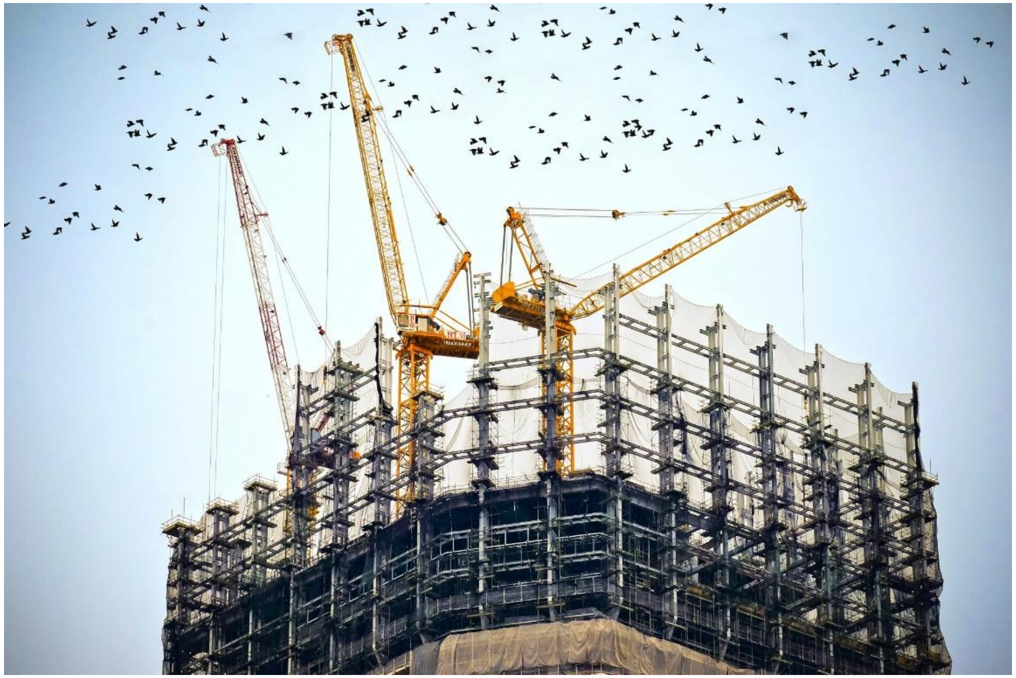
# *Developing Opportunities*

## How You Can Take Advantage of the New Opportunity Zones





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# *Agenda*

- Background
- Tax Benefits
- Examples
- Eligibility
- Qualified Opportunity Zone Business Property Requirements
- Indirect Investment by QOF
- Comparison between Direct Ownership v. Indirect Ownership of QOZB
- Pre-Existing Entities
- Deferral Election

# *Agenda (Contd.)*

- Comparison or Interplay With Other Tax Benefit Sections
- Selected Open Issues
- Challenges
- Take-Aways
- How Verrill Dana LLP Can Help
- Resources

# *Background*

# *Background*

- Investment in a “Qualified Opportunity Zone” or “QOZ” can be beneficial to the investor, the investment vehicle (the fund), and the surrounding community.
- A QOZ is an area that is designated by the U.S.Treasury from state –based recommendations (typically areas that are underdeveloped or low-income communities) based on census tracts.
- Over 8,700 certified QOZs in all 50 states, the District of Columbia, Puerto Rico, and the Virgin Islands.
- Intended to stimulate and revitalize low income areas by developing property, expanding businesses, and creating jobs.

