

Family Office Strategies for Opportunity Zone Investing



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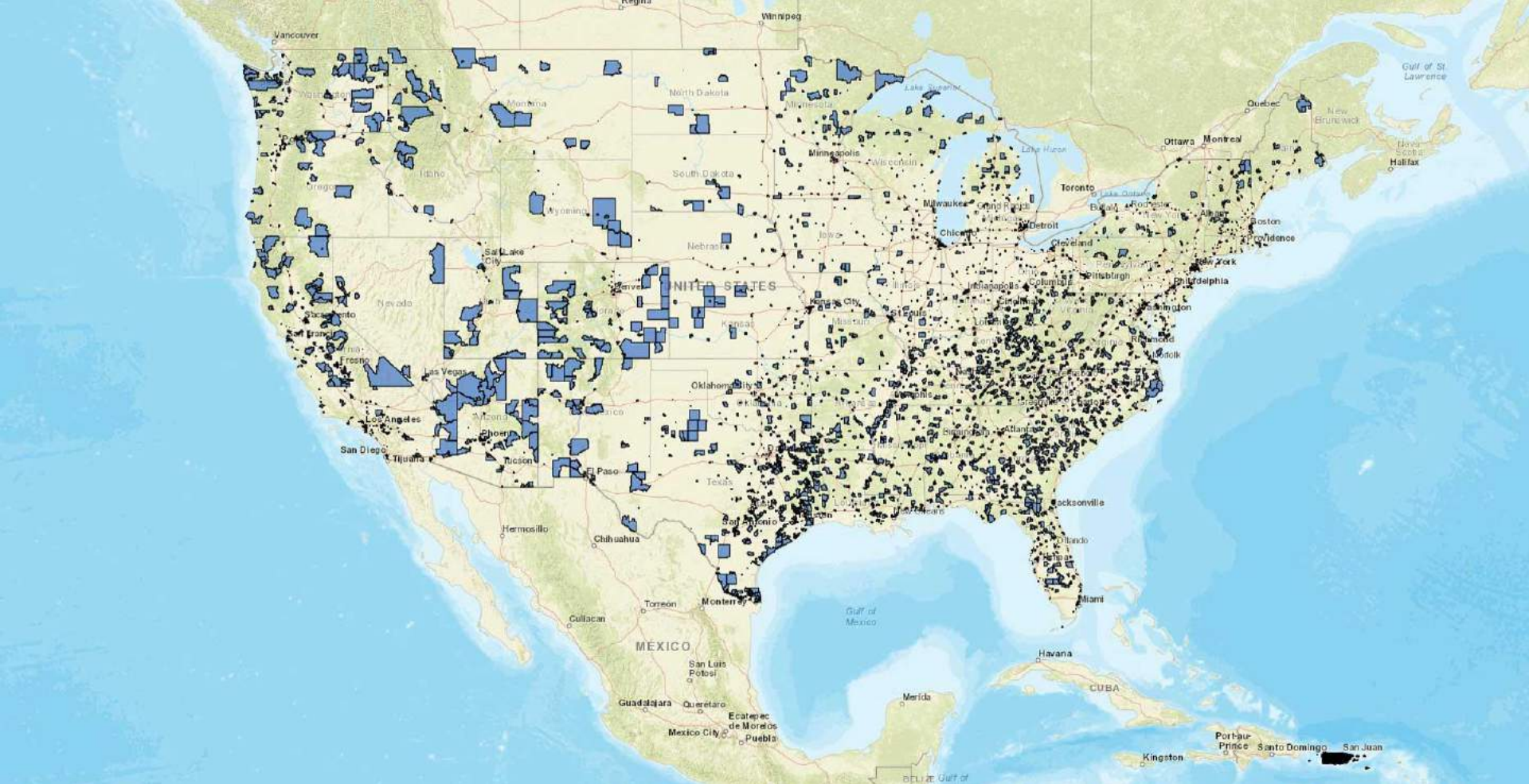
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Today's Agenda

- Brief Overview of Opportunity Zones.
- Trusts and estate related matters, including GSTs.
- Selling real estate located in an OZ.
- Pre-TCO OZ projects for cash flow.
- OZs as impact investing.
- OZs under the Biden administration.
- Latest data from family offices on OZ investing.

