

2019 SOUTH FLORIDA OPPORTUNITY ZONE REPORT

A SPECIAL REPORT ON THE FUTURE OF QUALIFIED
OPPORTUNITY ZONE DEVELOPMENT IN SOUTH FLORIDA



A MESSAGE FROM BILZIN SUMBERG MANAGING PARTNER

Dear Friends & Colleagues,

We're pleased to share the results of the 2019 South Florida Opportunity Zone Survey and subsequent Forum that Bilzin Sumberg and Urban Land Institute Southeast Florida/Caribbean (ULI SE FL/Caribbean) co-hosted on June 5, 2019.



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The Tax Cuts and Jobs Act of 2017 introduced a significant tax incentive program for investment in Qualified Opportunity Zones (QOZs). While there was initial excitement about the QOZ program, ambiguity about how it would be implemented held back investors. Although some questions still remain, the release of regulations in April 2019 has provided enough clarity to open the floodgates for both real estate and operating business opportunities.

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The key question now is how investors, developers, and communities will take advantage of the tax benefits to drive long-term growth in South Florida. The state of Florida alone has 427 designated Opportunity Zones with twenty-nine percent of those zones in South Florida.

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Our thanks to all those who responded to the survey and participated in the Forum.

Sincerely,

Albert E. Dotson, Jr.
Managing Partner
Bilzin Sumberg
ULI Advisory Board Member

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ABOUT THE REPORT

The goal of the survey and the Opportunity Zone Forum conducted on June 5, 2019 was to gather and share valuable insights into a new development with the potential to reshape our industry and to discuss the impact we can expect the QOZ program to have in South Florida. Specifically, aimed to examine issues including:

- strategies with transformative economic potential to create lasting change in South Florida's blighted neighborhoods
- legislation pertaining to the governance of Opportunity Zones and related investment issues
- the greatest benefits and obstacles for investing in Opportunity Zones
- asset classes most ripe for development in South Florida

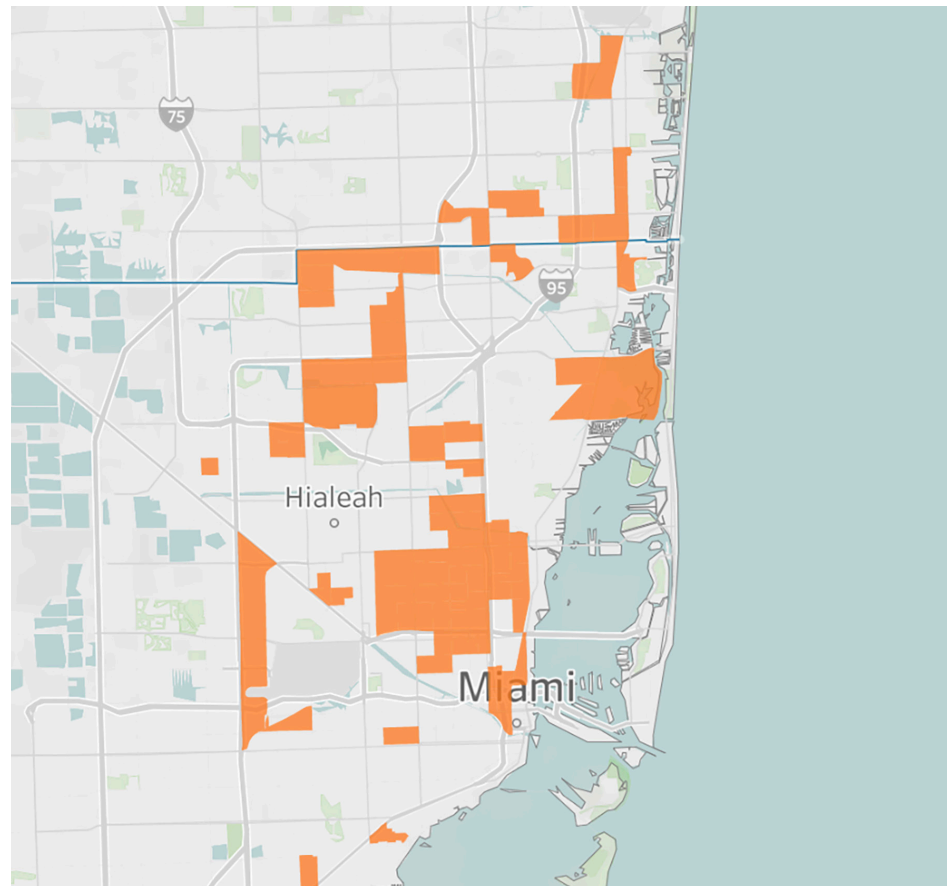
Before tackling these questions, it is important to clarify information about the QOZ program.

KEY COMPONENTS OF THE QUALIFIED OPPORTUNITY ZONE PROGRAM

The QOZ program was created to encourage long-term job creation and economic development in certain blighted areas designated by federal and state governments as "Opportunity Zones." There are 427 Opportunity Zones in Florida; 67 are in the Miami-Dade area.

When structured properly, investments in these areas get special federal income tax treatment. The most important benefits include:

- temporary deferral of taxable federal income for capital gains to the extent these gains are reinvested in an Opportunity Zone fund within 180 days of the gain
- a step-up in the investor's tax basis on original capital gain equal to 10% if the investment in the Opportunity Zone fund is held for 5 years and 15% if held for 7 years



- no federal income tax on Opportunity Zone-related capital gains if the investment is held in an Opportunity Zone fund for at least 10 years

Investors who want to take advantage of the program must invest through a Qualified Opportunity Fund (QOF). QOFs are required to invest at least 90% of their assets in qualified Opportunity Zone property, which includes any qualified Opportunity Zone stock, qualified Opportunity Zone partnership interests, and Qualified Opportunity Zone business property. The timing of investments is important as those who invest by December 31, 2019 get the maximum tax benefit.