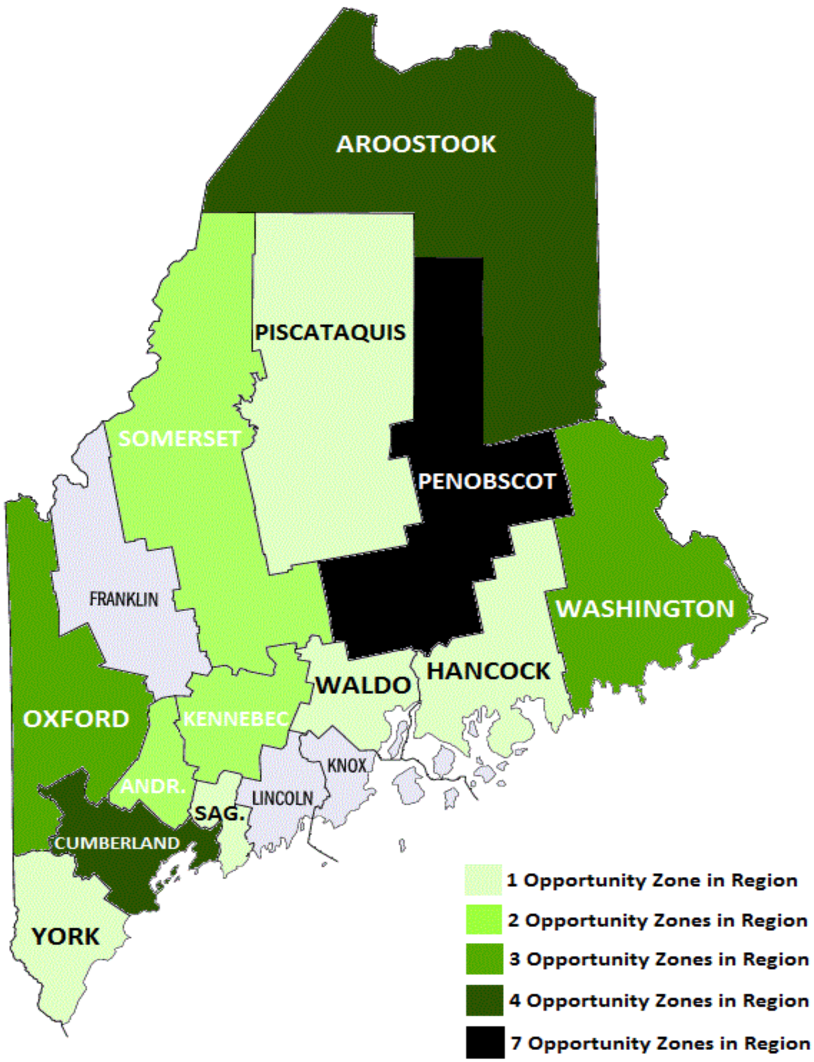
# *Who may benefit from investment in QOZs?*

- Owners
- Investors
- Developers
- Brokers
- Family Office
- Venture Capital Funds
- Operating Business Private Equity

# *Opportunity Zones by the Numbers*

- $1.6 trillion available for investment
- 8,762 designated QOZs in all 50 states, the District of Columbia, Puerto Rico and the Virgin Islands
- 1,858 rural census tracts designated
- 90% of Qualified Opportunity Fund assets must be held in “qualified opportunity zone property”
- Up to 15% of deferred capital gains forgiven after 7 years
- 30 months after investment to substantially improve the QOF or QOZB
- At least 50% “active” gross income
- 100% of appreciation forgiven if investment held for 10 years or more

# *Opportunity Zone Map for Maine*



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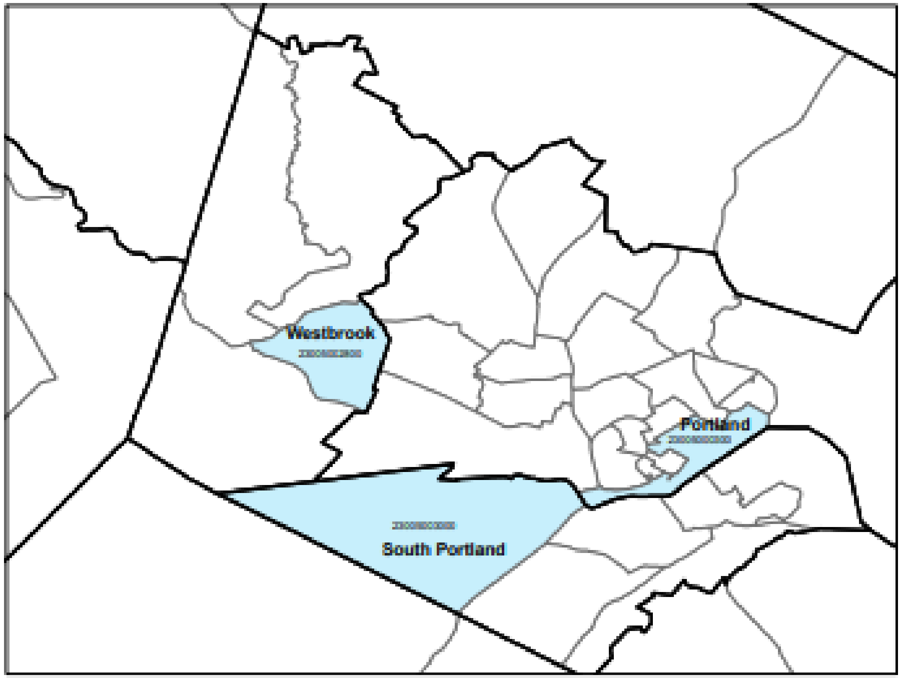
# *Opportunity Zone Map for Portland, Maine*




