



Described as a once-in-a-generation development incentive, the federally designated areas entice investors—both individuals and organizations—with the ability to defer, reduce or potentially altogether eliminate tax liability. Following the program’s formation under the Tax Cuts and Jobs Act of 2017, the Treasury Department has identified 8,700 severely distressed communities where the benefits are available, including more than 300 in Ohio.

MEET THE EXPERTS:



ANDREW DOUP
Attorney
Kegler Brown Hill + Ritter



DIANA RIFE
Senior Project Manager of
Revitalization, JobsOhio



CLINT EDGINGTON, CFA
Partner, Beacon Hill
Investment Advisory

With the talent issue top of mind, three area leaders met recently to discuss challenges and solutions in a roundtable hosted by Columbus Business First.

Participating in the Table of Experts discussion were:

- **Andrew Doup**, Attorney, Kegler Brown Hill + Ritter
- **Diana Rife**, Senior Project Manager of Revitalization, JobsOhio
- **Clint Edgington**, Partner, Beacon Hill Investment Advisory

The panel was moderated by Nick Fortine, president and publisher of *Columbus Business First*.

Below are excerpts from the discussion, condensed and edited for clarity:

Fortine: How is this different from a 1031 exchange?

Edgington: With the 1031, if you want to defer all the capital gains and depreciation recapture, you've got to put the whole capital base in. Whereas, with this program, it's only the capital gains. For our client base of closely held business owners, an important difference is a lot of them want to take a little money off the table when they sell a major asset. So this gives them

the ability to spend down some of that money as well. It seems palatable.

Fortine: Why are Opportunity Zones important to JobsOhio?

Rife: What this does is offer additional opportunities for us to show how our incentives can enhance a project or an investment in an Opportunity Zone. We have a couple very specific targets we are looking at. It enhances our site selection component and enhances our programs with respect to revitalization.

Fortine: What are some good investments you've seen so far?

Rife: Part of what JobsOhio's mantra has been, especially with our site program has been "speed, risk, money." How do we help the communities—it might be land banks, whatever it is—have their sites and/or the projects ready to go? We aren't by any means an advisory piece but what we try and do is help in the educational processes. So, for instance, we have 3,500 sites and buildings in our database. In that, 18 are in an opportunity zone. Eight of those are what we call authenticated, which means they are truly ready to go. These authenticated sites have the utilities there, they're ready to go to be able to have investors meet their window.



DIANA RIFE

Fortine: Are you seeing trends in terms of what's available out there?

Edgington: We're really seeing a lot of single-asset type vehicles, building from the dirt up. A lot of ground-up hotels, multifamily projects—those are probably the two that we're seeing the most.

Doup: You can make an investment in Opportunity Zone properties—defined as tangible business property, or stock or partnership interest. So I think what's more intriguing for investors is this idea that they can invest in a startup company and then, after some success, that company would potentially be sold for a very high price to another company. The hesitation with that market developing was a requirement that 50 percent of gross income generated by that Opportunity Zone business had to take place in the

Opportunity Zone. So there was a lot of uncertainty for startup companies outside of real estate. Fortunately, the April regs (additional IRS guidance) clarified a lot of investor uncertainty in that regard. And because of that clarification we're starting to see more interest in creating opportunity funds to capitalize tech startups in opportunity zones. So it's a welcome change for the venture capital community.

Fortine: What are some of the biggest risks of participating in an Opportunity Zone?

Doup: I think the most immediate one is your tax liability. If you invest what you think is capital gains into an Opportunity Fund but it turns out it wasn't capital gains, the risk is you're not going to receive the statutory tax treatment that you were [→](#)

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CLINT EDGINGTON

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 expecting. I think another one of the primary risks is incurring liabilities under the securities laws. So what we're talking about is equity financing as opposed to debt financing. Most people are comfortable speaking about debt financing and taking out a loan to start a business. I think a lot of the mystique around Opportunity Zones centers around just unfamiliarity with equity financing. And the reason why is because it's heavily regulated by the SEC and by the Ohio Division of Securities.

Rife: You have to have some sophistication associated with this. You have to have an understanding of it and a stomach to be able to manage it. We require minimum equity components in our investments because we look at the safety of the investment versus just throwing money at something, fingers crossed that it produces a return for an investor.

Fortine: What are the mechanics of setting up a fund?

Edgington: The mechanics are vastly different based on whether you're going to outside investors and doing a securities offering. It's much simpler if it's just you than if you have to go the securities route. And then also it depends if it's single asset. If it's multiple assets it's going to be more



ANDREW DOUP

complicated because you're going to have some of the OZ corporate compliance pieces become more complicated. Each of those nuances seems to create different complexities that you need to walk through.

