

**SPECIAL CITY COUNCIL MEETING
CITY HALL, 291 N. MAIN STREET
PORTERVILLE, CALIFORNIA and
RONALD REAGAN UCLA MEDICAL CENTER
757 WESTWOOD PLAZA, ROOM 7625
LOS ANGELES, CA 90095
MARCH 13, 2018, 5:30 PM**

Call to Order

Roll Call

Pledge of Allegiance Led by Council Member Cameron Hamilton

ORAL COMMUNICATIONS

This is the opportunity to address the Council on any matter of interest, whether on the agenda or not. Unless additional time is authorized by the Council, all commentary shall be limited to three minutes.

SCHEDULED MATTERS

1. Consideration of Opportunity Zone Designations

Re: Consideration of Opportunity Zone designations in Porterville and Tulare County

ADJOURNMENT - to the meeting of March 20, 2018.

In compliance with the Americans with Disabilities Act and the California Ralph M. Brown Act, if you need special assistance to participate in this meeting, or to be able to access this agenda and documents in the agenda packet, please contact the Office of City Clerk at (559) 782-7464. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting and/or provision of an appropriate alternative format of the agenda and documents in the agenda packet.

Materials related to an item on this Agenda submitted to the City Council after distribution of the Agenda packet are available for public inspection during normal business hours at the Office of City Clerk, 291 North Main Street, Porterville, CA 93257, and on the City's website at www.ci.porterville.ca.us.



CITY COUNCIL AGENDA – MARCH 13, 2018

SUBJECT: Consideration of Opportunity Zone Designations

SOURCE: City Manager's Office

COMMENT: The Federal tax bill passed at the end of December 2017 allows the Governor to designate eligible census tracts as Opportunity Zones. Investments made by individuals through special funds in these zones would be allowed to defer or eliminate Federal taxes on capital gains. The Governor can designate up to 25 percent of census tracts that either have poverty rates above 20 percent or median family incomes of no more than 80 percent of statewide or metropolitan area family income. There are 3,516 census tracts in 54 California counties that would qualify under one or both of the mandatory criteria, allowing the Governor to designate up to 879 tracts. As census tracts are designed to capture geographic areas of around 4,000 people, more than 3 million Californians would potentially be located in one of these areas.

The preliminary recommended tracts by the Governor were selected using the following criteria: 1) Focus on poverty: Only those tracts that meet the Federal poverty criteria were selected to focus efforts on the poorest areas of the state. In addition, within each county, focus was placed on the top thirty percent (30%) of eligible tracts; 2) Areas with business activity: Designating tracts with at least thirty (30) business establishments helps distinguish primarily residential tracts from those that are zoned to encourage more business investment; and 3) Geographic diversity: The preliminary recommendation maintains a minimum of two (2) tracts per county if possible. These designation criteria identify tracts that significantly overlap with other statewide programs that the Legislature and Governor have previously targeted. For instance, sixty-six percent (66%) of the recommended tracts overlap with tracts identified as disadvantaged in Senate Bill 535 from 2012, and ninety-eight percent (98%) overlap with tracts identified as disadvantaged in Assembly Bill 1550 from 2016.

Given the limited number of designations available, the Governor strongly encourages commenters from local governments to suggest replacing tracts from within their jurisdictions rather than making additions.

With the Tulare County Economic Development Corporation (TCEDC) serving as the lead agency for Tulare County designations, a total of sixteen (16) preliminary designations were provided by the Governor, of which four (4) are in Porterville. The Porterville preliminary designations are Tract 38.02 (includes the Downtown area), Tract 41.01 (includes the Riverwalk Retail

Center area), Tract 41.02 (includes the Beckman-Coulter and Walmart Distribution Center area), and 80.2 (includes the Porterville Developmental Center). City staff was disappointed that Tract 34 was not preliminary designated, which includes the Porterville Municipal Airport and Business Park, due to the tract poverty rate percentage (37.5%) being 2.5% below the highest percentages in the county (40+%). City staff was surprised that Tract 80.2 was preliminary designated, as the tract does not have the threshold of business activity and opportunity for business investment, but has the highest poverty rate in the county (80.2%). Consistent with the Governor's recommendations for local government comments, the City may recommend the census Tract 80.2 designation be transferred to Tract 34, in support of nearly one of the highest poverty rate areas in the county and prime for business investment.

The cities of Exeter and Woodlake are the only county jurisdictions that did not receive preliminary designations, and there has been a collaborate effort led by the TCEDC that each local jurisdiction receive at least one (1) designation. Exeter's census tracts have fairly low statistics in the factors for designation, and it has been proposed that the Farmersville tract designation would also benefit Exeter. Woodlake did not receive a designation due to its tracts not having high enough poverty rates, which the TCEDC would like to see a designation. Given the Governor's recommendations for tract designations, an option that has been considered was either the County transferring one of its five (5) designations or the City of Porterville transferring one of its four (4) designations to Woodlake. Another option considered has been the transfer of a City of Tulare designation to Woodlake, given Tulare has withdrawn from the TCEDC and has not assisted in the Opportunity Zone designation process.

The State has established the deadline of Thursday, March 15th to receive local government comments on designations, which the TCEDC Board of Directors will be conducting a Special Meeting on Wednesday, March 14th to make final county-wide designations. The Council's direction on both the Porterville and county-wide designations is appreciated in anticipation of the TCEDC Board meeting.

RECOMMENDATION: That the City Council provide direction in the designation of Opportunity Zone designations for Porterville and Tulare County.

