes or less and are purported to be “meaningful moments.” Mr. Cohen will find out more information and forward to the committee. The Committee discussed possible locations with large meeting room space such as the Danforth Plant Science Center and Missouri Baptist University.

1. **Economic Development Committee Mission and Strategy**
   Summary: Committee will discuss action item two (2).

4. New Business

No new business was discussed.

5. Business from Members

John Meek asked staff if there will be follow up information sent to attendees of the residential or commercial roundtable discussions.

Jason Jaggi stated there will be new building codes for the Council consider. In addition, there are improvements underway to streamline and eliminate some inspections.

Mark Perkins stated there is a joint work session with City Council and the Building Code Board of Appeals on Monday, October 28 at 6 p.m., to discuss the building codes, including the energy code. The EDC is encouraged to attend.

Communication to residents and businesses concerning these areas will be included in the business and residential newsletters. In addition, the City continues to seek feedback through its monthly satisfaction survey emailed to all residential and commercial permit applicants once the project is completed. Sharon Stott will submit a copy of the year-to-date results to EDC.

6. Business from Staff Liaison

A. Community Development Update

i. 39 North

Jason Jaggi stated a public house was held last month to improve the aesthetics and functionality of the Olive Boulevard/Lindbergh Boulevard intersection. The proposal includes a folded diamond interchange.

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Funding for the area is a two-step process. Step one includes applying for a grant from Missouri State for the interchange which has been successfully completed and approved. Step two includes applying for a federal grant to make Old Olive Street Road an access road. Concurrently, staff will also applying for an Governor's Transportation Cost-Share Grant as an alternative funding source for the project. Step two grants applications are in the application stage process.

ii. Other Developments

Jason Jaggi stated three floors of the HBE building on Olive Boulevard is slated to be leased by MetLife. Permits for this project are pending.

7. Adjourn

Meeting adjourned at 9:04 a.m.

A. Reminders

i. Mandatory Biennial Ethics Training

Sharon Stott stated those few members who did not attend the Biennial Ethics Training will be required to review and submit in writing they have completed the training online. A link with instructions will be emailed to those members this week with a deadline of October 31, 2019.

A. Confirmation must be received no later than Oct. 31

ii. Next EDC Meeting, Nov. 19, 8 AM

Economic Development Committee

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SCHEDULED

STAFF REPORT

Meeting: 01/21/20 08:00 AM
Department: Economic Development Committee
Category: Discussion
Prepared By: Sharon Stott
Department Head: Sharon Stott

Proposed Building Code Changes

Staff is sharing information presented to Council on January 13, 2020 for proposed building code ordinance changes.

CITY OF CREVE COEUR
Department of Community Development
BUILDING DIVISION

MEMORANDUM

TO: Mark Perkins, City Administrator

FROM: Steve Unser, Chief Building Official

CC: Jason Jaggi, Director of Community Development

DATE: January 8, 2020

RE: Building Division's Drafts of City Ordinances to Amend and Adopt the following Codes:

+ 2015 International Residential Code (IRC) as the City's New Building Code for One-and Two-Family Dwellings.
+ 2015 International Building Code (IBC) as the City's New Building Code for Commercial Buildings.
+ 2015 International Energy Conservation Code (IECC) as the City's New Energy Conservation Code for Residential and Commercial Buildings.
+ 2015 International Swimming Pool and Spa Code (ISPSC) as the City's New Building Code for Swimming Pools and Spas.
+ 2015 International Property Maintenance Code (IPMC) as the City's New Property Maintenance Code for Apartment Dwelling Units and Commercial Buildings.

Please find attached the aforementioned drafts for review and comments. St. Louis County and the majority of municipalities within St. Louis County have adopted or are in the process of adopting these codes as their new building codes, energy conservation code, swimming pool code and property maintenance code. (See attached Exhibit A) In the interest of code enforcement consistency throughout our region, the building division is recommending that the City of Creve Coeur do the same.

Please note that an explanation for each proposed amendment to each code is written in *italics* and underlined after each proposed amendment. These "explanations" will be removed from the body of these ordinances prior to their adoption.

On January 14, 2020, the drafts of these proposed ordinances will be filed with the City Clerk's office and made available for ninety (90) days of public inspection and examination pursuant to Section 67.280 RSMo. Also, on January 14, 2020, these drafts will be:

- Posted on the city's website for public review.
- Made available to the public at the building division counter.

- E-mailed to members of the city's Building Code Board of Appeals and to members of the city's Energy and Environment Committee.
- E-mailed to the Homebuilder's Association of Greater St. Louis, the Associated General Contractors of St. Louis, the National Association of the Remodeling Industry, the Creve Coeur – Olivette Chamber of Commerce and the city's Apartment Community Managers.
- E-mailed to any other interested parties as requested.

