

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.

Developers team up in Central Eastside

By: Chuck Stothower in News, Real Estate and Development October 18, 2016 2:58 pm



Jonathan Malsin, left, and Joren Bass and their respective firms, Beam Development and Urban Development + Partners, are teaming up for three projects in the Central Eastside Industrial District.



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](#), filed its organizational statement with the Oregon Secretary of State.

LEADS	
<p>Management LLC to Fir Haven Stark LP, 1 Embarcadero Center #500, San Francisco, Calif. 94111, Lot 12 Verdanta ID R293945, \$3,650,000, 09/10/19.</p>	<p>\$1,400,000, 09/10/19</p>
<p>Schleifer Grand LLC to Grand Opportunity LLC, 920 SW 6th Ave. #1200, Portland 97204, Lots 1/2 East Portland ID R150193, \$3,550,000, 09/13/19.</p>	<p>William C. Kaesche Wayne Curtis Kaesche Trustees to Kevin M and Gillian R. Piro, NE Flanders St., Portland 97232, Lot 40 The S of Oswego ID 00308 \$1,310,000, 09/12/19</p>
<p>TW Real Estate LLC to Jason Fayollat and Soazick Frelicot Trustees, 865 NE Tomahawk Island Dr</p>	<p>Darren and Sara Hu to Derek A. Steffier Caitlin Andrews St 1653 Lake Front Rd. Oswego 97035, Lot Lake Park ID 01337 \$1,260,000, 09/09/19</p>

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.

Early Assistance Intakes

From: 4/23/2018

Thru: 4/29/2018

Run Date: 4/30/2018 15:01:5

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Case Number	Address	Work Proposed	Type of Use	Date Rec'd	Date Issued	Status
18-159309-000-00-EA	936 SW WASHINGTON ST, 97205		DA - Design Advice Request	4/24/18		Pending
<p><i>DESIGN HEARING - Future code; project is a full block of mixed use; office, hotel and residential in a 33 story tower and podium configuration. Parking will be configured below grade in 4 1/2 levels. Gross floor area is approx. 750,000 SF above grade and 160,000 SF below grade. The project will be entitled in accordance with CC 2035 amendments.</i></p>		<p>1N1E34CC 05900</p> <p>PORTLAND BLOCK 216 LOT 1&2 LOT 7&8</p>	<p>Applicant: PHILLIP BEYL GBD ARCHITECTS 1120 NW COUCH ST SUITE 300 PORTLAND OR 97209</p> <p>Applicant: JESSE EMORY GBD ARCHITECTS 1120 NW COUCH STREET, SUITE 300 PORTLAND, OR 97209</p>		<p>Owner: BLOCK 216 LLC 920 SW 6TH AVE, #223 PORTLAND, OR 97204</p>	

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.

July 10, 2019 – [Portland Mixed-Use Project Moves Ahead With \\$460M Loan.](#)



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.”