

# OPPORTUNITY ZONES



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## Is There an Opportunity for You in Opportunity Zones?

*By Steven Combs, Tax & Advisory Services Partner*

Established by the 2017 Tax Cuts and Jobs Act, the Opportunity Zones program (IRC 1400Z-1 and IRC 1400Z-2) was created in order to stimulate economic development by offering a federal tax incentive for investments in designated areas. The Internal Revenue Service (IRS) and the U.S. Department of the Treasury—specifically, its Community Development Financial Institutions Fund (CDFI Fund)—are tasked with working together to administrate the Opportunity Zones (OZ) program.

### What qualifies as an Opportunity Zone?

The IRS defines an Opportunity Zone as “an economically-distressed community where new investments, under certain conditions, may be eligible for preferential tax treatment.” For an area to qualify as an OZ, it must be nominated for the designation by the state and then certified by the Secretary of the Treasury (a task which has been delegated to the IRS).

### How do you locate Opportunity Zones?

In the spring of 2018, the initial set of zones was designated, with OZ outlined in 18 different states. As of today, OZ exist in all 50 states, the District of Columbia, and five U.S. territories—American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands. There are approximately 8,700 OZ designated throughout the United States and its territories.

The CDFI Fund offers an Opportunity Zones Resources page with links to both a list and a map of designated OZs. As of December 14, 2018, the Treasury has made final designations of all Qualified OZ. Per the wording of IRC 1400Z, investors should not expect any revisions or additions to the list of designated Qualified OZ.

### How does the Opportunity Zones program work?

The Opportunity Zones program offers a tax incentive via deferred investment gains. To take advantage of the incentive, a taxpayer must invest gains from the sale or exchange of an investment into a Qualified Opportunity Zone Fund (QOZF). The money must be invested into the QOZF within 180 days of the sale. The taxpayer may also invest the principal returned in the sale into the QOZF, but that portion does not qualify for the tax incentive. If a pass-through entity, such as a partnership, does not elect to defer a gain by reinvesting in a QOZF, each owner has the option to directly reinvest his or her share of gain. In this case, the 180-day period generally begins on the last day of the pass-through (owner's) tax year (rather than the day on which the pass-through entity recognized the gain).

The IRS defines a Qualified Opportunity Zone Fund as “an investment vehicle that is set up as either a partnership or corporation for investing in eligible property that is located in an Opportunity Zone.” Once a taxpayer puts money into a QOZF, the fund then invests in OZ property.

The OZ program requires a minimum of 90% of the assets of the QOZF to be Qualified Opportunity Zone Property. There are three types of Qualified Opportunity Zone Property: (1) property located within an OZ, (2) stock of a qualified business that is based in an OZ, and (3) interests in a partnership operating as a qualified business in an OZ.

### What are the tax advantages associated with the Opportunity Zones program?

There are three avenues for tax savings via the Opportunity Zones program:

**1. Temporary Deferral** – Investment gains put into a QOZF within 180 days

of a sale or exchange stay, in effect, unrecognized while they remain in the fund. The deferred gain must eventually be recognized, either when the interest in the fund is sold or exchanged, or on December 31, 2026 (whichever comes first). The advantage to deferring tax payments on investment gains is that investors have control of their capital for a longer period and can use it to their advantage.

**2. The Step-Up in Basis** – Investment gain funds held in a QOZF for a set number of years become eligible for tax savings on a step-up in basis. This tax advantage kicks in at five years with a 10% step-up in basis. An investor who deposits \$50,000 of capital gains into a QOZF and takes it out after five years would owe capital gains tax on only \$45,000 (\$50,000 – (\$50,000 X 10%)). The basis increases to 15% for funds held for seven years or longer. That same investor would owe capital gains tax on only \$42,500 if the money was kept in the QOZF for at least seven years. Please note that the five and seven-year holding periods must fall within the deferment period, which ends on December 31, 2026. This means that only investors who put gains into a QOZF by December 31, 2019 will be able to achieve the 15% step-up in tax savings.

**3. Permanent Deferral** – The greatest gain goes to investors with the patience to hold their investment gains in a QOZF for at least 10 years. In addition to the 15% step-up basis savings (assuming the initial investment was made prior to December 31, 2019), these investors receive a permanent exclusion of gains made post-contribution.



