



THE OPPORTUNITY IN OPPORTUNITY ZONES

ALEX FLACHSBART

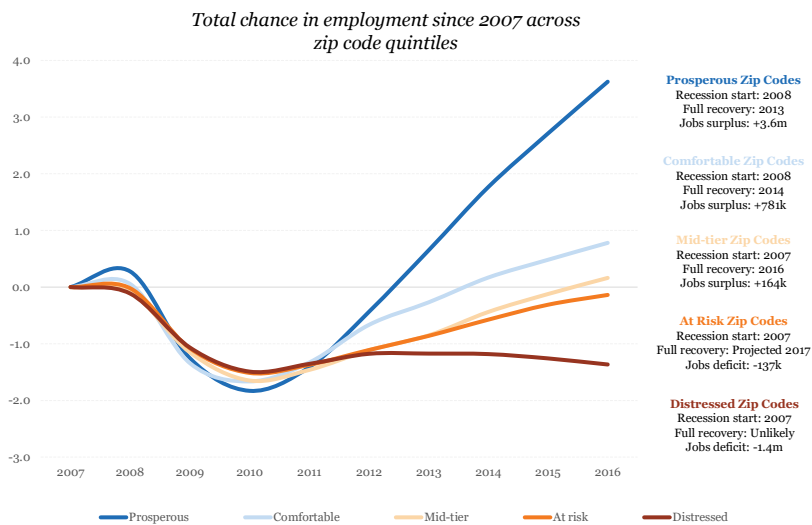


WHAT IS AN OPPORTUNITY ZONE?



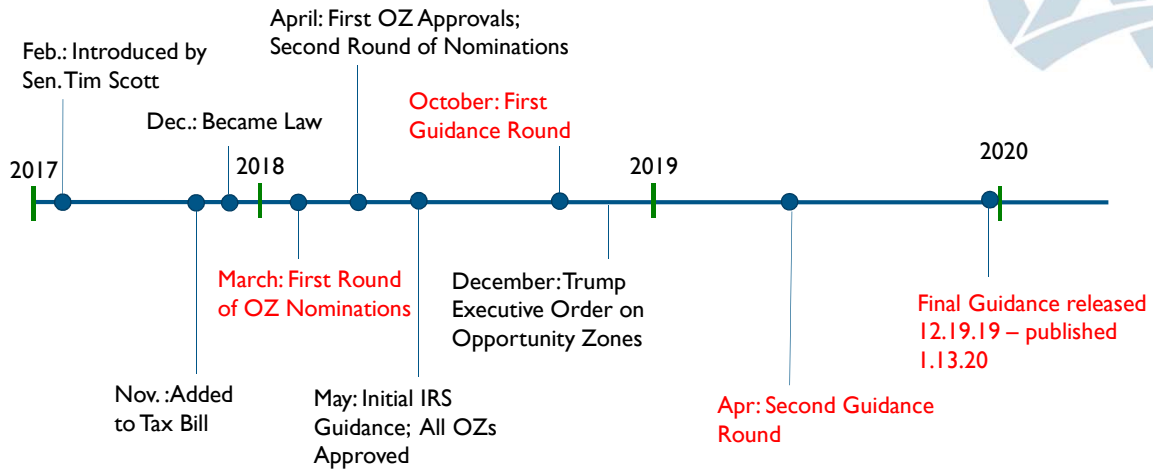
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The basic concept of Opportunity Zones was forged in the fractured recovery.



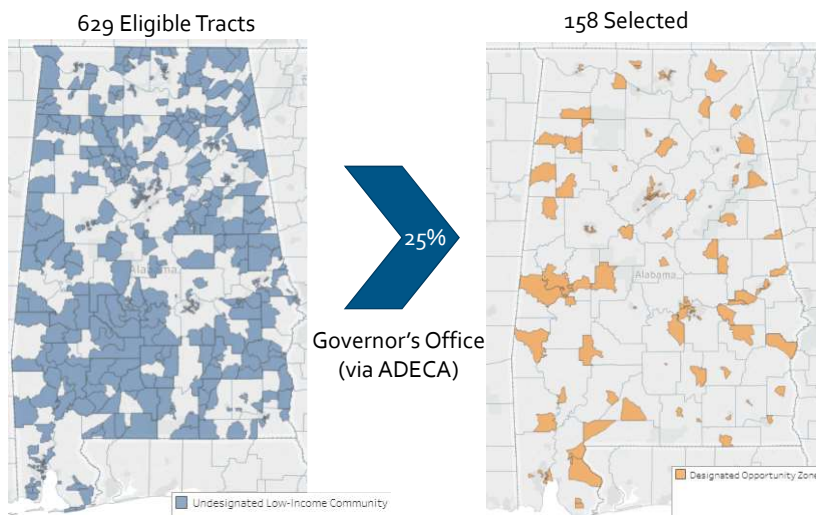
Source: EIG's "Distressed Communities Index"