Portland Area



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# *Tax Benefits*

# *Tax Benefits/Timing of Gain*

- (1) Temporary Deferral - Defer capital gain equal to amount invested in a QOF. Gain not recognized until the earlier of: when the investment is sold or exchanged or by Dec. 31, 2026.
- (2) Permanent Exclusion of Portion of Original Gain:
  - Basis increase of 10% if held 5 years.
  - Additional 5% basis increase if held 7 years (total of 15% basis increase).
- (3) Permanent Exclusion of Post-Acquisition Appreciation:
  - If QOF investment held at least 10 years, no additional gain besides the 85% of deferred gain recognized in 2026.

# *Tax Benefits/Timing of Gain (Contd.)*

- On December 31, 2026, deferred gain held in QOF must be recognized.
- Recognize the lesser of: (a) the FMV of the investment over basis, or (b) the deferred gain over basis.
- Can not defer capital gain into QOF after December 31, 2026.

# *Examples*

# *Example 1*

- March 1, 2016: Purchased stock for $2M.
- January 3, 2019: Sold stock for $3M.
- Capital Gain of $1M.
- February 1, 2019: Invest the $1M of Capital Gain in a QOF and elect to defer the gain.
- Initial Basis Investment in QOF is $0.

# Example 1 – Tax Details

| February 1, 2019 | February 1, 2024 | February 1, 2026 | December 31, 2026 | December 31, 2026 | March 1, 2030 |
|---|---|---|---|---|---|
| Defer $200,000 tax on gain (20% tax rate on $1M gain).<br>Initial Basis is Zero. | $20,000 of capital gain tax is permanently excluded due to basis increase of 10% for holding investment for 5 years (10% of 1M deferred gain).<br>Basis is $100,000. | Additional $10,000 of capital gain tax is permanently excluded due to basis increase of another 5% for holding investment for 5 years (5% of 1M deferred gain).<br>Basis is $150,000. | Assume FMV of investment is $1.8M. Must recognize $850,000 of capital gain ($1M deferred gain - $150,000 basis). Tax is $170,000 (20% tax rate on $850,000 capital gain). | Additional Basis increase in QOF by $850,000 of gain recognition to now have basis in QOF of $1,000,000. | Sell QOF Investment for its FMV of $1.9M. Because investment held for at least 10 years, can elect to have basis equal FMV of $1.9M and thus, recognize no gain on the sale. |

# *Example 2*

- Same as Example 1 but in addition to investing $200,000 of capital gain from the sale, also invest another $600,000.
- Only the $200,000 of capital gain is eligible for tax benefits in QOF.
- Treated as having two separate investments in the QOF:
  - (1) $200,000 investment with zero basis (which is eligible for the basis step-ups at five and seven years and the post-acquisition gain exclusion at 10 years) and
  - (2) a $600,000 investment with a cost basis of $600,000 (which is not eligible for any special tax benefits).

# *Eligibility*

# *Eligible Gain*

- Only capital gains (either short term or long term) from both actual and deemed sales or exchanges.
- Tax attributes of capital gain are preserved (i.e. short-term versus long-term) and applies when the taxpayer reports the gain.
- Section 1231 gain (from the sale of real estate used in a trade or business).
- Unrecaptured Section 1250 gain ("capital gain" taxed at a higher rate).
- Depreciation recapture is not eligible for deferral.

# *Eligible Gain*

- Capital gain from a sale or exchange with a related person is **<u>NOT</u>** eligible for deferral.
- Use of leveraged gain from sale of a partnership interest may not be eligible for gain deferral.
  - If a partnership interest is sold or exchanged, the reduction in the transferor partner's share of partnership liabilities is treated as an amount realized.
- Investment of capital gain must be made within 180 days of the realization event (i.e. sale) into a QOF.
- Only the invested gain is eligible for the special tax benefits.
- A taxpayer is free to invest more than the gain realized (e.g., the entire amount realized), but the tax benefits are available only with respect to an investment made with deferred gain.

# *Eligible Taxpayers*

- Individuals, C corporations (including a regulated investment company ("RIC") or real estate investment trust ("REIT")), partnerships, S corporations, and trusts or estates are all eligible taxpayers.
- Partnerships and other pass-through entities are eligible to defer gains by investing in a QOZ directly.
- Partnerships can elect to pass-thru gains to individual partners, who may elect to defer their allocable shares.

