Opportunity Zone 2.0

City Council Update

Basic program overview, local nomination status, and next steps for Killeen.

Prepared for Killeen City Council | August 2026

Killeen Economic Development Corporation

PURPOSE OF THIS BRIEFING

What Council Needs to Know

1 **Opportunity Zones are a federal tax incentive — not a City expenditure.**

The designation can improve project feasibility by helping private capital see eligible areas as investable.

2 **KEDC nominated 17 Killeen census tracts to the Governor's Office.**

The nomination was completed by KEDC on June 22, 2026, ahead of the state's local submission deadline.

3 **Designation is a tool, not a project guarantee.**

Local readiness, infrastructure, sites, incentives, and a clear pipeline will determine practical value.

BASIC PROGRAM OVERVIEW

What Are Opportunity Zones?

Opportunity Zones are federally designated census tracts where eligible private investments may receive federal tax benefits.

In summary, they are a tool to help draw private capital into qualifying communities.

1 A designated place

The geography is a census tract, not a single property or project.

2 An investment vehicle

Investors generally use a Qualified Opportunity Fund to place eligible capital.

3 A federal tax benefit

The benefit is federal and tied to qualified, long-term private investment.

Local takeaway: OZ status can help market Killeen sites and strengthen project financing. It does not spend City funds, approve zoning, or guarantee a project.

Sources: IRS Opportunity Zones FAQs; Texas Office of the Governor, Economic Development & Tourism Office.

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HOW THE INCENTIVE WORKS

Opportunity Zones: Basic Mechanics

Opportunity Zones are census tracts where certain long-term investments may receive federal tax benefits when made through a Qualified Opportunity Fund.

Capital gain

Investor has eligible capital gain

Qualified Opportunity Fund

Investment is routed through a QOF

Eligible project / business

Capital goes into property or operating business

Potential federal tax benefits

Deferral, basis adjustment, and appreciation treatment

Federal incentive | **Private capital** | **Project-based** | **Long-term hold**

In Summary, the designation makes eligible areas more attractive to investors, but the market still needs real projects that can be financed, permitted, built, and operated.

Sources: IRS Opportunity Zones overview; U.S. Treasury Qualified Opportunity Zones data and guidance.

PROGRAM REFRESH

What Changed Under Opportunity Zone 2.0

Permanent program structure

The federal incentive was made permanent, with new designation rounds every 10 years.

25% state nomination cap

Governors can nominate up to 25% of eligible low-income census tracts.

New map cycle

OZ 2.0 creates a new map beginning in 2027; OZ 1.0 tracts are not automatically recertified.

Local project viability matters

The state asked communities to prioritize tracts where capital can realistically deploy in 24–48 months.

Tighter eligibility screen

The Governor’s Office identifies MFI and poverty thresholds as the primary federal eligibility tests.

Rural enhancements

Enhanced benefits exist for rural Opportunity Zones; Killeen’s submitted tracts are non-rural.

Source: Texas Office of the Governor, Economic Development & Tourism Office — Opportunity Zone 2.0 Program Highlights and Designation Process.

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WHERE KILLEEN IS IN THE PROCESS

Designation Process and Timeline

The state process is led by the Texas Economic Development & Tourism Office within the Office of the Governor.

June 22, 2026

KEDC nomination completed

June 26, 2026

State local submission deadline

July 1, 2026

Treasury designation window begins

Aug. 17, 2026

Texas target submission to Treasury

Nov. 28, 2026

Certification expected

Jan. 1, 2027

OZ 2.0 designations begin

Note: Local nomination does not equal final designation. The Governor's Office reviews submitted tracts and Treasury certifies the final map.

Source: Texas Office of the Governor EDT, Opportunity Zone 2.0 designation process and nomination packet.

SUBMITTED BY KEDC

Killeen Nomination Summary

17 census tracts nominated	**June 22** nomination completed by KEDC	**26.1%** average poverty rate	**64.9%** average MFI ratio	**Final Designation Pending** Governor's Office / U.S. Treasury Review

Nomination themes

- North Killeen housing and neighborhood retail access
- Fort Hood gateway corridors and military-support redevelopment
- Downtown reinvestment and mixed-use infill
- Business park, aviation, and industrial-adjacent opportunities
- Medical, education, and workforce-supporting nodes

Eligibility snapshot

13 of 17 tracts met the MFI ≤ 70% screen; 12 of 17 met the poverty ≥ 20% screen. Some tracts qualify through one test while others qualify through the combined poverty/MFI test.

All submitted tracts were identified as non-rural in the nomination packet.

Source: KEDC Opportunity Zone 2.0 Nomination Packet submitted to the Texas Office of the Governor.

