

Incentive Stacking for Rural Oregon Opportunity Zones

Investment-Ready Public-Private Partnerships

Regional Rural Revitalization (R3) Strategies

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Opportunity Zones.com Pitch Day • March 12, 2026

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Catalyst Public Policy Advisors, LLC
 Evans School of Public Policy and Governance, University ...

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- 25 years in public policy and public-sector finance
- Specialize in public-private partnerships (\$100M+)
- MPA from UW and starting PhD this fall at UO

Changing the world, one deal at a time.

Coni Rathbone ✓ · 2nd
 Currently practicing as: 1) Of Counsel at VF Law; and 2) Owner Rathbone Law PLLC; Practitioner of Happy Law
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- Specializes in Opportunity Zones
- Outside counsel under contract with R3 to assist with PPMs and contract negotiations for our QOZBs



My hometown – John Day, Oregon (pop. 1,643)



Who We Are and What We Do...

R3 is an Oregon **intergovernmental partnership of small, rural cities** in Oregon to create rural workforce housing through **public-private partnerships**.

- **Local Government Agency** serving Oregon communities under 50,000 pop.
- Backed by **\$13M in state appropriations** + **\$1.5M in federal funding** incubators/accelerators
- Specializing in **tax incentive financing, land use**, and complex **real estate development**
 - Joint Development Agreements
 - Tax increment financing
 - Construction lending
 - Grants and Forgivable Loans
- **Established builder relationships** throughout rural Oregon
- **Expertise** in Oregon land use, entitlement, planning, engineering, home and subdivision design, and finance

**Positioning Rural
Oregon for OZ 2.0
Success**

The R3 Advantage (Why invest with us?)

All the benefits of OZ 2.0...

- **30% basis step-up** after 5 years (vs. 10% standard)
- **50% substantial improvement** threshold (vs. 100%)
- **Permanent incentive** with 10-year designation cycles

Plus robust incentive stacking...