ATTACHMENTS:

1. 2018-03-13 - California Opportunity Zones
2. 2018-03-13 - Tulare County Opportunity Zones Designations
3. Census Tract 34
4. Census Tract 38.02
5. Census Tract 40
6. Census Tract 41.01
7. Census Tract 41.02

Appropriated/Funded:

Review By:

Department Director:

Final Approver: John Lollis, City Manager



CALIFORNIA'S PROPOSED OPPORTUNITY ZONES

Department of Finance

March 2, 2018

OPPORTUNITY ZONES

The federal tax bill passed at the end of December 2017 allows the Governor to designate eligible census tracts as Opportunity Zones. Investments made through opportunity funds in these zones would be allowed to defer or eliminate federal taxes on capital gains. The program allows the Governor to designate up to 25 percent of eligible census tracts. Eligible tracts must meet certain criteria using 2011-15 data:

1. Poverty rates of at least 20 percent.

OR

2. Median family incomes of no more than 80 percent of statewide or metropolitan area median family income.

FEDERAL CRITERIA

3,516 census tracts in **54** California counties qualify under one or both federal criteria.

The Governor may designate up to **879** tracts as Opportunity Zones. Some tracts may be selected that do not meet the federal criteria **IF:**

1. The tract is adjacent to a designated tract **and** its median income does not exceed 125 percent of the designated tract.
2. The tract meets the federal criteria using 2012-16 data (additional justification required).

Census tracts are designed to capture around 4,000 people, and more than **3 million Californians** would be potentially located in one of these areas.

No more than 5 percent of tracts designated as Opportunity Zones may be eligible adjacent tracts

INVESTING IN OPPORTUNITY ZONES

Potential Economic Development Impacts

- Intended to attract long-term investments to disadvantaged areas, as measured by poverty and median income
- Opportunity funds investing must be focused on these types of areas (maintain 90 percent in Opportunity Zones)

INVESTING IN OPPORTUNITY ZONES



Investments in opportunity funds would be allowed to defer or reduce capital gains.

Gains on investments held for 10 years or more would incur no federal tax liability.

If investments were held for 5 years, 10 percent of gains would be excluded, and 15 percent for 7 years.

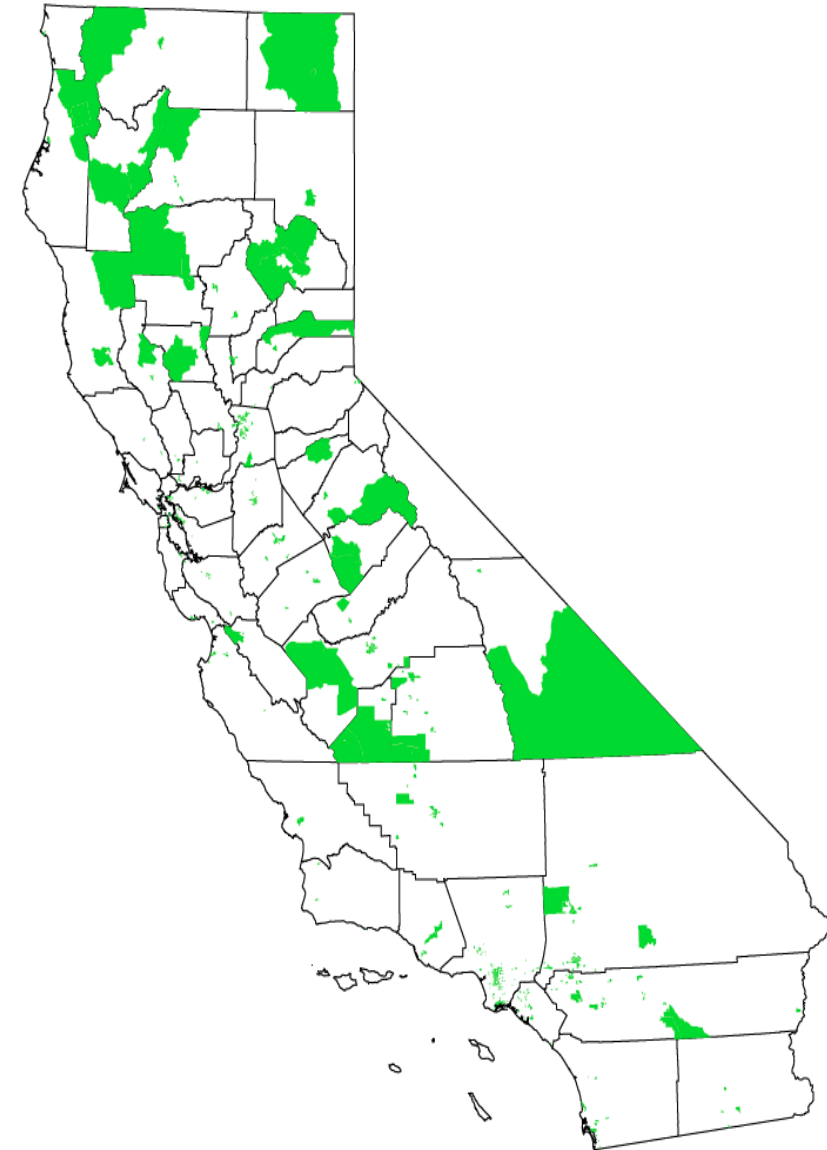
Investors would still incur regular California capital gains tax liabilities from any sales or exchanges of capital assets.

CALIFORNIA THRESHOLDS

Areas with Business Activity – at least **30 business establishments** in each tract as defined by EDD.

Tracts must have a **poverty rate** of at least **20 percent**.

These designation criteria cover 51 of 54 eligible counties with eligible tracts.