The city requests that any comments from all interested parties regarding these drafts be submitted to the building division for review within ninety (90) days of January 14, 2020 or by April 13, 2020. These public comments will be shared with the city administrator and city council for possible inclusions into revised drafts.

THE CODE CHANGE PROCESS

Every 3 years new codes are published by the International Code Council. These International Codes are kept up to date through the review of proposed code changes submitted by code enforcement officials, industry representatives, design professionals and other interested parties. Proposed code changes are carefully considered through an open code development process in which all interested and affected parties may participate. A consensus is reached for each proposed code change by a majority vote of members at the ICC Code Change Hearings which are held twice a year (spring/fall) at various cities.

The intent of the city has been to adopt these codes as written through this model code development process and to ensure that any amendments proposed by the building division will not be less restrictive than the minimum requirements that are in the published International Codes.

OF NOTE

The adoption of these codes will not result in an increase in the type or number of inspections required to be made by city inspectors for the projects each of these codes regulates.

2015 International Residential Code for One- and Two-Family Dwellings (IRC)

This code regulates the construction, alteration, movement, enlargement, replacement, repair, location and demolition of detached one- and two-family dwellings and townhouses not more than 3 stories in height with a separate means of egress. Residential dwelling units more than 3 stories in height or that share a means of egress are regulated by the 2015 International Building Code.

The most significant changes between the proposed 2015 IRC and the city's present residential building code (2009 IRC) are found in Chapter 11 - Energy Efficiency.

Please see attached Exhibit B for a summary of those significant changes.

2015 International Building Code (IBC)

This building code regulates the construction, alteration, movement, enlargement, repair, equipment, use and occupancy, location, maintenance, removal and demolition of every commercial-type building or structure. The buildings and structures regulated by this code include office buildings, temples, churches, theaters, restaurants, schools, hospitals, shopping centers, hotels and warehouses.

There are no significant changes between the proposed 2015 IBC and the city's present commercial building code (2009 IBC)

2015 International Energy Conservation Code (IECC)

This code regulates the design and construction of residential and commercial buildings for the effective use and conservation of energy over the useful life of each building.

There are also provisions of this code that apply to the effective use and conservation of energy as that pertains to additions, alterations and repairs made to existing buildings.

The most significant changes between the proposed 2015 IECC and the city's present energy conservation code (2009 IECC) are found in the Residential Provisions.

Please see attached Exhibit B for a summary of those significant changes.

2015 International Swimming Pool and Spa Code (ISPSC)

This code regulates the construction, alteration, removal, renovation, replacement, repair and maintenance of swimming pools and spas.

This is a new code published by the ICC. Presently, requirements for residential (one- and two-family dwellings and townhomes) swimming pools and spas are located in Appendix G of the 2009 IRC. The ISPSC has incorporated these requirements into this code along with requirements for public swimming pools and spas that serve the city's hotels and apartment communities. Otherwise, there are no other significant changes being made to the city's present swimming pool and spa regulations.

2015 International Property Maintenance Code (IPMC)

This code regulates the occupancy and the interior and exterior maintenance of existing commercial and apartment buildings. It requires that property owners comply with minimum maintenance requirements and standards so as to ensure the safety, health and welfare of building occupants and to keep properties clean and neat in appearance.

When the city adopted the 2009 IPMC on 6/27/2011, it amended *Section 101.2 Scope* to read as follows: *"Exception: Detached single-family dwellings or owner-occupied dwelling units are not subject to the provisions of this code".*

This exception was made because the city does not have a residential re-occupancy program that would require an interior and exterior re-occupancy inspection be made and a certificate of occupancy be issued when existing homes and condominiums are sold. Presently, the city regulates only the exterior maintenance of existing homes and condominiums per the city's *Minimum Standards For The Exterior Maintenance of Residential Structures.*

This same exception is being proposed for the 2015 IPMC. Otherwise, there are no other significant changes being made to the city's present property maintenance code.

EXHIBIT A

COMPARISON OF CODES ADOPTED BY COMPARATOR JURISDICTIONS

Footnote (1)

Jurisdiction	IRC	Amend Chp. 11 of IRC (2)	IBC	IECC	IPMC	ISPSC	IEBC
Ballwin	2006	NO	2006	NO	NO	NO	NO
Brentwood	2018	NO	2018	2018	2018	NO	2018
Clayton	2015	NO	2015	2015	2015	2015	2015
Creve Coeur	2015	---	2015	2015	2015	2015	NO
Frontenac	2015	YES	2015	2015	2015	2015	2015
Kirkwood	2015	YES	2015	2015	2009	2015	2015
Ladue	2015	YES	2015	NO	2015	2015	NO
Maryland Heights	2015	YES	2015	2015	2015	2015	2015
Olivette	2015	NO	2015	NO	2015	NO	2015
Richmond Heights	2012	NO	2012	NO	2009	NO	NO
St. Peters	2015	YES	2015	2015	2015	2015	2015
Town & Country	2015	NO	2015	NO	2015	NO	2015
St. Louis County	2015	YES	2015	2009	2015	2015	2015

Footnotes:

(1) Based on information provided by each jurisdiction's website.
(2) Chapter 11 is the ENERGY EFFICIENCY chapter of the International Residential Code.

