



Neal  
Bawa



Matt  
Ryan

# OPPORTUNITY ZONES

Unprecedented New Real Estate Tax Strategy: What You Need To Know



MultifamilyU

Webinar starts at 6.03 PM, audio is muted until then







# Our Goal for Today

## The Agenda

- ✓ Meet the Presenters
- ✓ What is an Opportunity Zone?
- ✓ How did this opportunity come about?
- ✓ What are the tax benefits?
- ✓ What types of gains are eligible?
- ✓ Timeframe and types of OZ investments that are eligible
- ✓ OZ investment vs non-OZ Investment – What's the \$\$ difference?
- ✓ Review and Questions

# IMPORTANT DISCLAIMER

Please read

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- We are not investment advisors, and this seminar is provided for educational purposes only.
- We are not CPAs, and this is a tax benefit webinar AND is informational in nature. **You MUST discuss the details with your CPA before you make investments in opportunity zones.**
- All investments involve different degrees of risk. You should be aware of your risk tolerance level and financial situations at all times.
- You are free to accept or reject all investment recommendations made by us. All services that we offer are subject to market risk and may result in loss to your investment.
- As you know, a recommendation is not a guarantee for the successful performance of an investment and we cannot guarantee against losses arising from market conditions.
- Do not invest your money on our recommendation alone. Consult a professional advisor.

# Meet the Presenters

Neal Bawa, President and CEO, Grocapitus



Neal Bawa

CEO & Founder  
Grocapitus &  
MultifamilyU

## About Neal

- ✓ Neal's companies have owned / managed a portfolio of over \$150 Million
- ✓ Over 1,800 units of Multifamily and Student housing, in 7 states
- ✓ Nationally known Multifamily mentor and speaker
- ✓ About 4,000 investors attend his Multifamily webinar series and hundreds attend Multifamily Boot camps
- ✓ Co-founder of the largest Multifamily Investing Meetup in the U.S. with 3000+ members.

## Key Focus

Investor Management

Leasing and Tenant Marketing

Submarket and property selection

Operations and metrics



# Meet the Presenters

Matt Ryan, CEO, Re-viv



Matt Ryan

CEO  
Re-viv

## About Matt

- ✓ Entrepreneur on 2<sup>nd</sup> social impact-based company.
- ✓ Ten years of experience in construction and real estate investment in both new and existing construction residential, multi-family and industrial.
- ✓ Re-viv is a real estate investment company that focuses on addressing market inefficiencies in community revitalization work. We provide profitable investments for our stakeholders while improving the communities we serve.
- ✓ In his spare time, Matt is an avid outdoorsman, Father and active housing policy and building technology advocate.

# WHAT IS AN OPPORTUNITY ZONE?



**A designated census tract that has lower than normal growth or income. The government is offering TAX INCENTIVES to boost growth in the zones.**

- ✓ Census tracts qualified by local and state governments in April of this year
- ✓ Most states have their census tracts available with interactive maps. [\[link to California Map\]](#).

**25%**

Up to 25% of census tracts that met income requirements of the OZ program were eligible to be nominated as OZs.

**5%**

Up to 5% of census tracts that didn't meet income requirements of the OZ program, but satisfied other qualifications, were also eligible to be nominated as OZs.

# WHAT IS AN OPPORTUNITY ZONE?



## Bottom Line

**57%**

57% of all neighborhoods in America were up for consideration as OZs, and more than 8,700 census tracts are now designated as OZs according to the Brookings Institute.

**19%**

The Brookings Institute also found that 19% of designated Opportunity Zones were found to be in **already-gentrifying areas** (areas with the highest rates of home price appreciation)\*





The size of the opportunity zones are gigantic. About 12% of U.S. census tracts are in the list, over 8700 opportunity zones. Many of these already attract businesses and investments.





# QUICK VIDEO FROM CNBC ABOUT OZ



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# HOW DID THIS OPPORTUNITY COME ABOUT?

- ✓ Through a partnership of Sean Parker (formerly of Napster) along with Tim Scott (R) from S. Carolina and Cory Booker (D) New Jersey.
- ✓ Helped form the non-profit Economic Innovation Group in DC who helped write the legislation
- ✓ Helped map out and assign a distressed community index for census tracts all across the US.
- ✓ Inserted as a provision into the tax code under the Tax Cuts and Job Acts. Officially named the the *Investing in Opportunity Act*



# WHAT ARE THE TAX BENEFITS?

1. Investors can defer tax on any prior gains invested in a Qualified Opportunity Fund (QOF) until the earlier of the date on which the investment in a QOF is sold or exchanged, or December 31, 2026.