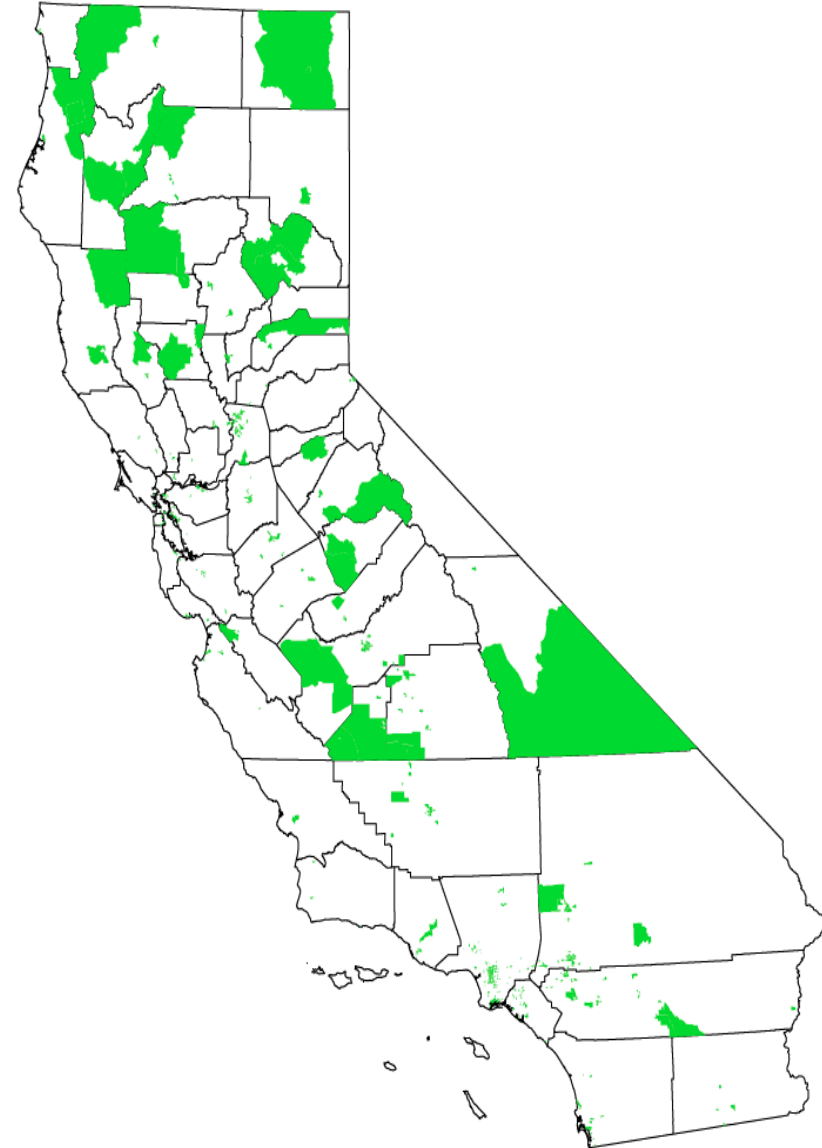
CALIFORNIA THRESHOLDS

Geographic Diversity

Every county has at least two eligible tracts designated.

Tracts must be in the top **30 percent by poverty** of all tracts in the county (if more than two).

These designation criteria ensure 54 of 54 counties with eligible tracts.



THRESHOLD SELECTION RATIONALE

- Requiring a minimum number of business establishments helps identify those that are zoned for business to encourage more investment. If a higher number of establishments per tract is required, more rural areas will be eliminated.
- Raising the minimum poverty threshold to 25 percent would result in tracts in only 46 counties.
- If statewide (rather than county) thresholds are set, urban areas would represent a higher proportion of tracts; Southern California would also have a disproportionate number of eligible tracts.

OVERLAPPING PROGRAMS

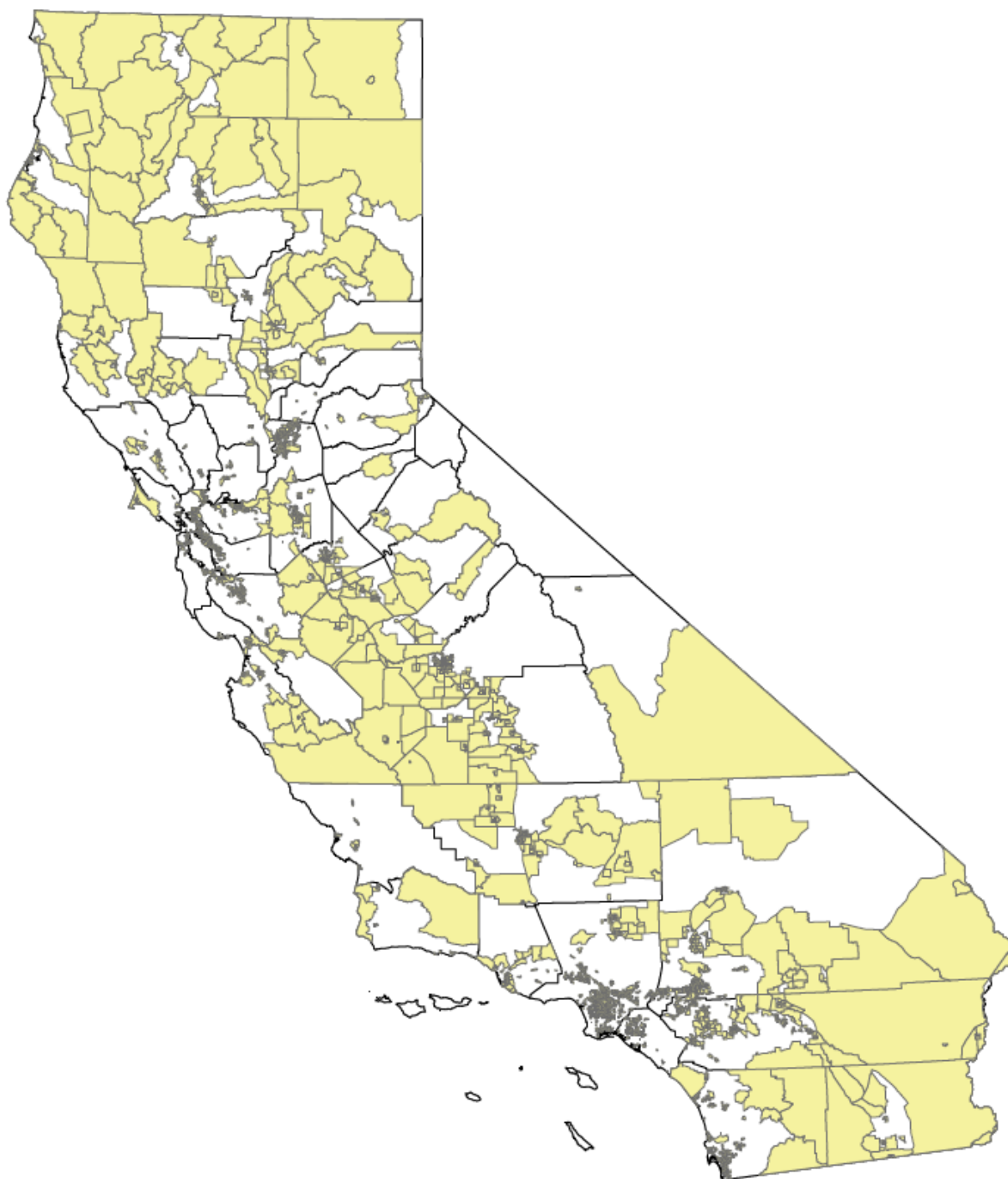
66 percent of recommended tracts overlap with disadvantaged areas identified in Senate Bill 535 from 2012, which helps direct money from California's cap and trade program.