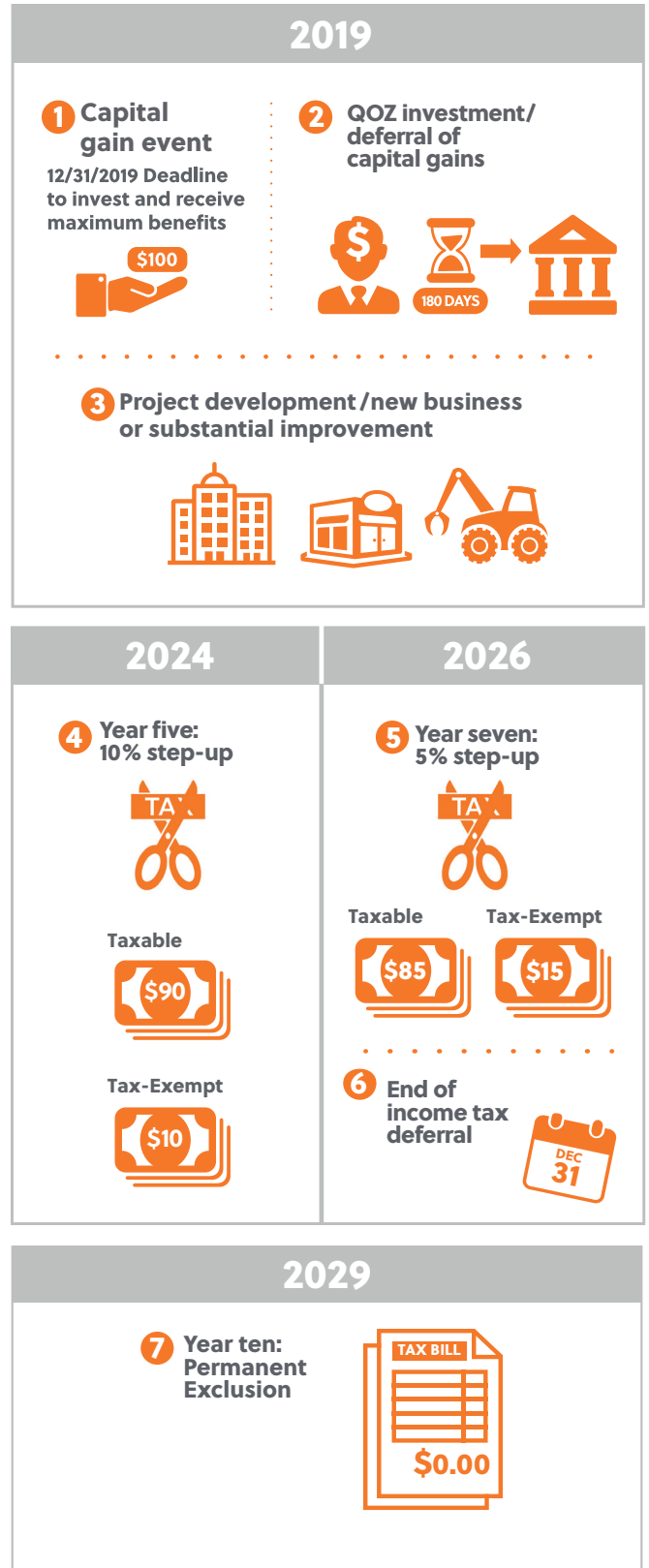
As responses to the survey questions below indicate, several concerns about the initial legislation were addressed in the proposed regulations issued in April of 2019.

"Opportunity Zones are not a silver bullet; they do not turn a bad deal into a good one. Where they really bring value is by making a fundamentally-sound real estate investment even stronger."

SUZANNE M. AMADUCCI-ADAMS
Real Estate Practice Group Leader
Bilzin Sumberg



OPPORTUNITY ZONE FUND TAX BENEFITS



METHODOLOGY

Bilzin Sumberg and ULI SE FL/Caribbean developed a brief, 13-question survey for developers, investors, and other professionals who specialize in real estate and finance in Florida. Its purpose was to delve into what the industry is thinking about the QOZ program. Several industry experts and professionals provided input, including suggesting specific questions that were included in the final questionnaire.

In April and May of 2019, invitations to participate in the survey were sent by email to a select group of ULI SE FL/Caribbean members and to Bilzin Sumberg contacts in Florida. The invitations included a link to the online questionnaire. To ensure the complete confidentiality of the respondents, responses could not be linked to individual participants. Specific questions in the survey enabled Bilzin Sumberg and ULI SE FL/Caribbean to look at responses by self-defined characteristics of individual respondents. A total of **72** responses were received. Because not every respondent answered every question, not all responses to every question total 100%.

In addition in June, Bilzin Sumberg and ULI SE FL/Caribbean assembled a panel of seven experts for a roundtable discussion at a Forum about the impact of the QOZ program and the results of the survey.

More than 170 people attended the Forum on June 5, 2019, and some of their comments are incorporated into this report.

FORUM SPEAKERS



DENISE CLEVELAND-LEGGETT

*Region IV, Regional Administrator
U.S. Department of Housing and
Urban Development (HUD)*

Thirty years of combined extensive legal experience in the public and private sectors while also being actively involved as a business and community leader in Atlanta.



ALBERT E. DOTSON, JR.

*Managing Partner
Bilzin Sumberg*

Handles federal and local government procurement contracts and compliance and represents clients with approvals for large-scale real estate developments, public-private partnerships, and transportation projects.



SUZANNE M. AMADUCCI-ADAMS

*Real Estate Practice Group Leader
Bilzin Sumberg*

Works with members of a cross-departmental team advising clients through all stages of Opportunity Zone investments from fund formation, to operations, to divestiture.



ROBERT "ROBBIE" BERNSTEIN

*Vice President
The Related Companies*

Responsible for sourcing, analyzing, and executing new investment opportunities.

FORUM SPEAKERS, CON'T.



DAN GILMAN

*Partner and Head of Investments
Decennial Group*

Focuses on both the structuring and capital raising of public-purpose assets with a particular specialty in various forms of government and municipal capitalizations.



ARTHUR J. LIEBERMAN

*Director of Tax Services
Berkowitz Pollack Brant*

Specializes in complex transaction structuring, real estate and partnership taxation, REIT taxation, international taxation, CMBS/MBS, corporate taxation, low-income housing tax credits and ASC 740 tax accounting.



JOSHUA KAPLAN

*Corporate & Tax Partner
Bilzin Sumberg*

Advises clients through all stages of Opportunity Zone investments, from fund formation, to operations, to divestiture.



ANDREJ MICOVIC

*Public-Private Partnership Attorney
Bilzin Sumberg*

Combines his strong finance background with an in-depth understanding of procurement laws and processes.