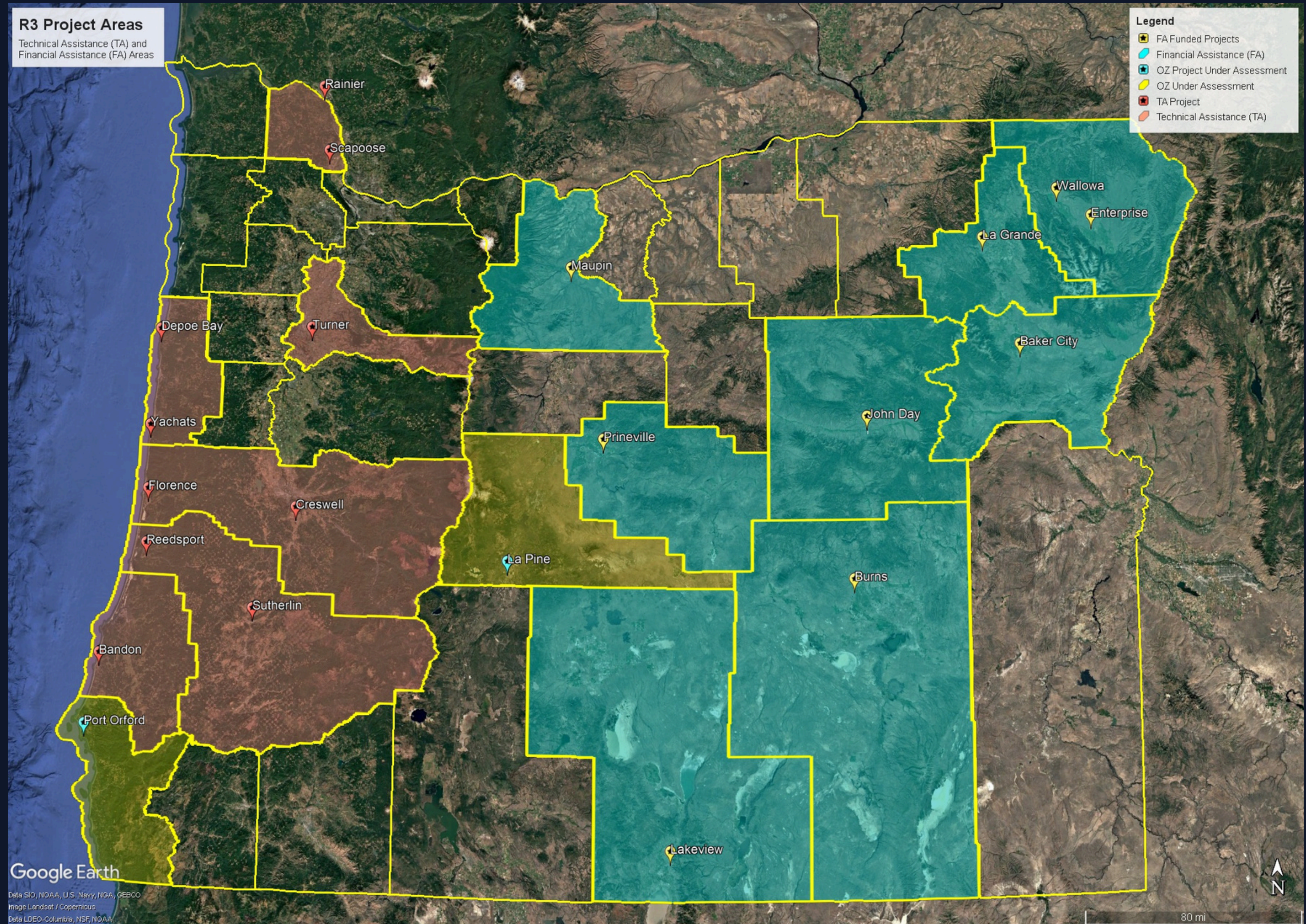
- **Multiple shovel-ready projects** across Oregon
- **Full payment** of all **System Development Charges (SDCs) = \$10K savings** per home
- **7% Cash Back** on new improvements (up to **\$25,000 tax-exempt rebate** per home)
- **Below-market construction loans** (4.5% to 6.5%) with **no origination fees**
- Proven public-private partnership model to **syndicate risk** and **increase leverage**
- More **efficient time to market**
- **Increased profitability** (~ **+14% increase in ROI** over and above the QOZ 1.0, *excluding depreciation benefits*)



**\$13M in
state
funding**

Proven Delivery Track Record

- **500+ homes and home lots** funded to date
- **8 counties** with active developments
- **24 current projects** funded and underway
- Multiple stages (from planning to construction)
- **\$15,000 average grant** per dwelling unit (leave behind)
- **1:10 leverage ratio** - \$1 public for every \$9 private



Overcoming Rural Development Challenges...

- Limited local capacity for planning and development
- Complex permitting (up to 14 state/federal agencies)
- Appraisal gaps and financing barriers
- Limited builder capacity and workforce constraints

...through R3's Wraparound Services

- Comprehensive project management from concept to completion
- Site design, engineering, and financial modeling
- Regulatory navigation and permitting support
- Developer partnerships and construction coordination

We hunt as a pack...



Strategic Partnership Objectives

- Increased economic value
 - **Increased profitability (ROI)** for our private-sector investors
 - **Increased efficiency (deal-flow)** by reducing search time and due diligence for viable investments
 - **Improved quality of life** for Oregon's rural residents and communities
- How we achieve it
 - **Pooling investments** across multiple project sites (project readiness // opportunity pipeline)
 - **Syndicating risk** between public and private entities (public money is first in, last out)
 - Incentive stacking that
 - Increases leverage (more production)
 - Reduces construction cost per home (and cost per square foot for residents)
 - Streamlines incentive payments to maximize investor and builder returns

The Incentive Stack...How it works...

