Opportunity Bonanza

Most of the Qualified Opportunity Fund (QOF) projects that received financing in 2018 and 2019 were planned before Congress created Opportunity Zones. The tax breaks became windfalls. Three examples follow.

Example #1: Hotel Chamberlain

*Daily Journal of Commerce* reported October 18, 2016, on a project to convert the Shleifer Furniture Company Building in Portland into a hotel.

On **October 12, 2017** nextportland.com reported: “The renovation of the Chamberlain Hotel at 509 SE Grand Ave has been submitted for building permit review by Works Progress Architecture: Change of occupancy from M to A-2 on ground floor. Seismic retrofit. Major remodel to entire building, new storefront, entries, canopies, elevator, egress stairs, roof, stormwater facilities, demising walls.”

On November 13, 2017, [Hotel Chamberlain Holdings LLC](https://www.nextportland.com), filed its organizational statement with the Oregon Secretary of State.

On **January 30, 2019**, nextportland.com reported: “The Hotel Chamberlain is a restoration of a building that was originally built as a hotel, and whose ground floor was occupied by Shleifer Furniture’s for 80 years. The new hotel will include 57 guest rooms at the upper floors, as well as a restaurant and cafe at the ground floor.

On September 13, 2019, the property was sold from Schleifer Grand LLC to Grand Opportunity LLC on to make it an eligible Opportunity Zone project.
Example #2: Eleven West

On December 13, 2017, nine days before President Trump signed the bill enacting Opportunity Zone benefits, nextportland.com reported:

“The Design Commission has approved Eleven West, a 290'-6" tall tower . . . At the ground level the building will include 7,816 sq ft of retail fronting onto all three streets surrounding it. Levels 2 to 7 of the tower will be offices, while levels 8 to 24 will include 222 residential units.”

Eleven West, in downtown Portland, changed its ownership structure to take advantage of its location in an Opportunity Zone. Boasts its Opportunity Fund financier, Cresset-Diversified QOZ: “Rising 24 stories, Eleven West will be the highest-end multi-family project in Portland and will offer optimal office space for the Portland market. Eleven West is located within the #1 rated Qualified Opportunity Zone census tract in the Country by SmartGrowth.”

Example #3: Block 216, the Portland Ritz-Carlton project

BLOCK 216 LLC (Registry# 118422195) is a business registered with Oregon State, Secretary of State, Corporation Division. The registry date is February 2, 2016.

The Portland Bureau of Development Services logged a design hearing on April 24, 2018, on the building to be constructed at 936 SW Washington Street.

BDC/BLOCK 216 HOTEL, LLC (Registry# 156291693) is a business registered with Oregon State, Secretary of State, Corporation Division. The registry date is May 31, 2019. The registration appears to have executed to comply Opportunity Zone requirements.

On August 23, 2019, Block 216 QOF, LLC issued a Private Placement Memorandum, the prospectus for a $120 million Opportunity Fund investment in the Ritz-Carlton project.

**Tax Risk – Opportunity Funds are not for amateurs**

Investors accept substantial risk in participating in projects based on their tax benefits. For example, the Private Placement Memorandum of Block 216 QOF LLC, the manager on behalf of the Ritz-Carlton project, requires a minimum income of $200,000 ($300,000 for couples) or assets (not including primary residence) of $1 million. Minimum investment is $250,000. The prospectus warns investors:

- “Our state, local or foreign tax treatment and that of our members may not conform to the federal income tax treatment discussed above.”
- “Although the Manager intends to hold investments for a period sufficient to take advantage of the QOZ Tax Benefits, the Manager may cause the Company to opportunistically sell, distribute or otherwise dispose of investments at any time.”
- “Holdings may not meet the requirements to be treated as a Qualified Opportunity Zone business.”
- “Uncertainty remains regarding whether the Company and/or Holdings will need to sell their assets to enable investors to eliminate gain from their investment under the Opportunity Zone FMV Election.”
- “An Investment in the Membership Interests involves uncertain and potentially adverse tax consequences.”