EXHIBIT B

City of Creve Coeur / Building Division
COMPARISON TABLE
BETWEEN THE
2009 INTERNATIONAL ENERGY CONSERVATION CODE REQUIREMENTS
AND
2015 INTERNATIONAL ENERGY CONSERVATION CODE REQUIREMENTS(a)

NOTE: The Building Division will recommend that the 2015 International Energy Conservation Code and Chapter 11- Energy Efficiency- of the 2015 International Residential Code be adopted as written.

Building Element	Present Requirements 2009 IRC , Chapter 11 Or 2009 IECC, Chapter 4	Proposed Requirements 2015 IRC, Chapter 11 Or 2015 IECC, Residential Provisions	What St. Louis County Did
Attic R-Value	38	49	38
Wall R-Value	13	20 or 13 + 5(b)	15
Floor R-Value	19	19	19
Crawl Space Wall R-Value(c)	10/13	10/13	5
Basement Wall R-Value(c)	10/13	10/13	13
Exposed Duct R-Value	8	8 for ducts = or > 3"diamater 6 for ducts < 3" diameter	8 for ducts = or > 3" diameter 6 for ducts < 3" in diameter
Fenestration U-Factor	0.35	0.35	0.35
Fenestration SHGC	Not Required	0.40	Not Required
Skylight U-Factor	0.65	0.55	0.55
Programmable Thermostats	Required	Required	Required
High- Efficacy Light Bulbs (like CFLs or LEDs)	Required for 50% of permanent light fixtures	Required for 75% of permanent light fixtures	Deleted
Thermal Envelope Sealing/Testing (Door Blower Test)	Required, Air Leakage Not To Exceed 7 ACH	Required, Air Leakage Not To Exceed 3 ACH	Required, Air Leakage Not To Exceed 4 ACH
Mechanical Ventilation (Outdoor Air Required)	Whole-House Ventilation System Not Required	Whole-House Ventilation System Required If Air Leakage Is 5 ACH Or Less	Whole-House Ventilation System Required If Air Leakage Is 5 ACH Or Less
Permanent Energy Conservation Certificate Posted	Required	Required	Deleted
Duct Sealing / Testing	Sealing and Testing Required	Sealing and Testing Required	Sealing and Testing Required
Building Framing Cavities	Shall Not Be Used As Supply Ducts.	Shall Not Be Used As Supply Or Return Air Ducts	Shall Not Be Used As Supply Ducts.
Hot Water Pipe Insulation	Not Required	R-3 Insulation Applied to 3/4" piping or larger	R-3 Insulation Applied To Piping Larger Than 3/4"
Wood-Burning Fireplaces	Shall Have Gasketed Doors	Shall Have UL Listed Tight-Fitting Doors Or Dampers	Deleted
Thermal Cover for Heated Swimming Pools	Required	Required	Required
Insulating & Weatherstripping Attic Access Panels	Required	Required	Insulating Required Weatherstripping Not Required

(a) R-values are minimum. U-Factors and SHGC are maximums.
(b) The first value is cavity insulation, the second value is continuous insulation, so "13 + 5" means R-13 cavity insulation plus R-5 continuous insulation.
(c) "10/13" means R-10 continuous insulation on the interior of the basement/crawl space wall or R-13 cavity insulation at the interior of the basement/crawl space wall.

Attachment: Significant Changes to the 2009 IECC (Proposed Building Code Changes)

Economic Development Committee

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SCHEDULED

STAFF REPORT

Meeting: 01/21/20 08:00 AM
Department: Economic Development Committee
Category: Discussion
Prepared By: Sharon Stott
Department Head: Sharon Stott

Opportunity Zones

Staff is sharing some recent articles about Opportunity Zones tax incentives.

Opportunity Zones Application Information

What is an Opportunity Zone?

Public Law 115-97, also known as the Tax Cuts and Jobs Act of 2017, allows the Governor of each state to nominate cert census tracts as "Opportunity Zones". Opportunity Zones are low-income census tracts in which:

- (1) The tract has a poverty rate of at least 20%; or
- (2)(A) For a census tract in a metropolitan area, the tract's median family income does not exceed 80% of the greater of (A) the metropolitan area median family income or (B) statewide median family income; or
- (2)(B) For a census tract in a non-metropolitan area, the tract does not exceed 80% of the statewide median famil income. However, in the case of a census tract located within a high migration rural county, low-income is defined by reference to 85% of statewide median family income.
  - A "high migration rural county" is any rural county that, during the 20-year period ending with the year in which the most recent census was conducted, has a net outmigration of inhabitants from the county of at le 10% of the county population at the beginning of such period.