# *Non-US Investors as Eligible Taxpayers*

- Foreign investors are eligible to contribute capital gain to invest in a QOF.
- Under U.S. tax law, non-U.S. investors are generally not subject to U.S. tax on the sale of appreciated capital assets so long as such asset is <u>not</u> treated as a U.S. real property interest ("USRPI").
- If non-US person sells USRPI, then the consideration may be subject to FIRPTA withholding at 15%.
  - Possibly apply to the IRS and request a withholding certificate to eliminate the FIRPTA withholding if investing capital gain from sale of USRPI into a QOF within the required 180-day window.
- Basis step-up may eliminate FIRTPA tax on future real property gain.

# *Eligible Investment Vehicle*

- A QOF must be a U.S. partnership or a U.S. corporation.
- No discussion about eligibility for S corporations.
- QOF self certifies to the IRS on Form 8996 (currently still in draft form) and attaches this form to its federal tax return for all relevant tax years.
- QOF can specify the first month in the initial taxable year in which it wants to be a QOF, which does not have to be the date the fund was created.
- Does not have to be a “traditional” fund.
  - In part, a “traditional fund” can create a number of timing issues.

# *Eligible Investment Vehicle*

- Example:
  - Developer of grocery-anchored retail center in Saco, Maine within QOZ seeks investors
  - In April 2019, McGillicuddy's Family Office agrees to create joint venture partnership formed in Maine as QOF and invest $2,000,000 of deferred capital gains in the QOF
  - Partnership makes election for QOF on Form 8996 with tax return filed in October 2020 (on extension)

# *Eligible Investments in a QOF*

- Must be “equity” for income tax purposes.
- Debt does not qualify.
- Preferred equity is allowed.
- Partnership interests entitled to special allocations or liquidation preferences, are also allowed.