If the QOF investment is held for longer than 5 years, there is a 10% exclusion of the deferred gain. If held for more than 7 years, the 10% becomes 15%.

2. Second, if the investor holds the investment in the Opportunity Fund for at least ten years, the investor is eligible for an increase in basis of the QOF investment equal to its fair market value on the date that the QOF investment is sold or exchanged.





# WHAT TYPES OF TAX GAINS ARE ELIGIBLE?

Long and short term capital gains



Gains from a 1031 exchange



Gains from sale of personal assets



Gains from stocks



Gains from sale of property



Gains from business assets



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# TIME FRAME



Must invest into an Opportunity Fund or investment within an Opportunity Zone within

**180 days**

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# HOW IS THIS MEASURED BY GAIN TYPE?



Generally, the 180 days begins on the date the gain would be recognized for federal income tax purposes.

- ✓ For publicly traded stock, this is the **TRADE DATE**.
- ✓ For a REIT undistributed capital gain, it's the **last day of the REIT's taxable year**.
- ✓ For REIT capital gain dividends, it's **when the dividend is paid**.





# HOW IS THIS MEASURED BY GAIN TYPE?



- ✓ The regulations include a favorable rule that provides partners with greater flexibility, but generally the 180 day-period begins on the last day of the partnership's taxable year.
- ✓ For investors, this means that short-term and long-term capital gains, as well as section 1231 gains are eligible for tax deferral. However, section 1245 or section 1250 gains are not eligible because they are not capital in nature.\*



SOURCE: \*[https://fundrise.com/education/blog-posts/new-regulatory-guidance-for-opportunity-zone-investors?utm\\_medium=email&utm\\_source=fundrise&utm\\_campaign=ofund-newleg-20181023&utm\\_content=summary](https://fundrise.com/education/blog-posts/new-regulatory-guidance-for-opportunity-zone-investors?utm_medium=email&utm_source=fundrise&utm_campaign=ofund-newleg-20181023&utm_content=summary)

# HOW LONG DO OZ FUNDS HAVE TO DEPLOY THE CAPITAL?



But before we get into that, a quick segue from Neal into some of his offerings.

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# New Investment opportunity with overall 23+% average annual returns projected

Phase I (\$6.2 Million equity) sold out  
Taking reservations for Phase II

## Accredited investors:

Join us in developing a stunning new 322-Unit Graduate Student Housing Project in Buffalo, NY, near the University at Buffalo.

Over 23% average annual returns are projected, due to large environmental clean up credits and 13 years of Tax incentives.





**New Investment opportunity with overall  
23+% average annual returns projected**

**Here is what the finished project looks like**

## **A tremendous time to invest in Student Housing**

*"As dorms morph into luxury apartments, our student housing clients are able to offer more in amenities such as pools, hot tubs, weekly social events, top-of-the-line workout facilities and high-speed internet. These services are free, but with the increase in amenities, rents are significantly greater than other types of apartments, sometimes even twice the amount,"*

**- RSM Partner Nick Antonopoulos**

*"There's just been a massive amount of money flowing into the space and the top investors are all doing what they can to make a splash,... There are more groups looking to invest than there are developers and operators with available real estate, so the next 12 months should be very interesting, as the hardest thing for these institutional investors to do is find the right product with the right operator."*

**- Marc Lifshin, Co-founder and Managing Partner of Core Spaces.**





# Interested in Apartment Investing?

Come enjoy an incredible learning experience

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I help people become financially free with real estate by teaching them how to invest in apartment buildings



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# Interested in Apartment Investing?

An incredible learning experience

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**Multifamily Real Estate Investing Has Proven To  
Be One Of The Best Asset Classes For Long-Term  
Wealth Accumulation**



**[www.multifamilyU.com](http://www.multifamilyU.com)**



# Interested in Apartment Investing?

An incredible learning experience

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**I teach the last honest Apartment Boot Camp in America.**

And it makes you 3 unique promises.