Steven Combs

### Should you seek to invest in Opportunity Zones?

As you contemplate whether to pursue Opportunity Zone investments, there are a number of areas that you should examine:

- In order to get the most advantage out of the tax savings associated with OZs, you need to be willing to leave your investment in the QOZF for a minimum of 10 years. Are you in a position where you can make this type of long-term investment?
- To qualify for tax savings, the funds invested in a QOZF must be investment gains. This means that by investing in OZ, you are investing money that you have earned in another fruitful venture. Are the potential tax savings from the OZ program greater or more attractive than other investment prospects?
- While you can set up your own QOZF, don't forget that investing in an already existing fund is also an option and may be more simple. Do you have the bandwidth to administer the fund yourself? Or would it be better to invest in a fund that already exists?
- As already referred to in the discussion of the step-up basis tax advantage, investors who are currently considering the OZ program have already missed the window for earning the 7-year step-up basis of 15%. Is it worth it to make an OZ investment knowing you will not be able to take advantage of the higher step-up basis?

If you do decide to pursue investment in the Opportunity Zones program, please consider consulting your WNDE tax advisor; we are familiar with the ins and outs of the program. The key is taking the time to learn about and understand the many facets of the program prior to committing to an investment.

You can reach Steven at (714) 978-1300 or scombs@wndecpa.com.





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## OPPORTUNITY ZONES

ONE BROADWAY PLAZA  
"THE ONE"MINI URBAN CITY MASTER PLAN  
625 N. GRAND  
T.O.D.

# "THE ONE": "The Poster Child of the Opportunity Zone Initiative Nationwide"

*-Domestic policy Council at the White House.*

## FINAL OPPORTUNITY ZONE REGULATIONS PUBLISHED!

The Treasury and IRS issued final regulations on Opportunity Zones in Dec 2019. Now that the Opportunity Zone Regulations are final, there is a clear path to identifying the right property for Opportunity Zone Fund investment criteria. What started as a needle in a haystack, two pages in the enormous 2017 Tax Cut and Jobs Act Law, has now burgeoned into an industry within the Commercial Real Estate community.

If you are unaware, the Opportunity Zone tax benefits are as follows: When you sell anything that triggers a capital gain you can purchase a property or business and defer the tax on the capital gain. Your gain will be reduced by 10% if you hold the Qualified Opportunity Zone property or business for 5 years, and 15% if you hold it for at least 7 years. Additionally, if you hold the Qualified Opportunity Zone property or business for 10 years or more you will not have a capital gains tax on the appreciated value of the asset when you sell it, "HUGE".

The first round of regulations were published in November 2018 and focused on real estate investments as the policy makers thought real estate could provide an immediate impact. And, they were right.

The final Opportunity Zone regulations were published in December 2019 and have evolved drastically since their first go around. The final regulations provide more structure to reporting, better definition of the businesses that can take part, and eased restrictions as to which properties qualify. The municipalities that have been left behind in the latest economic expansion are now starting to see tremendous venture capital funding Opportunity Zone major projects.

Mike Harrah, one of the largest developers in Orange County and the largest landlord in Santa Ana with over 5,000,000 sq. ft. of which most of his assets are in the Santa Ana Opportunity Zone.

Early last year, he flew members of the Lee & Associates Office Advisory Group, Marshal Vogt and Matt Orville, to D.C. to meet with Benjamin R. Hobbs, Special Assistant to the President Domestic Policy Council at the White House to discuss first hand which of Caribou Industries' assets conformed to the regulations. One Broadway Plaza not only conformed to all regulations, the White House labeled the One Broadway Plaza project: "The Poster Child of the Opportunity Zone Initiative Nationwide". All in attendance were elated to see a project of such grandeur and magnitude with permits ready to go provide a beacon for the initiative nationwide.

One Broadway Plaza, "THE ONE", is the only shovel-ready -under construction - O.C. Opportunity Zone project that will be an iconic, 37-story 493" superstructure, LEED-certified Class A office development,



Harrah

that features a helipad on the roof, two iconic restaurants on the top floor, and an 8-story, 2,240 car parking garage, and 414 residential units plus 300,000 sq. ft. of world class commercial office space. The urban core of Orange County is once again going to explode in the Capitol City of Santa Ana.