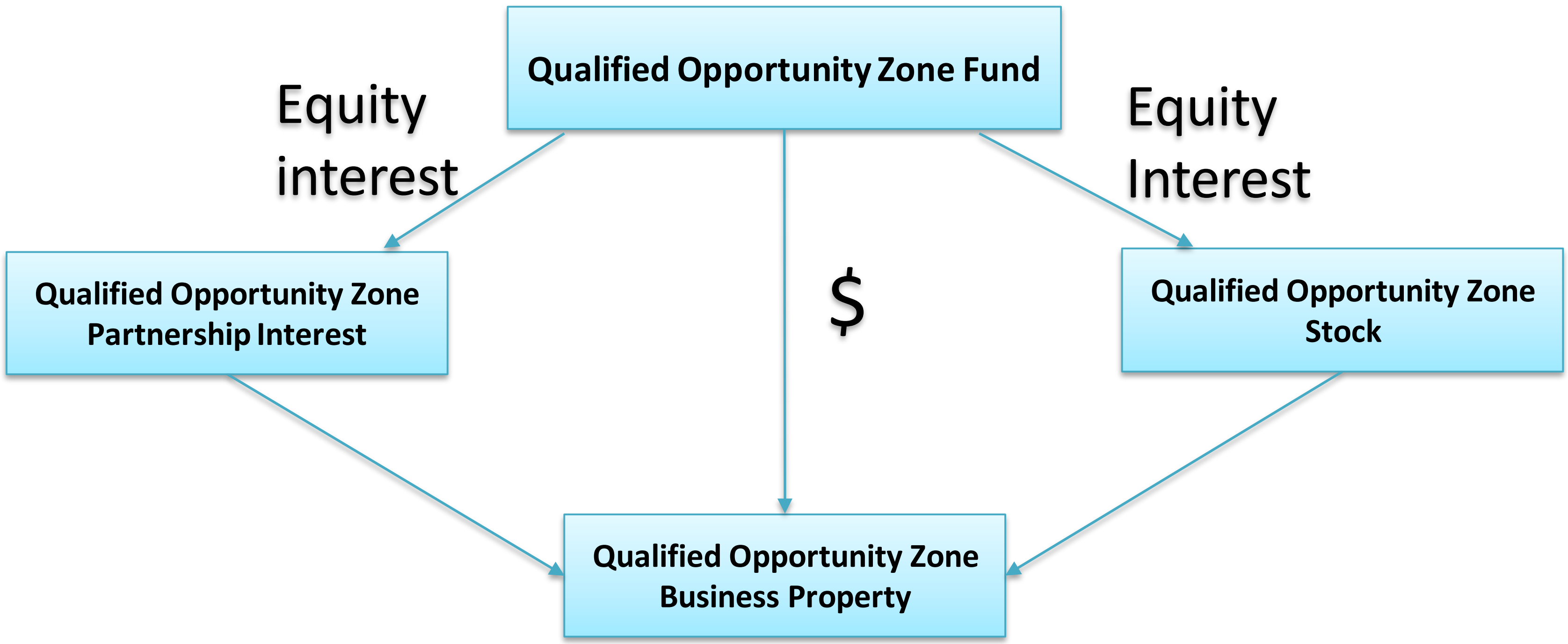
# *Eligibility Requirements for QOF*

- A QOF must hold 90% of its assets (as measured within the six-month and year-end testing dates) in “qualified opportunity zone property” (“QOZP”) which is one of following three items:
  1. Qualified Opportunity Zone Business Property (“QOZBP”);
  2. Qualified Opportunity Zone Stock of a Corporation; or
  3. Qualified Opportunity Zone Partnership Interest.
- This means that no more than 10% of a QOF’s assets can consist of cash and intangible assets as of its six-month and year-end testing dates.
- The QOF needs to invest rolled gain generally within 180 days.
  – QOF needs to have investments lined up prior to taking investment funds.

# *Eligibility Requirements for QOF*

- A QOF can either own QOZP directly or through an equity investment in a corporation or partnership that conducts a “qualified opportunity business.”
- A QOF cannot invest in another QOF.
- Compliance with the 90% asset test is determined by the average of the percentage of the qualified opportunity zone property held in the QOF using testing two periods:
  - Last day of the first 6-month period of the taxable year of the QOF and on the last day of the taxable year of the QOF.

# *Structure*


Qualified Opportunity Zone Fund
Equity interest
Equity Interest
$
Qualified Opportunity Zone Partnership Interest
Qualified Opportunity Zone Stock
Qualified Opportunity Zone Business Property

# *Qualified Opportunity Zone Business Property Requirements*

# *Tangible Property*

- Tangible property used in business (equipment, real estate, building) that is:
  - Acquired after December 31, 2017 from an unrelated party (using a 20% related party test instead of 50%);
  - Original use of the property begins with the QOF or qualified opportunity zone business (“QOZB”); or alternatively, if not original use does not commence with QOF or QOZB then the QOF or QZOB “substantially improves” the property; and
  - During substantially all of the holding period for the property, substantially all of the use of that property is conducted in the designated zone.

# *Substantial Improvement Requirements*

- Applies to tangible property, other than land, that was used in a QOZ prior to its acquisition by the QOF (or the qualified opportunity business).
- “Substantial improvement”: the QOF or QOZB must substantially improve the property during any 30-month period after acquisition, by making additions to basis in an amount that exceeds the adjusted basis of such property at the beginning of such period.
- Example:
  - Property acquired within a QOZ for $10 million would need to be improved by an amount in excess of $10 million within a 30-month period to be considered substantially improved.

# *Substantial Improvement Requirements continued*

- Example of Rehabilitation (exclusion of land value)
  - In January 2019, QOF buys industrial property located in QOZ in Portland, Maine
  - Purchase price is $1,000,000 of which $450,000 is land and $550,000 is building
  - Within 26 months, QOF invests $600,000 to rehab building
  - Qualifies as QOZP since land is not included; QOF does not have to substantially improve land
    - Rev. Ruling 2018-29

# *Indirect Investment by QOF*

# *QOF's Equity Interest in Subsidiary*

- Qualified opportunity zone stock is:
  - Stock in a US corporation acquired by a QOF after December 31, 2017, at its original issue solely in exchange for cash;
  - As of the date of issue, the corporation is a QOZB (or, if the entity is a new corporation, is being organized for the purpose of being a QOZB); and
  - During <u>substantially all (70%)</u> of the QOF's holding period for the stock, the corporation is a QOZB.

# *QOF's Equity Interest in Partnership*

- Qualified opportunity zone partnership interest is:
  - Any capital or profits interest in a domestic partnership acquired by a QOF after December 31, 2017, from the partnership solely in exchange for cash;
  - At the time the interest is acquired, the partnership is a QOZB (or, if the entity is a new entity, is being organized for purposes of being a QOZB); and
  - During <u>substantially all (70%)</u> of the QOF's holding period of the partnership interest, the partnership is a QOZB.

# QOZB Requirements

- Substantially all of its tangible property (whether owned or leased) is QOZBP;
- Needs 50% “active” gross income;
- Uses a substantial portion of the intangible assets in the “active” business
  - IRS has not defined active business; hopefully, IRS guidance will provide clarity;
- No more than 5% of the average unadjusted basis of its assets may consist of “non-qualified financial property”; and
- Does not operate as a golf course, country club, massage parlor, hot tub facility, suntan facility, racetrack or other gambling facility, or any store the principal business of which is the sale of alcoholic beverages for consumption off-premises (“sin businesses”).