See the link for interactive mapping and for lists of qualifying census tracts, by state. ***(NEW UPDATE)***

- **MAPPING with CENSUS TRACTS**
- **Opp Zone - Missouri Eligible Census Tracts**
- **Opp Zone - Missouri Eligible Contiguous Census Tracts**
- **Opp Zone - Missouri Eligible Cross State Census Tracts**

Note! The U.S. Department of the Treasury has not completed its rulemaking on this program at this time. All maps and lists provided by DED are for planning purposes only and may be subject to change based upon the Department of the Treasury's final rule.

What is an Opportunity Fund?

An Opportunity Fund is any investment vehicle organized as a corporation or partnership for the purpose of investing in Opportunity Zones that holds at least 90% of its assets in qualified Opportunity Zone assets.

What is the benefit of an Opportunity Zone?

Certain eligible investments made by U.S. investors, including the reinvestment of unrealized capital gains into Opportunit Funds made inside designated Opportunity Zones, may gain favorable tax treatment and tax incentives, such as temporar deferrals for the investor.

DED is working with the Department of Revenue to determine any state benefits that may apply, as well.

What is the purpose of an Opportunity Zone?

To drive needed capital into distressed communities.

How many Opportunity Zones may a state nominate?

Each state is limited to the greater of 25 total eligible census tracts or 25% of the total number of eligible census tracts within the state. There is no requirement for a state to nominate all eligible census tracts.

What Federal agency will administer the Opportunity Zone Program?

The U.S. Department of the Treasury. The Department of the Treasury will proceed through the formal rule-making process before the program can be finalized.

What is the State's role?

Under the Act, the Governor is authorized to nominate census tracts to the U.S. Department of the Treasury for designati as "Opportunity Zones".

The nominations must be made by the Governor no later than 90 days after the Tax Cuts and Jobs Act of 2017 was signe That date has been established as March 21, 2018. ***(NEW UPDATE)***

How will the Governor determine which zones to nominate?

Governor Eric Greitens has directed DED to take all necessary steps to research and recommend which areas should be designated as Opportunity Zones in the State of Missouri.

Pursuant to the Governor's directive, DED has established the following:

Education and Awareness:

In order to inform the public of the Opportunity Zone recommendation process and in order to allow feedback, comments and input, DED has established this website for continual update and will host a webinar from 11:00 a.m. to noon on February 2, 2018. ***(already conducted)***

Analysis and Impact:

DED will work directly with the Missouri Department of Revenue to assess Opportunity Zones' projected impact to State taxes.

Process for Submitting Proposals:

- ***PROPOSAL***

In order to determine possible nominations of eligible census tracts, DED will solicit proposals from local governments (cities and counties) that contain, at a minimum, the specific relevant information found on the attached "Opportunity Zone – Proposal".

Each submission must be on the local government letterhead signed by the Chief Elected Official or his/her official representative.

The submission must be scanned and emailed or postmarked no later than Friday, March 2, 2018 to:

Missouri Department of Economic Development

Attn: Opportunity Zones

P.O. Box 118

301 West High Street, Suite 770

Jefferson City, Missouri 65102

Scanned documents may be emailed to: ***michael.lanahan@ded.mo.gov***

Please note that the State's network has size limitations for documents mailed.

Prioritization:

Cities and Counties may submit more than one proposal (census tract or group of census tracts) for consideration, however, each must be clearly prioritized to assist the Department in understanding local preferences. Contiguous tracts may be considered one proposal. Each separate proposal must provide separately, the information found in the "Opportunity Zone – Proposal" to be considered. Each separate proposal must be prioritized.

Important Dates:

Public notice regarding webinar is released: *Monday, January 29, 2018*

Website and relevant information goes live: *Monday, January 29, 2018*

Webinar*: Friday, February 2, 2018 @ 11:00 a.m.* ***(already conducted)***

Proposals for nomination are due to DED: *Friday, March 2, 2018*

Nominations are submitted from the State: *Wednesday, March 21, 2018* ***(NEW UPDATE)***

Where can I find more information about Opportunity Zones?

Slides on Missouri Opportunity Zones

IRS - Opportunity Zone

Congress Bill 115

Sec. 13823 contains the amendment for "Subchapter Z – Opportunity Zones".

