The Women Behind the Curtain

Coni Rathbone
Partner, Dunn Carney LLP

Vanessa Sturgeon
President, TMT Development

The Wizards of OZ
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Why Invest in Qualified Opportunity Zones?

There are 3 major tax benefits:

- Gain Deferral
- Basis Step-Up
- Gain Exclusion
Gain Deferral

Up to 100% of gains eligible for deferral

Only capital gains are eligible (no ordinary income)

180 day reinvestment requirement

Deferral period ends the earlier of Dec. 31, 2026 or when sold
Basis Step-up

10% basis step up in gain if investment held for 5 years

Additional 5% basis step up in gain if investment held for 7 years

Years held requirement must be met prior to 12/31/2026 to qualify
Gain Exclusion

• Once you have held the investment for at least 10 years, the appreciation on the investment is **TAX FREE** once sold!

• To receive the tax free appreciation, you must sell by the end of 2047

* Only eligible on the portion of an investment made with tax deferred gains. Non tax deferred cash/property invested into the fund is treated as a separate tax lot & is not qualified to receive benefits
How do I Invest in a Qualified Opportunity Fund?
Qualified Opportunity Fund ("QOF")

- Investment vehicle organized as a corporation or partnership for purpose of investing in Qualified Opportunity Zone ("QOZ") property
- QOF must hold at least 90% of their assets in QOZ property (computed by based on average amounts held as of June 30th and December 31st each year)
- QOF must be self-certified by taxpayer by submitting a form that is expected to be released in the near future.
QOF a Security or Not?

Same Securities Rules Apply

It is a security if it is:
• An investment contract
• Investment of money into a common enterprise with an expectation of profit
• Based solely or primarily on the efforts of others

It is not a security if it is:
A fund based on an individual property and investor
• Member Managed LLC
• Joe and Wife Members
• Buy land for the $1m and get debt for improvements
QOF that IS a Security
Example of QOZ Property: Lake in the Woods

- Property in QOZ in Washington
- Owners $2.3 million Basis
- Owners contribute property to QOZ entity for Class A membership interests
- Create QOF to raise improvement money to build rental homes
  - Develop remaining lots
  - Hold all for 10 years to sell
A new vision for Willa Lake locates all 75 lots (~5K sq. ft. each) on the existing Phase I street, preserves the forest as a park around and south of the lake, and arranges all lots to either face the lake or step out to greenways leading to the lake. The 50 ft. wide forested lake edge preserve is public.

• Laurence Qamar Architecture & Town Planning Corp. Portland, Oregon
• R &R Land Development LLC Portland, Oregon
Lake in the Woods QOF Structure

- Investor
- Investor
- Investor

OOF
Manager managed – Class A & Class C Managers
Priority Returns
1. Class A & B Capital + 5% returns
2. Class A 40%, Class B 40%, Class C 20%

Seller Fred Rathbone, 2.3m basis

Investor Funds Pay Off Debt

Property

Sponsor/Patti

Class C

Effort

Class C

Class B

Class B

Class B

$600K

Trust Deed

Lender

$600K
Lake in the Woods QOF Structure

- Must improve
- Build rental units
- Develop remaining lots and build rental units
- Hold for 10 years
- Investors receive benefits
- Rathbone Group no tax benefits because not using capital gains
Downtown Salem Hotel
Why we chose this site

- Proximity to the river
- Near convention center
- Downtown Salem growth
History of the site
Hotel Program

Amenities

- Rooftop Lounge/Deck
- Business Center
- Fitness Center
- Ground Floor Retail
- Small Meeting Room
- Sundry/Pantry at Front Desk
## Construction Costs

<table>
<thead>
<tr>
<th>Description</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>$1,500,000</td>
</tr>
<tr>
<td>Hard Costs</td>
<td>$31,072,901</td>
</tr>
<tr>
<td>FF&amp;E</td>
<td>$3,780,000</td>
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<tr>
<td>Soft Costs</td>
<td>$4,708,074</td>
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<tr>
<td>Transaction Costs</td>
<td>$505,500</td>
</tr>
<tr>
<td>Contingency</td>
<td>$1,964,886</td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td><strong>$43,531,361</strong></td>
</tr>
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# Feasibility Study

<table>
<thead>
<tr>
<th>Competitive Set</th>
<th>Year Built</th>
<th>Rooms</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Hotel</td>
<td>2005</td>
<td>193</td>
</tr>
<tr>
<td>Hampton Inn</td>
<td>2012</td>
<td>86</td>
</tr>
<tr>
<td>Double Tree</td>
<td>1997</td>
<td>80</td>
</tr>
<tr>
<td>Red Lion</td>
<td>1979</td>
<td>144</td>
</tr>
<tr>
<td>Residence Inn</td>
<td>2002</td>
<td>90</td>
</tr>
</tbody>
</table>

Avg. Nightly Rate: $105 - $160

Average Occupancy: 74%

Year 2022 (1st Full Year)

Underwritten Rate: $164

Underwritten Occupancy: 70%

5 Yr. Historical Average Rate Growth: 6.20%
Conclusion
Vanessa Sturgeon

Vanessa Sturgeon has worked in Portland real estate development and management since 2000. Her background in developing and managing mixed-use high-rise towers includes office, retail and multi-family as well as retail shopping centers and industrial parks in Oregon and Washington.

Vanessa is a graduate of Santa Clara University and Atkinson Graduate School of Management. Her awards and professional recognitions include the Portland Business Journal’s 40 Under 40 and Women of Influence awards. She has also been recognized by the Daily Journal of Commerce as she was named a Woman of Vision, and was awarded the publication’s Newsmakers of the Year distinction.
Coni S. Rathbone, J.D., CRE

Coni Rathbone is a remarkable negotiator who focuses her deal-making skills in the areas of real estate, tenant-in-common (TIC) workouts, corporate and securities law, mergers and acquisitions, and general business transactions. She is a member of Dunn Carney’s Real Estate and Business Teams and one Portland’s top speakers in Opportunity Zones.

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