ARNUAD KARSENTI

*Managing Principal
13th Floor Investments*

Began his real estate career by knocking on doors in Miami's urban core where he assembled a portfolio of properties which ultimately led to forming 13th Floor.



CARLOS RODRIGUEZ, JR.

*Chief Operating Officer
Co-founder, Board Secretary
Driftwood Acquisitions & Development*

Co-founded Driftwood Acquisitions & Development (DAD) in 2015 as a complimentary PE platform to the hospitality management company, Driftwood Hospitality Management (DHM).



MICHAEL KOVACS, CPA

*Director
Ostrow Reisin Berk & Abrams, Ltd.*

Works with real estate clients on tax planning, deal structuring, audits, internal accounting consulting, and advises multi-generational companies on family issues and estate planning.

EXECUTIVE SUMMARY

The QOZ program offers some of the largest tax incentives for investors seen in years. Yet considering the significant benefits, comparatively few deals have moved forward to date. The survey and accompanying Forum discussion make it clear this is changing. The results highlight the impact the QOZ program is already having and will continue to have on real estate development in South Florida.

Key findings include:

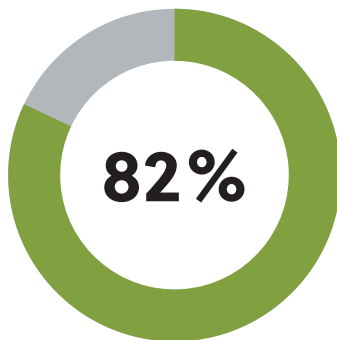
RISING INTEREST IN THE QOZ PROGRAM

According to survey respondents, **42%** are undecided about investing in a QOF. The biggest obstacles they cite are regulatory uncertainty (**32%**) and lack of understanding of the program (**27%**).

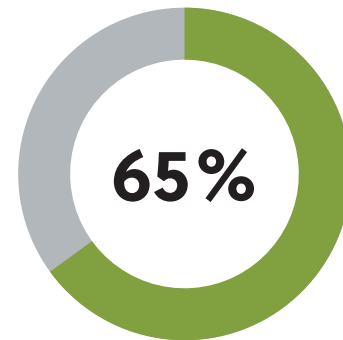
However, several developments are counteracting these hurdles, including:

- the release of the April 2019 regulations
- growing awareness of and education about the tax advantages of QOFs
- strong public and private efforts to stimulate investment in QOZs
- emerging information about significant QOF deals in the works as well as closed deals.

While the survey indicated that mixed-use/multi-family was the asset class most ripe for development (**82%**), forum roundtable participants and attendees indicated interest in a wide variety of opportunities.



82 PERCENT OF RESPONDENTS VIEW MIXED-USE/MULTI-FAMILY AS THE ASSET CLASS MOST RIPE FOR DEVELOPMENT UNDER THE QOZ LEGISLATION



65 PERCENT OF RESPONDENTS BELIEVE THE PERMANENT EXCLUSION OF CAPITAL GAINS TAX ON INVESTMENTS HELD AT LEAST 10 YEARS IS THE BIGGEST BENEFIT OF THE QOZ PROGRAM

FOCUS ON LONG-TERM BENEFITS

According to **65%** of survey respondents, the greatest benefit of the QOZ program is the permanent exclusion of gains generated by a QOF held for at least 10 years.

Most real estate developers and investors are accustomed to shorter time frames for realizing profit and will need to adjust how they structure their deals. For example, roundtable participants discussed the necessity of developing long-term income streams, such as from leasing. In addition, **38%** of survey respondents and many of the roundtable attendees were interested in learning about the treatment of Opportunity Zone fund capital events, cash redemption, and refinancing gains, which would enable them to take out money for reinvestment during the 10-year period without triggering capital gains taxation.

NEED FOR A GOOD TEAM

The survey results and ensuing Forum roundtable discussion clearly surfaced the desire for more information on the technical requirements of the QOZ program. Like all tax incentive programs, there are some rigorous compliance requirements, which generally necessitate obtaining professional advisors to help structure, guide, and audit the transaction. In addition, roundtable participants emphasized the importance of working with experienced owners, operators, developers, leasing agents and other parties who understand the benefits of operating in a QOZ and maximizing it for long-term gain.

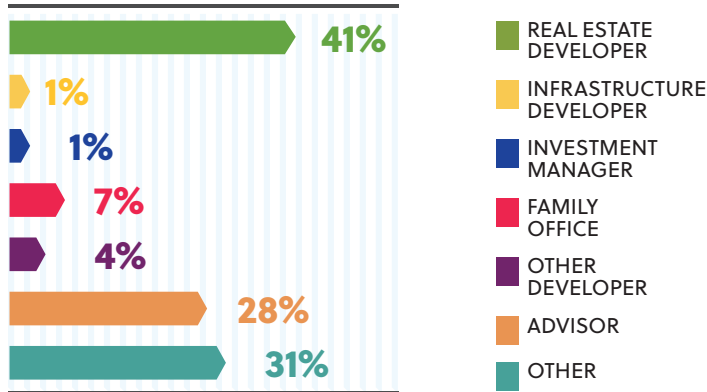
“After speaking with clients, investors, and stakeholders across the South Florida community who are increasingly curious about the positive prospects of Opportunity Zones, it is clear that the new set of regulations issued by the IRS was tremendously helpful from an investment perspective. Provisions clarifying that sales of assets within a qualified Opportunity Zone fund would not trigger capital gains taxes and the ability to structure deals through market rate leases will create a ripple effect of new development, job creation, and economic activity in the areas that need it most.”



