

Opportunity Zones 2.0

Pima County Tract Recommendation Process & Analysis

Pima County Economic Development Department | June 9, 2026

ACA Submission Deadline: June 19, 2026

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01 Program Background

The federal framework and Pima County's role in OZ 2.0

What Are Opportunity Zones?

What They Are

Federally designated lower-income census tracts where private investors receive federal tax incentives for long-term capital investment. Investors may defer and reduce capital gains taxes, with complete exclusion on appreciation after 10 or more years.

OZ 2.0 Authority

The One Big Beautiful Bill Act (OBBBA, HR1), enacted July 2025, made Opportunity Zones a permanent feature of the federal tax code with a new 10-year designation cycle. Second-generation zones take effect January 1, 2027.

OZ 2.0 Rural Benefits

As of 1/12/2027, investors receive 30% exclusion on eligible deferred gain.

As of July 4, 2025, “substantial improvement” is lower, of more than 50%. The required improvement expenditure is halved.

OZ 2.0 General Benefits

Deferral, Exclusions on Deferred Gain
(defer tax gain to tax year 5 years from date of investment, +10% exclusion)

10 Year Exclusion

(if asset held for 30 years in OZ, asset basis is stepped up to FMV). After that, when sold, investor pays tax only on difference)

Arizona Context

Arizona attracted approximately \$2.65 billion in OZ 1.0 investment — second most of any state. The OBBBA created a new Rural OZ designation with enhanced investor tax benefits to direct additional capital to rural areas.

Pima County's Role & Tract Eligibility

12 eligible tracts

Identified by the ACA using 2020-2024 American Community Survey data — all 12 assessed in this analysis

Up to 3 tracts

May be recommended by Pima County to the Arizona Commerce Authority

Geographic scope

Unincorporated Pima County and incorporated communities with populations under 10,000

City of Tucson

Submits its own separate recommendations independently

Federal Eligibility Criteria

A tract qualifies under 26 U.S.C. § 1400Z-1(c)(1) if it meets EITHER:

Option A

Median family income (MFI) of 70% or less of the metro's MFI (if in an MSA) or the state's MFI (if not in an MSA)

-or-

Option B

Poverty rate at or above 20% AND median family income at or below 125% of state or MSA median

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02 Stakeholder Engagement

Online survey May 26 to June 5, 2026, with results cross-referenced with ACA criteria, DSD zoning analysis, and Community Revitalization Area designations

Who Responded & Investment Readiness

78

Total responses

62%

Aware of projects

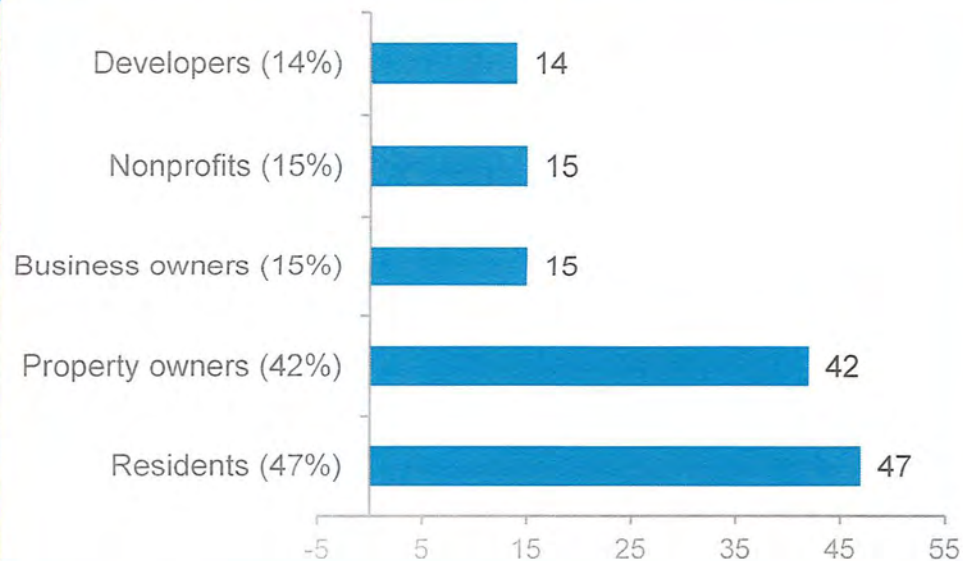
6

Named specific sites

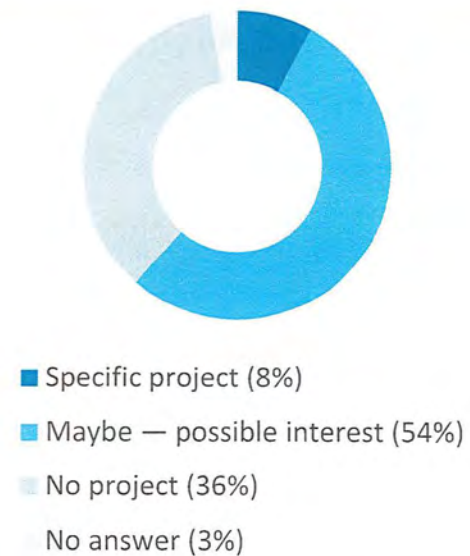
44

Written comments

Respondent Profile (multi-select, % of 78)



Project Awareness





03

Development Services Zoning Analysis

Land use and entitlement findings across all 12 ACA-eligible census tracts

DSD Analysis — First Choice Tracts

DSD identified 4 tracts as First Choice based on investment potential, zoning flexibility, and planning alignment.