The Orange County community is well aware of the office component, but the vision is evolving into an all-inclusive city. Caribou is amending the SD-75 to include 414 residential units which will include 3 floors of penthouse luxury residential apartments, 10 floors of residential apartments, and 3 floors of affordable housing. The grand entrance foyer

will provide a 300-seat cinema, presentation theater and at the top of the tower will be capped off with a 550-seat live presentation theater. There will be a wellness, fitness center and spa, indoor pools, virtual golf range, and lounge. In true Caribou fashion you will also find 2 world class restaurants on the top floor with a private elevator providing one stop access to the public plaza level. There will also be a 16-country world cuisine food emporium to provide a wide array of food delights on a lower level of the tower. The Plaza level will showcase world class retail, shops and restaurants.

One Broadway Plaza could have only taken off with the perseverance of its owner, Mike Harrah, who worked on its CEQA-EIR Entitlements & permitting for the last 17 years, and has spent over \$80M in the process. The Opportunity Zones are providing the tipping point to incentivize wealthy investors looking to diversify out of the stock market, as well as corporations with stock on the balance sheet to set up opportunity funds and purchase Qualified OZ Properties.

One Broadway Plaza has 300,000 (up to 618,000 sq. ft.) leasable commercial class "A" office square feet. The Office Advisory Group of Lee & Associates-Orange is the exclusive leasing agent for commercial office component of the building. There has been great interest in leasing space in the most iconic building in Orange County. Companies that have always looked to Silicon Valley, Silicon Beach, Los Angeles or San Diego now have an option in Orange County as they require an urban feel, abundant amenities and access to public transportation for their workforce at a substantially lower price than competitive markets.

Public transportation is unparalleled at One Broadway Plaza and makes this a true Transit Oriented Development (T.O.D.). The City recently funded a \$400M light rail connecting the cities of Santa Ana and Garden Grove. One

Broadway Plaza will be two light rail stops from the Santa Ana Metro Link and Amtrak station allowing tenants to hire in both Los Angeles and Orange County and still have an easy commute to the office.

The light rail, which is expected to be completed in 2022, will connect One Broadway Plaza with another innovative project owned by Mike Harrah, The 625IVE. The 625IVE is the prior OC Register site, and it sits on 20 acres adjacent to the Amtrak and 5 FWY. The total scope of this project will have two high-rise residential towers, a hotel, a brand-new office building and retail to provide amenities to the campus. The interest in developing the site is intensifying with the regulations of the Opportunity Zones.

Caribou Industries is finishing the final construction phase of 888 Main, which is the first adaptive re-use project in the city of Santa Ana. 888 Main was a 110,000-sf office building and Mike Harrah is currently adapting the building into a 148-unit apartment complex with 13'6" ceilings, Urban chic finishes, ocean views, a gym, coffee shop, and live-work concepts on the first two floors. 888 Main will be the coolest spot to live in Santa Ana and draw in the urban professional crowd to the local retailers during the evenings and weekends. The final opportunity zone regulations reduced the time-line on vacant buildings, and now, 888 Main is a Qualified Opportunity Zone Property.

Opportunity Zones are now here to stay, and the Capitol City of Santa Ana and Caribou Industries are ready, willing and able to capitalize on its intended benefits of this incredible new initiative.

For more information,  
please go to:  
[info@caribouind.com](mailto:info@caribouind.com)



**"HISTORY IN THE MAKING"**  
WORLD CLASS URBAN CORE NEEDS THE  
ADDED FLAVOR OF HISTORIC BUILDINGS  
THE ULTIMATE TALLEST, GREENEST, MOST SUSTAINABLE  
YORKVILLE PROJECT OPPORTUNITY ZONE IN  
AMERICA

**ONE BROADWAY PLAZA  
ADDENDUM WITH RESIDENTIAL COMPONENT**  
January 31, 2020

**GENERAL NOTES:**  
RETIREE COLLECTOR SUPERSTRUCTURE  
IN THE HISTORY OF OC  
OFFICE OF THE PLAZA  
AVERAGE FLOOR AREA - 17,360 SQ. FT. FLOOR  
OVERSIC 10 FT. FLOOR PLATES  
30'0" TALL FREE STAYING  
2- PERFORMING ARTS THEATRE  
300 SEAT - 10.5 FLOORS  
300 SEAT - PLAZA LEVEL

