

# OPPORTUNITY ZONES MEETUP

## OPTIMAL OZ OPPORTUNITIES



## GUIDE

prepared by  
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<https://www.meetup.com/Opportunity-Zones/>



**The Opportunity Zones Meetup is sponsored by the following organizations**

<p><b>DAKIN CAPITAL LLC</b></p>  <p>Karl Dakin provides services in investor profiling, crowd building and capital campaign planning, staging and management.</p> <p>Karl Dakin, CEO Dakin Capital LLC 7148 S. Andes Circle Centennial, CO 80016 720 296 0372 <a href="mailto:KDakin@DakinCapital.com">KDakin@DakinCapital.com</a> <a href="http://www.DakinCapital.com">http://www.DakinCapital.com</a></p>	<p><b>THANK YOU TO</b></p> <p><b>COLORADO LENDING SOURCE</b></p> <p><b>FOR USE OF FACILITIES IN PRESENTING THE OPPORTUNITY ZONES MEETUP</b></p>  <p>A non-profit, economic development organization</p> <p><a href="https://www.coloradolendingsource.org">https://www.coloradolendingsource.org</a></p>

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## CASE STUDY

This Guidebook is part of a series of publications developed to assist individuals, communities, businesses and property developers and Opportunity Zone investors in understanding how Opportunity Zone investments may benefit by rolling over capital gains into communities to address local challenges.

Programs, guides and video recordings of the Opportunity Zones Meetup group may be found at:

<https://www.meetup.com/Opportunity-Zones/>



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## OPPORTUNITY ZONES

The Tax Cuts and Jobs Act passed in December of 2017 authorized tax incentives for investments into businesses and properties located within designated geographic areas – Opportunity Zones. The incentives are intended to influence investors to provide capital to distressed economic communities to generate jobs and aid the local economies. The IRS is completing the rules and regulations governing Opportunity Zone investments, but the opportunity to invest in and obtain investments within an Opportunity Zone is available now.

An investor who holds capital assets (stocks, real estate and other forms of property) with an appreciated value over the original purchase price may sell those assets and roll over their gains within 180 days into one or more Opportunity Zone Funds. The Funds re-invest the money into Opportunity Zone Businesses and/or Properties. The payment of taxes on the capital gains is deferred until the earliest of 2026 or the date when an investor sells their investment in the Fund. If an investment in a Fund is held for 5 to 7 years, the tax liability is decreased. The greatest benefit is that if the investor leaves their investment in the Fund for 10 years or more, all gains on the Opportunity Zone Fund investment are tax free.

Analysis by different investment advisors project that an investment in an Opportunity Zone Fund will earn 3% more money after taxes than an investment in a standard stock portfolio. Investments in successful businesses and property developments will realize even greater tax savings.

An Opportunity Zone Fund may be structured as a single investor, single purpose fund where an investor places their money to place their money with a specific Opportunity Zone Business or Property. A Fund may also be a multiple investor, single or multiple purpose fund in the form of a private equity or hedge fund. A Fund may participate in a syndicate of Funds on large projects. A Fund may also be collaboration with local, state or federal government agencies or districts as part of a community improvement project.

All existing laws governing the sale and purchase of securities apply to investment in Opportunity Zone Funds with standard restrictions on the participation of non-accredited investors, publication of the offerings and regulatory reporting.

8,700 Opportunity Zones have been certified in each of the fifty States and United States territories. A national map of Opportunity Zones and the history of the legislation may be obtained from the Economic Innovation Group at:

<https://eig.org/opportunityzones>. Additional information with local maps and projects may be obtained from the economic development offices of each state. Local communities have been advised to create a ‘prospectus’ of Opportunity Zone investment opportunities within their local areas.



As proven by the JOBS Act and investment crowdfunding, a business seeking investment through an Opportunity Zone Fund must recognize that the establishment of a new capital source does not automatically result in an investment. An investor will not simply make an investment because of the new tax advantages. To gain the greatest benefits, an investment in an Opportunity Zone Fund is a long term investment that requires ‘patient capital’. Many investor candidates may be unwilling to place their money into a business or property development for this period of time.



The Opportunity Zone Business or Property Developer must be ‘ready to receive capital’ by developing a capital campaign where it clearly communicates its potential to qualified investor candidates that have a high interest in the success of the Business or the Property. This Opportunity Zone Business or Property may be able to obtain money from a large Opportunity Zone Fund or it may be necessary for it to create its own Fund as a pass through vehicle for its own use.