U.S. Department of the Treasury

Economic Innovation Group Overview on Opportunity Zones

Article Source: https://www.stltoday.com/business/local/invest-in-north-st-louis-or-north-st-louis-county/article_e84a2084-4848-5f4c-a1dd-ac5444b4f91f.html

New St. Louis hotel, Midtown entertainment project among those getting boost from new Opportunity Zone
Jacob Barker
Jan 11, 2020

ST. LOUIS — Many of the region's biggest development projects are getting a lift from a new federal law that lets investors reduce their tax liability by putting capital gains into projects in areas leaders have targeted for years.

Throughout the region, developers with projects in eligible areas, known as Opportunity Zones, are using the new tax break provision to raise more money. At the same time, those developers say, the program is helping attract new investors to St. Louis.

"I think it's bringing people into the St. Louis real estate investment community that either haven't been here, or maybe have been here in a limited way," said Brian Pratt, president of Green Street St. Louis, which is in discussions with outside investors about using Opportunity Zone funds to raise capital for both its 300-unit apartment building in the Grove and the Armory office project along Highway 40 (Interstate 64).

The Opportunity Zone program, which has had bipartisan support, was added to the 2017 tax law passed by the then Republican-controlled Congress. It allowed states to designate areas with higher-than-average poverty rates or lower-than-average incomes as Opportunity Zones.

City and county leaders nominated the areas nearly two years ago, reflecting some of their development priorities: downtown, the Cortex business district, the Grove, the Dutchtown neighborhood, the near north side and riverfront, the Martin Luther King Boulevard corridor, St. Louis-Lambert International Airport, Wellston and the plant science district in Creve Coeur.

The final regulations released last month appear to make the program as easy to use as possible for developers and investors, said Michael Donovan, head of Lewis Rice's tax practice.

"There's been a tremendous interest from the development community in using Opportunity Zone funds," he said. "The final rules have been extremely favorable in clarifying a number of issues that people had worried about."

Investors with capital gains — profits on the sale of property or investments — can buy in to projects within the zones and defer taxes on those gains for 10 years. If they hold the investments for seven years, they can reduce their taxes by 15%. On top of that, any gains from the sale of the new investment is tax-free, as long as the investors keep their money invested for at least 10 years.

Rather than putting their money back into stocks or other securities, more investors are putting their earnings from the market into Opportunity Zones for the tax advantages, said Luke Pope, who leads national accounting firm CliftonLarsonAllen's Opportunity Zone practice based out of the firm's St. Louis office.
"One big benefit of it is it's attracted more capital that maybe hasn't invested in real estate before," Pope said.

Jim McKelvey's Starwood Group, for instance, is funding the $70 million rehab of the former Post-Dispatch building for payment processing firm Square with tax credits and equity rather than debt. The company is using an Opportunity Zone for the redevelopment.

McKelvey, a co-founder of Square who still sits on its board of directors, has sold millions of shares of the company's stock over in recent years — the types of gains Congress hoped to encourage people to reinvest in developments and businesses within lower income areas through the Opportunity Zone program.

Not all projects that sit within Opportunity Zones are using the program. Though the Major League Soccer ownership group led by the Taylor family of rental car giant Enterprise Holdings and Jim Kavanaugh of World Wide Technology say they plan to fund 87% of a $461 million downtown stadium project with their own equity and debt, a spokesperson for the ownership group confirmed that they didn't intend to utilize the Opportunity Zone structure for the investment.

Yet right next door, the 136-room Fairfield Inn and Suites, being developed by Equis Hotels, is using an Opportunity Zone fund. In Creve Coeur's 39 North plant science district, Larry Chapman's Seneca Commercial Real Estate is, too, as part of the $52 million future headquarters of Benson Hill Biosystems. Lawrence Group's City Foundry project has also used the new provision to raise capital for the Midtown entertainment and office development.

And though St. Louis Mayor Lyda Krewson recently ended the exploration of privatizing St. Louis Lambert International Airport, experts say private investors could have potentially used Opportunity Zones to raise money for capital improvements and other work at the airport.

While Opportunity Zones have been established across the country, St. Louis is on the the radar of institutional investors chasing higher yields than they can get on the coasts, said CliftonLarsonAllen's Pope. There are more opportunities here because St. Louis is not as far along in the redevelopment cycle as similar-sized cities like Nashville, he said, and investors are looking for places to park their capital. He expects more sizable investments for local projects this year.

“St. Louis is getting brought up pretty regularly as a potential investment spot for people — these Midwest cities that are starting to urbanize,” Pope said.

Pratt at Green Street agrees. While Green Street has used Opportunity Zones to reinvest some of their own gains, he has been pleasantly surprised with the interest from outside investors in the area’s real estate projects.

“Some of it is the resurgence of the St. Louis region, particularly the city,” Pratt said.

