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Governor approves City of Federal Way’s application for Opportunity Zone

The City of Federal Way was among 139 census tracts in 36 counties across the state approved on Tuesday by Gov. Jay Inslee for “Opportunity Zone” status, enabling them to offer special federal tax breaks to encourage development and job creation.

To qualify for Opportunity Zone status, a census tract must have an individual poverty rate of at least 20 percent and median family income up to 80 percent of the area median. A total of 555 census tracts in Washington met the eligibility criteria, though only 139 could receive the designation.

The census tract in Federal Way is primarily located in the Central City area and City Center Frame that enables dense development. It is located west of Interstate 5 continuing to the east side of Pacific Highway. It has equal amount zoned land for business/commercial development as it does for housing.

“We’d like to thank Governor Inslee for his support of our application,” Mayor Jim Ferrell said. “We’ll make every effort to ensure that we disseminate this information to businesses and developers in regards to helping create primary-wage jobs in this tract.”

The tract has variety of developable sites for housing and commercial development, including nearly 10 vacant acres as part of the Town Center development. Additionally, with the development of light rail, redevelopment of six square blocks will occur specifically three blocks for private investment for transit oriented development. Additionally, there are opportunities to redevelop on 10 large parcels.

“The Opportunity Zone allows for the use of capital gains to be used to create jobs and development,” said Tim Johnson, Federal Way’s Economic Development director. “While the program does not cost the City any money, it’s a tool that can used to finance development and business.”

It is anticipated that with the designation of this census tract as an Opportunity Zone, it will provide the chance to build projects and businesses that create primary wage-earning jobs, specifically for residents of this census tract area that have historically been underserved, Johnson said.

As part of the application process to identify the Opportunity Zone, Johnson submitted a letter of support from Ferrell, the University of Washington Tacoma and Clearinghouse CDFI, a direct lender that finances projects that create jobs and services.
The Opportunity Zone program was a bipartisan proposal in Congress incorporated into the U.S. Tax Cuts and Jobs act, allowing the governor of every state to designate up to 25 percent of eligible census tracts as Opportunity Zones. Investments made through special funds in these zones will be able to defer or eliminate federal taxes on capital gains.

As the administrative guidelines are released by the U.S. Treasury and the IRS, the City will post them on its website.

“Opportunity Zone status could be a useful tool to help strengthen these communities by encouraging capital investment,” said state Commerce Director Brian Bonlender. “While we had many more requests than available tracts, I believe we ended up with a good balance of urban-rural and economic development and housing opportunities.”

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