An Opportunity Zone Business or Property must compete for investment money by making itself more attractive than other investment opportunities. In addition to all of the common activities that may make an investment more attractive, some actions that may enhance the appearance of the opportunity and reduce the perception of risk include:

- Investments that include land, buildings, equipment or other capital assets that serve as collateral
- Quantification of social metrics representing ‘impact’ benefits to a community or a cause
- Joining with other Opportunity Zone Businesses or Properties where the investor is investing into a pool of investments
- Participating in an economic development project where part or all of the risk may be shifted to a government agency, foundation or other organization



Interest in Opportunity Zones is growing quickly as investors with capital gains seek to reduce their taxes and businesses, property developers and communities position themselves to raise money from this source. A variety of programs are being launched to help make this type of investment happen.

## CASE STUDY: AVELON AND THE GRAVITAS FUND

Every Opportunity Zone project has to compete for investment dollars with every other Opportunity Zone project. Right now, there are few projects, but that number is expected to grow rapidly exponentially. With over 8,700 Opportunity Zones nationwide and in the territories, a project may need to compete with tens of thousands of projects.

To raise funding, a project may need to strive for ‘optimal’ status – being the best that they can be so as to attract funding quickly.

So, an optimal Opportunity Zone opportunity would create the greatest return on investment (ROI) for investors in the Opportunity Zone Fund with even higher ROI for key participants in the project.

At the same time, an optimal Opportunity Zone opportunity would achieve the greatest good for the distressed economic community in which the project is located.

Quite often, these two outcomes are in conflict with each other, forcing a project manager to either give up ROI or reduce the community impact. However, still wearing my Fantasy Hat, an optimal Opportunity Zone opportunity will both earn the highest ROI and achieve the greatest good through a complementary outcome.

My opinion, with recognition that many may take a different view, is that jobs are the centerpiece to an optimum Opportunity Zone project. I envision one or more businesses that will create a great number of jobs that will continue to grow past the 10 year minimum period of an Opportunity Zone investment. Jobs set the stage for a community to move from the back of the line to the front of the line in quality of life.

A top candidate for a business would be one that provides digital services or products that can be scaled almost infinitely to serve a world market with minimal money. As was demonstrated by the frenzied bidding for the Amazon second headquarters, a business of this nature is a game changer.

Instead of handing a prize business a piece of property wrapped in a bow with available housing, transportation, educational institutions and a well trained workforce, an optimal Opportunity Zone opportunity will build this infrastructure and upgrade the existing community without displacing it. This community of the future for the future will incorporate the concepts of live/work/play design, of ‘Smart Cities’ and other innovations. It will displace old systems of capital, training, home ownership, environmental infrastructure and others new systems that hopefully will have great longevity.

## Notes

## AVELON

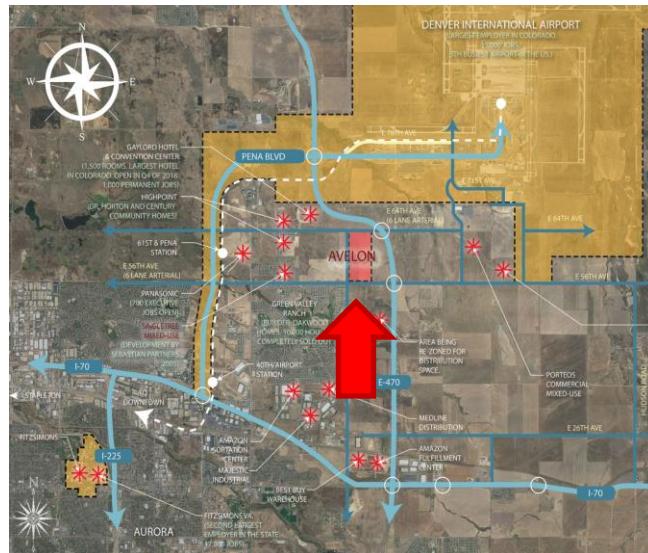
Sebastian Partners is developing land near Denver International Airport in a master planned community – Avelon. Sebastian Partners is raising Opportunity Zone investments for this project through the Opportunity Zone Fund – The Gravitas Fund.

Avelon has acquired the land and will use funding to engage in ‘horizontal development’ where it completes engineering and builds out infrastructure so that sites are ready for construction of commercial and residential buildings.