004626

Foothills Mall / PCCNW

MIU, HIU, CAC comp plan; Foothills Mall Specific Plan in place. PP2025 Northwest Housing Growth Area. DSD notes high flexibility on Mall site with opportunities for infill, redevelopment, and mixed use. Small tract.

004115

Los Ranchitos / Palo Verde

Industrial (I) comp plan; MU zoning. PP2025 Alvernon/I-10 Urban Infill/Redevelopment Growth Area. Benson Hwy Infill Incentive Overlay District. Los Ranchitos Overlay District (in prep). High density residential and MH park in north; industrial uses in south. Pima Co. and City of Tucson jurisdictions.

004512

Wetmore / La Cholla

Flowing Wells

HIU, I, HI comp plan; MU and CI-2 zoning. PP2025 Flowing Wells Urban Infill/Redevelopment Growth Area. DSD notes a good mix of residential, commercial, and industrial uses.

002300

City of South Tucson

South Tucson

A separate incorporated municipality with no Pima County zoning jurisdiction. Historically distressed community. Any nomination would rely on the City of South Tucson's own development framework and capacity.

DSD Analysis — Alternate Tracts

8 tracts designated as Alternates — ACA-eligible but with greater land use constraints or lower investment readiness.

004112 — Drexel / Alvernon		CAC, I, MIU comp plan; CR-3, CB-2, CI-1 zoning. Predominantly mid-density residential; commercial zoning developing out as residential. Pima Co. and City of Tucson.
004320 — Valencia / Mark		LIU-3.0 & 1.2, CAC comp plan; GR-1, SH zoning. W Valencia corridor. PP2025 SW Housing Growth Area. Plan designations and zoning more rural residential than commercial/industrial.
004322 — Cardinal / Los Reales		LIUs, MLIU comp plan; CR-4, GR-1, SH, TH, mix zoning. Historic overlay. W Valencia corridor. PP2025 SW Housing Growth Area. More rural residential than commercial/industrial.
004327 — Rural Helmet Peak		RE, LIR comp plan; RH, GR-1 zoning. Sierrita Mine dominates the Pima Co. portion. Limited TOS coverage; rural and residential zoning. Very low-density rural residential on Helmet Peak. Pima Co. and Town of
004340 — Rural Valencia West		MIU, PDC, MLIU comp plan; RH, SP, mix zoning. PP2025 SW Housing Growth Area. Proximity to Ryan Airfield noted as economic benefit. More residential than commercial/industrial in plan and zoning.
004506 — Curtis / Shannon		HIU, I, MIU comp plan; MU zoning. PP2025 Flowing Wells Urban Infill/Redevelopment Growth Area. Predominantly high density residential and MH parks; limited commercial and industrial.
004513 — Homer Davis		HIU comp plan; MU zoning. PP2025 Flowing Wells Urban Infill/Redevelopment Growth Area. Predominantly high density residential and MH parks. Small tract.
004630 — N Camino de Oeste		Mostly LIU-0.3; RC, LIU-1.2 & 3.0, MIU, HIU, CAC comp plan. Mostly SR zoning; some commercial on Thornydale. Mostly low density rural residential.



04 Community Revitalization Areas

Which eligible tracts overlap with existing Pima County CRA designations

Eligible Tracts — CRA Overlap Analysis

5 of 12 eligible tracts appear to fall within or adjacent to named Community Revitalization Areas based on geographic location. CRA overlap, where confirmed, strengthens the case for OZ nomination by demonstrating existing county planning commitment.

Tract	Name	CRA Overlap	Detail
004115	Los Ranchitos / Palo Verde	CRA #4 Alvernon/Benson Hwy Overlay Zone-2 Urban Infill/Redevelopment Area	Strongest CRA alignment of any eligible tract. Appears to fall within CRA #4, the Benson Hwy/Palo Verde Infill Overlay Zone-2, and the
004506	Curtis / Shannon	CRA #5 Flowing Wells	Appears to fall within the Flowing Wells CRA boundary based on geographic location.
004512	Wetmore / La Cholla	CRA #5 Flowing Wells	Appears to fall within the Flowing Wells CRA boundary based on geographic location.
004513	Homer Davis	CRA #5 Flowing Wells	Appears to fall within the Flowing Wells CRA boundary based on geographic location.
004112	Drexel / Alvernon	CRA #4 Alvernon/Benson Hwy	Appears to fall within the Alvernon I-10/Benson Highway CRA based on geographic location. Note: DSD Alternate tract.