- Start with a **\$10M OZ** investment into **35 homes**.
 - OZ 1.0, we defer and then pay tax on the original gain, but all of the future growth in the fund is tax-free after 10 years.
 - OZ 2.0, we keep that tax-free exit and add a 10% basis step-up, trimming the tax bill on the original gain.
 - Rural OZ 2.0, we still get the tax-free exit, but the basis step-up jumps to 30% and the substantial-improvement test is easier, which is tailor-made for small-town infill housing.
 - Then we stack **R3's \$15,000-per-home rebates—\$525,000 on this 35-home phase**—on top of the federal incentives.
- OZ 1.0 → OZ 2.0 (Std): ROI improves from 80% to 82% (+2.5% relative improvement)
- OZ 2.0 (Std) → OZ 2.0 (Rural): ROI jumps to 86% (+4.9% relative improvement)
- OZ 2.0 (Rural) → Rural + R3: ROI reaches 91.3% (+6.2% relative improvement)
- Overall, moving from OZ 1.0 to Rural 2.0 + R3 increases ROI by 11.3 percentage points—a **14.1% relative improvement—adding \$1,125,000 in total investor benefit.**

Metric	OZ 1.0	OZ 2.0 (Standard)	OZ 2.0 (Rural)	OZ 2.0 (Rural) + R3
Tax Treatment:				
Basis Step-Up on Original Gain	0%	10%	30%	30%
Taxable Original Gain	\$10,000,000	\$9,000,000	\$7,000,000	\$7,000,000
Tax on Original Gain (20%)	\$2,000,000	\$1,800,000	\$1,400,000	\$1,400,000
Tax on New \$10M Gain (10yr hold)	\$0	\$0	\$0	\$0
R3 Rebate (35 homes × \$15k)	\$0	\$0	\$0	\$525,000
Total Tax Paid	\$2,000,000	\$1,800,000	\$1,400,000	\$1,400,000
Net Proceeds to Investor	\$18,000,000	\$18,200,000	\$18,600,000	\$19,125,000
Net Gain (After-Tax)	\$8,000,000	\$8,200,000	\$8,600,000	\$9,125,000
ROI (After-Tax)	80.00%	82.00%	86.00%	91.30%
Improvement vs OZ 1.0:				
Additional Tax Savings	—	\$200,000	\$600,000	\$600,000
R3 Rebate Benefit	—	—	—	\$525,000
Total Additional Benefit	—	\$200,000	\$600,000	\$1,125,000
ROI Change vs Previous:				
Absolute ROI Increase	—	2.00%	4.00%	5.30%
Relative ROI Improvement	—	2.50%	4.90%	6.20%
Cumulative ROI Improvement:				
vs OZ 1.0 (Absolute)	—	2.00%	6.00%	11.30%
vs OZ 1.0 (Relative)	—	2.50%	7.50%	14.10%

Miller Springs Subdivision + Industrial/Renewable Energy Zone (Burns, OR)

\$30-50M
OZ 1.0
~ OZ 2.0



Workforce Housing, Commercial, Light Industrial + Mixed Use

- **160 new homes + 30 acres light industrial + 30 acres commercial**
- Property tax recapture mechanisms (7% cash back + Enterprise Zone incentives)
- Full payment of SDCs
- Up to \$3M in construction loan financing per project through R3
- Fully permitted and construction ready
- In OZ 1.0 now, highly likely 2.0
- Includes Burns Paiute Tribal Trust Land





