



TO: Hyun Kim, City Manager
FROM: Debbie Bingham, Interim Director, Community and Economic Development
COPY: City Council and City Clerk
SUBJECT: Request for Resolution showing City Council support of Opportunity zone applications.
DATE: May 19, 2026

SUMMARY & PURPOSE:

Tacoma's Opportunity Zone (OZ) designations provide a strategic advantage by attracting private capital into low-income areas aligned with the city's long-term economic development priorities. During the first OZ period (2018-current) OZ funded projects have already generated more than \$250 million in investment. With the federal OZ program now permanent and entering a new 10-year designation cycle (OZ 2.0), Tacoma has a timely opportunity to apply to retain five existing OZ tracts and continue leveraging this tool to drive redevelopment, housing production, and economic resilience.

The City of Tacoma intends to apply for six census tracts—61602, 62600, 61601, 61400, 63401 and 940007—to retain their OZ designation under OZ 2.0. One existing OZ tract (62400) no longer qualifies. Maintaining these designations is strategically important: active investor interest already exists in these areas, and OZ status continues to lower the cost of capital, accelerate project timelines, and attract outside equity.

Retaining these tracts will help Tacoma direct investment toward priority corridors such as Downtown, Hilltop, the Brewery District, Portland Avenue, South Tacoma along Pacific Avenue and areas surrounding the Puyallup Tribal Headquarters. It also supports job-creating industrial activity in the South Tacoma Manufacturing Industrial Center. Without continued designation, Tacoma risks losing a proven tool that has already catalyzed more than \$250 million in investment in historically under-invested areas of the City. This resolution shows support for the application of these six census tracts and supports the Mayor writing individual letters of support for each separate tract on behalf of the City Council.

BACKGROUND

Opportunity Zones were established under the 2017 Tax Cuts and Jobs Act as a federal tax incentive program designed to spur investment in low-income communities. Investors receive capital gains tax benefits by placing funds into Qualified Opportunity Funds (QOFs) that invest in designated census tracts. Washington currently has 139 OZs across 36 counties; under the revised program this will narrow to 99 with a priority for rural tracts.

In July 2025, federal bill H.R. 1 (Public Law 119-21) made the OZ program permanent and established recurring 10-year designation cycles. The new round—Opportunity Zones 2.0—launches in January 2027, with a two-year overlap between the old and new programs (January 2027–December 2028). Governors may nominate up to 25% of eligible low-income census tracts (defined as <70% of County AMI). Washington's application window is open until May 28, 2026.

Tacoma has six existing OZ tracts and has attracted a concentrated but meaningful wave of investment since 2019, particularly in Downtown, Hilltop, and the Brewery District. These investments have supported housing production, mixed-use development, and transit-oriented growth.



COMMUNITY ENGAGEMENT/ (CUSTOMER RESEARCH):

Outreach was conducted to multifamily developers, potential investors, Pierce County, the Puyallup Tribe of Indians, the Economic Development Board of Tacoma-Pierce County, the Manufacturing Industrial Council, the Chamber of Commerce and the Downtown Tacoma Partnerships. All voiced support for the OZ program and will write letters of support.

2025 STRATEGIC PRIORITIES:

Equity and Accessibility:

This program is specifically designed to attract investment in low-opportunity areas of the City.

Economy/Workforce: *Equity Index Score: Low Opportunity*

Decrease the number of vacant properties downtown and in the neighborhood business districts.

Livability: *Equity Index Score: Low Opportunity*

Improve access and proximity by residents to diverse income levels and race/ethnicity to community facilities, services, infrastructure, and employment.

STAFF RECOMMENDATION:

Staff recommends Council adoption of the resolution supporting the application for these six census tracts to be designated as Opportunity Zones and authorizing the Mayor to write letters of support for individual tract applications.

ALTERNATIVES:

Presumably your recommendation is not the only potential course of action; please discuss other alternatives actions for council or staff to take. Please use table below.

Alternative	Positive Impacts	Negative Impacts
1. Do not approve the resolution		The current Opportunity zones will expire at the end of 2028

EVALUATIONS AND FOLLOW UP:

OZ2 will have more reporting requirements at the Federal level making it easier to track the amount of investment created through this program.

FISCAL IMPACT: N/A

ATTACHMENTS:

Map