THE HISTORY OF OPPORTUNITY ZONES

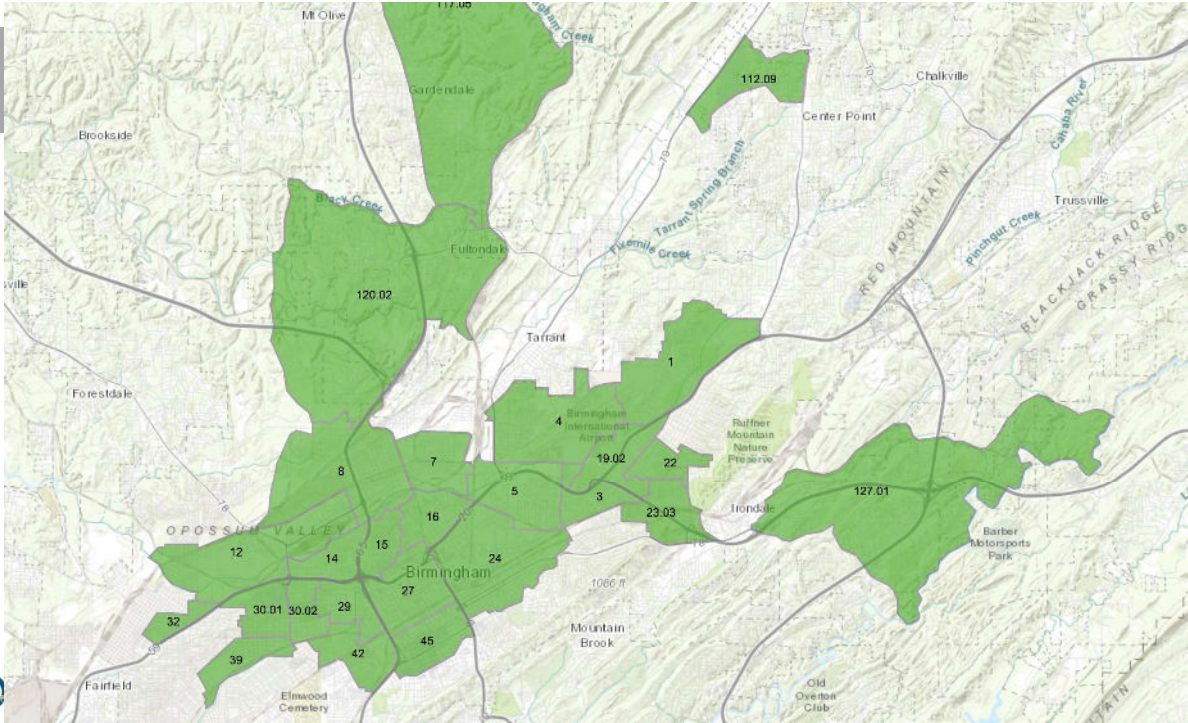


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ALABAMA'S OPPORTUNITY ZONES



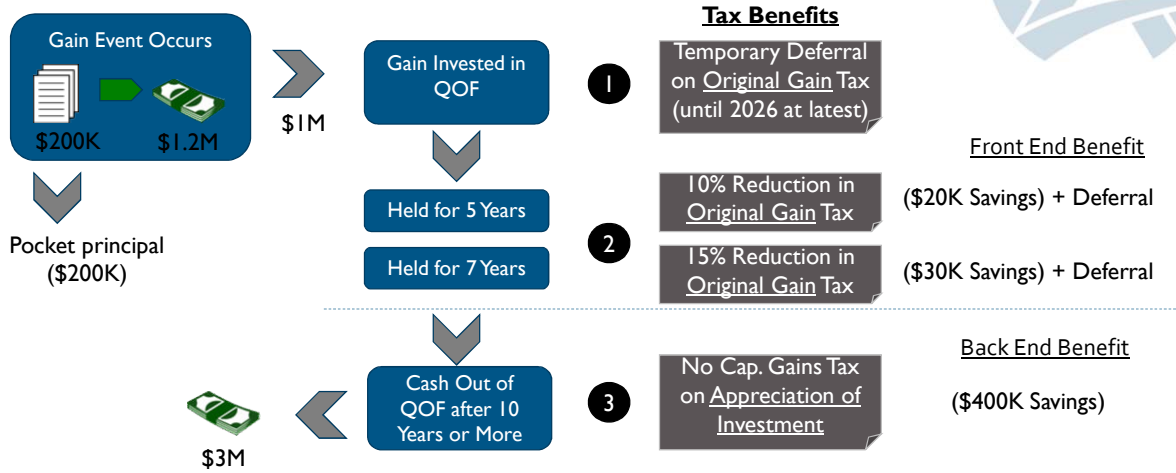
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HOW THE PROGRAM WORKS (OR, HOW I LEARNED TO LOVE TAX LAW)



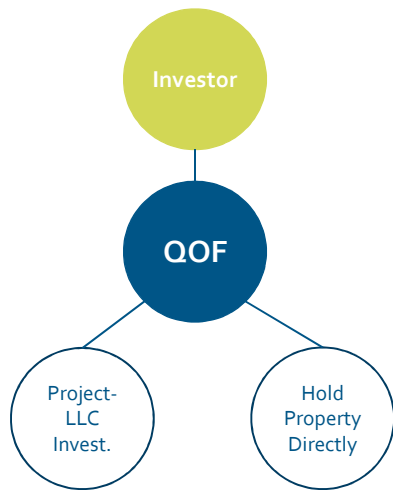
OPPORTUNITY ZONE TAX BENEFITS



Deal Types



COMPLIANT PROJECT



(1) For 70% of Tangible Property:
(A) Acquired after 2017 from unrelated party
(B) "Substantially all" use in OZ
(C) Original OZ Use or "Substantial Improvement"
-> double cost basis in 30 month period (*special rule for buildings*)

(2) 50% income from "active conduct" (in OZ?)
(3) Substantial intangible property use (in OZ?)
(4) "Non-Qualified Financial Property Test" (62-month safe harbor for deployment)