# *Nonqualified Financial Property*

- Cash and cash reserves do not count as nonqualified financial property but rather as working capital so long as:
  - The cash will be used for investing in QOZBs that acquire, construct, or rehabilitate tangible business property (real property and other tangible property) used in a business operating in an opportunity zone.
  - Can qualify as working capital for a period of up to 31 months, if there is a written plan that identifies the financial property as property held for the acquisition, construction, or substantial improvement of tangible property in the opportunity zone, there is written schedule consistent with the ordinary business operations of the business that the property will be used within 31-months, and the business substantially complies with the schedule.

# *Comparison of Direct Ownership v. Indirect Ownership of a QOZB*

# *Comparison of Direct QOF Ownership v. Indirect Ownership of a QOZB*

| QOF Directly Own QOZBP and operates business | QOF owns equity interest in corporation or partnership that operates a QZOB |
|---|---|
| 90/10 asset test (90% of assets must be QOZBP) | 70/30 test (subst. all assets held in QOZBP) |
| No working capital safe harbor so that cash counts under the 10% test | Working capital safe harbor for cash and cash reserves (only applies to QOZB by a subsidiary/partnership of QOF) |
| No active conduct requirement for gross income | 50% gross income from active conduct of trade or business |
| No exclusion from types of business operations (sin businesses) –note seems to be drafting error in the legislation. Odd result given history. | No sin businesses allowed |



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# *Pre-Existing Entities*

# *Eligibility for Pre-Existing Entities*

- A pre-existing entity can elect to be a QOF;
- Need to identify the taxable year in which the entity becomes a QOF; and
- Choose the first month within that year to be treated as a QOF.
- Only assets acquired by a pre-existing entity <u>AFTER</u> 2017 count towards the requirement that 90% of QOF's assets constitute eligible property or investments.

# *Deferral Election*

# *Deferral Election*

- Deferral election is made on Form 8949.
- Attach to the taxpayer's federal income tax return for the taxable year in which the taxpayer would have recognized the gain if the taxpayer had not elected deferral.
- Can make multiple elections with respect to various portions of gain from a sale or exchange so long as made within 180 day window.
- Example:
  - Realize $6 million capital gain from the sale of an asset on March 1.
  - Can elect to defer $2 million on May 1 through investment in a QOF and then can also elect to defer $4 million on June 6 through investment into a different QOF.

# *Special Pass Through Rules*

- If a pass through entity (partnership, trust, estate) is making the election to defer, the 180-day period for the pass through entity begins on the date that the pass through entity sells or exchanges the asset and realizes the gain.
- If a partner elects to defer the gain, the default rule is that the partner's 180-day period does not begin until the last day of the partnership taxable year in which the realization event occurred — which is the date on which the partner recognizes its allocable share of the gain absent an election to defer.

# *Special Pass Through Rules*

- Alternatively, the partner may elect to treat the partner's own 180-day period as being the same as the partnership's 180-day period.
- Example:
  - A calendar year partnership sells an asset on January 7, 2019, and does not elect to defer the gain, a partner may elect to defer its allocable share of the gain by investing it any time between that date and July 6, 2019 (within the 180 day window), or any time between December 31, 2019 and June 28, 2020 (within the 180 day window).

# *Comparison or Interplay With Other Tax Section Benefits*

# Comparison Like Kind Exchange v. Opportunity Zone

| Like Kind Exchange | Opportunity Zone |
|---|---|
| Must reinvest ALL gains to defer tax. | Do not have to reinvest all capital gains. |
| Limited to real estate sales and investments. | Not limited to real estate sales.<br>Must be capital gains. |
| No capital gain forgiveness but gain can be deferred indefinitely if continue to roll over or step-up at death. Investment does not need to be held long-term as long as can find suitable replacement investments. | Temporary and permanent capital gain forgiveness on portion of deferral but mandatory recognition event in 2026.<br>Non-recognition of future appreciation if investment held for 10 years or more.<br>Must be long-term investor. |

# *Combining Tax Incentives – Qualified Small Business Stock*

- If QOF is organized as a corporation, it may be possible to reap “qualified small business stock” tax benefits.
- Tax benefit includes potential 100% gain exclusion on the sale of the stock subject to a cap limited to the greater of: (a) $10 million, or (b) 10 times the taxpayer's adjusted tax basis in the stock.
- Must hold stock for more than five years.