**PROJECT FEATURES & AMENITIES:**

- 37 STORY TALLEST SUPERSTRUCTURE IN THE HISTORY OF OC
- 580 VEHICLE PARKING STRUCTURE
- 811 N. BROADWAY 5 STORY SECURED STORAGE
- 888 N. MAIN ST. - OC's FIRST 148 APT. ADAPTIVE RE-USE 10 STORY HIGH-RISE TOWER
- 3RD ST. PROMENADE 168 / 18 STORY MIXED-USE APT. COMPLEX & HOTEL
- 625 N. GRAND AVE. OC REGISTER URBAN MASTER PLAN
- 100 S. MAIN STREET HISTORIC ORIGINAL MIKE'S RESTAURANT
- 1001 N. BROADWAY

**PROJECT TEAM:**  
CONTRACTOR & DEVELOPER  
**CARIBOU INDUSTRIES**  
PRESERVING THE PAST ENSURING THE FUTURE

**PROJECT LOCATION:**  
1001 N. BROADWAY  
SANTA ANA, CALIFORNIA 92701

**PROJECT DESCRIPTION:**  
A 37-story superstructure and a 5-story secured storage building, located on Broadway, between 1st and 2nd Streets, Santa Ana, California. The project includes a 37-story superstructure and a 5-story secured storage building, located on Broadway, between 1st and 2nd Streets, Santa Ana, California. The project includes a 37-story superstructure and a 5-story secured storage building, located on Broadway, between 1st and 2nd Streets, Santa Ana, California.

# ONE BROADWAY PLAZA / 625IVE

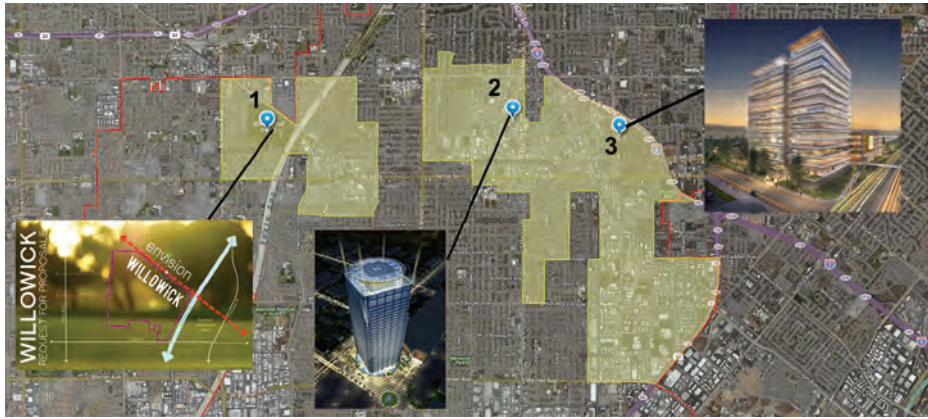
THE MICHAEL F. HARRAH  
OPPORTUNITY ZONE  
COLLECTION

CONTRACTOR ▲ DEVELOPER



PRESERVING THE PAST ▾ ENSURING THE FUTURE





## Santa Ana ..... Opportunity Starts Here

Welcome to Santa Ana, the heart of Orange County, California. Home to Fortune 500 company First American Financial Corp., MainPlace Mall and the Santa Ana Auto Mall, the City boasts many other high profile businesses employing over 156,000 people in the region. Santa Ana ranks as the second-highest employment-generating city in all of Orange County, with some of the lowest cost investment opportunities with the highest rate of return available.

With over 3,800 acres of qualified land designated as an Opportunity Zone in the city, Santa Ana is looking for future investment that will provide a substantial economic return for its business and resident community.

### Highlighting Current Development Opportunities

#### (1) Willowick Golf Course

The Willowick Golf Course is an unparalleled 100-acre development opportunity and is one of the largest greenfield development opportunities in Southern California. This Opportunity Zone-designated property is ripe for investment. For more information on the Request for Proposals for the site,

please visit: <https://ggcity.org/willowick>.

#### (2) One Broadway Plaza

One Broadway Plaza is a 37-story shovel ready office tower project right in the heart of Downtown Santa Ana. This 1.7 million-square-foot office development is actively looking for joint-venture equity investors to fund this project located in the Santa Ana Opportunity Zone.

#### (3) 625IVE (625 N Grand Ave)

625IVE will be a 20-acre mixed use transit-oriented redevelopment of the Orange County Register site in the heart of Orange County. This freeway-adjacent, city-block redevelopment project is conceived as a game-changing urban live/work/play project that will provide the downtown with a true urban core.