DOES MY REAL ESTATE DEAL QUALIFY?

01. Are You "IN THE ZONE" -> *CHECK THE MAP!*

02. Are You "DOUBLING DOWN" on Construction?

EX: Bought building for \$50K – must improve it by \$50K

03. Is Your Project "INVESTABLE"? -> Four Rules of Thumb:

- Cash Flows / Returns to Investors
- Development Experience
- Lease-up Strategy
- Steps to Completion

DOES MY OPERATING BUSINESS QUALIFY?

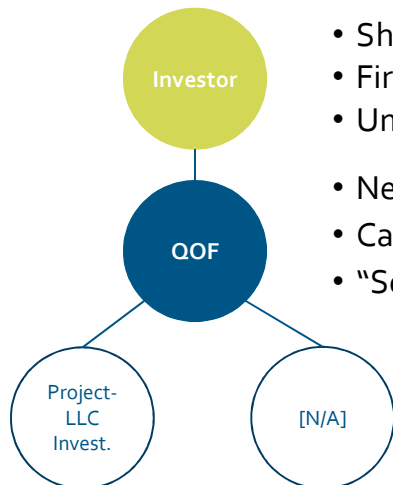


01. Is at least 50% of business' assets – from trucks to tables – in any OZ?
02. Is the company new / didn't own many assets before 2018?
If new / didn't own assets – you qualify!
If existing – new business lines may work, but otherwise, see us.
03. Do 50% of your employees / contractors work in any OZ?
If yes – you qualify?
If no – you may still qualify, but see us to confirm
04. Is it investable – see criteria on next slide!