98 percent of recommended tracts overlap with disadvantaged communities identified in Assembly Bill 1550 from 2016, which also helps direct money from California's cap and trade program.

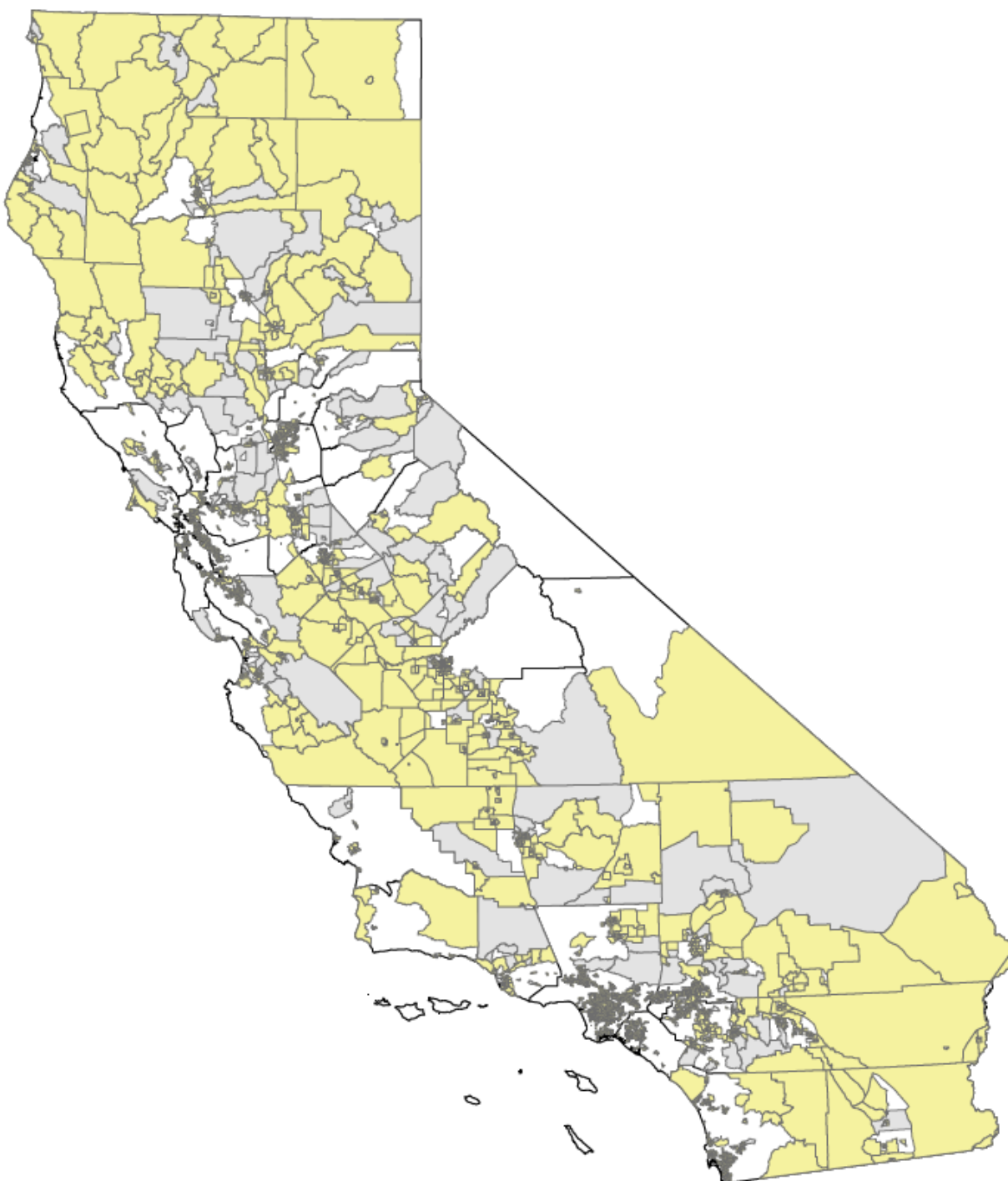


ELIGIBLE AND RECOMMENDED TRACTS

ELIGIBLE CENSUS TRACTS USING 2011-15 DATA (YELLOW)



