

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

**TERMINOLOGY**

*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*

*Opportunity Zone project = a single new development say student housing near a central city university*

*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*

*alternative investment = a stake of \$500,000 in a multifamily fund that buys pieces of several apartment complexes in several states*

*capital gains tax = due upon sale of a long term investment, usually about 20% of net gain*

*Capital stack = the order of priority to get serviced after project expenses are met. Debt first, then investor equity, then developer/owner equity*

*Portfolio benefits = avoid putting all your eggs in one basket, so a fund with several investments is better than a single project*

*\*accredited investor= a high net worth individual that invests a modest percentage of their wealth (usually>\$500,000) as a Limited Partner Equity*