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# A unique learning experience

Seize the Opportunity

## Promise

The only Apartment boot camp in the U.S. that makes & keeps these promises to you:

**Promise 1: The training is eye opening, specific and tangible, meant to be used right away.**

*Thank you again for an amazing learning experience in the MF Boot Camp. My husband and I really appreciated how many specific tools you shared that we haven't seen elsewhere. Tools we can begin putting into practice right way, such as what to look for in determining which markets have the greatest potential for growth and cash flow, how to then drill down to specific neighborhoods within those markets, and how to build a team that can help support and run our out-of-state holdings. This is invaluable information for new investors like ourselves, but I imagine even a seasoned veteran would have picked up some great tips.*



**- Anya Sagee**



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# A unique learning experience

Seize the Opportunity

*Promise*

**Promise 2: Pitch free –  
no upsell, coaching,  
mentoring, tapes etc.  
Just 100% sales free,  
content rich training.**

*The Multifamily Boot Camp was 100% sales free training on how to buy apartments. Lots of content, resource and tips you can use right away. No sales pitch. All training. I've attended several weekend bootcamps before and although all offer great information, half the time you're there, they're trying to sell you something – their next event or coaching or whatever else. The Multifamily Boot Camp was 100% sales free training on how to buy apartments.*



*- Joy Viray*



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# A unique learning experience

Seize the Opportunity

*Promise*

**Promise 3: filled with shortcuts, secrets and strategies that you have never seen before, with a clear roadmap to success**

*Neal's ingenious ideas on how to use VA's and mega-marketing strategies to attract tenants was truly an eye opening experience for me.*

*The boot-camp provided me with a clear and precise road map to identify specific locations to invest in. Neal's presentation coupled with labs (small group sessions) provided hands-on experience for all the attendees.*

*I can state unequivocally that this boot camp was by far one of the best that I've attended. I was able to immediately implement the strategies that I learnt.*

**- Esosa Egonmwan**



**[www.multifamilyU.com](http://www.multifamilyU.com)**



# What you will learn

Hundreds of students have been blown away by the quality and depth of the boot camp

## Multifamily and Syndication Fundamentals

The fundamentals of apartment investing, and the 4 critical phases of a multifamily project you must master.



## The Best and Worst Metros

Metro selection like you have never seen it before. This knowledge is essential for buying the right product at the right time.

## The secret sauce to MultiFamily investing

Investing in the right neighborhood is even more important than picking the best city. Students rave about the process we teach for this crucial step.



## How to evaluate Properties

The art and science of underwriting, and how to avoid common but deadly pitfalls that can cost hundreds of thousands of dollars.



## How to find brokers and Properties

Learn multiple ways to find brokers and properties, including what to say and how to answer difficult questions.



## Get the right Prop Mgr.

Finding, evaluating, and managing property managers... one of the most important skills for successful multifamily investing.



# How to raise private money

How to present a project and  
create a Sample Project  
Package to investors



## Amazing Bonuses

1. HD recordings of all sessions for a year
2. A powerful Facebook student-only group gives you access to partners, investors, deals and sponsors
3. A Digital student resource kit with dozens of resources – demand projections, due diligence lists, checklists, templates, worksheets, lists of brokers and so much more
4. Data reports for your Metro
5. A no-pitch private coaching session with Neal
6. Mystery bonuses – short videos posted by Neal frequently to the Facebook group
7. Mega-marketing Webinar recording
8. Virtual Assistants Webinar recording



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# Are you ready to become a successful Apartment Investor?

Get ready for an incredible learning experience

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**SO TAKE ACTION:**

**Attend the boot camp in San Jose, CA on Nov 30, Dec 1 and Dec 2.**

Go to [www.multifamilyU.com](http://www.multifamilyU.com) and use the coupon code **grateful** to get both early bird pricing and \$400 off the early bird pricing (expires tomorrow at midnight).

If watching a replay, you can email us to get a \$200 off code

All live sessions are recorded and available for playback



**[www.multifamilyU.com](http://www.multifamilyU.com)**



# HOW LONG DO OZ FUNDS HAVE TO DEPLOY THE CAPITAL?



Opportunity Funds have a minimum of



to invest their working capital in qualified  
opportunity zone property



# HOW LONG DO OZ FUNDS HAVE TO DEPLOY THE CAPITAL?



## **What if my gain is part of a partnership?**

Individual partners can make their own decisions rather than having the partnership make the move.\*

\*SOURCE: <https://www.globest.com/2018/10/23/new-opportunity-zone-rules-makes-rehab-projects-more-affordable/>



# WHAT TYPE OF INVESTMENTS ARE ELIGIBLE?



## **Equity investments only.**

- ✓ Real estate
- ✓ Businesses within an Opportunity Zone.



# WHAT TYPE OF INVESTMENTS ARE ELIGIBLE?



**At first you had to increase your basis, or original investment, by 100%**





# WHAT TYPE OF INVESTMENTS ARE ELIGIBLE?



## UPDATE TO RULE

For example, assume a fund acquires an abandoned factory in an OZ for \$1 million to convert it to multifamily housing. They allocate \$600K of the cost to the value of the land and \$400K to the value of the structure.

