



REQUEST FOR ACTION

Ranking of Eligible Census Tracts that Qualify for an Opportunity Zone Designation

MEETING DATE:

June 15, 2026

ORIGINATING DEPT:

Community Development

AGENDA SECTION:

Consent Agenda

PRESENTER:

Brent Svenby

Action Requested:

Approving the ranking of the six eligible census tracts that qualify for an Opportunity Zone designation.

Report Narrative:

Opportunity Zones are a federal economic development tool created through the Tax Cuts and Jobs Act of 2017 to encourage long-term private investment in low-income communities. During the initial designation process, Rochester had nine eligible census tracts, of which two were designated as Opportunity Zones: Census Tract 100 (27109000100) and Census Tract 600 (27109000600).

The program was reauthorized and made permanent through the One Big Beautiful Bill Act of 2025, establishing a recurring designation process every ten years. Minnesota currently has approximately 289 eligible census tracts, and federal law allows the Governor to designate up to 25 percent of those tracts as Opportunity Zones. Based on current estimates, Minnesota may designate up to 73 census tracts statewide. Rochester has six eligible census tracts under the current program.

The Minnesota Department of Employment and Economic Development (DEED) has requested that Minnesota's four first-class cities rank eligible census tracts within their jurisdictions. Rochester must submit its rankings to DEED by June 30, 2026.

Opportunity Zone designations are intended to attract private investment by providing federal tax incentives for investments made through Qualified Opportunity Funds. These incentives support economic development, housing, infrastructure, business growth, and job creation in designated areas.

An interdisciplinary City staff team evaluated Rochester's six eligible census tracts using federal Opportunity Zone criteria and locally identified priorities. Federal criteria included community need, equity considerations, collaboration commitments, development potential, business investment potential, and impacts on distressed communities. Local criteria included development cost challenges, Comprehensive Plan alignment, matching fund potential, and available sewer and water capacity.

Based on the scoring process, the six eligible census tracts were ranked as follows:

1. Tract 100 (General Area: Downtown Core)
2. Tract 1000 (General Area: Southeast - South of 12th Street SE)
3. Tract 1701 (General Area: Northwest - East of Hwy 52)
4. Tract 1401 (General Area: Northwest - West of Hwy 52)

5. Tract 500 (General Area: Northwest - Civic Center Drive)
6. Tract 200 (General Area: Southeast - 4th Street SE)

The highest-ranked census tract, Tract 100, received strong scores across nearly all federal and local evaluation categories, reflecting significant redevelopment opportunities, infrastructure readiness, and alignment with community investment priorities. Tracts 1000 and 1701 also scored highly due to their development potential, strategic location, and consistency with long-term growth objectives.

Upon City Council approval, staff will submit Rochester's rankings and supporting documentation to DEED. DEED will compile recommendations from Rochester, Minneapolis, Saint Paul, and Duluth, along with nominations from communities throughout Minnesota, and provide recommendations to the Governor's Office. Governor Walz will then select up to 73 census tracts statewide for nomination as Qualified Opportunity Zones.

Following the Governor's designation, Minnesota's nominations will be submitted to the U.S. Department of the Treasury for certification. Treasury approval will finalize the Opportunity Zone designations, making those census tracts eligible for Opportunity Fund investments and associated federal tax incentives for the next ten-year designation cycle.

Priorities & Foundational Principles:

Economic Resilience

Policy Considerations & DEI Impact:

Rochester's Opportunity Zones encompass some of the city's most economically challenged census tracts, with median household incomes significantly below city and state averages and poverty rates ranging from 15% to 40%. Projects should be assessed on their ability to create measurable benefits for historically underserved populations, including low-income residents, communities of color, immigrants, persons with disabilities, and small disadvantaged businesses. Higher rankings should be awarded to projects that:

- Increase affordable housing opportunities and reduce housing cost burdens.
- Create accessible career pathways and living-wage employment opportunities for local residents.
- Utilize minority-, women-, veteran-, and disability-owned businesses during development and operations.
- Prevent displacement of existing residents and businesses through intentional anti-displacement strategies.
- Improve access to essential services, transportation, healthcare, childcare, and educational opportunities.
- Demonstrate meaningful community engagement and incorporate input from impacted residents into project planning and implementation.

Prior Legislative Actions & Community Engagement:

March 19, 2018: Council Meeting - Council approved the ranking of eligible census tracts

Fiscal & Resource Impact:

Ranking of the eligible census tracts have no fiscal and resource impact on the City. Future development within an Opportunity Zone may seek assistance from the City in the form of Tax Increment Financing.

Alternative Action(s):

No alternative actions are suggested at this time.

Prepared By:

Brent Svenby

Attachments:

[Map - Eligible Opportunity Zones](#)