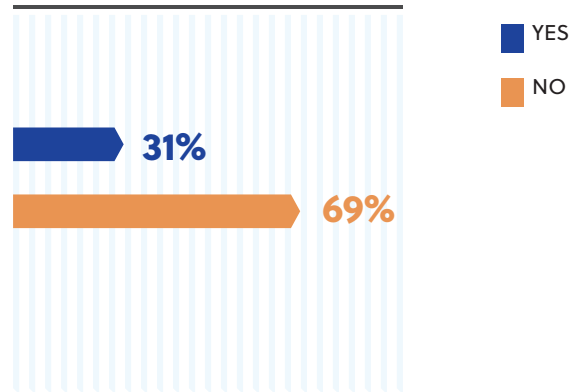
ANDREJ MICOVIC
Public-Private Partnership Attorney
Bilzin Sumberg

STATE OF THE SOUTH FLORIDA MARKET

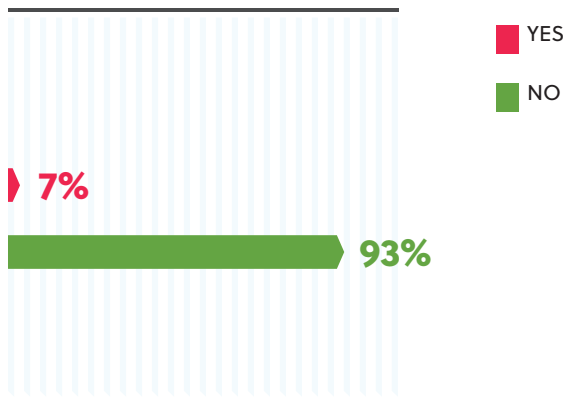
Q1: Please specify the type of organization you work for:



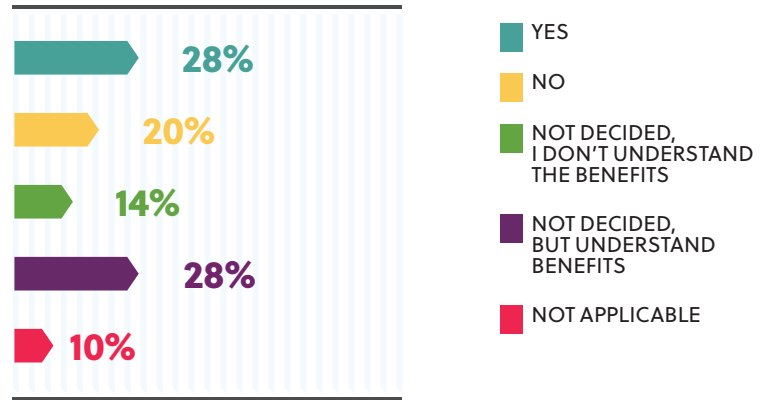
Q2: Do you currently own property in a designated Opportunity Zone?



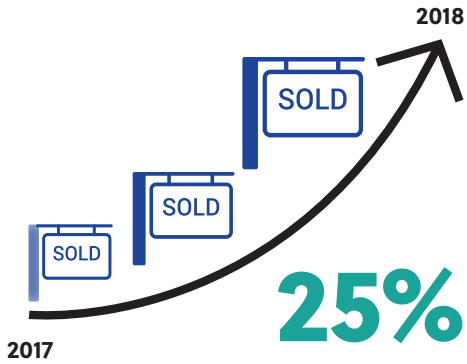
Q3: Have you invested in an Opportunity Zone fund?



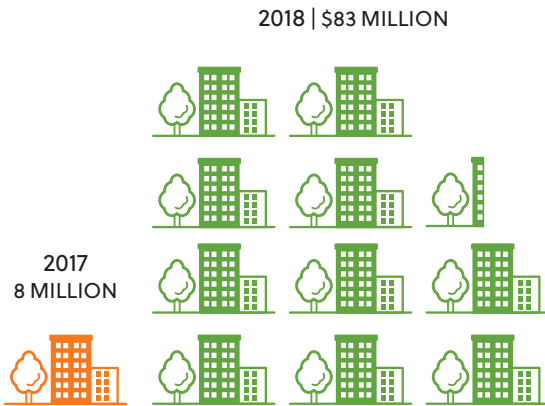
Q4: Do you intend to invest in an Opportunity Zone fund?



The interest in the market for QOZ projects in South Florida is still in its early stages, but it is clearly growing. *The Real Deal* reported that from April through September 2018, Miami-Dade County had \$942 million in Opportunity Zone property sales, a 25 percent increase from the same time in 2017. In the second and third quarter of 2018, North Miami Beach saw the biggest increase in sales in Opportunity Zones properties, reaching \$83 million from about \$8 million in 2017. Significantly, these results were achieved before additional guidance was published in October 2018 and in April 2019. *The Real Deal* also noted the rising prices of Opportunity Zone properties, which will no doubt continue now that the regulations have answered many questions for investors.



**INCREASE IN PROPERTY SALES IN QOZs
IN MIAMI-DADE COUNTY**



**PROPERTIES SOLD IN QOZs
IN NORTH MIAMI BEACH**

While there has been little investment in QOFs among survey respondents to date (7%), 28% say they intend to invest. More importantly, 42% are undecided with 14% of those hesitating because they are unclear about the benefits of QOFs. This suggests that South Florida will see increasing interest among investors and developers as the tax advantages are better explained and publicized.

Roundtable participants and attendees echoed this sentiment with several indicating that they had closed or were working on QOF deals. Again, this is important because while some investors have been waiting for regulatory guidance, others are just looking for someone else to take the lead.

INSIGHTS

"It's easy to get caught up in the deal of the moment, but it's important we don't forget the people and communities involved. The QOZ program should bring opportunity not only to change the landscape of the community but the trajectory of the people in the community. Some regions have taken the lead, aggressively promoting QOZs to spur investment, including significant efforts by the Mayor of Birmingham, Alabama; Mayor of the City of Atlanta; Clayton County Georgia Commissioner; and the Governor of Mississippi. These areas are providing early models of the types of projects that can be successful and how governments and industry can work together. ... HUD is also taking a leadership role, providing various incentives to encourage QOZ development."

— DENISE CLEVELAND-LEGETT
Region IV, Regional Administrator
U.S. Department of Housing and
Urban Development (HUD)

"QOZs open up enormous capital markets that didn't exist before. But investors didn't realize it at first. Now in every conversation I have about a deal, people are asking me whether the property is in an Opportunity Zone. They want to know how they can take advantage of QOZs."

