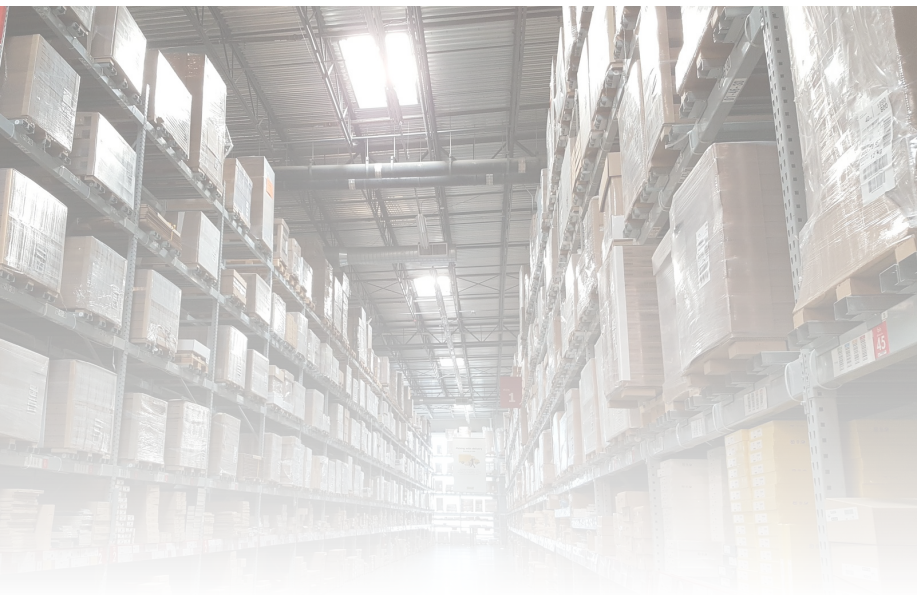
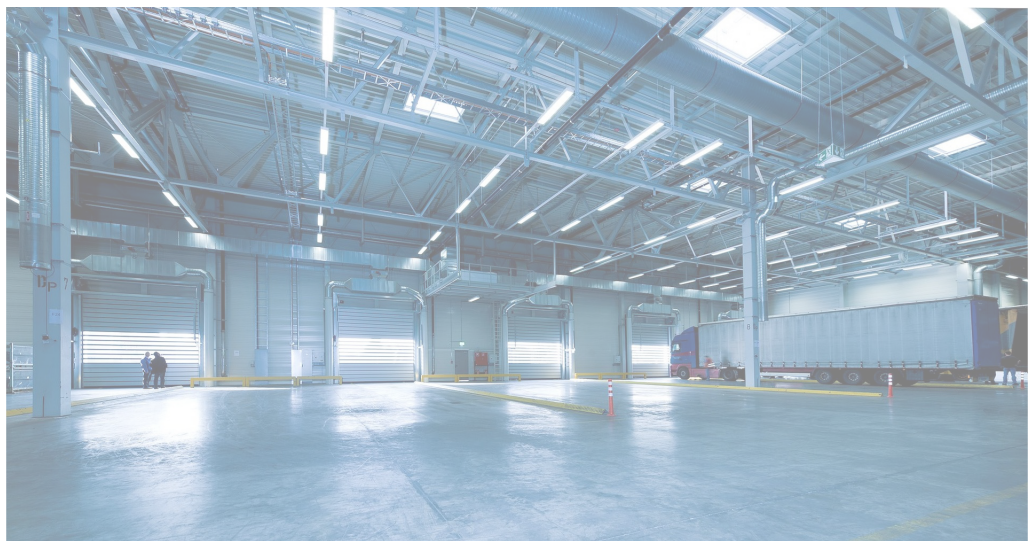


Real Estate Investment and Tax Avoidance Opportunities in South Florida's Opportunity Zones



Contact

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Do you have Capital Gains you would like to reinvest and defer recognizing taxes on those gains?

Introducing Opportunity Zones

What are Opportunity Zones?

The Opportunity Zone program was created as a part of the Tax Cuts and Jobs Act signed by President Trump in late 2017. The purpose of the Opportunity Zone program is to encourage private long-term investment of capital gains funds in these zones by providing a tax incentive in qualified businesses and property in these areas.

Who can benefit from Opportunity Zones?

Real estate developers, REITs, high-net-worth individuals, and wealth management firms are just a few of the potential beneficiaries of the Opportunity Zone program. If you are a REIT or a Developer considering a redevelopment project in a Qualified Opportunity Zone, you should consider these tax incentives when performing a site selection or attracting capital.