Fortine: Is the program working?

Rife: We've seen interest in it, so I would say yes. How it helps some of our rural communities is a big emphasis. Those communities might not have their projects ready to go, so we're trying to continue to be able to

offer ways in which they can get those projects put together.

Fortine: What other advice do you have?

Edgington: A couple other resources that I think are helpful for people to get a basic understanding—the IRS has an FAQ page that I think is helpful to get a cursory idea of it. Also, there's EIG.org, and it has information on the program from the investor's perspective.

Doup: If you have an appreciated asset, you should speak with your CPA and speak with your investment advisor about whether or not the Opportunity Zone investment vehicle is something that you should consider. It's a fantastic opportunity for you to not only achieve some pretty compelling tax benefits but also to achieve some liquidity on those assets. And you can also make an impact investment in a community that's been determined by the Treasury Department to be severely distressed—so there's a social impact component to this as well.

Edgington: This is an opportunity for people to do well and also do some good in the communities. For the real estate developers and the investment advisors—if a good tax treatment meets a bad investment, the bad investment is going to win. So we have to keep that in mind. For real estate developers raising money, make sure you know the securities laws.

Rife: It will make good projects better, it won't create a project. ■

Ohio Opportunity Zones

Ohio has 320 Opportunity Zones ready for your investment. To learn more about Ohio's Opportunity Zones, visit jobsohio.com/sites.

JobsOhio

Ohio Find it here.

Helping business owners navigate finance.

Clint Edgington
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Download our research, ***Is an Opportunity Fund right for me?***, and learn how to reduce your taxes.

bizj.us/1pxlk1

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Andrew Doup advises taxpayer-investors, fund managers, developers, and entrepreneurs on tax-preferred qualified opportunity zone transactions.

Andrew and Kegler Brown's team of corporate, tax, real estate, and securities attorneys were among the first to structure real estate and venture capital Opportunity Zone funds in Ohio, and have since been recognized as national experts in this area.

We also inform state and local public policy decisions through our growing network of private and public economic development leaders.

**KEGLER
BROWN
HILL +
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Andrew serves as a trusted advisor, creating additional value for clients by helping manage their risk of liability throughout the business lifecycle.

He counsels on choice of entity, corporate structuring, finance, management, acquisitions, and dispositions. A combat veteran, Andrew approaches problems with a combination of creativity and attention-to-detail that enables his clients to make business decisions with confidence.

Find more information on Andrew at <https://www.keglerbrown.com/doup/> where he regularly publishes analyses and updates related to Qualified Opportunity Zones and Funds.



DIANA RIFE
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Revitalization, JobsOhio

Diana Rife is the revitalization project manager for JobsOhio, where she serves as the primary contact for the JobsOhio Revitalization Program. The JobsOhio Revitalization Program was created in 2013 to support the redevelopment of underutilized properties in Ohio through loans and grants.

Prior to joining JobsOhio, Diana led the asset and property management services section for Crawford Hoying Real Estate Services. She was also involved in international commercial real estate development with Hines Interests. Her career experience encompasses most facets of real estate, including land development, leasing, construction, asset and property management, and financial analysis. She earned a bachelor's degree in civil engineering from Vanderbilt University.

JobsOhio.

Diana believes that enhancing investment in designated Opportunity Zones will open doors to job creation and capital in areas of Ohio that need them most. She finds excitement in the challenges which arise in connecting projects with Opportunity Zone investors, where private capital can trigger significant economic change.

Along with JobsOhio, Diana also believes that a well-rounded investment in environmental, social and governance areas will bring the greatest benefit to communities. By creating more jobs with more disposable income, school districts improve and successful local businesses are launched, in turn retaining and attracting further talent and new companies. When Ohio's local communities thrive, so does the state.



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Clint Edgington leads Beacon Hill's investment team. Beacon Hill provides advisory and family office services to business owners to simplify their financial lives; including their businesses, their retirement plans, and their public and private investment holdings.

Beacon Hill works with business owners' teams of tax, M&A, and legal professionals to evaluate and invest in a tax efficient manner in private and direct investments; primarily focused on private debt, direct

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real estate, and small to middle market buyout and equity investments.

Clint has acted as a fiduciary in a corporate setting as a Trustee/Administrator for 401(K) and Defined Benefit Pension plans, as well as servicing those plans as a Registered Investment Advisor. Clint has testified as an expert witness before the New York Stock Exchange, and the Financial

Industry Regulatory Authority on his analyses of investment portfolios.