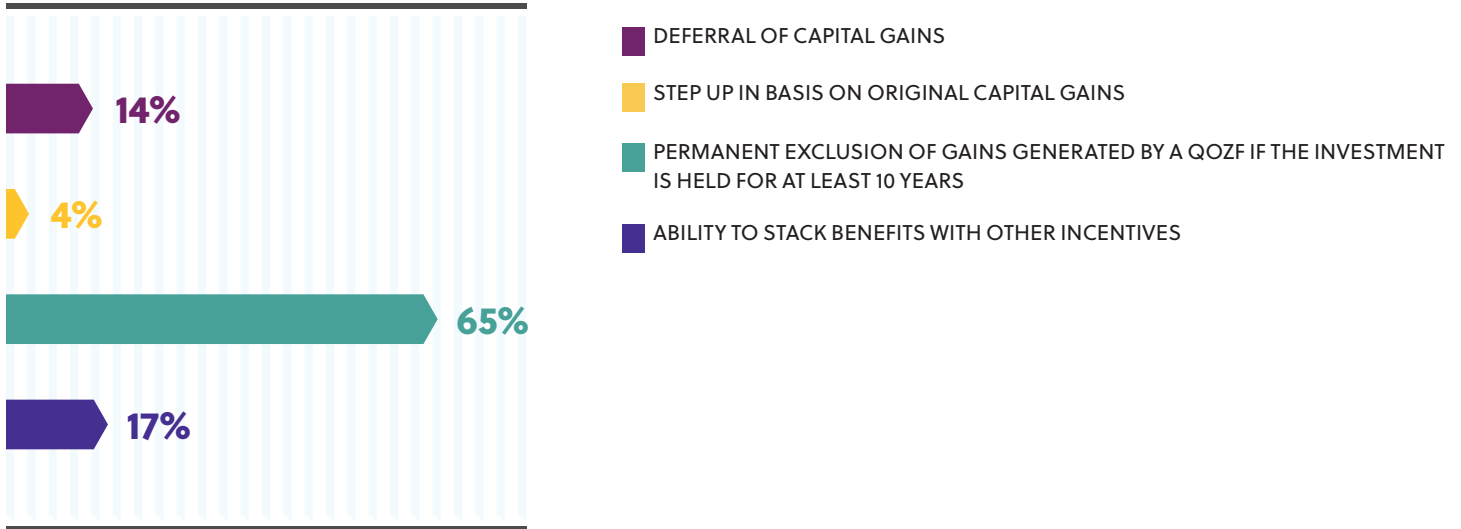
— ARNAUD KARSENTI
Managing Principal
13th Floor Investments

"We had already begun seeing Opportunity Zone investments prior to these new regulations in areas of Miami-Dade County, such as in Overtown and the Miami River. With the additional guidance provided with these new regulations, I expect to see a significant uptick of investments in those and other areas in South Florida, including Coral Gables, Allapattah, and up the coast into Fort Lauderdale and Hollywood. These investments will drive significant long-term growth for South Florida."

— JOSH KAPLAN
Corporate & Tax Partner
Bilzin Sumberg

PRINCIPAL BENEFITS OF THE QOZ PROGRAM

Q5: Which of the following is the greatest benefit of the Opportunity Zone program?



The most significant benefit of the QOZ program for survey respondents is the permanent exclusion of gains generated by an Opportunity Zone fund if the investment is held for at least 10 years. The long-term aspects of QOZ investments fueled extensive discussion at the Forum. Developers and investors are typically used to developing and then selling the property in a shorter time frame. In order to foster interest in QOZ projects, long-term cash flow is necessary. The April 2019 regulations provided more clarity on how investors can generate ongoing income.



Several panelists also noted the importance of thinking about how a project can stimulate further development in the area, which not only increases the value of the investment, but benefits communities through “socially responsible investing (SRI).” One clear objective of QOZ investing is its potential to transform communities and their residents’ lives by spurring ongoing development. Such additional development not only increases the value of the initial investments, but also fosters other SRIs. According to the *2018 Trends Report by the United States Social Investment Forum*, SRI accounted for \$12 trillion invested in North America, up 38% from 2016. In an age of investor activism, with corporations anxious to burnish their reputations, SRI offers an opportunity to do good while making a profit.

“Our structure is a bit different than other funds in that we seek capital for deals and then invite accredited high net worth individuals and family offices to join us. We are constantly syndicating deal by deal so we use different fundraising programs and for a lot of investors who are interested in socially responsible investing, Opportunity Zones provide this.”



CARLOS RODRIGUEZ, JR.
Chief Operating Officer &
Co-Founder
Driftwood Acquisitions &
Development

INSIGHTS

“Consider how a project can be a catalyst for the broader area. The project gains value by lifting up the neighborhood.”

— **DAN GILMAN**
Partner and Head of Investments
Decennial Group

“For me, the takeaway from this discussion today goes back to what Administrator Cleveland-Leggett said, which is let us not forget why this program was designed. The real purpose is to revitalize neighborhoods and communities.”

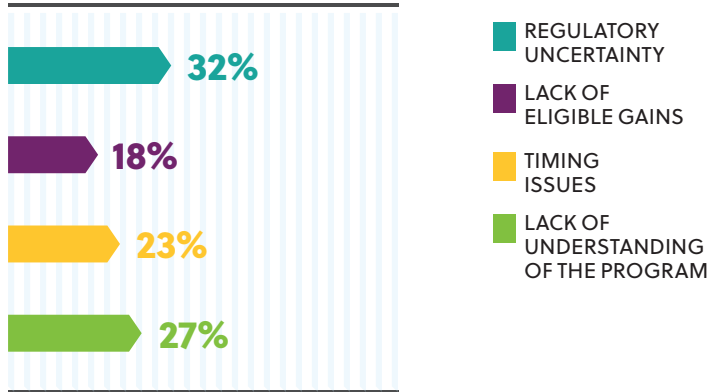
— **ARNAUD KARSENTI**
Managing Principal
13th Floor Investments

“Opportunity Zones are helping pave the way for new and innovative funding models to come to the forefront. For example, “Sustainable lending,” a concept that links the interest rate of a bank loan (i.e. the cost of capital) to meeting pre-agreed sustainability performance targets, is a new funding vehicle that is steadily growing in popularity. As investors look to become involved with projects that offer more than just profits, considering environmental, social, and governance factors are ways to do that.”