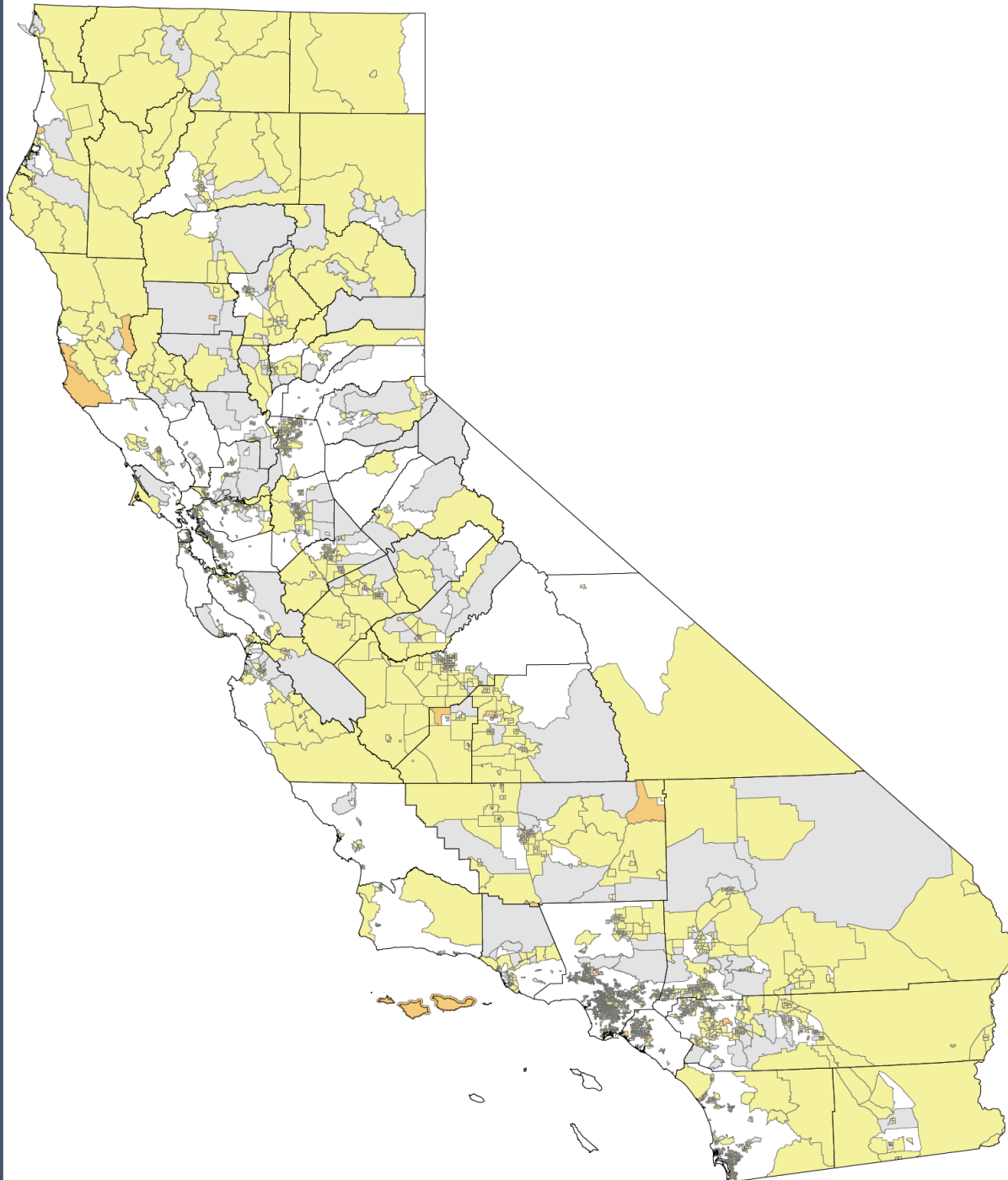
**ELIGIBLE
CENSUS TRACTS
USING 2011-
15 DATA
(YELLOW)**
**ELIGIBLE
CONTIGUOUS
TRACTS (GREY)**



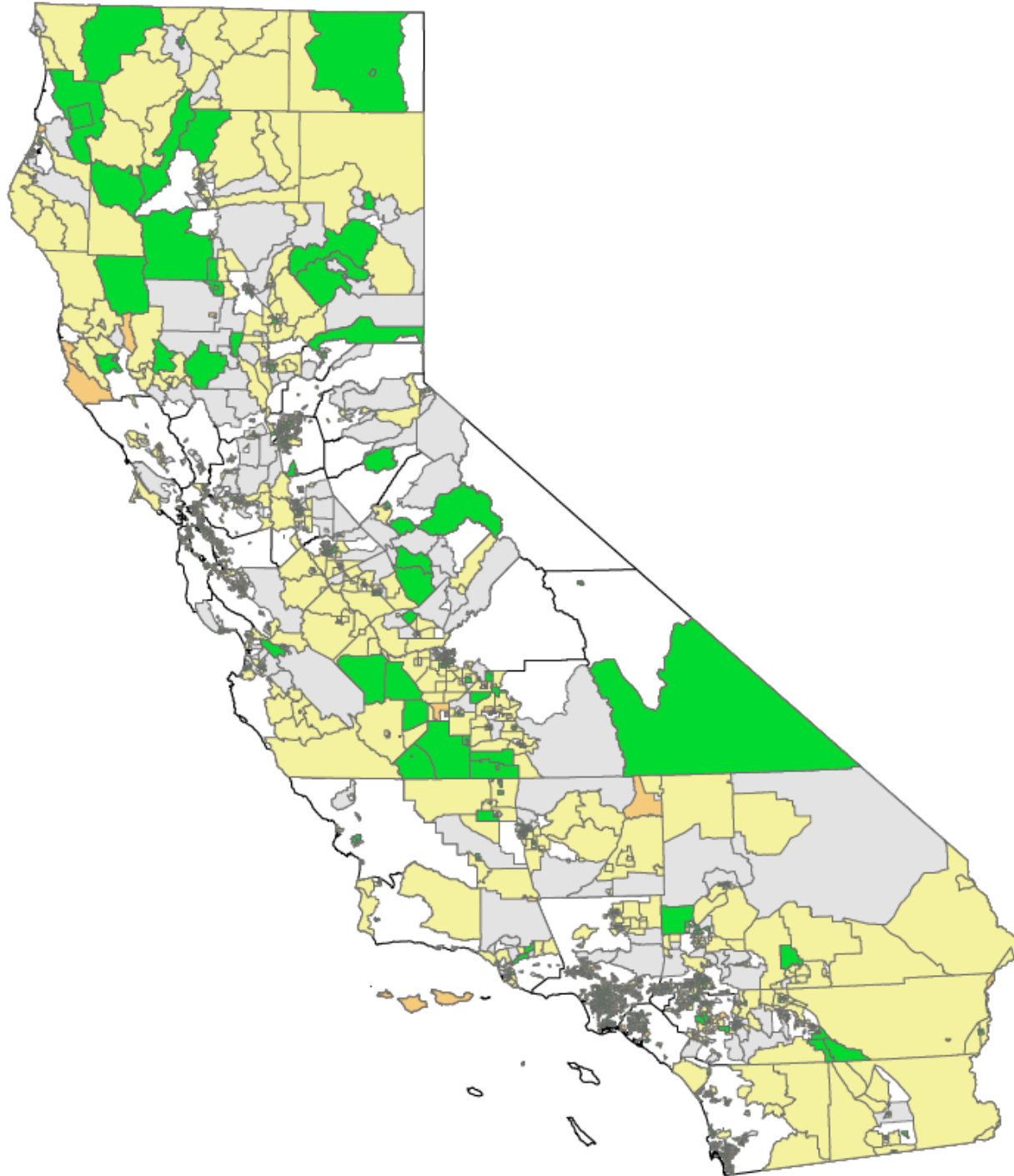
**ELIGIBLE
CENSUS TRACTS
USING 2011-15
DATA (YELLOW)**