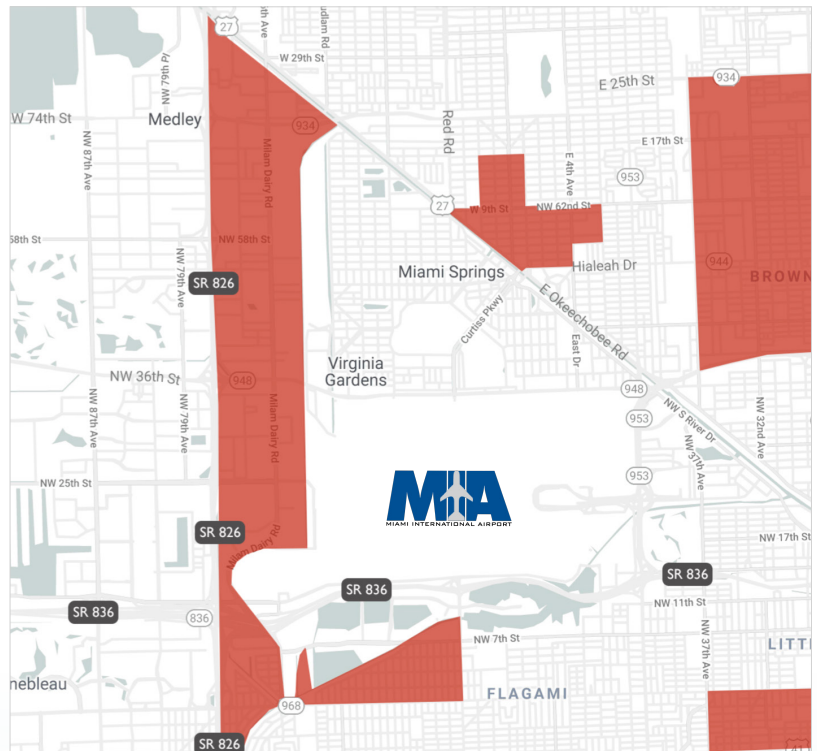
Where are these zones in Miami-Dade County?

Pursuant to the Act, Governor of Florida, Rick Scott, has designated 427 communities across Florida as Low Tax Opportunity Zones.¹ Here you can find a comprehensive [Map of the Zones](#).²

The Airport Palmetto Corridor Opportunity Zone

We have identified one of the largest industrial Opportunity Zones in Florida that we call “The Airport Palmetto Corridor.” The Corridor is one of Miami-Dade’s premiere industrial environments, located closer to MIA’s cargo section than any other submarket. [Read more here](#) about what makes The Airport Palmetto Corridor so attractive to industrial owners and users.

Our team at ComReal has the inside knowledge on the industrial opportunity zones in Miami-Dade County and we have organized a team of advisors ready to assist you in taking advantage of these new tax incentives!



Why an Opportunity Zone investment benefits you?

Investors in Opportunity zones receive a multitude of tax incentives and benefits. First, any capital gain from an unrelated investment and its corresponding tax bill that is deployed into a qualified opportunity zone fund can be deferred until the end of 2026. Secondly, any capital gains taxes from the unrelated investment can be reduced as much as 15% depending on the length of time the investments are held in the zone.³ Lastly, any capital gain on the investment into the opportunity zone can be avoided if the investments are held for at least 10 years.

1. <https://www.flgov.com/2018/04/19/gov-scott-low-tax-opportunity-zones-in-every-county-will-keep-floridas-booming-economy-growing/>

2. <https://deolmsgis.maps.arcgis.com/apps/webappviewer/index.html?id=4e768ad410c84a32ac9aa91035cc2375>

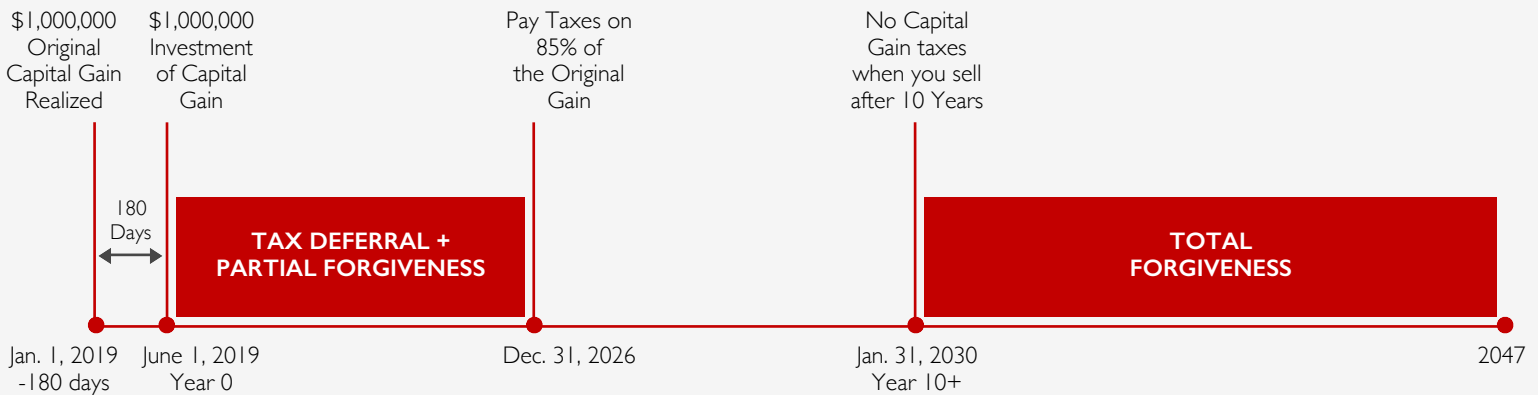
3. <https://www.skadden.com/insights/publications/2018/08/opportunity-zone-funds-offer-new-tax-incentive>

(The amount of the original capital gain ultimately subject to tax is reduced by 10 percent for a taxpayer who holds its opportunity zone investment for at least five years, and by an additional 5 percent (for a total of 15 percent) for a taxpayer who holds its opportunity zone investment for at least seven years.)