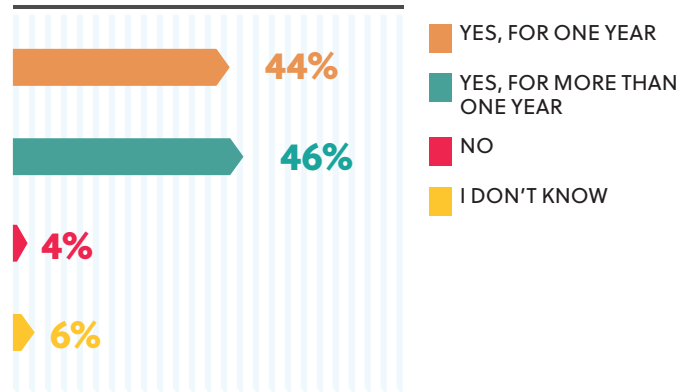
— **ROBERT SIEGEL**
Corporate & Finance Partner
Bilzin Sumberg

CHIEF OBSTACLES TO INVESTING IN A QOF

Q6: What is the greatest obstacle to investing in an Opportunity Zone fund?



Q7: December 31, 2019 is the deadline for investment in an Opportunity Zone fund in order to receive the maximum benefits. Should this deadline be extended?



“For a real estate deal, the income requirements aren’t significant as long as the project is physically located in a zone. The asset requirements, however, present a number of compliance issues. The other main compliance issue is the working capital exception, where you have the 31 months to deploy working capital out of a subsidiary to a Qualified Opportunity Zone fund. There is going to have to be some kind of compliance monitoring vis-à-vis that written plan because you need a written plan and then you need to execute that plan. That will make mid-course corrections of a development somewhat problematic, and you’re going to have to get with your accountants and attorneys to make sure that any changes you want to make to the project don’t create issues.”



ARTHUR J. LIEBERMAN
Director of Tax Services
Berkowitz Pollack Brant



INSIGHTS

Regulatory uncertainty and lack of understanding of the program have been previously discussed as impediments to investment. In addition, over **23%** of survey respondents said that timing was an obstacle. Under the regulations, December 31, 2019 is the deadline for investment in an Opportunity Zone fund in order to receive the maximum benefits. Respondents overwhelmingly would like the deadline extended. That prospect seems unlikely at the moment. In addition, timing is an issue with respect to the requirement that capital gains must be reinvested within 180 days. This provision can be especially difficult with multi-asset funds.

One obstacle discussed extensively at the Forum was the issue of compliance. There are ongoing compliance and audit requirements that many real estate developers are not used to addressing. These provisions should not deter investment as they are similar to requirements under other tax incentive programs; but they do indicate the need for professional guidance to ensure tax benefits are maximized.

"The biggest obstacle we see is the time to deploy the capital, particularly for a multi-asset fund, which is what we have. Our approach to this obstacle is to identify the deals first and then raise the fund around it. And we were lucky enough to already have a couple of deals that just happened to be in these zones. Having the seeded fund helped a lot. Then the uncertainty around being able to sell the individual assets was initially a big concern but with the second set of regulations, that concern was cleared up and allowed us to really move forward."

— **ROBERT "ROBBIE" BERNSTEIN**
Vice President
The Related Companies

"The timing requirements should not deter investors. While capital gains must be reinvested within 180 days generally, there are different nuances for partnerships and special rules for § 1231 gains, which address many of the concerns."

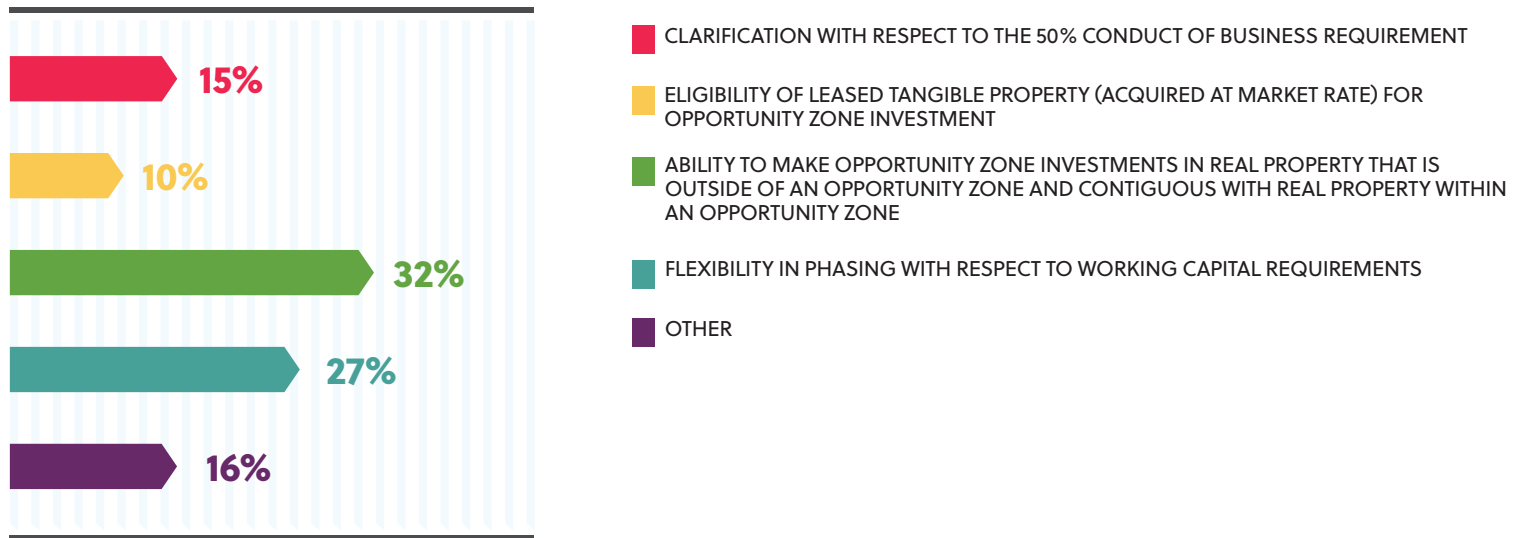
— **JOSH KAPLAN**
Corporate & Tax Partner
Bilzin Sumberg

"Ongoing compliance monitoring is essential. We recommend the fund prospectus should require that an independent third party do the necessary testing to ensure all of the compliance and regulatory calculations work."

— **MICHAEL KOVACS, CPA**
Director
Ostrow Reisin Berk & Abrams, Ltd.

ADDRESSING AMBIGUITIES IN THE QOZ PROGRAM

Q8: The IRS' latest round of regulations added substantial flexibility to the Opportunity Zone regime. Which of the following regulations provides the greatest benefit?