**ELIGIBLE
CONTIGUOUS
TRACTS (GREY)**

**ADDITIONAL
ELIGIBLE TRACTS
USING 2012-16
DATA (ORANGE)**



PRELIMINARY RECOMMENDED CENSUS TRACTS (GREEN)





PUBLIC COMMENT AND FEEDBACK

Public Comment - Two Types of Feedback

Please follow the instructions on the website! Comments submitted on other forms or incorrectly filled out forms will not be considered. If you previously submitted a comment in another form, please do so again using the form provided as soon as possible (and before March 15).

- Type 1: Keep or reject a tract currently recommended for designation.
- Including a justification is encouraged, but optional.

Public Comment - Two Types of Feedback

Type 2: Suggestions to include qualified tracts not currently recommended.

- Suggestions of replacements, rather than additions, are strongly encouraged.
- Including a short justification, including why a replacement is warranted, is required.
- If a tract is only qualified under 2012-16 criteria, or as an adjacent tract, a justification of those factors must be included.

Timeline

Website and feedback form will be live
March 2.

All requests and justifications must be
submitted by 5pm, **March 15.**

Resources Available During Comment Period

1. A look-up tool to provide tract information given an address.
2. A listing of all eligible tracts including recommended tracts, and tracts that may be included by the contiguous or 2012-2016 criteria.
3. A static map showing all eligible tracts that may be included by all criteria.
4. An interactive map displaying the eligible tracts and additional information concerning selection criteria.

Contact Information

To Comment: OZcomments@dof.ca.gov

For information on economic development: [California Business Portal](#)
or [contact GO-Biz](#).

	Poverty Rate (%) ¹	Unemployment Rate (%) ²	DACs SB 535 ³	CalEnviroScreen 2.0 Percentile Range	DGAs ⁴ EZs ⁵	BIZ Eligible ⁶
City of Dinuba						
4.01*	26.1	14.8	Yes	91-95	Yes	Yes
4.02	22.0	18.9	No		EZ	Yes
5.01	40.9	14.3	Yes	91-95	Yes	Yes
5.02*	23.3	14.2	Yes	91-95	EZ	Yes
City of Exeter						
15.01	22.5	8.1	No		EZ	Yes
15.02	32.0	11.3	No		Yes	Yes
City of Farmersville						
14*	15.3	7.1	Yes	76-80	Yes	Yes
16.01	42.4	19.7	Yes	91-95	Yes	Yes
16.02*	30.3	15.3	No		Yes	Yes
City of Lindsay						
26.01	35.1	13.8	Yes	86-90	Yes	Yes
26.02	32.4	11.9	Yes	81-85	Yes	Yes
28*	54.5	18.5	Yes	86-90	Yes	Yes
City of Porterville						
38.02	43.9	26.5	Yes	81-85	Yes	Yes
41.01	42.1	13.3	Yes	91-95	Yes	Yes
41.02	45.2	20.6	Yes	81-85	Yes	Yes
34*	37.5	12.2	Yes	96-100	Yes	Yes
40 (PDC)	80.2	0.0	No		No	No
City of Tulare						
31 *	26.6	11.6	Yes	91-95	EZ	Yes
22.02	41.1	12.6	Yes	86-90	Yes	Yes
23.04	26.1	10.4	Yes	81-85	Yes	Yes
30.02*	28.8	14.0	Yes	76-80	EZ	Yes
29.01	40.6	14.1	Yes	86-90	EZ	Yes
City of Visalia						
9*	31.2	12.7	Yes	96-100	Yes	Yes
10.04	34.8	12.3	Yes	91-95	Yes	Yes
12	34.8	7.2	Yes	86-90	Yes	Yes
11	56.8	24.4	Yes	86-90	Yes	Yes
13.02*	25.30	7.1	Yes	86-90	EZ	Yes
20.08	38.2	27.8	Yes	86-90	Yes	Yes
17.01	42.5	9.3	Yes	91-95	Yes	Yes
20.03	18.6	10.5	No			Yes

¹ Data from cdfifund.gov, qualified opportunity zone map as of February 27, 2018

² Data from cdfifund.gov, qualified opportunity zone map as of February 27, 2018

³ Disadvantage Communities, California Air Resources Board, SB 535 Data

⁴ Designated geographic area for New Employment Tax Credit, FTB/DOF

⁵ A portion of these census tracts are in former enterprise zones and therefore NEC eligible based on DGA Map

⁶ Manufacturing and other high wage, high employment industries eligible for assistance from Tulare County EDC