Phase 1A Subdivision Improvements with 3x Model Home Plans now in construction

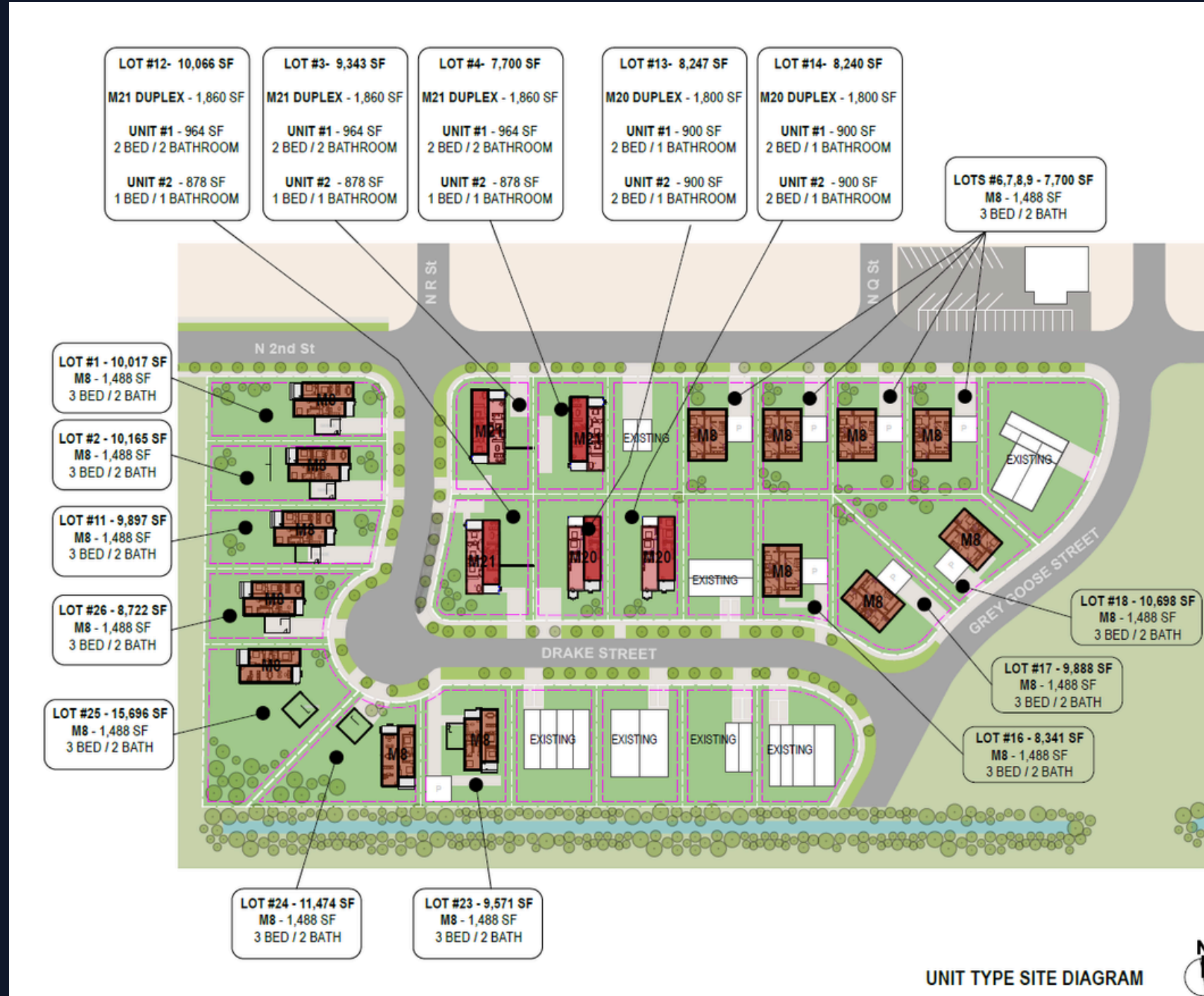


Lakeview Workforce Housing

\$4-5M
OZ 1.0
+ R3 Incentives

Workforce Housing

- Significant land incentives (**\$30,000 equity per lot**)
- Targeted to 80-120% AMI households
- Shovel-ready with municipal support
- SDC offsets and owner-carry structure



Creekside Subdivision
 Lakeview, Oregon

M8 MODEL : M8 SINGLE FAMILY HOME

MOD SIZES : 48'-0" X 15'-6"
 MODS # : 2
 SIZE : 1,488 SF
 BEDROOMS : 3 BEDROOM / 2 BATH

M20 MODEL : 20 DUPLEX

MODS # : 2
 SIZE : 1,800 SF
 UNIT 1 BEDROOMS : 2 BEDROOM / 1 BATH
 UNIT 2 BEDROOMS : 2 BEDROOM / 1 BATH

MOD 1 SIZE : 60'-0" X 15'-0" (900 SF)
 MOD 2 SIZE : 60'-0" X 15'-0" (900 SF)

