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# California Association for Local Economic Development

May 21, 2019

The Honorable Holly Mitchell  
Chair, Senate Committee on Budget and Fiscal Review  
State Capitol Building, Room 5050  
Sacramento, CA 95814

RE: Support – Conformity to Federal Treatment of Investments in Opportunity Zones Trailer Bill

Dear Senator Mitchell:

I am writing on behalf of the California Association for Local Economic Development (CALED) to express our support for the Conformity to Federal Treatment of Investments in Opportunity Zones Trailer Bill and encourage a strategic expansion of eligible investments. This is important legislation that can help underserved communities in California compete for investment and spur economic development.

In his May revise, the Governor proposes to partially conform to the federal provisions on deferred and reduced capital gains for investments in the California Opportunity Zones designated in 2018. Eligible investments include affordable housing and green tech (specifically “making, producing, creating, or converting electric power from sources other than a conventional power source”). We believe this is a great start to attracting private investment to these often-overlooked communities and would hope to see eligible investments expanded under the \$5 billion limit.

Economic development is the creation of wealth from which community benefits are realized. The Opportunity Zone tool is a creative and innovative way for a community to grow and enhance residents’ prosperity and quality of life through private investment. California Opportunity Zones are more competitive if we allow investors to defer their federal and state capital gains tax so that they can invest more in affordable housing or green tech projects.

However, we believe expanding the eligible investment types to include projects addressing infrastructure, sustainable development, and brownfield remediation would benefit the state as well. The intent of Opportunity Zones is to increase economic development and job creation, as well as improve the quality of life for Californians. Expanding the Opportunity Zone investment criteria to include infrastructure and sustainable development projects (i.e. brownfields and permitting investments in commercial and industrial projects that offer higher wage jobs to residents to lift neighborhoods out of poverty) would create more economic opportunity and align with the Governor’s goal of creating a *California for All*.

With over 750 members practicing economic development in California, CALED is the voice for the profession, and we are invested in keeping California competitive nationally and globally. We urge you to support Conformity to Federal Treatment of Investments in Opportunity Zones Trailer Bill and encourage a strategic expansion of eligible investments. Please feel free to contact me if you have any questions.

Sincerely,

Gurbax Sahota  
President & CEO