City of Woodlake						
7.01*	27.9	19.0	Yes	86-90	EZ	Yes
7.02	28.9	16.8	Yes	81-85	Yes	Yes
Unincorporated Tulare County						
44 (Earlimart)	56.0	19.9	Yes	81-85	Yes	Yes (7/1/18)
42 (Pixley)	53.7	14.1	Yes	96-100	Yes	Yes (7/1/18)
32 (Tipton)	39.2	12.4	Yes	91-95	EZ	Yes (7/1/18)
2.01 (Orosi)	35.2	17.5	Yes	91-95	Yes	Yes (7/1/18)
6 (Cutler)	41.9	12.2	Yes	86-90	Yes	Yes (7/1/18)
3.02 (Traver)	43.0	17.7	Yes	96-100	Yes	Yes (7/1/18)
43 (Alpaugh)	47.0	22.0	Yes	96-100	Yes	Yes (7/1/18)

* Denotes that incorporated and unincorporated areas are included in the census tract.

Census Tract 34, Tulare, CA

Census Tract in: [2 places, Tulare County, CA, California, United States](#)

7,444

Population

67.2 square miles

110.7 people per square mile

Census data: ACS 2016 5-year unless noted

Census Tract 27, Tulare, CA

Census Tract 37, Tulare, CA

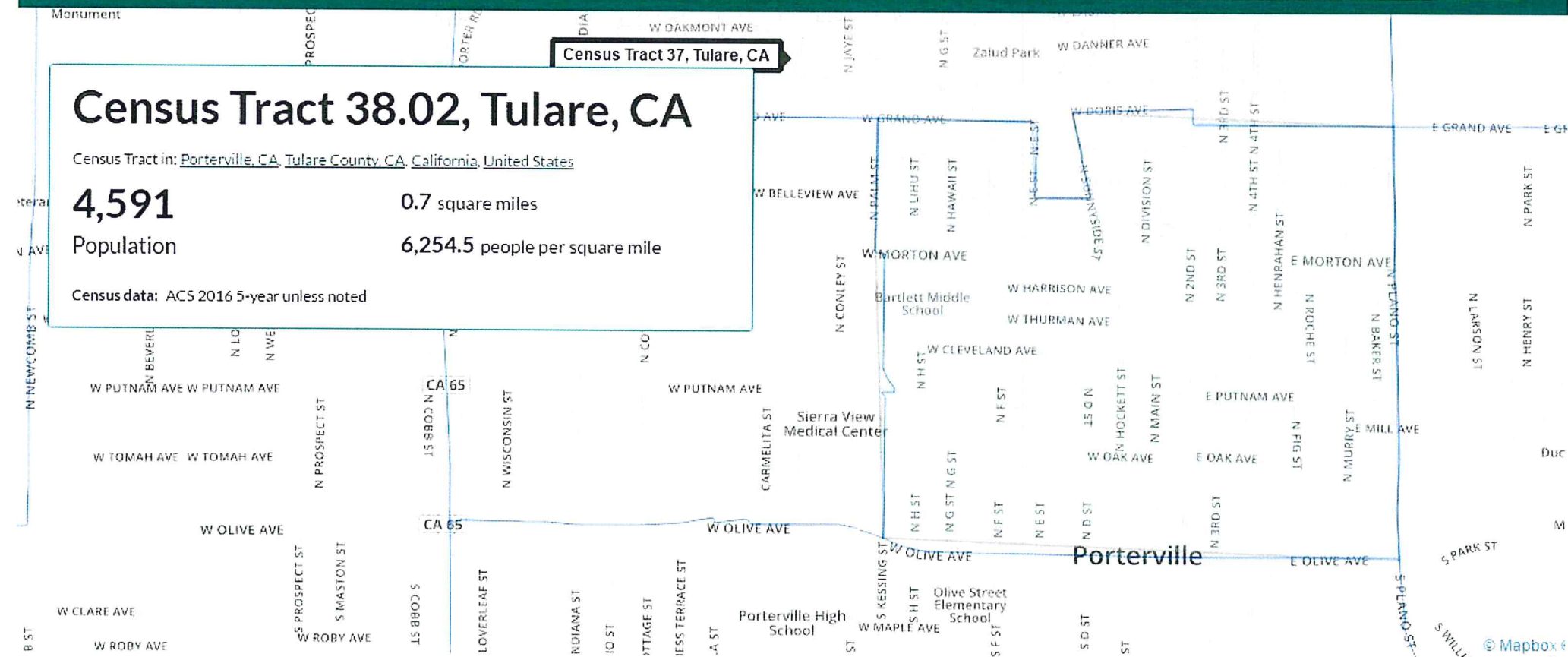
4,591

0.7 square miles

Population

6,254.5 people per square mile

Census data: ACS 2016 5-year unless noted





Census Tract 41.02, Tulare, CA

Census Tract 40, Tulare, CA

Census Tract in: [Porterville, CA](#), [Tulare County, CA](#), [California](#), [United States](#)