# *Qualified Small Business Stock Qualifications*

- The company needs to be a domestic C corporation.
- The taxpayer recognizing the gain must not be a corporation and must have acquired the stock at original issue from a U.S. domestic C corporation.
- The aggregate gross assets of the corporation that issued the stock cannot have exceeded $50 million at any time before (and including the time immediately after) the issuance of the stock to the taxpayer.
- At least 80 percent of the issuing corporation's assets must be used by the corporation in the active conduct of one or more qualified trades or businesses.

# Active Trade or Business

- Any trade or business except for ones involving the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, consulting, athletics, financial services, and brokerage services.  Also specifically excluded is any trade or business for which the principal asset is the reputation or skill of any of its employees.

# *Potential to Combine with Other Programs*

- New Markets Tax Credit
  - 7-year NMTC investment term is compatible with the QOZ 7-year period for 15% basis increase
  - If the NMTC investor is also the investor seeking to defer gain through the QOZP, the total investment must be treated as equity
  - QOZ requirement that the investment be equity rather than loans is not compatible with the typical NMTC structure
  - NMTC zones and QOZ are not identical
  - Investors may not be interested in equity investments
  - Deferral election may be limited as NMTC investors will need basis to take required NMTC basis deduction

# *Potential to Combine with Other Programs*

- Historic Tax Credits
  - Any qualified historic property in a QOZ could qualify for QOZ benefits and historic credits
  - 5-year HTC holding period is shorter than 10-year QOZ holding period
  - For pass-through structures- the master tenant needs to be the QOF to avoid non-qualified financial property issues in landlord

# *Low Income Housing Tax Credits*

- 15 year compliance period is compatible with the 10-year QOZ period
- Investors will have to plan for tax payment on December 31, 2026
- Lack of appreciation in LIHTC projects may be a deterrent
- Substantial rehab rules and timing of substantial rehab differ

# *Selected Open Issues*

# Selected Open Issues

- Does a taxpayer have to invest directly into a QOF or can an investment be indirect through another entity?
- Is there any start-up grace period within which a QOF does not have to meet the 90/10 test if it directly owns QOZBP and operates that business?
  - If a QOF invests its cash in operating subsidiaries, this issue is alleviated as long as the subsidiary meets the working capital safe harbor.
- What are the tax consequences with respect to gains that a QOF re-invests? Are the gains deferred?
  - This is a significant issue because it will be very common for a QOF to sell assets and/or interests in subsidiary operating entities and the tax consequences of these sales are still unknown.

# *Challenges*

- Timing
  - To maximize deferral and forgiveness of capital gains invest by December 31, 2019
  - Reasonable period to invest funds
  - Coordinate recognition of capital gains with identifying QOZ Property which is sufficiently advanced in development activities and ready to close to meet 180-day requirement and 30-month substantial improvement requirement
- Regulatory guidance
  - Lack of oversight
  - No current reporting requirements
- Keeping 90% of assets of QOZBP in QOZ
- State tax treatment
  - QOZ benefits increase if state conforms to federal law (ME conforms; MA does not)
  - Several states could be involved in determining tax liability based on where gain occurred and where the QOZ fund is
- Political changes affecting future support of the program
- Concern about gentrification in QOZ with local regulation imposing additional structure and development requirements including zoning, tax policies and permit controls
- Enhancements—other tax credits and programs which may or may not continue during 10-year long term hold

# *Comments to IRS on Proposed Regs at February 14, 2019 Hearing*

- **Requirements for Qualified Opportunity Zone businesses**: The proposed rules outline that a QOZ business must be at least 70% within a QOZ to qualify, but it also states that at least 50% of gross income receipts must be from business within a QOZ. Concerns were raised about businesses that conduct e-commerce or manufacturing, which may struggle to meet that standard.
- **Flexibility for Opportunity Funds to reinvest interim gains without penalty**: Several groups raised the point that investment funds thrive on flexibility and diversity, and that locking funds into their investments, including any gains they make, for at least 10 years runs counter to that. Instead, it was suggested that the IRS should allow Opportunity Funds to reinvest gains within a reasonable time in other Opportunity Zone Businesses without triggering a taxable event.
- **Data reporting requirements**: Witnesses asked that the IRS provide clear data-reporting requirements for Opportunity Funds and QOZ businesses, to serve several purposes: provide a transparent mechanism for tracking the program's effectiveness; help funds and investors make well-informed decisions; and prevent fraud and abuse.
- **Protections and incentives for affordable housing**: Most of the census tracts the states nominated to be QOZs go beyond the statutory requirements for income levels, and actually qualify as "severely distressed" communities. As such, several groups urged the IRS to consider protections for current residents and existing businesses in QOZs, including protections for existing affordable housing and incentives to develop more.
- **Interactions with other tax incentives**: The IRS was asked to clarify exactly how the QOZ program and its tax benefits will work with other existing tax benefits meant to encourage development, such as the New Market Tax Credit and the Low Income Housing Tax Credit.
- **"Substantial improvement" definition**: In the proposed rules, the IRS states that a property is substantially improved if investments into it are worth at least the cost of the property, not including the basis of the land it is on. Witnesses asked if this could be aggregated between multiple properties in a QOZ invested in by a single Opportunity Fund, and also requested that more flexibility be built into the program for the time-period in which a property can be "substantially improved" (the proposed rules allow 30 months).