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QUALIFIED DEAL STRUCTURE



- Short or Long-Term Capital Gains
- First 6 month clock*
- Unlimited # of investors or \$ of investment
- New 6 month clock to meet 90% test
- Can leverage equity invested
- "Self-Certification" process (one-page form)
- 31-month or shorter buildout
- Hold project for full 10-year period (condo / single family home problem)
- "Active Management" component



*For partnership gains, clock starts at end of tax year

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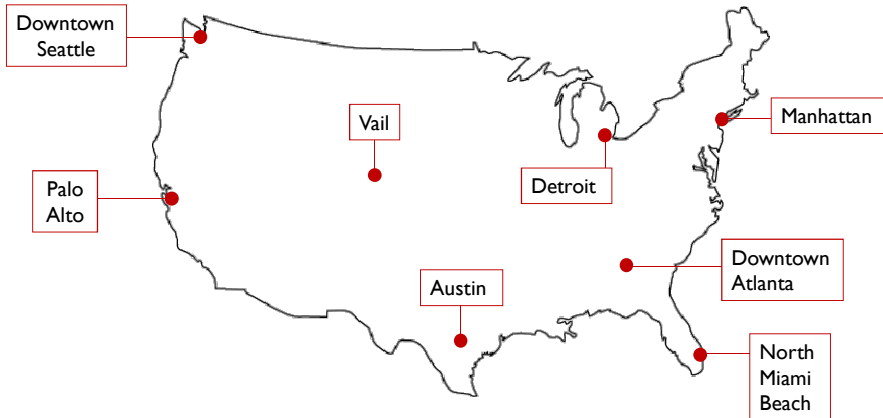
PRACTICAL APPLICATION

INVESTOR PROFILES



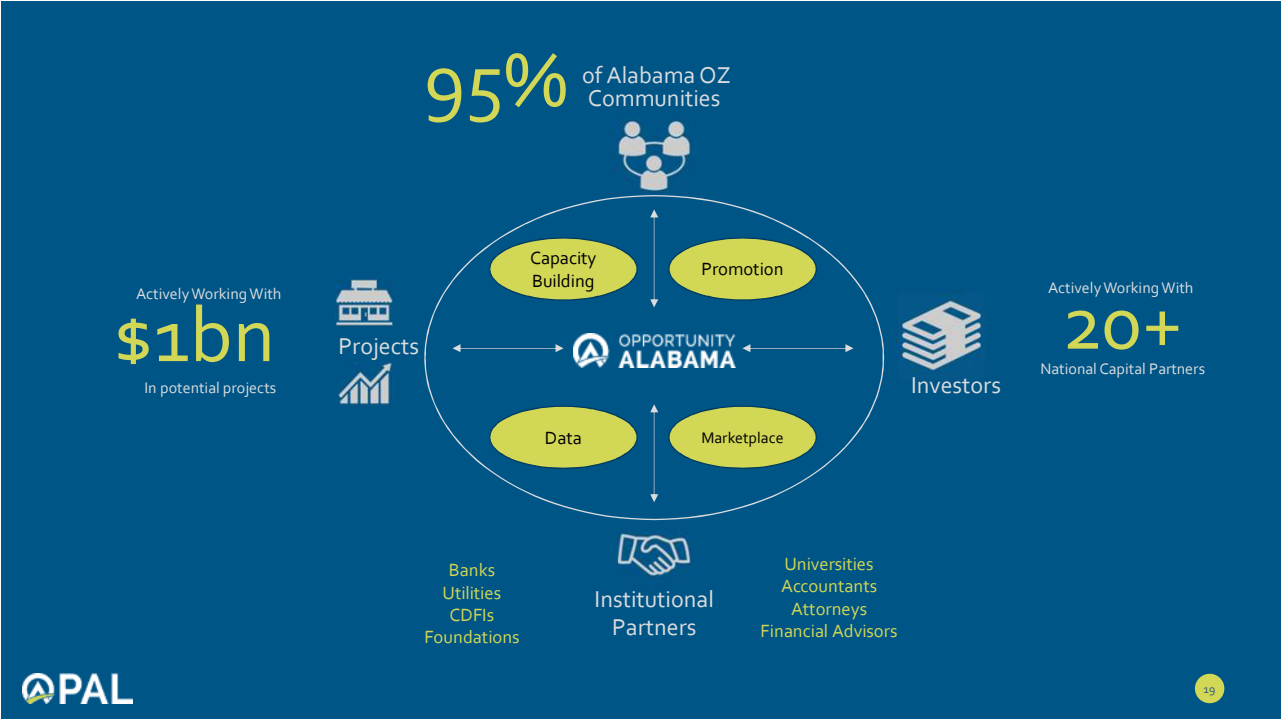
	Rationale for Investment	Location of Investor	Size of Investment	Source of Investment
 Location	Make a Difference	Primarily Local to OZ	Varies by Community	Varies by Community
 Impact	Make a Difference	Primarily National	Varies by Investor	Varies
 Opportunity	Make a Profit	Local or National	Primarily Large \$	Capital Gains
 Tax Benefit	Profit / Tax Benefits	Local or National	TBD	Capital Gains

THE NATIONAL COMPETITION



HOW DO WE BUILD AN ECOSYSTEM TO MAXIMIZE
OPPORTUNITY ZONE INVESTMENT IN ALABAMA?





