

'26 ARIZONA
DEVELOPMENT
FINANCE &
OPPORTUNITY ZONES
SUMMIT

MODERATOR

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ARIZONA
COMMERCE AUTHORITY

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OZs 2.0, 3.0 and Beyond

*Arizona Development Finance
& Opportunity Zones Summit*

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ARIZONA'S OZ. 1.0 EXPERIENCE

Arizona has **168** 1.0 Opportunity Zones, reaching every county.

- Strove for proportional distribution across Arizona.
- AZ OZs disproportionately rural.
- **72% of Arizona OZs had attracted investment by 2020—a far higher share than the 48% of U.S. tracts that had drawn investment.**

(Coyne & Johnson, 2022)



Arizona has attracted **\$2.65 BILLION** in OZ investment, **MORE THAN ANY STATE EXCEPT CALIFORNIA.**

(Novogradac tracking of Qualified Opportunity Funds, through Q3 2025)

PRIORITIZING PROMISING TRACTS

In selecting, OZs, Arizona prioritizes tracts that can draw near-term private investment and deliver great outcomes for their communities:

- Tracts that are **zoned and entitled**.
- Tracts that have **power, water and sewer** service.
- Tracts that have **broadband** or are slated to get it.
- Tracts that have **access to roads/highways** to bring in supplies, customers, workers, residents, etc.
- Tracts that have or are close to **people** who can work, shop and/or live in the tracts.

CENSUS TRACTS

(What are they?)

- “Census tracts are **SMALL, RELATIVELY PERMANENT SUBDIVISIONS OF A COUNTY**... . Census tracts generally have a population between 1,200 and 8,000 people, **WITH AN OPTIMUM SIZE OF 4,000.**” (Census Bureau)
 - **DO NOT CROSS** state or county boundaries.
 - **DO CROSS** municipal and tribal boundaries.
 - “Generally follow visible and identifiable features.”
 - Small squares/rectangles in urban areas, large, irregular shapes in rural areas.
 - Difference is driven by variance in population density.



HOW A TRACT BECOMES AN AZ OZ

- Each governor gets to nominate **ONE QUARTER** of a state's qualifying tracts.
- A census tract qualifies for OZ status on the basis of having a **LOWER MEDIAN FAMILY INCOME** or a **HIGH POVERTY RATE**. (Standards vary between OZ 1.0 and OZ 2.0)
- Arizona will again aim for **ROUGHLY PROPORTIONAL DISTRIBUTION** of OZs across the state.
- **ACA** ran the 2018 recommendation and selection process for OZ 1.0 for Gov. Ducey and will do the same for OZ 2.0 for Gov. Hobbs.



RECOMMENDING TRACTS TO BE OZs

ACA knows that local leaders will have the most up-to-date, on-the-ground information to inform the OZ 2.0 selection process. Accordingly, we reach out statewide to get input. We strongly encourage recommending agencies to solicit input from local stakeholders, including landowners, employers, educators, non-profits, residents.



MARICOPA, PIMA & PINAL COUNTIES

- Incorporated communities of 10,000+ will be asked to recommend one quarter of the tracts centered in their jurisdictions.
- The counties will be asked to recommend one quarter of the tracts centered in unincorporated areas and in smaller incorporated communities.
- Tribal nations will be asked to recommend one quarter of the tracts on tribal land.



OTHER COUNTIES

- Counties will be asked to recommend one quarter of the tracts covering both incorporated and unincorporated county areas.
- Tribal nations will be asked to recommend one quarter of tracts on tribal land.



TRIBAL AREAS

Tribal nations will be asked to recommend one quarter of the tracts that are:

- Centered on tribal land,
- Plus one quarter of tracts whose land is at least 1% on tribal nation land,
- Plus one quarter of tracts on which at least 1% of a tribal nation's land are located.

OZ QUALIFICATIONS

To qualify to be an OZ, a tract must meet the median family income standard or the poverty rate standard.

| METRIC | OZ 1.0 STANDARD | OZ 2.0 STANDARD |
|----------------------|--|--|
| Median family income | Median family income of no more than 80% of the state’s median family income, if outside a metro. No more than 80% of metropolitan statistical area’s (MSA) median family income if in an MSA. | Median family income of no more than 70% of the state’s median family income, if outside a metro. No more than 70% of MSA’s median family income if in an MSA. |
| OR | | |
| Poverty rate | 20% or higher. | 20% or higher AND a median family income of no more than 125% of the state/MSA’s median family income, depending on location. |

In 2018, states could nominate for 1.0 OZs a few tracts that didn’t quite qualify but that came close and were contiguous with tracts being nominated. These so-called “contiguous tracts” are not permitted in for 2.0 OZs.

TRACT ELIGIBILITY FOR OZ STATUS

Arizona's population growth led to an increase in total census tracts. However, fewer Arizona tracts qualify for 2.0 OZ designation than did for 1.0 designation. This is driven both by growth in Arizona incomes and by tighter standards for 2.0 OZs.

| | OZ 1.0 (2018) | OZ 2.0 if OZ 1.0 rules were in place | OZ 2.0 with 2.0 rules (2026) |
|---------------------------------|--------------------|---|---------------------------------|
| Total tracts | 1,526 | 1,756 | 1,756 |
| Eligible tracts | 673 (44% of total) | 639* (36%) | 484* (28%) |
| Uncertain status tracts | -- | 40 | 56 |
| OZs (1/4 of eligible tracts) | 168 | 160* | 121* |

* Estimated, assuming none of the uncertain tracts is eligible.

We are expecting Treasury guidance to resolve the eligibility of the uncertain tracts, which lack median family income and/or poverty data in the 2020-2024 American Community Survey. Some have minimal or no non-institutionalized population (e.g., a tract that is dominated by an industrial park, prison complex, park, wildlife preserve or military base).

NEXT STEPS & RESOURCES

- Attend ACA and other events, including the regional roadshow and upcoming webinars
- Review our [website](#) and the [map](#) we've posted. Visit [Novogradac](#), [EIG](#) and [Treasury](#) websites to learn more and keep up with developments.
- Meet with your stakeholders—get their input. (If you're a stakeholder, give it.)
- ACA's recommendation tool will be finalized and circulated to recommending jurisdictions and tribes ASAP following Treasury guidance on rural tracts and tracts with missing information.
- We're still hoping to get input in May and finalize selections with Gov. Hobbs' office in June so we can submit nominations to Treasury on July 1.

ACA OZ RESOURCES



SUMMIT MATERIALS



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Thank you!

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