Previously, it was unclear whether the fund was obligated to spend \$1 million improving the property (cost of the land and structure) or \$400,000 (cost of the structure).

The IRS clarified that the substantial improvement test requires the fund to spend \$400,000 on property improvements.

# WHAT TYPE OF INVESTMENTS ARE ELIGIBLE?



The 90% Rule – If you are investing in or setting up an Opportunity Fund for real estate investment, 90% of your assets must be within Opportunity Zones.

The 70% Rule - **Businesses or other assets -business can qualify as being in an Opportunity Zone as long as 70% of its property is in the designated area.**



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# LET'S TALK DOLLARS



TAKE A \$100K CAPITAL GAIN.

## Assumptions

- ✓ 12% annualized return with a 6% "dividend rate" or Cash on Cash.
- ✓ 24% tax rate - [a Typical case, could be higher or lower]
- ✓ Compounding Annually

# LET'S TALK DOLLARS



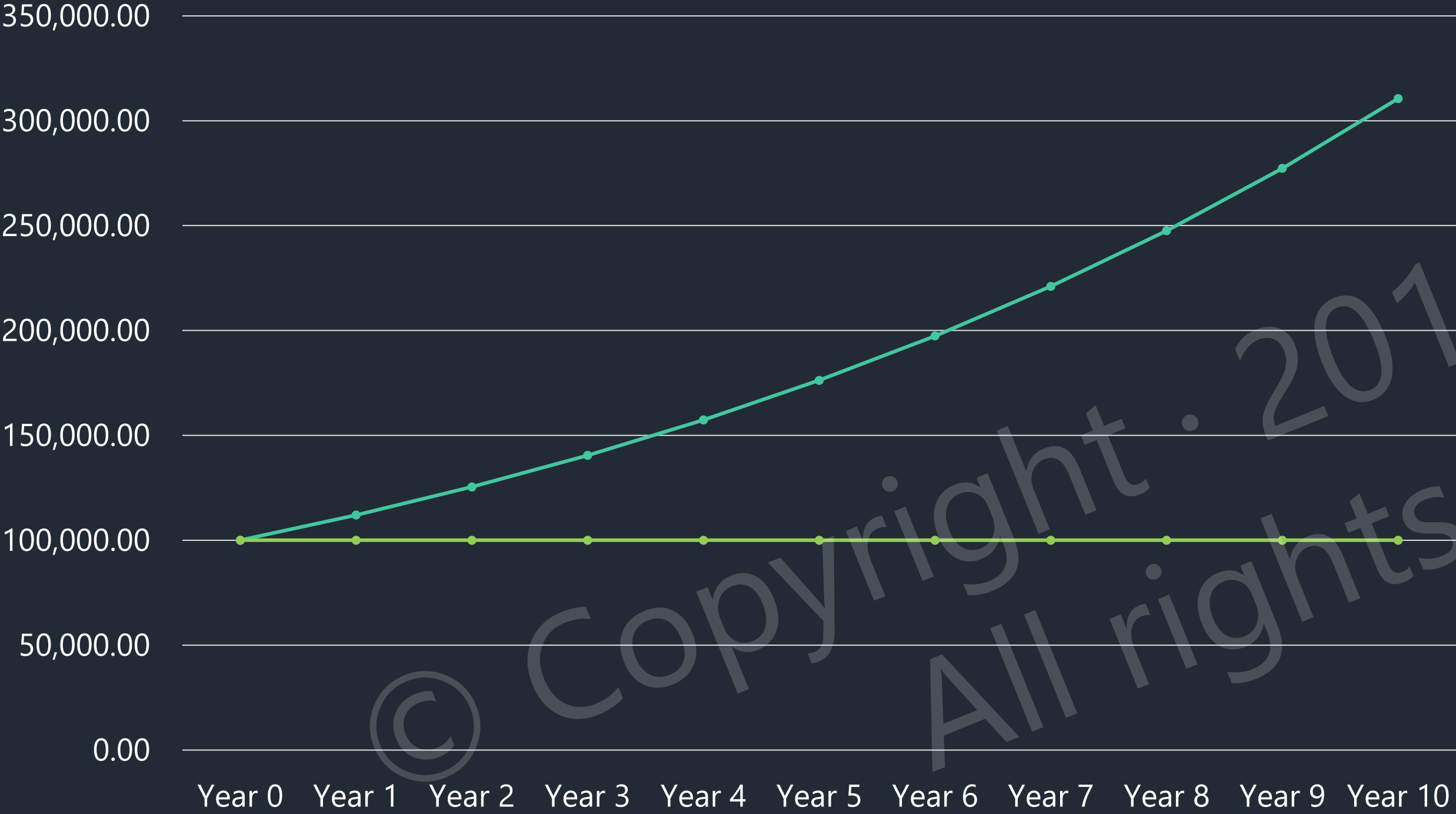
## Scenario A:

