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SPENCER A BROWN
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Gov. Gavin Newsom told a crowd at Stanford University on Monday that he sees opportunity within a Trump administration program to spur investment — including real estate investment — in California by lowering taxes.

Newsom said the so-called “Opportunity Zones” — part of 2017 legislation to reduce capital gains taxes for investors in economically distressed areas — could actually promote housing, according to a San Francisco Chronicle report.

Parts of San Francisco, Oakland, San Jose, Berkeley and Vallejo qualify for this tax reduction. Investors can hold an investment for 10 years and pay no capital gains taxes, which are normally as high as 20 percent.

The program has already drawn investors to distressed areas of the Bay Area. In Oakland, developer Patrick Kennedy is proposing 1,000 plus homes next to the West Oakland BART station. Once the area was deemed an opportunity zone, he was able to tap into capital that otherwise wouldn't have been interested, he
told the Business Times in November.

“It’s sort of a way to persuade the haves to invest in an area with the have-nots in a way that benefits everybody,” Kennedy said at the time.

The idea for opportunity zones actually sprung from the Economic Innovation Group, a nonprofit founded by local tech celebrity Sean Parker, the founder of Napster.

Newsom said Monday that the zones could be a way to draw investors into California and prevent them from prioritizing lower-tax states.

“We want to address the issue that we have the highest tax rate in the United States. We’re not naive about that,” Newsom said.

The New York Times has reported that the zones have thus far lured growing investor interest, including from Wall Street, but have also received criticism from tax experts who worry they will serve as handouts to the rich.

Many of the projects spurred so far include real estate, like condominium developments, or hospitality, according to the Times report. However, potentially billions of dollars rest on the U.S. Treasury, which is set to establish guidelines for the type of investments that qualify for tax benefits associated with opportunity zones and what investors must do to take advantage of them.

Newsom spoke at Monday’s symposium as part of the Opportunity Zone Investor Summit at Stanford University.

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