Opportunity Zones Facts & Figures

- Place-based tax incentive - passed in TCJA 2017.
- Opportunity Zone designations were finalized in July 2018.
- 8,764 census tracts designed as Opportunity Zones.
- 35 million people live in Opportunity Zones.
- Tens of billions of dollars raised by Opportunity Zone Funds so far.



Opportunity Zone Map (Continental United States) -- Source: <https://opportunitydb.com/map/>

Opportunity Zones Tax Benefits

An investor who has triggered a capital gain by selling an asset like stocks or real estate can receive special tax benefits if they roll that gain into an Opportunity Zone investment within 180 days. There are three primary benefits...

Benefit #1 **Deferral**

Until Dec 31, 2026

Benefit #2 **Reduction**

10% basis step-up
after 5-year hold
(Expiring 12/31/21)

Benefit #3 **Elimination**

No tax liability on OZ
gains after a 10-year
holding period

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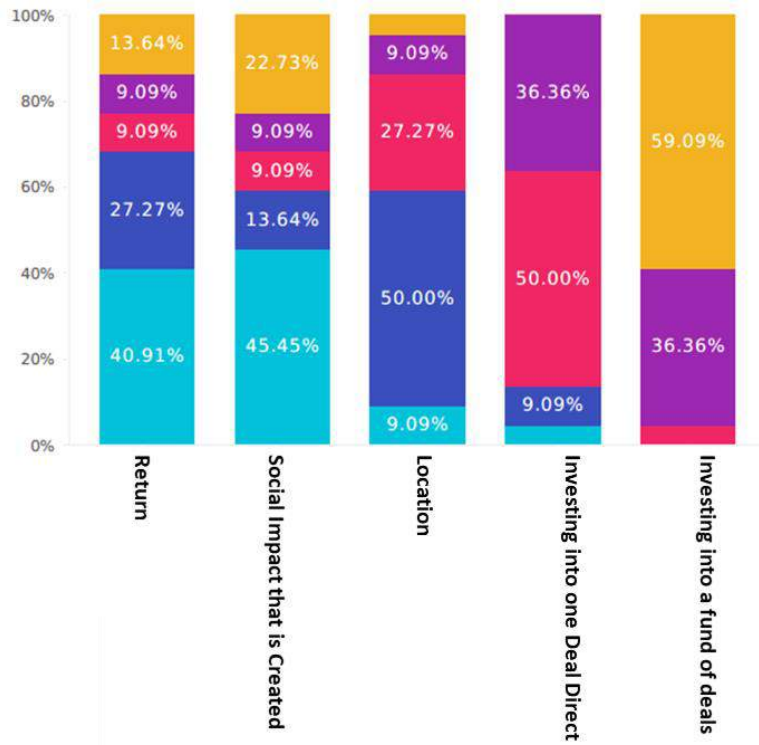
Family Office Opportunity Zone Data

2019,2020,2021 Family Office Real Estate Magazine Study

Why and Where for Family Office Opportunity Zone Investors

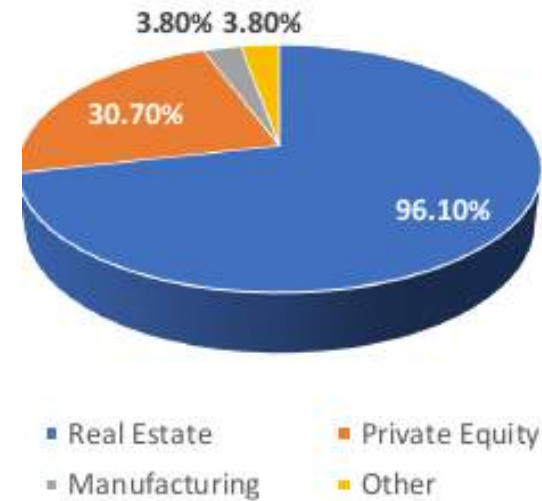
2021

How Would You Rate by Importance for An Opportunity Zone Investment
1= most important 5= least important