Many of the projects attracting capital thus far are in fast-developing areas along the Central Corridor, but city officials hope to make it easier for smaller developers and investors. St. Louis won a $920,000 grant in September from the Rockefeller Foundation to help it with those efforts. The city’s economic development arm recently hired former East St. Louis City Manager Daffney Moore as its Chief Opportunity Zone Officer and is launching a new website designed to connect investors with more neighborhood scale projects.

Pope said he’s been helping St. Louis design a turnkey program for small projects. Legal and administrative fees aren’t cost-prohibitive for small projects, he said, so there’s no reason only large developers can use it.

“We’re hopeful and bullish on St. Louis in general but hoping that this Opportunity Zone program can really push forward some of the neighborhoods that have really been struggling for a while,” Pope said, “and really create an opportunity, for lack of a better word, to focus outside of the Central Corridor a little bit.”

Article Source: https://www.stltoday.com/business/local/invest-in-north-st-louis-or-north-st-louis-county/article_e84a2084-4848-5f4c-a1dd-ac5444b4f91f.html

Invest in north St. Louis or north St. Louis County and you could get a tax break
Jacob Barker
Apr 13, 2018

The state of Missouri wants these parts of St. Louis eligible for a new federal program where investors can defer taxes or reduce their tax liability by putting money in lower income areas. The proposed areas were developed with input from economic development agencies around the state. (Image via the Missouri Department of Economic Development.)

Investors in certain areas of St. Louis and St. Louis County could soon be eligible for new federal tax benefits under the big tax overhaul passed by Congress last year.

Missouri submitted a list of 161 census tracts to the U.S. Department of the Treasury that it wants designated as Opportunity Zones: areas with incomes below the median of the area and higher levels of poverty. People who reinvest their capital gains into projects there can defer taxes on those gains until 2027 and could ultimately avoid capital gains taxes on their new investments if they keep their money there for 10 years.

“If you’re a real long-term hold investor and you pick your investment wisely enough that there’s a substantial appreciation, then you get that appreciation tax-free,” said Kristin DeKuiper, a lawyer at Holland and Knight in Boston who focuses on tax credits and community development.
The Missouri Department of Economic Development solicited input from economic development agencies around the state about which areas to designate for the new program.

The new law allowed states to nominate up to 25 percent of qualifying, low-income census tracts.
The Treasury still has to make the final designations.

In a statement announcing the Missouri Opportunity Zone nominations, Gov. Eric Greitens called it “a new tool to bring businesses back to areas that need it the most.”

In a joint statement with Greitens, Sen. Roy Blunt called it “another example of how tax reform is directly benefiting Missourians, and turning the page on years of slow growth and stagnant wages.”
A large portion of north St. Louis was nominated for the Opportunity Zone program, including the north Mississippi riverfront and neighborhoods just north of Delmar Boulevard, on the periphery of much stronger areas.

Also included was a large portion of downtown, the Grove and the Cortex tech district, along with areas to the east where big projects are planned at City Foundry and the Armory. Some south St. Louis neighborhoods are also included.

In St. Louis County, areas of Wellston, Jennings and other north St. Louis County suburbs along the Interstate 70 corridor are included in the Opportunity Zone program.
Also included is the census tract containing St. Louis Lambert International Airport and an area around the University of Missouri-St. Louis and the North Hanley MetroLink station where the University Square Community Development Corp. hopes to spur development.

Also included was a tract containing the plant science district near Monsanto's headquarters, 39 North, that the St. Louis Economic Development Partnership is marketing as a hub for agricultural technology.

St. Louis County Executive Steve Stenger's administration said it solicited feedback from the 53 municipalities that contained eligible census tracts.

"We wanted to make sure we had a unified application and make sure everyone in our jurisdiction was represented," said Stenger's policy adviser Shannon Koenig.

No areas of St. Charles or Jefferson County were nominated. It wasn't clear whether Illinois had yet submitted the census tracts it wants to include in the program.

Elissa Schauman, a vice president at U.S. Bank Community Development Corp. in St. Louis, said those in the tax and community development community are still waiting for the Treasury to flesh out many of the final rules.

"There's still a lot of unknowns about how this program is going to operate," she said.

But she added that the bank expects to discuss the program with customers and that it "could become a good vehicle for impact investments for individuals."

DeKuiper, the tax credit lawyer, said investors already using community development tools such as New Markets Tax Credits, historic tax credits and low-income tax credits are interested in using the new zones along with the other incentives.

Many of the new zones' benefits will require keeping money in projects there for at least five years.

At that point, the amount of an investor's capital gains taxable gain is reduced by 10 percent. Further tax liability reductions on the original capital gain accrue after seven years and on the Opportunity Zone investment after 10 years.

For those already using New Markets Credits or low income housing credits, which also require investors to commit their money for years, Opportunity Zones could become "a big benefit," DeKuiper said.

