



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: July 15, 2026

TO: Honorable Mayor Todd Gloria

FROM: Christina Bibler, Director, Economic Development Department
via Casey Smith, Chief Housing & Community Development Officer

SUBJECT: Opportunity Zone 2.0 | Census Tract Recommendations

A handwritten signature in blue ink, likely belonging to Casey Smith, Chief Housing & Community Development Officer.

This memorandum will serve as the Economic Development Department's (EDD) recommendation for the Opportunity Zone (OZ) 2.0 qualifying census tract nominations to submit to the State of California (State) by the due date: *Monday, July 20, 2026*.

By way of background, the OZ federal tax incentives were created in 2017 as a temporary program ending in 2026 to encourage long-term private investment in low-income census tracts. Under the OZ Program, eligible capital gains can be reinvested into qualifying funds to receive tax benefits, including tax deferments on the original gain and exclusion of appreciation on the new investment after a 10-year holding period. With the new federal administration changes came in 2025 to the Opportunity Zone program, now referred to as OZ 2.0 with updated criteria and expanded timelines.

Opportunity Zones 2.0 (OZ 2.0)

Notable changes made to the Opportunity Zone program include the following:

- **Now a permanent program.** Starting January 1, 2027, investments will qualify for a rolling five-year deferral.
- **Stronger incentives for rural investments.** These incentives include lower improvement thresholds and increase five-year basis step-ups for rural OZ 2.0 funds.
- **New federal reporting.** The U.S. Department of the Treasury (Treasury Department) will publish annual reports to highlight community-level investment activity and outcomes.
- **New OZ 2.0 census tract designations.** The nomination window for Opportunity Zones 2.0 opened on July 1, 2026. During this 90-day period, state governors may nominate 25% of their qualifying census tracts as Opportunity Zones. The Treasury Department has until December 27, 2026, at the latest to certify the state's OZ census tracts. These Opportunity Zones will last for 10 years.

To qualify as a low-income census tract for consideration under the OZ 2.0 program, the census tract must have either (1) a median family income at or below 70% of the Area Median Income (AMI) instead of 80% AMI in OZ 1.0; or (2) a poverty rate of at least 20% and a median income at or below 125% of AMI.

Due to changes in OZ 2.0, the **total number of Opportunity Zone census tracts in California will decrease by about 25-30%**, and a larger share of Opportunity Zones will be designated in rural areas. As a result, larger urban areas were encouraged to work with the governor's office to guide the designation of Opportunity Zone 2.0 census tracts.

EDD has worked with the County of San Diego, city departments and attended federal/state provided webinars to create the City of San Diego's recommendations outlined below.

Selection Approach

EDD reviewed the updated OZ 2.0-eligible census tracts using “[Novogradac 2.0 OZ Map](#)” hosted by Policymap.com to recommend where community needs, local implementation capacity, and market conditions intersect – providing the greatest potential to attract private investment and create strategic opportunities for catalyzing impact.

When reviewing the map of income-eligible census tracts, EDD cross-reviewed additional data points for consideration in developing recommended census tracts:

- Identified LMI neighborhoods in close proximity to universities and health systems
- Considered local zoning to match or facilitate previously successful Opportunity Zone projects in similar jurisdictions, such as:
 - New and rehabilitated multifamily housing
 - Workforce housing
 - Mixed-use developments
 - Adaptive reuse and historical rehab
 - Real estate for commercial purposes
 - Urban in-fill development
- Reviewed areas where, but for the OZ benefits, investment may not otherwise occur; or where OZ benefits could be layered with another incentives (such as Maritime OZs which have been discussed heavily at the federal level)
- Considered where OZs might catalyze and incentivize high-impact, public-led/private-led/philanthropic-led development advancing the City’s Strategic Plan and the City’s Economic Development Strategy.

Additionally, there will be a public comment period where various stakeholders are able to submit letters of support for nominated tracts, EDD considered where local partners have expressed interest in advancing development and where private-sector investment has not matched local investment.