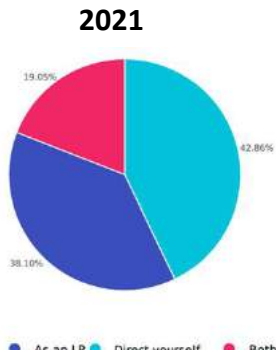
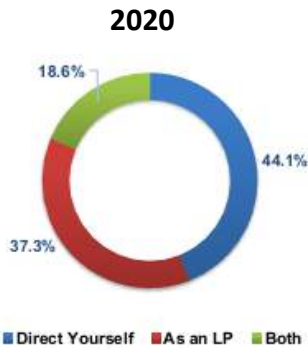
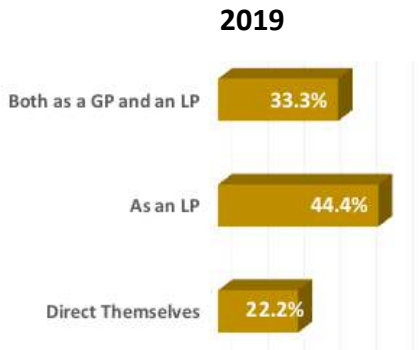
2019

Where Family Offices Planned to invest into when Opportunity Zones Started



Source: 2019,2021 Family Office Real Estate Magazine Study

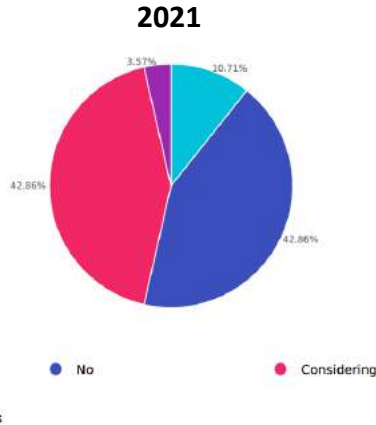
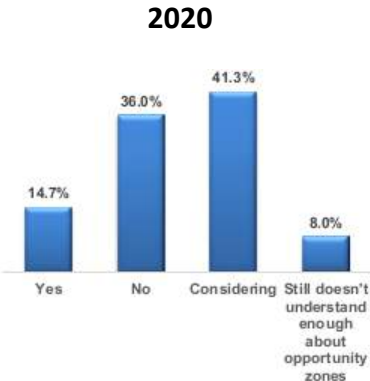
How Family Offices Invest into Opportunity Zones



As an LP			Direct Themselves			Both as the GP and an LP		
<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
44.4%	37.3%	38.1%	22.2%	44.1%	42.8%	33.3%	18.6%	19.05%

Source: 2019,2020,2021 Family Office Real Estate Magazine Study

What Percentage of Family Offices Plan to Invest into Opportunity Zones

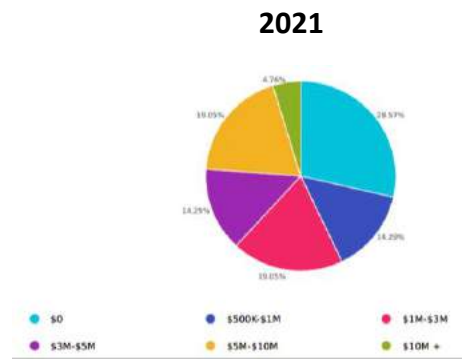
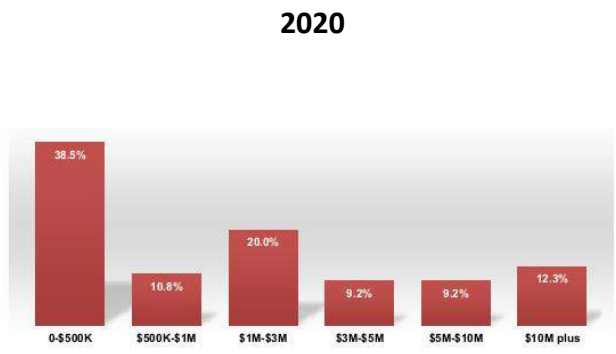
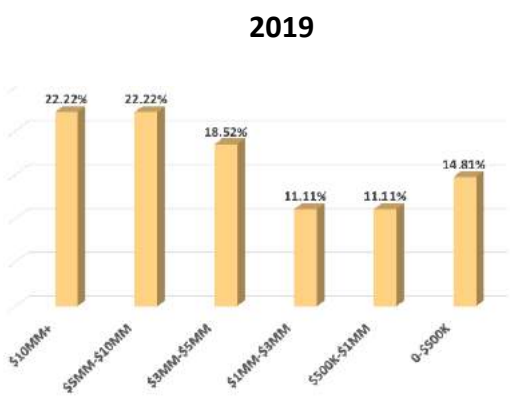