As reported by the National Association of Realtors

https://www.nar.realtor/washington-report/irs-holds-opportunity-zone-hearing

# *Take-Aways*

# *Take-Aways*

- QOF needs to have investments already lined up.
- Need Long Term investment to maximize tax benefits.
  - QOF Investments Must Be Made By December 31, 2019.
- Gain reinvested into a QOF is eligible for a 10% basis step-up after five years, and an additional 5% basis step-up after seven years (total).
- Latest date at which gain reinvested into a QOF must be recognized is December 31, 2026.
- No new gain deferrals after December 31, 2026.

# *How Verrill Dana LLP Can Help*

# *How Verrill Dana LLP Can Help*

- Discuss your specific situation.
- Form QOF as a corporation or a partnership for purposes of investing in QOZ.
- Draft relevant offering materials.
- Advise on other local incentives in Opportunity Zone.
- Assist in negotiating property, stock and/or partnership interest acquisitions.
- Continue to advise on ongoing compliance issues.

# *Questions*

# *Opportunity Zone Resources*

- Resources:
  - https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions
  - Maine Department of Economic and Community Development: https://www.maine.gov/decd/news/news.shtml?id=797903
  - https://www.cdfifund.gov/Pages/Opportunity-Zones.aspx

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# *Scenarios*

# *Scenario 1*

George and his sister Charlotte run the family business in Brunswick Maine and just read in the Herald that construction costs in Maine are becoming prohibitive. Their planned expansion will cost more than they thought and the bank won't give them a loan. They think if someone wants to help them with funding improvements to their business it could be a game changer. They just found out that their business is in an opportunity zone and this may give them an advantage to getting investors. They feel if they could put an addition on the building and add some inventory and equipment their business could more than double and be profitable. What should they include in a pitch to prospective investors that would use the tax benefits of an opportunity zone to attract investors? Where can they find investors or a fund manager who might be interested?

# *Scenario 2*

Turns out George and Charlotte's business hit some rough patches after all these improvements. What happens to the tax benefits if the QOZ business goes into bankruptcy before the holding periods have been met? Any recovery for the investors or fund? Can investors build into the fund provisions for control of management and risks?

# *Scenario 3*

Louis manages cottages in Lewiston, Maine and thinks if he could do a renovation to make the cottages more attractive he would get more rentals in the summertime.  The Lewiston tax assessor says the cottages are worth $400,000 of which $150,000 is land value and $250,000 is buildings.  How much does the rehab project need to cost to get the tax benefits of an opportunity zone?

# *Scenario 4*

Meghan and her husband Harry own an industrial property in Bath, Maine and have some relatives in England who have been rich forever so must have some unrealized capital gains. They just found out the property next store is available and they could expand their business. They want to form their own opportunity zone fund and get their family to invest in their future with tax benefits all around. What do they do? Any special rules on relatives and foreign investment?

# *Scenario 5*

Eugenie runs Fergy Brokerage in Saco, Maine and sees these opportunity zones as her future. She is going to put together investors with business and real estate development opportunities and get lots of commissions. Will the broker be a key player in opportunity zones? Is the broker commission considered part of the substantial improvement costs? What about other soft costs such as architect's fees and engineering fees?

# *Scenario 6*

Bank of America created and is managing a large qualified opportunity zone fund which invests in medical office and skilled nursing facilities. They have the cash resources to do the deals. Recently two of their development deals did not close. What happens if they can't place the funds in a QOZP within the 180-day period? What happens if they identify a project but the substantial completion doesn't occur to more than 30 months after the investment?

# *Scenario 7*

Margaret and Andrew have property to be developed in Bangor, Maine and plan to put a combined assisted living and skilled nursing facility with medical offices attached. They have the plans, zoning approval and construction budget of $15 million. All they need is money to make it happen. They heard about these opportunity zones—what would they have to do to get investors? How much of their equity would they have to give up to make this work?

Verrill Dana LLP
Attorneys at Law

# *Verrill Dana, LLP*

## *March 5, 2019*

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