However, time will tell just how effective the program proves to be. One risk DeKuiper noted is that, with around 40 percent of the country's census tracts technically eligible, some designated areas could already be gentrifying instead of truly distressed areas.

Opportunity Zones

Under the new tax law, states propose designating census tracts with lower median incomes and higher poverty levels as Opportunity Zones, which offer tax benefits to investors who put money there.

To qualify, capital gains must be reinvested in an opportunity zone. Benefits include:

- A deferral on capital gains taxes until the money is taken out of the zone or until Dec. 31, 2026.
- A reduction of 10 percent in capital gains of the original investment if the money is held there for five years. For instance, an investor who buys assets for $100 and sells them for $200 would owe taxes on $100 in gains. But if those gains were put into an Opportunity Zone fund for five years, the investor will only owe taxes on $90 in capital gains. That percentage increases to 15 percent after seven years. Investors still owe taxes on the capital gains due to appreciation of the assets they invested in within the Opportunity Zone.
- Opportunity Zone investments held for 10 years can qualify for a permanent exclusion of capital gains tax on gains from asset sales. That only applies to gains accrued after an Opportunity Zone investment.
  Source: Economic Innovation Group

Source: https://home.treasury.gov/news/press-releases/sm864

Final Regulations on Opportunity Zones: Frequently Asked Questions

After considering over 300 formal comment letters and additional taxpayer feedback, the Treasury Department and IRS have issued final regulations on Opportunity Zones to provide clarity and certainty for investors and communities.

The questions and answers below describe changes made to the proposed regulations that are reflected in the final regulations in response to engagement with the public.

What types of gains may be invested and when?

- *General rule* — The final regulations amend the proposed regulations' general rule that only capital gain may be invested in a Qualified Opportunity Fund (QOF) during the 180-day investment period by clarifying that only eligible gain taxable in the United States may be invested in a QOF.

- *Sales of business property* — The proposed regulations only permitted the amount of an investor's gains from the sale of business property that were greater than the investor's losses from such sales to be invested in QOFs, and required the 180-day investment period to begin on the last day of the investor's tax year. The final regulations allow a taxpayer to invest the entire amount of gains from such sales without regard to losses and change the beginning of the investment period from the end of the year to the date of the sale of each asset.

- *Partnership gain* — Partners in a partnership, shareholders of an S corporation, and beneficiaries of estates and non-grantor trusts have the option to start the 180-day investment period on the due date of the entity's tax return, not including any extensions. This change addresses taxpayer concerns about potentially missing investment opportunities due to an owner of a business entity receiving a late Schedule K-1 (or other form) from the entity.

- *Investment of Regulated Investment Company (RIC) and Real Estate Investment Trust (REIT) gains* — The rules clarify that the 180-day investment period generally starts at the close of the shareholder's tax year and provides that gains can, at the shareholder's option, also be invested based on the 180-day investment period starting when the shareholder receives capital gains dividends from a RIC or REIT.

- *Installment sales* — The rules clarify that gains from installment sales are able to be invested when received, even if the initial installment payment was made before 2018.
- *Nonresident investment* — The final regulations provide that nonresident alien individuals and foreign corporations may make Opportunity Zone investments with capital gains that are effectively connected to a U.S. trade or business. This includes capital gains on real estate assets taxed to nonresident alien individuals and foreign corporations under the Foreign Investment in Real Property Tax Act rules.

When may gains be excluded from tax after an investment is held for a 10-year period?

- *Sales of property by a Qualified Opportunity Zone Business (QOZB)* — In the proposed regulations, an investor could only elect to exclude gains from the sale of qualifying investments or property sold by a QOF operating in partnership or S Corporation form, but not property sold by a subsidiary entity. The final regulations provide that capital gains from the sale of property by a QOZB that is held by such a QOF may also be excluded from income as long as the investor's qualifying investment in the QOF has been held for 10 years. However, the amount of gain from such a QOF's or its QOZBs' asset sales that an investor in the QOF may elect to exclude each year will reduce the amount of the investor's interest in the QOF that remains a qualifying investment.

- *Applicability to other gains* — The final rules clarify that the exclusion is available to other gains, such as distributions by a corporation to shareholders or a partnership to a partner, that are treated as gains from the sale or exchange of property (other than inventory) for Federal income tax purposes.

How does a Fund determine levels of new investment in a Qualified Opportunity Zone?

- *Aggregation of property for purposes of the substantial improvement test* — QOFs and QOZBs can take into account purchased original use assets that otherwise would qualify as qualified opportunity zone business property if the purchased assets:

    - Are used in the same trade or business in the Qualified Opportunity Zone (QOZ) or a contiguous QOZ for which a non-original use asset is used, and

    - Improve the functionality of the non-original use assets in the same QOZ or a contiguous QOZ.