AMERICAN LIFE BUILDING

- \$24 million redevelopment
- “Workforce housing” + Dannon Project space
- PNC’s national Opportunity Fund provided financing



HEFLIN SENIOR CARE

- \$12 million redevelopment
- Twinned NMTC, HTC, and OZ
- 50+ units of senior living + memory care
- Developer-generated OZ contribution



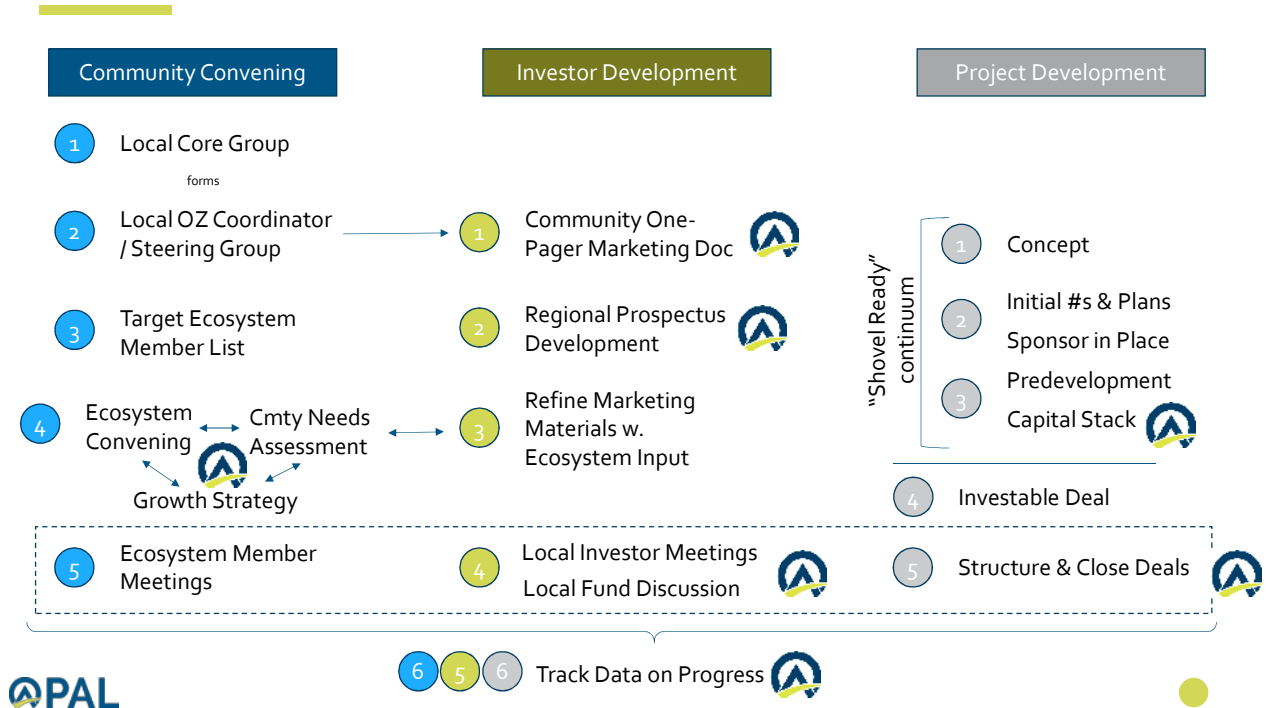
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OTHER EXAMPLES

- Tuscaloosa: Stillman Hotel
 - Twinned project (like Heflin)
 - Stillman president conceived of and pushed transaction
 - Intro to Renaissance HBCU Fund (national impact fund specifically focused on investing near HBCU campuses)
 - Teaching hotel + meeting space for Stillman
- Woodlawn Theater
 - \$500,000 deal with \$150,000 OZ fund with multiple local owners
 - Space for nonprofit + for-profit enterprise
 - Believe in "revitalization potential" of neighborhood / importance of owning a piece of that story
 - One of first examples of nonprofit successfully leveraging incentive



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NATIONAL RECOGNITION AND PARTNERSHIPS





QUESTIONS?

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