

	Alternative investment	Opportunity Zone investment
preferred rate of return	8%	6%
typical hold period (years)	3-7	7-15
tax status of cash flows before sale	taxable	taxable
capital gains of initial investment	pay cap gains	defer cap gains
capital gains of ongoing investment	pay cap gains	defer & forgive some cap gains
certainty of rules	clear	fuzzy
overall IRR before income tax	>15%	probably under 10%
overall IRR AFTER income tax -- fast growing area	12%	probably over 10%
overall IRR AFTER income tax -- slow growing area	12%	probably about 10%
place in capital stack	limited partner equity	limited partner equity
portfolio benefits	high	low
minimum investment*	\$500,000	flexible, say \$100,000
projects eligible for other tax breaks?	no	probably

TERMINOLOGY		
<i>preferred return = investor gets return on equity at this rate after all project expenses and debt are serviced, before owner/developer gets their equity return</i>	<i>Opportunity Zone project = a single new development say student housing near a central city university</i>	<i>IRR= internal rate of return from all sources over the life of the investment, including preferred return, additional return, and proceeds on refinancing and sale</i>
<i>alternative investment = a stake of \$500,000 in a multifamily fund that buys pieces of several apartment complexes in several states</i>	<i>capital gains tax = due upon sale of a long term investment, usually about 20% of net gain</i>	<i>Capital stack = the order of priority to get serviced after project expenses are met. Debt first, then investor equity, then developer/owner equity</i>
<i>Portfolio benefits = avoid putting all your eggs in one basket, so a fund with several investments is better than a single project</i>	<i>*accredited investor= a high net worth individual that invests a modest percentage of their wealth (usually>\$500,000) as a Limited Partner Equity</i>	