Recommendations

In addition to the Selection Criteria, the form to be submitted to the State requests the following information for each nominated tract:

- Committed public investment (DIFs, Assessment Districts, TIF districts)
- Affordable housing sites located in the tract or in an approved HCD Housing Element
- Any business-ready sites for commercial development that would be considered “shovel ready”
- Alignment with access to strategic industry areas within the *Jobs First Initiative*

Based on EDD’s evaluation, the following 47 census tracts are the department’s recommendation for submission to the governor’s office.

Continued Support in Underinvested Communities

- Maintain all eligible census tracts designated originally as OZs which includes areas within the formerly federally-designated Promise Zone and City Heights
- Add three census tracts in the formerly designated Promise Zone that were omitted from the original designation (indicated with an asterisk).

06073001600	06073003111	06073003902
06073002201	06073003301*	06073004000
06073002202	06073003303	06073004102
06073002301	06073003304	06073004600
06073002302	06073003305	06073004700
06073002401	06073003403*	06073004800
06073002601	06073003404	06073004900
06073002707	06073003501	06073005000

06073002708	06073003502	06073005101
06073002709	06073003602	06073005102
06073002710	06073003603*	06073005103
06073003004	06073003901	

Census Tracts Near Universities and Health Centers

06073002804	SDSU	06073008379	UTC/UCSD
06073002904	SDSU	06073008600	Linda Vista/USD
06073002905	SDSU	06073009603	Grantville/SDSU Innovation Campus
06073005202	Downtown/UCSD Park & Market		
06073005301	Downtown/UCSD Park & Market		
06073005601	Downtown/UCSD Park & Market		

Key Catalytic Census Tracts

- Census Tract 6073006500: The Midway area, with planned revitalization of the Sports Arena city-owned property and the nearby redevelopment of the NIWC Pacific/NAVWAR site, this census tract is an established location for growing defense tech companies but is in desperate need of incentives to support major revitalization despite aging infrastructure surrounding the tract.
- Census Tracts 6073010005 & 6073010013: The addition of two tracts in San Ysidro will help support sustainable success of their business improvement district as well as any future plans for additional investment instruments. San Ysidro is the National gateway into California from Mexico, the largest cross-border entry in the western hemisphere also a key area to connect success to future Brownfield Airport Airpark development as well as the state's strategic areas of Infrastructure and Transportation/Logistics and a major trade hub.

Next Steps

EDD staff will input a nomination form and all corresponding information for each of the 47 census tracts the City would like to nominate. The forms are due by 11:59 PST on July 20, 2026.

EDD will not be submitting letters of support with its submission as letters of support will be accepted during the public comment period opening in August. Interested stakeholders and community members are encouraged to review the recommended census tracts.

To ensure an inclusive community engagement process, EDD recommends the following next steps:

- Post this memo and recommendations on the City's website: www.sandiego.gov/economic-development (found on the main department home page)
- Notify the Council Offices, State & Federal Elected Official Offices of the community engagement effort opening in August 2026 and encourage interested parties to submit letters of support
- Distribute information about this effort using existing EDD, Mayoral and council office email distribution lists to encourage advocacy for San Diego's OZ 2.0 designation.

This concludes EDD's outline of the OZ 2.0 submittal process and recommendations. Please let me know if you want to discuss further.



Christina Bibler (Jul 15, 2026 11:50:37 PDT)

Christina Bibler
Director, Economic Development

CB/cb

cc: Paola Avila, Chief of Staff, Office of the Mayor
Nick Serrano, Deputy Chief of Staff, Office of the Mayor
Charles Modica, Independent Budget Analyst
Rania Amen, Chief Community Services Officer & City Engineer, Office of the Mayor
Kris McFadden, Chief Infrastructure Officer, Office of the Mayor
Bethany Bezak, Chief Performance & Logistics Officer, Office of the Mayor
Matt Yagyagan, Director of Policy, Office of the Mayor
Christopher Ackerman-Avila, Senior Policy Advisor, Office of the Mayor
Heidi Vonblum, Director, City Planning Department
Elyse Lowe, Director, Development Services Department
Sarah Jarman, Director, Homelessness Strategies
Monica Hardman, Assistant Director, Economic Development Department
Christie Marcella, Deputy Director, Economic Development Department
Michele Marano, Assistant Deputy Director, Economic Development Department