The April 2019 regulations provided much-needed information on several issues. The survey respondents indicated they most appreciated the flexibility and additional guidance in two areas: (1) the ability to make Opportunity Zone investments in real property that is outside of an Opportunity Zone and contiguous with real property within an Opportunity Zone (**32%**), and (2) flexibility in phasing with respect to working capital requirements (**27%**). However, the Forum round-table discussion focused more heavily on the eligibility of leased tangible property for Opportunity Zone investment. The new regulations provided clarity around how someone who owned a property in an existing zone before the rules came out can capitalize on the QOZ program, which is to lease the property in a ground lease.

INSIGHTS

“This program is ripe for investment by high net worth individuals, family offices and smaller investment funds with the ability to generate capital gains for investment in a QOF and greater flexibility for a long-term hold, as well as a desire to create a positive social impact through their investment. Larger institutional investors, however, have traditionally focused on investments with a projected hold of no more than five to seven years, so a required hold of more than 10 years will require a slight change in mindset.”

JOSH KAPLAN
Corporate & Tax Partner
Bilzin Sumberg



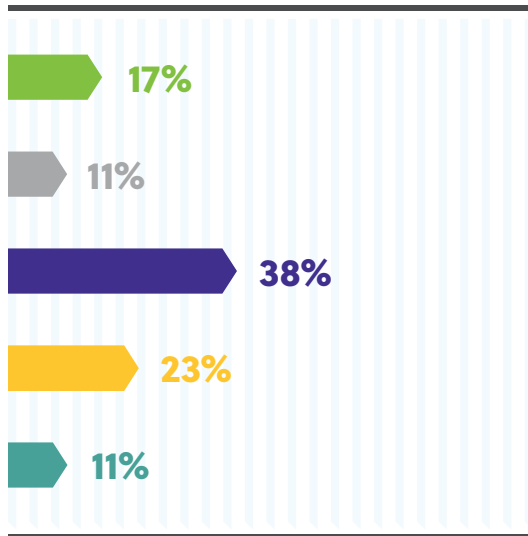
“Where we have the increases in the pricing of the land per se, the ability to do ground leases, whether it is the landowner or the fund, allows for a creative way where that arbitrage - that benefit - hasn’t already been taken out. For the most part, these are income-producing assets, so that reduces the development risk. For us in hospitality, we also acquire, not just develop, so we’re looking to acquire existing assets and potentially structure some kind of lease of the building or the ground, especially if it requires enough renovation where we can have it qualify. And I think it becomes a much less risky proposition to investors with good cash flow with still having enough of the delta to be able to figure it out.”

— **CARLOS RODRIGUEZ, JR.**
Chief Operating Officer
Co-Founder
Driftwood Acquisitions & Development

“In order to completely understand the program, one has to comprehend the core tax benefits Opportunity Zones create. Deferral of capital gains through 2026, a step-up in basis of up to 15% if the investment is held for 7 years, and mostly importantly, a permanent exclusion from taxable income of capital gain on sale of the investment held for at least 10 years has been enough to motivate investors to invest their money into designated Opportunity Zones. Bottom line, the program is loaded with tax benefits, and by structuring good economic deals the right way, there’s no reason it can’t be a win for the investor and in turn, spur much needed growth in our communities.”

— **RICHARD M. GOLDSTEIN**
Tax Chair
Bilzin Sumberg

Q9: From a commercial perspective, which of the following points do you most need IRS guidance on?



- ABILITY OF AN OPPORTUNITY ZONE BUSINESS TO OPERATE OUTSIDE THE OPPORTUNITY ZONE
- ABILITY TO REALIZE BENEFITS FOR PROPERTY IN AN OPPORTUNITY ZONE ACQUIRED PRIOR TO JANUARY 1, 2018
- TREATMENT OF OPPORTUNITY ZONE FUND CAPITAL EVENTS, CASH REDEMPTION AND REFINANCING GAINS
- EXIT MECHANICS
- OTHER (SURVEY RESPONSES)
 - AGGREGATION OF SEPARATE PROPERTIES WITHIN THE ZONE FOR IMPROVEMENT CRITERIA
 - AS I UNDERSTAND IT, GROUND UP DEVELOPMENT ONLY HAS AN 18 MONTH TIMELINE TO OPERATE UPON. IT WOULD NOT BE POSSIBLE TO ACQUIRE APPROVALS IN BROWARD COUNTY, BREAK GROUND, AND COMPLETE A PROJECT IN 18 MONTHS. UNTIL THAT REQUIREMENT IS CLARIFIED OR EXTENDED, I CAN'T SEE WORKING A GROUND UP PROJECT IN AN OZ."
 - HOW IT COULD BENEFIT NON-PROFIT RESIDENTIAL DEVELOPERS BUILDING HOMES FOR SALE (NOT RENTAL)
 - CLARIFICATION ON THE POSSIBILITY OF A PHASED DEVELOPMENT QUALIFYING
 - TIMING DELAY PENALTIES, IF ANY

While many questions have been answered, there is clearly a need for ongoing professional guidance on the rules. The QOZ program is complex. The questions at the roundtable discussion brought up the wide array of scenarios that may arise as investors look to maximize their gains and recoup their money without triggering capital gains tax. The ability to refinance a real estate project and distribute refinancing proceeds to investors is part of the business plan for many real estate projects. Although there are some limitations, the IRS has provided the clarity necessary for this long-standing business model to continue for Opportunity Zone real estate investments. Issues involving refinancing, investments in operating businesses, the 50% income requirement, compliance, and other concerns highlight the reality that there is no one-size-fits-all solution to make a deal work.

Because of the complexity of the QOZ program, a consistent theme of the roundtable discussion was that deals need to stand on their own before consideration of tax benefits. Investors and developers were cautioned not to rush into projects without fully understanding their fundamental value. And part of that understanding requires analyzing how the QOZ program and other federal, state and local tax incentives can improve a project’s financial results.



INSIGHTS

“I would advise investors to look at the return profile without the QOZ program and then with the benefits.”

— **CARLOS RODRIGUEZ, JR.**
*Chief Operating Officer
Co-Founder
Driftwood Acquisitions & Development*

“The QOZ program is not designed to make a bad deal go good. A deal needs to stand on its own. The QOZ program helps make a good deal better, plus you may be able to layer in other tax incentives to provide additional benefits.”