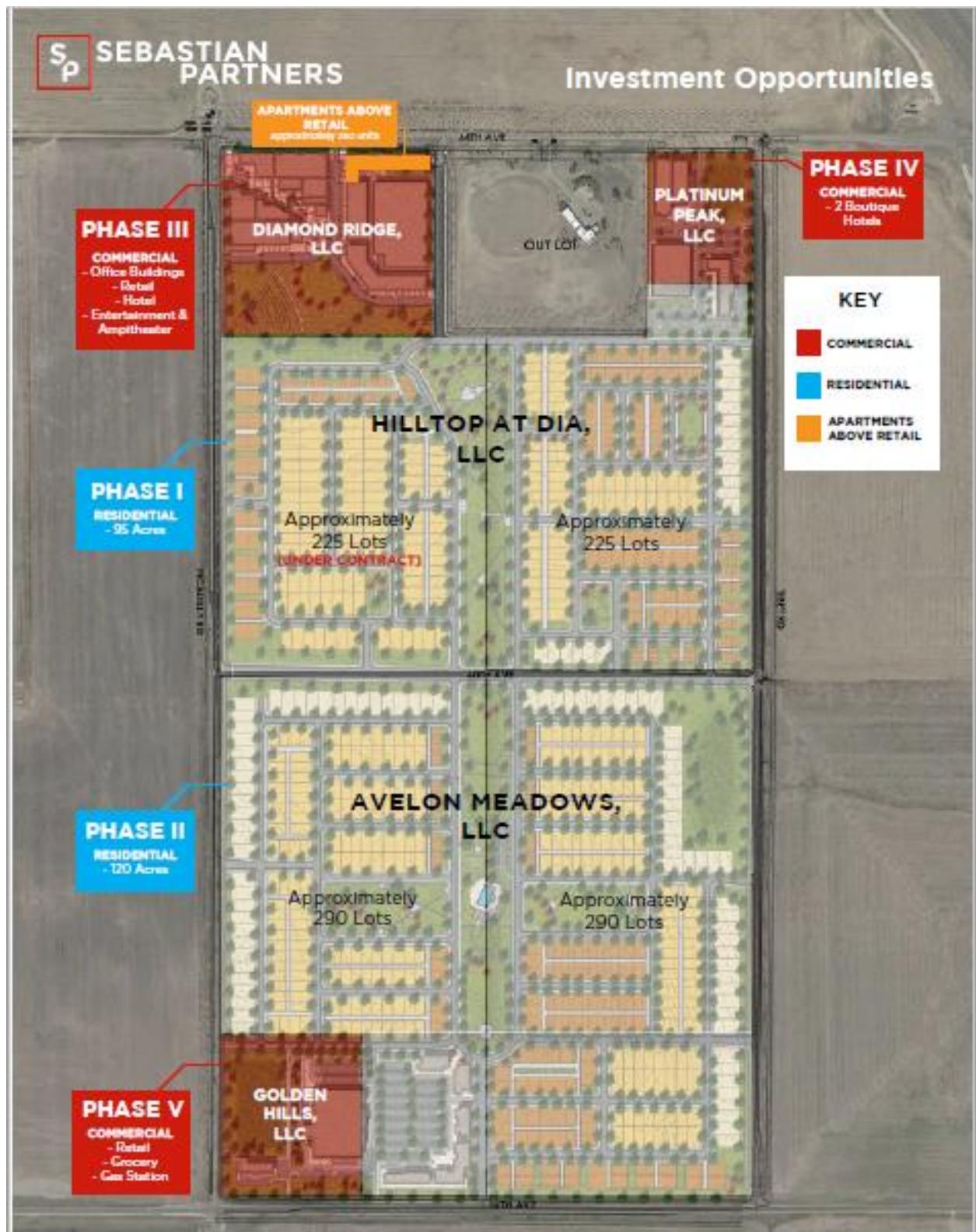
- 287-acre master planned community in Aurora, CO
- 1000+- residential homes
- 40 acres of commercial & potential for multi-family
- Office, Retail, Entertainment district & Hotels
- In a Qualified Opportunity Zone



- **8.5 mi east of Denver, Colorado and 10 mi southwest of DIA.**
- **Located between 56th and 64th Avenues, both of which have freeway interchanges, and adjacent to E-470.**
- **The neighboring 1,500-room Gaylord Hotel is an \$854 million project, and consists of 9 conference centers.**



As depicted on the next page, the Avelon project will be developed in several phases. Phases will be completed in response to market demand. As a phase is completed, the next phase will be started. There are multiple opportunities to team with Sebastian Partners on different components of the project.



## Notes

## THE GRAVITAS FUND

The Gravitas Fund is actually a series of dedicated Opportunity Zone Funds managed by Sebastian Partners. Funds are matched to different phases of the Avelon project. Funding will be raised in stages as needed to complete each phase.

In order to attain the maximum tax benefits under the Opportunity Zone legislation, it is necessary to 're-think' classical real estate development models to move away from a build and sell to a build and hold approach.

For more information, contact Michael Graham at the Gravitas Fund.

\*Sebastian Partners and its affiliates do not provide tax, legal or accounting advice. This material has been prepared for informational purposes only, and is not intended to provide, and should not be relied on for, tax, legal or accounting advice. You should consult your own tax, legal and accounting advisors before engaging in any transaction.

Learn more at [gravitas-fund.com](http://gravitas-fund.com)

## Notes

## QUESTIONS AND CHALLENGES

### **When is Opportunity Zone Investment Better Than or the Best Choice of Funding?**

A business or property developer within an Opportunity Zone should not assume that raising funding from Opportunity Zone investors is the best source of money.