M21 MODEL : 21 DUPLEX

M21 DUPLEX - 1,860 SF
 MODS # : 2

UNIT #1 - 964 SF
 2 BED / 2 BATHROOM
 UNIT #2 - 878 SF
 1 BED / 1 BATHROOM
 MOD 1 & 2 SIZE : 60'-0" X 15'-6" (930 SF)

UNIT TYPE SITE DIAGRAM

Modular Mass Timber Construction



Rural Industry Investment

- Increases efficiency of delivery
- Ideal for understaffed rural markets
- Investable opportunity for rural business
- expansion (light industrial)



About Us | Oregon Mass Timber Coalition

The Oregon Mass Timber Coalition is a partnership between Oregon's leading research universities and government agencies. Our vision is to enhance and expand Oregon's established mass timber industry ecosystem, growing it into a...

[masstimbercoalition.org](https://www.masstimbercoalition.org/)

<https://www.masstimbercoalition.org/>



Planned modular mass timber community, John Day, Oregon
<https://www.honemodular.com/> (breaking ground this year)



Oregon
Mass Timber
Coalition

1188 Silver Sage Microbrewery

\$2M

OZ 1.0

~ OZ 2.0

Commercial + Real Estate Investment Opportunity

- **\$1.8M Equity Investment** (min. target)
- 10-year hold
- \$50,000 R3 Investment (realized)
- **Net gain** after tax of **\$1,598,000** to investors (*excluding the 100% bonus depreciation on ≤ 20 years*)
- Full OZ comparison showing Rural 2.0 + R3 delivers 88.8% after-tax ROI (vs 80% in OZ 1.0) - an **11% relative improvement to ROI over OZ 1.0**