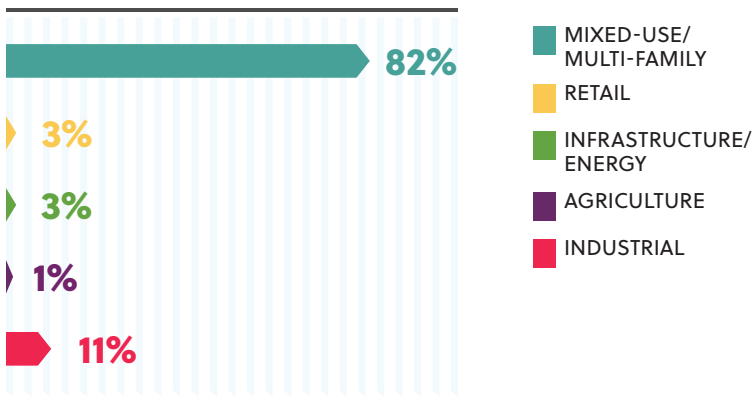
— **ARTHUR J. LIEBERMAN**
*Director of Tax Services
Berkowitz Pollack Brant*

“For an operating business where the benefits of this program are really on the exit and the sale on the appreciation, you’ve really got to have confidence in the long-term nature of the business. And, I think for some institutional investors that may be a tougher sell. I think for the Mom and Pops or the small businesses where it’s more of a closely held business that they can start in an Opportunity Zone, I think you’ll probably see more of those types of business investments. The compliance reporting is no more onerous than for other tax incentives and the same professionals who handle those deals can advise these investors on QOZs.”

— **DAN GILMAN**
*Partner and Head of Investments
Decennial Group*

BEST OPPORTUNITIES FOR DEVELOPMENT

Q10: Which of the following asset classes is most ripe for development under the Opportunity Zone legislation?



The new regulations open up significant opportunities throughout South Florida. Although mixed-use/multi-family development rates first among survey respondents (82%), the roundtable discussion indicated a wider variety of projects that are of interest to developers, investors, and communities.



INSIGHTS

“Our fund management business has a little over \$5 billion of capital under management across a variety of different vehicles, and we are looking at three categories of Opportunity Zone properties for investment. First, properties in and around universities. Second those in and around airports, which typically involve infrastructure and transportation projects. Lastly, areas with strong demand generators, such as New York, Stamford and similar areas that have many QOZ properties.”

— ROBERT “ROBBIE” BERNSTEIN
Vice President
The Related Companies

“There are reasons to move quickly and be first. First generation deals are happening, and there are structural reasons to want to be a first mover in the space. You get increased tax benefits the sooner you invest, and frankly, the deals that we’re looking at are deals that were under development before anybody knew what an Opportunity Zone was. They were already good deals, and then they were in an Opportunity Zone and now they look even better. Those who go first can cherry pick deals and get the most tax benefit.”

— DAN GILMAN
Partner and Head of Investments
Decennial Group

“To date, the focus in the industry has been on real estate investments within an Opportunity Zone, such as the development of a multi-family project, but the recent regulations have provided the clarity many were waiting for to expand beyond real estate into an investment in operating businesses.”

— ANDREJ MICOVIC
Public-Private Partnership Attorney
Bilzin Sumberg

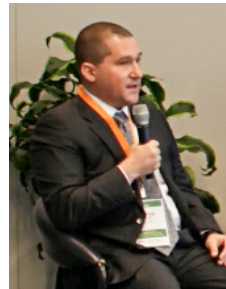
CONCLUSION

The issuance of the QOZ regulations last April has set the stage for significant growth. As the deadline approaches to realize the full benefits of the QOZ program, investors, developers, and communities should consider the lessons from the survey and Forum:

- **Identify good deals first.** There is a rush to find shovel-ready projects by the end of the year. However, the most important point is to focus on projects with clear financial benefits that the QOZ program can further improve. Once you find the deal, then raise funds around it.
- **Think broadly about the long-term value.** The 10-year hold period was an obstacle to some investors, but the regulations have clarified that parties can access money invested in QOFs and generate cashflow providing both short- and long-term gains. In addition, the ability to spur additional investment in communities is a win-win for everyone.
- **Turn to those with experience.** Advisors, developers, owners, and operators who are accustomed to working within the guidelines of tax incentive programs can help ensure that projects are viable, move forward efficiently, and take full advantage of the QOZ program.

The goal for the survey and Forum was to share insights and bring people together to help make everyone more successful. Hopefully, these discussions will help you to make educated and informed choices about investing in Opportunity Zones.

“Until now, most qualified Opportunity Zone funds were established as single-asset funds, but this recent IRS guidance has provided the flexibility sponsors were looking for to create multi-asset funds allowing for the sale of individual assets by the fund, including the possibility to reinvest the proceeds into a new qualified investment.”



JOSH KAPLAN
Corporate & Tax Partner
Bilzin Sumberg

ABOUT BILZIN SUMBERG

Bilzin Sumberg works with clients whose business and legal opportunities and challenges span the United States and cross borders to Europe, Latin America, Canada, the Middle East, and Asia. The firm's growth has paralleled that of its Miami home base, a region known for its rich cultural, social, and professional diversity.

Known for their involvement in and knowledge about the issues affecting the greater Miami community, Bilzin Sumberg lawyers concentrate on services at the heart of both regional and international commerce. The firm is a go-to resource for real estate, land use and zoning, corporate law, joint ventures, international tax and estate planning, business litigation, finance, and public/private partnership matters in South Florida and beyond. For more information, please subscribe to the firm's [New Miami blog](#) or visit [bilzin.com](#).



ABOUT ULI SOUTHEAST FLORIDA/ CARIBBEAN

ULI, the Urban Land Institute, is a 501(c)(3) nonprofit research and education organization supported by its members.

Founded in 1936, ULI now has more than 40,000 members worldwide – 1,000 here in the Southeast Florida/Caribbean area – representing the entire spectrum of land use and real estate development disciplines working in private enterprise and public service.

A multidisciplinary real estate forum, ULI SE FL/Caribbean facilitates an open exchange of ideas, information, and experience among industry leaders and policy makers dedicated to creating better places.

Members say ULI provides information they can trust, and that ULI SE FL/Caribbean is a place where leaders come to grow professionally and personally through sharing, mentoring, and problem solving. With pride, ULI members commit to the best in land use policy and practice.





2019 SOUTH FLORIDA OPPORTUNITY ZONE REPORT

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