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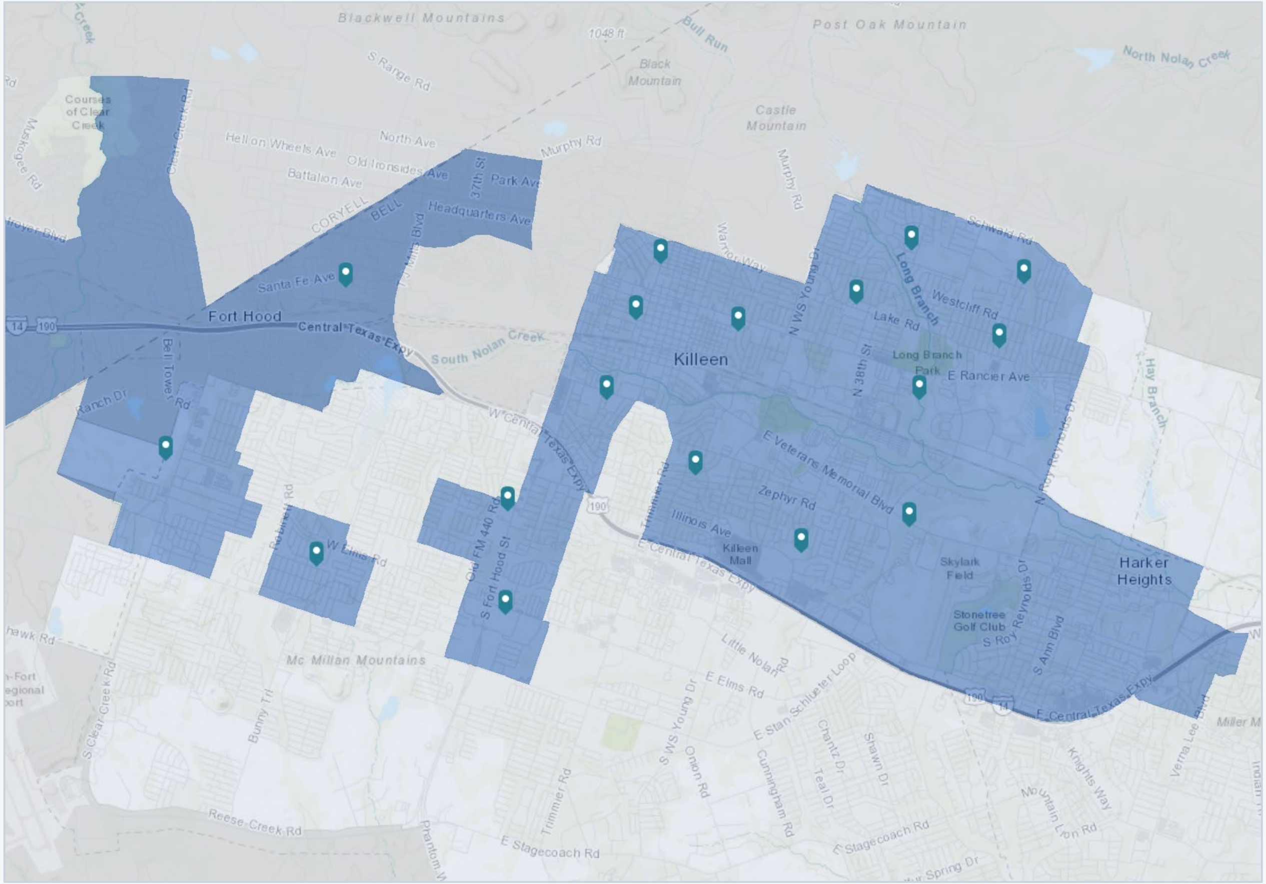
MAP OF NOMINATED AREAS

Submitted Killeen Census Tracts



Source image: KEDC submitted tract map.

Nomination footprint

The submitted map focuses on investment-ready corridors and neighborhoods where OZ status could complement local planning, redevelopment and housing priorities.

17 census tracts

Submitted to the Governor’s Office as KEDC’s local recommendation.

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LOCAL INVESTMENT RATIONALE

Why These Tracts Were Prioritized

KEDC prioritized tracts where Opportunity Zone status could support realistic reinvestment themes already aligned with local planning and market needs.

Housing + neighborhood services

Support infill and workforce housing so neighborhood retail can follow population growth.

Corridor redevelopment

Improve feasibility for aging commercial properties along gateways serving Fort Hood and north Killeen.

Downtown reinvestment

Strengthen mixed-use, infill, streetscape, and public-investment momentum downtown.

Business + industrial assets

Increase competitiveness for business park, airport-adjacent, logistics, and military-support investments.

Medical + education anchors

Use the incentive to complement existing employment centers and workforce-serving assets.

Source: KEDC Opportunity Zone 2.0 Nomination Packet project narratives and local support rationale.

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READINESS MATTERS AFTER DESIGNATION

How City Support Strengthens Competitiveness

Council does not designate Opportunity Zones. Local actions can make designated tracts more investable.

Planning alignment	Tie projects to the Future Land Use Map, Comprehensive Plan 2040, downtown priorities, housing needs, and corridor reinvestment.
Development readiness	Clarify infrastructure capacity, zoning pathways, permitting expectations, and site constraints early.
Local tools	Use existing tools such as TIRZ, abatements, rebates, façade improvements, workforce partnerships, and targeted infrastructure when appropriate.
Project pipeline	Prepare investor-ready narratives around sites, market demand, public investment, and likely development timelines.

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WHAT HAPPENS NEXT

Next Steps and Council Takeaway

1 **Track certification**

Monitor Governor's Office and Treasury updates through final certification.

2 **Prepare investor materials**

Convert designated tracts into site-specific narratives, maps, and prospect talking points.

3 **Coordinate locally**

Work with City staff to identify project readiness, infrastructure questions, and policy alignment.

4 **Protect flexibility**

Treat designation as a tool in the broader economic development toolkit, not a standalone strategy.

Key references: Texas Office of Governor EDT, IRS Opportunity Zones, U.S. Treasury QOZ data/guidance, HUD Opportunity Zones overview, KEDC nomination packet.