The cost and complexity of establishing an Opportunity Zone Fund may make that form of investment more expensive.

Even with the tax incentives, certain Opportunity Zone businesses and property developers may not be able to attract equity investment from an Opportunity Zone Fund.

Any capital strategy will need to compare and contrast the cost of raising money and the price of the money between Opportunity Zone investment and other types of capital.



### **How Can a Capital Stack Help an Opportunity Zone Investment Compete Against Other Projects?**

Combining Opportunity Zone investments with other can create higher yields to Opportunity Zone investments.

Combining Opportunity Zone investments from outside a community with local investments from within the community may help to capture some of the profits from a project and hold them within the community. In addition, local investors may be willing to accept lower yields to gain the non-monetary benefits of more jobs, new housing, upgrade infrastructure and other attributes of more economic activity.

### **What Approaches May be Used to Raise Other Types of Capital?**

All of the common approaches to raising funds including the newer approaches of investment crowdfunding may be applied to create seed funding, raise money into an Opportunity Zone Fund or to create matching funding.

### **How Can a Capital Stack Serve to Maximize Opportunity Zone Tax Incentives?**

It is possible to allocate income between Opportunity Zone investors and other investors in order to focus long term capital gains to the Opportunity Zone investors and ordinary gains to the non-Opportunity Zone investors.

## Notes

## **RESOURCES**

### **State of Colorado**

The State of Colorado has launched a matchmaking tool on the website for the Office of Economic Development and International Trade:

<https://www.colorado-invest.com/>

The State of Colorado also provides information on a variety of resources regarding Opportunity Zones including an interactive map of all Zones within the State.

<https://choosecolorado.com/opportunity-zones/>

### **Economic Innovation Group**

This organization helped engineer the tax legislation authorizing Opportunity Zones. This site has a national interactive map of Opportunity Zones.

<https://eig.org/opportunityzones>

### **Internal Revenue Service**

Frequently Asked Questions - <https://www.irs.gov/newsroom/opportunity-zones-frequently-asked-questions>

Proposed Regulations - <https://www.irs.gov/newsroom/treasury-irs-issue-proposed-regulations-on-new-opportunity-zone-tax-incentive>

### **Opportunity Zones Meetup**

Programs, video recordings and guides on different Opportunity Zone projects and challenges with links to other sources of information.

<https://www.meetup.com/Opportunity-Zones/>

### **Opportunity Zones Meetup YouTube**

Video recordings of each Opportunity Zones Meetup are posted on YouTube on the Karl Dakin channel. In addition, video recordings of the Bridge to Opportunity Conference are also posted on YouTube. Use the key words “Opportunity Zones”.

## AUTHOR

The Opportunity Zones Meetup and this Guide are authored and presented by Karl Dakin.



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Mr. Dakin is a professional entrepreneur with 40 years' experience in innovation commercialization. Mr. Dakin is a:

- Respected educator
- Extraordinary communicator;
- Developer of innovative funding approaches, and
- Small business advocate.

Mr. Dakin is engaged in new product, business and economic development. He splits his time between helping organizations raise funding, leading individual projects and sharing information on entrepreneurship, strategy development and early stage capital formation.

He is the:

- Owner of Dakin Capital LLC where he coaches organizations in designing, developing and conducting capital campaigns;
- CEO of Invest Local Colorado LLC, an investment crowdfunding platform services provider and registered Intermediary in Colorado.

A frequent writer, speaker and instructor on entrepreneurship and raising capital, Mr. Dakin is a member of the Board of Editors for the Journal on Technology Transfer and Entrepreneurship published by Bentham Science Publishers. He leads a Meetup group on Opportunity Zones and is supporting several projects.

Mr. Dakin was named to Who's Who in Impact Investing – Rocky Mountain Region – 2017 by the Denver Business Journal.

He is a licensed attorney in Colorado.

## OPPORTUNITY ZONES MEETUP

This Guide is intended to supplement the Opportunity Zones Meetup events with additional information. I appreciate all feedback on how to make this publication of greater value to the Members of the Opportunity Zones Meetup group.

Sponsorship is sought to cover the cost of presenting, recording, broadcasting and promoting the Opportunity Zones Meetup. A business, government organization, or foundation may sponsor a single event, a group of events or the entire 2019 program. Sponsors will be recognized at the events, in the videos and guides and in other promotional efforts.

With sponsorship, I am interested in expanding the Opportunity Zones Meetups to host events in additional cities across the United States.

Questions concerning this Opportunity Zones Meetup Guide, sponsoring the Opportunity Zones Meetup or hosting Opportunity Zones Meetups in other cities should be directed to:

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