BEFORE: The Current State at Highway 20, Burns, OR

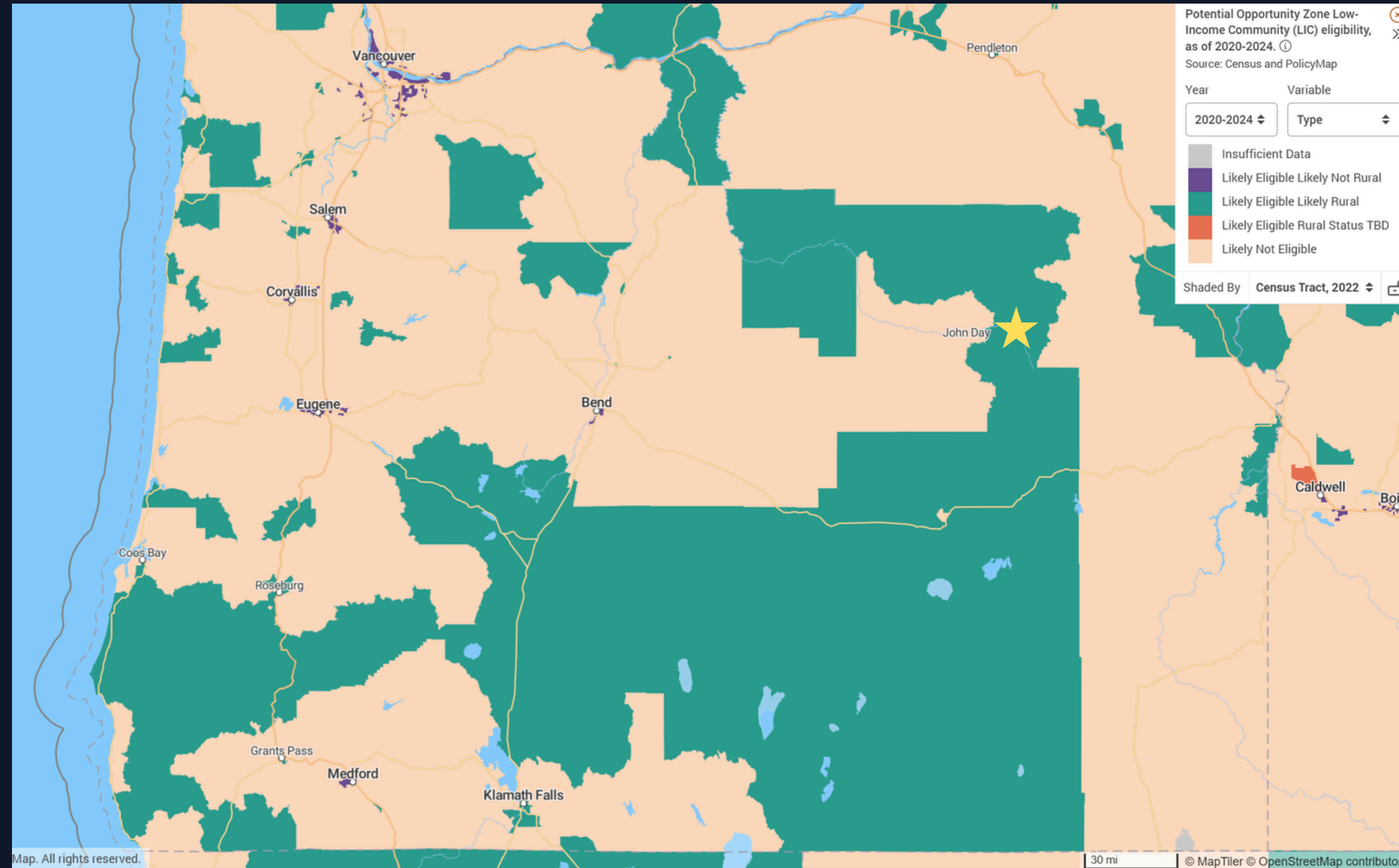


AFTER: THE RENOVATED 1188 SILVER SAGE - A PREMIER MICROBREWERY & DINING DESTINATION



Investment Opportunity Pipeline

- **58 census tracts** will be designated by the Governor
- **500+ housing units** in R3's current pipeline
- **155 projects** in our queue statewide (TBD which ones land in OZ 2.0)
- **Multiple developments** shovel-ready and permitted in OZ 1.0...likely to continue to OZ 2.0
- **Owner-carry + MIRL** structured financing models



Novogradac OZ 2.0 Map reflecting 2020-2024 American Community Survey (ACS) data released January 29.

Superior Tax-Advantaged Returns

- Tax-free growth for 10+ year hold periods
- **30% basis step-up** at 5 years (rural enhancement)
- **50% substantial improvement threshold**
- Property **tax recapture + TIF benefits**

Strong Market Fundamentals

Oregon has one of the worst housing deficits in the United States

- Critical **workforce housing shortages**
- **Underserved rural markets** (95% of Oregon cities)
- **Strong demand** from 80-120% AMI households

Extraordinary Risk Mitigation

- **Shovel-ready projects** with permits in place
- **Proven delivery team** with 500+ units completed
- **Municipal partnerships** and infrastructure support
- **Layered financing** reducing capital requirements

Offering Structure*

Total Offering Size	\$50,000,000	
Number of Units (at \$50k)	1,000	
Minimum Investment	\$50,000	One unit
Maximum Investment	No maximum	Subject to fund capacity
Offering Type	Reg D Rule 506(c)	Accredited investors only
Fund Structure	Limited Partnership	Delaware statutory trust or LLC
Target IRR	18%+	Before tax, illustrative only
Target Equity Multiple	2.0-2.5x	Over 10-year hold period
Annual Distributions	4-6%	Begins Q3 following investment
Management Fee	1.5% annually	On committed capital
Capital Call Period	TBD	Rolling closings

*This is a preliminary term sheet for discussion purposes only. Not an offer to sell securities. Final terms subject to definitive offering documents and legal review.

What We're Seeking

- Qualified Opportunity Fund partners
- Capital deployment into shovel-ready developments
- Focus on workforce housing (80-120% AMI)
- Long-term hold strategy (10+ years)
- **Investing in the revitalization of rural communities**

**Choose us as your one-stop shop for
Rural Opportunity Zone deals!**

Let's Build Rural Oregon Together

Nicholas Green, Managing Director

Regional Rural Revitalization (R3) Strategies

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Investment-ready opportunities in underserved rural markets