Full capital gain into an Opportunity  
Fund Investment – \$100,000

Full amount invested in 10 years  
= \$310,584



# LET'S TALK DOLLARS



—●— Future Value (12.00%) in dollars  
—●— Total Contributions in dollars

Years	Future Value (12.00%)	Total Contributions
Year 0	\$100,000.00	\$100,000.00
Year 1	\$112,000.00	\$100,000.00
Year 2	\$125,440.00	\$100,000.00
Year 3	\$140,492.80	\$100,000.00
Year 4	\$157,351.94	\$100,000.00
Year 5	\$176,234.17	\$100,000.00
Year 6	\$197,382.27	\$100,000.00
Year 7	\$221,068.14	\$100,000.00
Year 8	\$247,596.32	\$100,000.00
Year 9	\$277,307.88	\$100,000.00
Year 10	\$310,584.82	\$100,000.00

# LET'S TALK DOLLARS



## Scenario B:

After Tax Amount Non-Opportunity Fund Investment -

\$100,000

(\$24,000)

=\$76,000

In 10 years = \$207,392

Have paid = \$41,917 (\$17,917 in tax on dividends plus \$24,000 on initial gain) in taxes excluding tax on the 6% equity gain over the 10 year investment.



# LET'S TALK DOLLARS



Year	Annual investment	Taxes Paid @ (6% dividend rate on initial investment)	Net Return (12% annualized)	Total
0	\$0.00	\$0.00	\$0.00	\$76,000.00
1	\$0.00	\$1,094.40	\$9,120.00	\$84,025.60
2	\$0.00	\$1,209.97	\$10,083.07	\$92,898.70
3	\$0.00	\$1,337.74	\$11,147.84	\$102,708.81
4	\$0.00	\$1,479.01	\$12,325.06	\$113,554.86
5	\$0.00	\$1,635.19	\$13,626.58	\$125,546.25
6	\$0.00	\$1,807.87	\$15,065.55	\$138,803.93
7	\$0.00	\$1,998.78	\$16,656.47	\$153,461.63
8	\$0.00	\$2,209.85	\$18,415.40	\$169,667.18
9	\$0.00	\$2,443.21	\$20,360.06	\$187,584.03
10	\$0.00	\$2,701.21	\$22,510.08	\$207,392.90

**All said, that is a 66% differential between investments or 6.6% per year of yield you are forfeiting.**

# Q&A



## Q. Do I need to live in an OZ to take advantage of the tax benefits?

A. No. You can get the tax benefits, even if you don't live, work or have a business in an Opportunity Zone. All you need to do is invest a recognized gain in a Qualified Opportunity Fund and elect to defer the tax on that gain.

## Q. I am interested in knowing where the OZs are located. Is there a list of OZs available?

A. Yes. The list of designated Qualified Opportunity Zones can be found at [Opportunity Zones Resources](#). A visual map of the census tracts designated as Qualified Opportunity Zones may also be found [here](#).

## Q: How can I find the census tract number for a specific address?

A: You can find 11-digit census tract numbers, also known as GEOIDs, using the U.S. Census Bureau's Geocoder. After entering the street address, select ACS2015\_Current in the Vintage drop-down menu and click Find. In the Census Tracts section, you'll find the number after GEOID.

## Q. How does a corporation or partnership become certified as a Qualified Opportunity Fund?

A. To become a Qualified Opportunity Fund, an eligible corporation or partnership self-certifies by filing Form 8996, Qualified Opportunity Fund, with its federal income tax return. Early-release drafts of the [form](#) and [instructions](#) are posted, with final versions expected in December. The return with Form 8996 must be filed timely, taking extensions into account.

## Q: Can a limited liability company (LLC) be an Opportunity Fund?

A: Yes. An LLC that chooses to be treated either as a partnership or corporation for federal tax purposes can organize as a Qualified Opportunity Fund.

## Matt's Contact info

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## Neal's Contact info

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# RESOURCES



More complex questions/issues:

- ✓ Depreciation Recapture
- ✓ Leverage - Recent guidance
- ✓ Mixed Funds - Loss Treatment

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