Tracts with no CRA overlap: 004320, 004322, 004327, 004340, 004626, 004630 — located outside named CRA boundaries.



05 Rating Methodology

How ACA criteria, survey data, DSD analysis, and CRA designations were synthesized

Tract Scoring Matrix

Seven criteria evaluated across all 12 eligible tracts. No numerical formula applied — holistic assessment of evidence weight for each criterion.

ACA Criterion	Data Source(s)	What Staff Evaluated
Investment Readiness	<i>Survey Q2, Q3; written comments</i>	Specific projects named? Active developer or landowner interest expressed?
Infrastructure & Zoning	<i>DSD analysis; Survey Q6</i>	Does existing zoning support intended use? What barriers did respondents cite?
Landowner Intent	<i>Survey Q4; written comments</i>	Owners willing to sell, develop, or partner? Named parcels with identified ownership?
Population Proximity	<i>DSD analysis</i>	Sufficient existing population to support retail, housing, or employment uses?
Rural OZ Eligibility	<i>ACA eligibility list; DSD</i>	Does the tract appear to qualify for enhanced Rural OZ benefits based on income/poverty data? (One tract: 04019004327)
Incentive Stacking	<i>Written comments; NMTC data</i>	NMTC eligibility, Historic Tax Credits, or other stackable incentives available?
CRA Designation	<i>Pima County CRA maps (Sept. 2025)</i>	Does the tract fall within an existing Community Revitalization Area, indicating prior county planning commitment?



06

Preliminary Tract Recommendations

Recommended tracts and alternates with rationale - for discussion

Preliminary Recommendations – Preferred

004115 — Los Ranchitos / Palo Verde

Benson Hwy

Benson Hwy + Los Ranchitos Overlays

Overlay Zone-2

PP2025 Infill/Redevelopment

Industrial comp plan

Strongest combined signal: DSD First Choice List, apparent triple CRA overlap (CRA #4, Overlay Zone-2, Urban Infill/Redevelopment Area — geographic inference pending GIS confirmation), industrial comp plan, MU zoning, and two active or forthcoming infill overlays. Survey respondents independently named the Palo Verde industrial area and a Valencia/Palo Verde business park.

004626 — Foothills Mall / PCCNW

Northwest

DSD: First Choice List

PP2025 NW Housing Growth Area

Foothills Mall SP

MIU + HIU + CAC comp plan

High flexibility per DSD

DSD First Choice List. Foothills Mall Specific Plan reduces entitlement risk. DSD notes high flexibility on the Mall site with strong infill and redevelopment potential. Mixed-use comp plan designations align with top survey priority (46%). Confirm active redevelopment interest before finalizing.

004512 — Wetmore / La Cholla

Flowing Wells

DSD: First Choice List

CRA #5 Flowing Wells

PP2025 Flowing Wells Infill

HIU + I + HI comp plan

MU + CI-2 zoning

DSD First Choice List. Located within both the Flowing Wells CRA and the PP2025 Flowing Wells Urban Infill/Redevelopment Growth Area. DSD describes a good mix of residential, commercial, and industrial uses — broadest land use flexibility in the Flowing Wells cluster.

Preliminary Recommendations - Alternate

From DSD's First Choice and Alternate lists — viable alternatives if primary nominations cannot be confirmed.

002300 — City of South Tucson

South Tucson

DSD First Choice List. Geographically co-located with CRA #8 South Tucson. Historically distressed community. No Pima County zoning jurisdiction — nomination would depend on the City of South Tucson's own development framework. Coordinate with South Tucson leadership before nominating.

004327 — Rural Helmet Peak

South — DSD Alternate

Only rural OZ eligible tract, carrying enhanced investor tax benefits. NMTC severe distress designation. Most technically detailed survey submission (23.7% poverty, 74.7% AMI). However, Sierrita Mine dominates the Pima Co. portion; RE + LIR + RH zoning limits near-term investment readiness for most project types. DSD designated as Alternate. Contact survey submitter before ruling out.

004340 — Rural Valencia West

Southwest — DSD Alternate

PP2025 SW Housing Growth Area; proximity to Ryan Airfield noted by DSD as an economic benefit. Plan and zoning more residential than commercial/industrial. DSD designated as Alternate. Consider if aviation-adjacent or rural enterprise investment emerges.

Next Steps

- 1 Board of Supervisors Feedback at Study Session
- 2 Collect Additional Input from Board Members by June 15
- 3 Further Staff Evaluation of Tract Selection
- 4 County Administrator Authorization / Approval of Final Recommended Tracts
- 5 Submit to Arizona Commerce Authority by June 19