Percentage of Families Who Plan on Investing into Opportunity Zones	
2020	14.70%
2021	10.71%

	Yes	No	Considering	Still Don't know enough about it
2020	14.70%	36.00%	41.30%	8.00%
2021	10.71%	42.86%	42.86%	3.57%

Source: 2020,2021 Family Office Real Estate Magazine Study

How Much Family Offices Plan to Invest into Opportunity Zones



	0-\$500K	\$500-\$1M	\$1M-\$3M	\$3M-\$5M	\$5M-\$10M	\$10M +
2019	14.81%	11.11%	11.11%	18.52%	22.22%	22.22%
2020	38.50%	10.80%	20.00%	9.20%	9.20%	12.30%
2021	28.57%	14.29%	19.05%	14.29%	19.05%	4.76%

Percentage of Allocation of a Family Offices Real Estate Portfolio to Opportunity Zones								
	0%	0-5%	5-10%	10-15%	15-20%	20-50%	50-75%	75-100%
2021	66.67%	12.12%	12.12%	3.03%	3.03%	3.03%	0%	0%

Source: 2019,2020,2021 Family Office Real Estate Magazine Study

Investment This Year due to Covid

Potential for increased investment from Family Offices Based upon

1. Sale of Equities when Covid Started
 2. Potential Change in Tax Laws under New Administration
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OPPORTUNITY ZONE INVESTING

OZ investing: A Family Office Investment Perspective

An OZ investment adds powerful wealth building and preservation, tax saving potential and may meet social impact objectives

Pinnacle Partners has been actively identifying and participating in qualifying real estate projects in attractive urban designated Opportunity Zones



OZ Case Studies- Four Investment Objectives

1. Impact Investing
2. Low risk Immediate Cash Flow
3. Combining Incentives - Historical Tax Credits + Opportunity Zone Tax Benefits
4. Unlevered Adaptive Re-use With Significant Return On Capital Provision

OZ Case Studies

IMPACT/ ESG INVESTING

Workforce Housing multifamily ground-up developments

Attract private capital in lieu of public subsidy
Sustainable materials for low carbon emission

Market rate return with
OZ benefits

SEDU Studios
SUSTAINABLE MATERIALS

ASSET TYPE
Multifamily

NO PARKING
Below market rent

PRE TCO OZ

Student housing development in QOZ but not structured as OZ. Developer willing to sell.

TARGET NET IRR
7% Cash on cash

INVESTMENT OBJECTIVE
Cash flow

ASSET TYPE
Student Housing

REDUCED RISK PROFILE
PRE-LEASED

OZ Case Studies

OZ + HTC TAX BENEFITS

Adaptive re-use of existing historic asset.
Conversion from vacant office to multi-family

HISTORIC TAX CREDITS
OFF-SET PASSIVE INCOME

COMBINED TAX BENEFITS
INCREASE IRR

ASSET TYPE
Multifamily

RISK PROFILE
Re-development

ULEVERED OZ LAST MILE INDUSTRIAL

NO DEBT COVID RISK
REDUCTION STRATEGY

INVESTMENT OBJECTIVE
Growth

SIGNIFICANT RETURN ON
CAPITAL DEBT OBTAINED

RISK PROFILE
RE-Development

THANK YOU



pinnacleoz.com