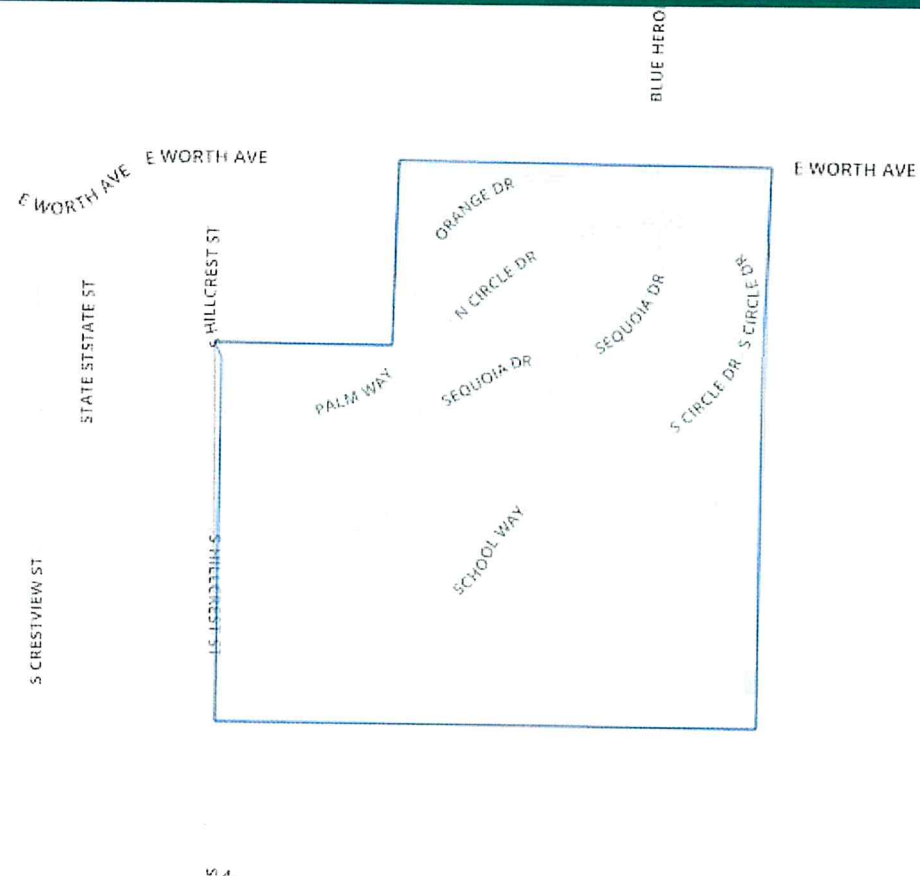
618

Population

0.5 square miles

1,257.5 people per square mile

Census data: ACS 2016 5-year unless noted



Census Tract 41.01, Tulare, CA

Census Tract in: [Porterville, CA](#), [Tulare County, CA](#), [California](#), [United States](#)

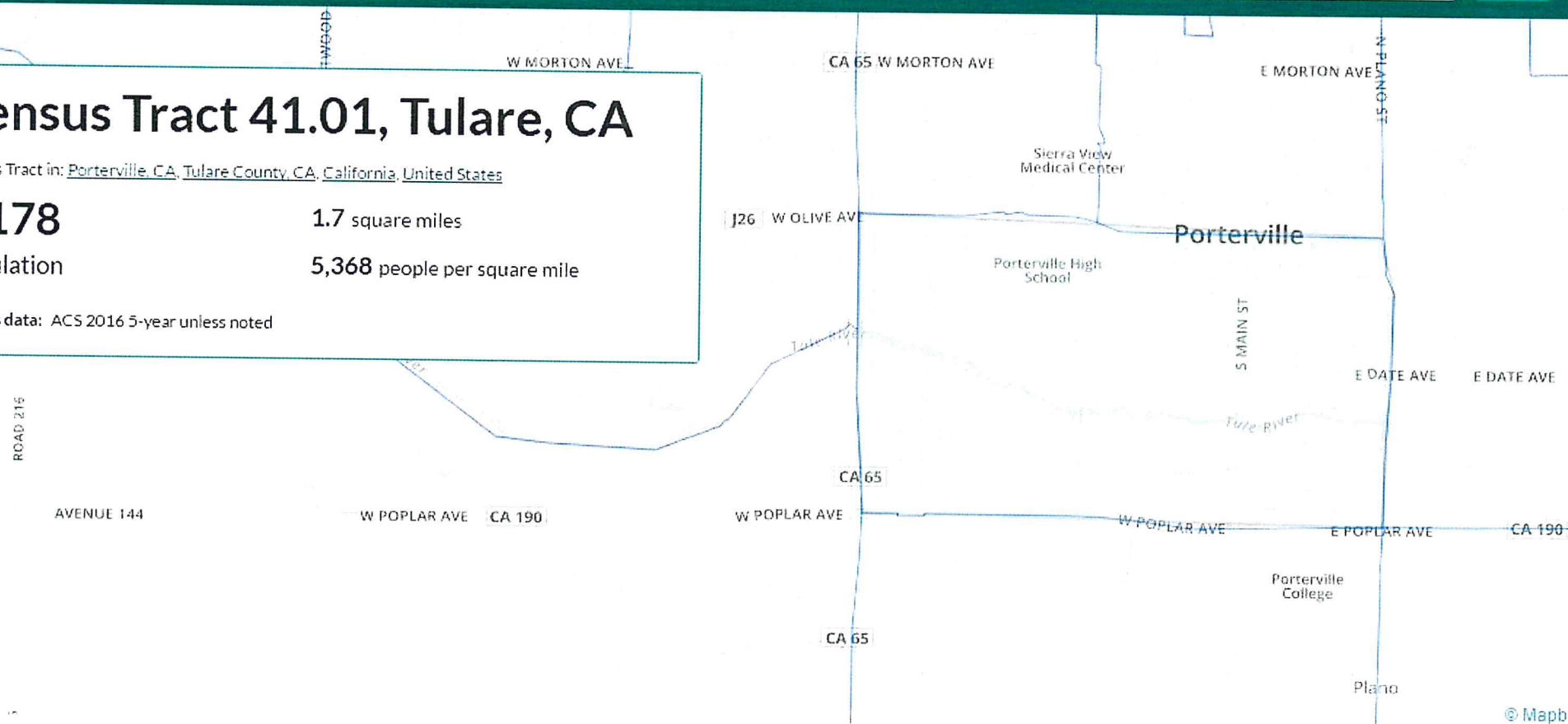
9,178

Population

1.7 square miles

5,368 people per square mile

Census data: ACS 2016 5-year unless noted



Census Tract 41.02, Tulare, CA

Census Tract in: [Porterville, CA](#), [Tulare County, CA](#), [California](#), [United States](#)

2,204

Population

1.4 square miles

1,609.7 people per square mile

Census data: ACS 2016 5-year unless noted