Come invest in the City of Santa Ana, where opportunity awaits. For more information on developable sites in the City's Opportunity Zone, please call Marc Morley, Economic Development Specialist, at (714) 647-6588 or [mmorley@santa-ana.org](mailto:mmorley@santa-ana.org).







# OPPORTUNITY

IN THE HEART OF ORANGE COUNTY



[WWW.SANTA-ANA.ORG/OPPORTUNITYZONE](http://WWW.SANTA-ANA.ORG/OPPORTUNITYZONE)



## PINTAR TAKES RARE APPROACH WITH NEW \$100 MILLION OPPORTUNITY ZONE FUND

*The firm is raising equity for a fund that blends social impact  
with strong projected yields in the rapidly-growing Single-Family Rental market.*

There seems to be an opportunity zone fund for just about everything these days.

But wise investors know to look beyond the surface-level tax benefits and find the real opportunities in the current landscape.

Orange County-based Pintar Investment Company, LLC is doing exactly that.

The firm recently announced the launch of its \$100 million Opportunity Zone Fund PICOZ Fund 1, LP, which will invest in affordable detached single-family residential rental properties in strategic U.S. growth markets.

Consider these key facts:

- Freddie Mac confirmed the \$4 trillion single-family rental market as **the single largest source of rental housing in the country**
- Urban Institute reported single-family rentals as **the fastest-growing segment of the U.S. housing market**
- Harvard's Joint Center For Housing reports there are **43 million rental households in the U.S.**, while CNBC confirms that a record **82% of renters believe renting is more affordable than owning**, up from 67% a year ago
- Today's homeowners are no longer able to deduct their interest and property tax expenses over \$10,000, **making homeownership less attractive and renting more attractive than it was in years' past**
- Single-Family Residential is the **most liquid of all real estate asset classes**

"Our PICOZ Fund 1 gives investors a stable cash-flowing portfolio of assets diversified across approximately 1,500 detached properties," says Jeff Pintar, CEO and founder of Pintar Investment Company, LLC. "Through this strategy, we are able to deliver tremendous geographic and product diversity and achieve above-market yields while giving investors annual redemption rights not seen in other Opportunity Zone funds."

Pintar projects a return of 30% to 40% of invested equity within the first 36 months and expects to achieve cash-on-cash returns of 9% over a 10-year period.



*"Rule number one is that we make money for our investors. That's simply part of our DNA," says Pintar.*

"Rule number one is that we make money for our investors. That's simply part of our DNA," says Pintar. "Beyond these financial fundamentals, there is also a social impact to consider. Opportunity Zone legislation was created to help investors achieve sound financial returns while making a significant social and economic impact on local communities. PICOZ Fund 1 is focused on both of these objectives."

The firm has identified 20 markets that are poised for strong growth and demonstrate solid demand for single-family rentals.

"We take a unique approach by partnering with local and regional homebuilders to create high-quality, brand-new housing or to acquire and renovate existing housing that we can offer to renters at a significant discount to market rate," explains Pintar. "Through these partnerships and acquisitions, we create jobs in local communities, deliver housing stability and affordability to families and individuals, and benefit from long-term cash flow driven by the market fundamentals of supply and demand."

Demand for rental housing reached a five-year high in 2019 and continues to outpace supply in nearly every U.S. market, according to real estate analytics firm RealPage.

"This is the ideal time for investors to take notice of the single-family rental market," says Pintar. "By harnessing the legislative power and tax benefits of Opportunity Zone regulations and combining those with our depth of experience and knowledge in what has become the fastest-growing rental sector in America, we are giving investors the opportunity to help alleviate our nation's affordability crisis while simultaneously achieving extremely strong risk-adjusted returns."

Pintar's success with this strategy has been proven over time. Founded in 2009, the firm operates several funds designed to create value and maximize returns for its investor partners.

Pintar Investment Company, LLC and its partners have acquired in excess of \$2 billion in individual single-family homes and commercial assets to date.

*To learn more, email [investorrelations@pintarinvestco.com](mailto:investorrelations@pintarinvestco.com)*

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**ARE YOU INVESTING IN  
AMERICA'S FASTEST GROWING  
REAL ESTATE SEGMENT?  
WE ARE.  
JOIN US.**



Focused on the \$4 trillion single-family rental market - **now the fastest-growing segment of the U.S. housing market** - Pintar Investment Company's \$100 million Opportunity Zone Fund will invest in 1,500 geographically diverse detached properties, with **projected returns of 30% to 40% of invested equity within the first 36 months.**

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