Illustrative Example

Facts:

- On January 1, 2019, ABC Investments sells a portfolio of land for a taxable capital gain of \$1,000,000
- On June 1, 2019, less than 180 days later, ABC takes the \$1,000,000 and invests it in an opportunity zone fund which buys Opportunity Zone Property
- On January 1, 2030, ABC Investments through the Fund sells the Opportunity Zone Property for \$2,000,000



Benefits:

- ABC defers the tax bill on the \$1,000,000 original gain until December 31, 2026
- ABC will only be subject to tax on 85% or \$850,000 of the original capital gain
- ABC will pay zero capital gains tax on the sale of the property in 2030, even though the value increased substantially

Opportunity Zone benefits v. 1031 exchange

Opportunity zones may be a better option for certain investors than a traditional 1031 exchange because the capital gains funds can come not only from the sale of real estate, but also from a stock liquidation or the sale of business assets or an entire business itself. Additionally, only the gain portion needs to be invested in an opportunity zone, rather than the sum of the original investment in a 1031 exchange scenario.

Additional details

In order to receive the tax benefits for an investment in an opportunity zone, one must create a new investment vehicle called an "Opportunity Zone Fund" and this fund must invest in "Qualified Opportunity Zone Business Property." We can connect you with attorneys who can decipher and make sense of this new law and help investors comply with the requirements in order to receive the tax benefits.

There are a few details worth noting here regarding Qualified Opportunity Zone Business Property. To qualify for the tax benefits, the property must, among other things, be acquired by purchase after 2017 and the original use of the property in the zone must either commence with the use of the new entity or the new entity must substantially improve the property

An entity is treated as substantially improving property if, during any 30-month period, the entity makes capital expenditures with respect to such property at least equal to the property's acquisition cost, not including the cost of the land.⁴ As an example, if an Opportunity Zones deal involved Qualified Opportunity Zone Business Property worth \$1,000,000, of which \$600,000 was the value of the land and a \$400,000 was the value of the structure, \$400,000 of capital expenditures on the building would be required for the investment to qualify for tax benefits of the program.

The IRS and Treasury Department released further regulations for investing in opportunity zones on October 19, 2018, many of which were favorable interpretations for developers and investors.⁵ However, the guidelines are still a work in progress and many questions remained unanswered. Go here⁶ for an in-depth explanation of the recent regulations and the many questions that remain unanswered. Stay tuned as the IRS and Treasury release their final regulations before the end of the year.

How do I get started?

Our team at ComReal can help you identify property within Opportunity Zones that are for sale and have re-development potential. We can also point you to our team of experts that can decipher complex terms such as Qualified Opportunity Fund, Qualified Opportunity Zone Property and Qualified Opportunity Zone Business.

Additionally, if you own a property, we can help you determine if it falls within an opportunity zone and the strategies we can use to maximize the value of the property.

Nothing in this Article should be construed as legal advice or a legal opinion, and readers should not act upon the information contained in this Article without seeking the advice of legal counsel.

Contact

For more information on commercial real estate properties within Opportunity Zones, you can Contact Pat McBride at 305-619-2937 or email him at pmcbride@comreal.com

Pat's Background

Pat McBride, Commercial Advisor, specializes in the sale and leasing of warehouse space in Miami-Dade County. His services include landlord representation, buyer/tenant representation, consultations, and site selections. Pat graduated from the University of Miami with a Bachelor's degree in Accounting in 2013 and also earned his JD from the University of Miami School of Law in 2016.

Prior to joining ComReal, Pat practiced law at a well-known construction law firm in Miami where he represented various notable architects and engineers in South Florida. He also gained invaluable experience representing developers and owners. While Pat enjoyed his time in the legal profession, he is following his true passion in Commercial Real Estate.

4. <https://www.wsj.com/articles/new-opportunity-zone-tax-break-rules-offer-flexibility-to-developers-1539948600>; <https://www.bisnow.com/national/news/commercial-real-estate/things-to-know-about-the-new-opportunity-zones-guidelines-94180?rt=63954>

5. <https://www.wsj.com/articles/new-opportunity-zone-tax-break-rules-offer-flexibility-to-developers-1539948600>

6. <https://www.bna.com/insight-eagerly-awaited-n57982093171/>