- *Aggregation of property for purposes of the substantial improvement test (continued)* — In certain cases, the final regulations permit a group of two or more buildings located on the same parcel(s) of land to be treated as a single property. In these cases, any additions to the basis of the buildings in the group are aggregated to determine satisfaction of the substantial improvement requirement. Thus, a taxpayer need not increase the basis of each building by 100% as long as the total additions to basis for the group of buildings equals 100% of the initial basis for the group.

- *Vacancy period to allow a building to qualify as original use* — The final regulations reduce the five-year vacancy requirement in the proposed regulations to a one-year vacancy requirement, if the property was vacant for at least one-year prior to the QOZ being designated and remains vacant through the date of purchase. For other vacant property, the proposed five-year vacancy requirement is reduced to three years. In addition, property involuntarily transferred to local government control is included in the definition of the term vacant, allowing it to be treated as original use property when purchased by a QOF or QOZB from the local government.

- *Leasing* — The final regulations provide several changes to leasing provisions in the proposed regulations:

    - State and local governments, as well as Indian tribal governments, will be exempt from the market-rate requirements for leased tangible property,

- Leases between unrelated parties are generally presumed to be at market rate terms, and

- Short-term leases of personal property to lessors using the property outside a QOZ may be counted as Qualified Opportunity Zone Business Property (QOZBP).

- *Working capital safe harbor* — The final regulations provide several refinements to the working capital safe harbor:

  - They create an additional 62-month safe harbor for start-up businesses to ensure that they can comply with the 70-percent tangible property standard, the 50-percent gross income requirement, and other requirements to qualify as a QOZB;

  - They provide that a QOZB can receive an extra 24 months to use working capital if the QOZ is in a Federally-declared disaster area;

  - They clarify that the safe harbor can only be used for a 62-month period and that amounts remaining at the conclusion of the period cannot be counted as tangible property for purposes of the 70-percent tangible property standard; and

  - They allow a QOZB to treat equipment, buildings, and other tangible property that is being improved with the working capital as QOZBP that is "used in a trade or business" for purposes of the requirement that a QOZB must be engaged in a trade or business.

  - In addition, the final regulations provide that a QOZB not utilizing the working capital safe harbor may treat tangible property undergoing the substantial improvement process as being used in a trade or business.

- *Measurement of "use" for the 70-percent use test*— The final regulations provide that, if tangible property is used in one or more QOZs, satisfaction of the 70-percent use test is determined by aggregating the number of days the tangible property in each QOZ is utilized. Accordingly, the final regulations set forth a clearer way for determining satisfaction of the 70-percent use test, including a safe harbor for certain tangible property used both inside and outside the geographic borders of a QOZ.

- *Determinations of location and "use" of intangible property* — The final regulations provide that intangible property qualifies as used in the QOZ if:

- The use of the intangible property is normal, usual, or customary in the conduct of the trade or business, and

- The use contributes to the generation of gross income for the trade or business.

- *Other clarifications regarding business property of QOFs or QOZBs* —

  - *Real property straddling census tracts* — The final regulations include both a square footage test and an unadjusted cost test to determine if a project is primarily in a QOZ, and provide that parcels or tracts of land will be considered contiguous if they possess common boundaries, and would be contiguous but for the interposition of a road, street, railroad, stream or similar property. Importantly, the final regulations also extend the straddle rules to QOF's and QOZB's with respect to the 70-percent use test.

  - *Brownfield sites* — The final regulations provide that both the land and structures in a Brownfield site redevelopment are considered to be original use property as long as the QOF or QOZB make investments into the Brownfield site to improve its safety and compliance with environmental standards.

  - *Self-constructed property* — The final rules provide that self-constructed property can count for purposes of the QOF's 90-percent asset test and the QOZB's 70-percent asset test, and is valued at the purchase price as of the date when physical work of a significant nature begins.

  - *De minimis exception for "sin businesses"* — The final regulations provide that a QOZB may have less than 5 percent of its property leased to a so-called "sin business" described in 26 U.S.C. §144(c)(6)(B). For example, a hotel business of a QOZB could potentially lease space to a spa that provides tanning services.

How can large C Corporations invest in Opportunity Zones?

- The final regulations provide an election for a consolidated group of C Corporations to treat a lower-tier QOF C Corporation as a member of the consolidated group if:

  - Only other members of the consolidated group hold 100% of the QOF member's stock, and

  - The QOF member complies with special intergroup transaction rules to remain a member of the group.

- The regulations also provide alternative retroactive elections for a consolidated group that had formed a QOF C Corporation before the May 1, 2018, proposed regulations to elect to treat the treat the QOF C Corporation as:
    - Always having been a QOF partnership, or
    - Never having been a member of the consolidated group.

For more information, visit https://ded.mo.gov/content/opportunity-zones-application-information