

Opportunity Zones: Whose Opportunity Is It?



PNC Community Development Banking

Kevin E. Rogers

Opportunity Zones: What Qualifies?

1. Property located in OP Zone Census
2. Operating Business
3. Opportunity Zone Funds must be invested as equity
4. Property acquired after 12/31/17
5. Substantial Improvement
6. Shovel Ready

Opportunity Zones: What Qualifies? (Con't)

7. Community Development Loan/ Investment as defined in the CRA (A Self-Imposed Guiderrail)

Affordable Housing

Community Service

Revitalization / Economic Development

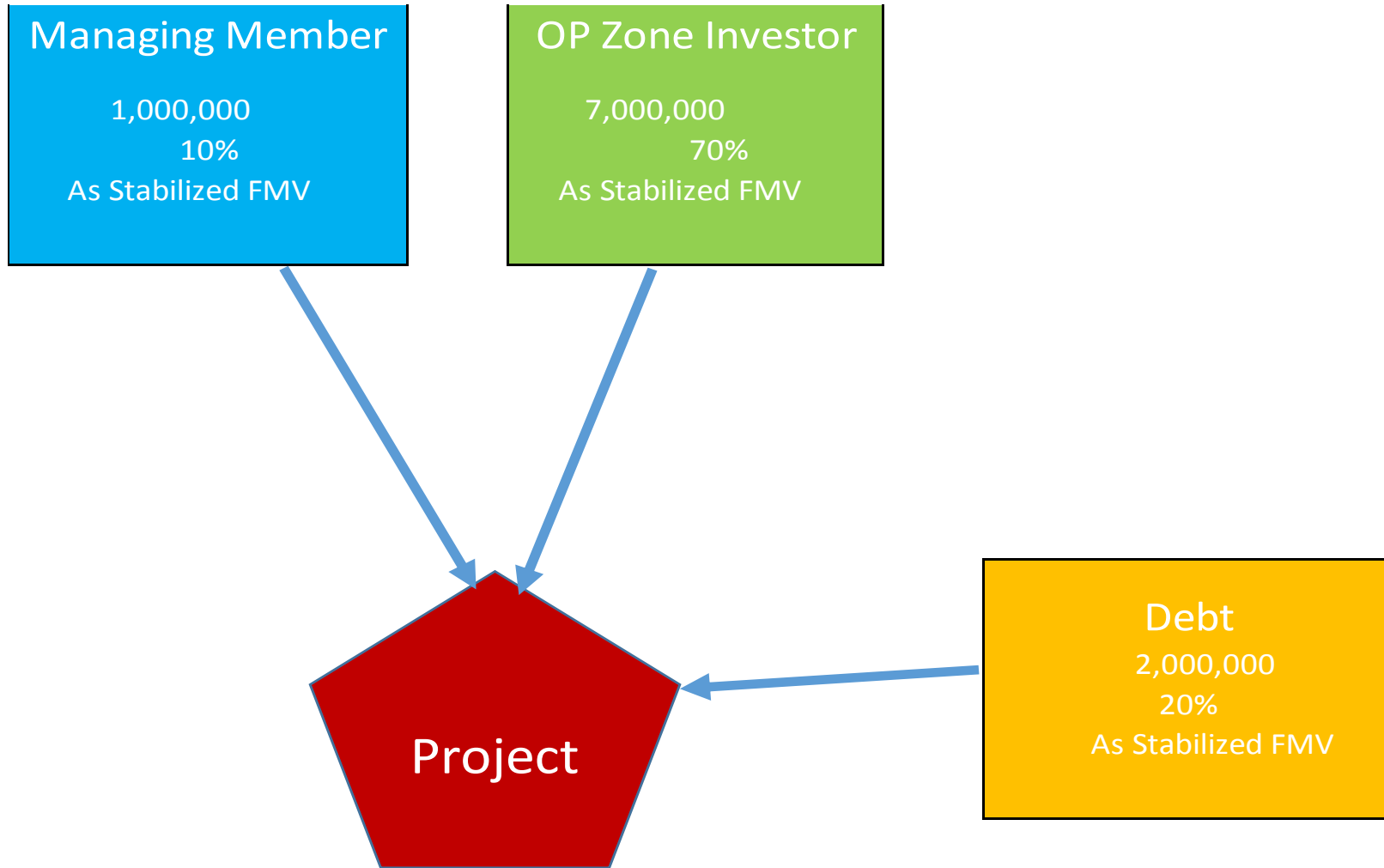
Opportunity Zones: Structure

Structuring Concerns

1. What is the Exit Strategy?
2. How do we take advantage the legislative benefits?
3. How do we solve for appraisal gaps?
4. How do we manage refinance risk?



Sample Equity/Debt Structure



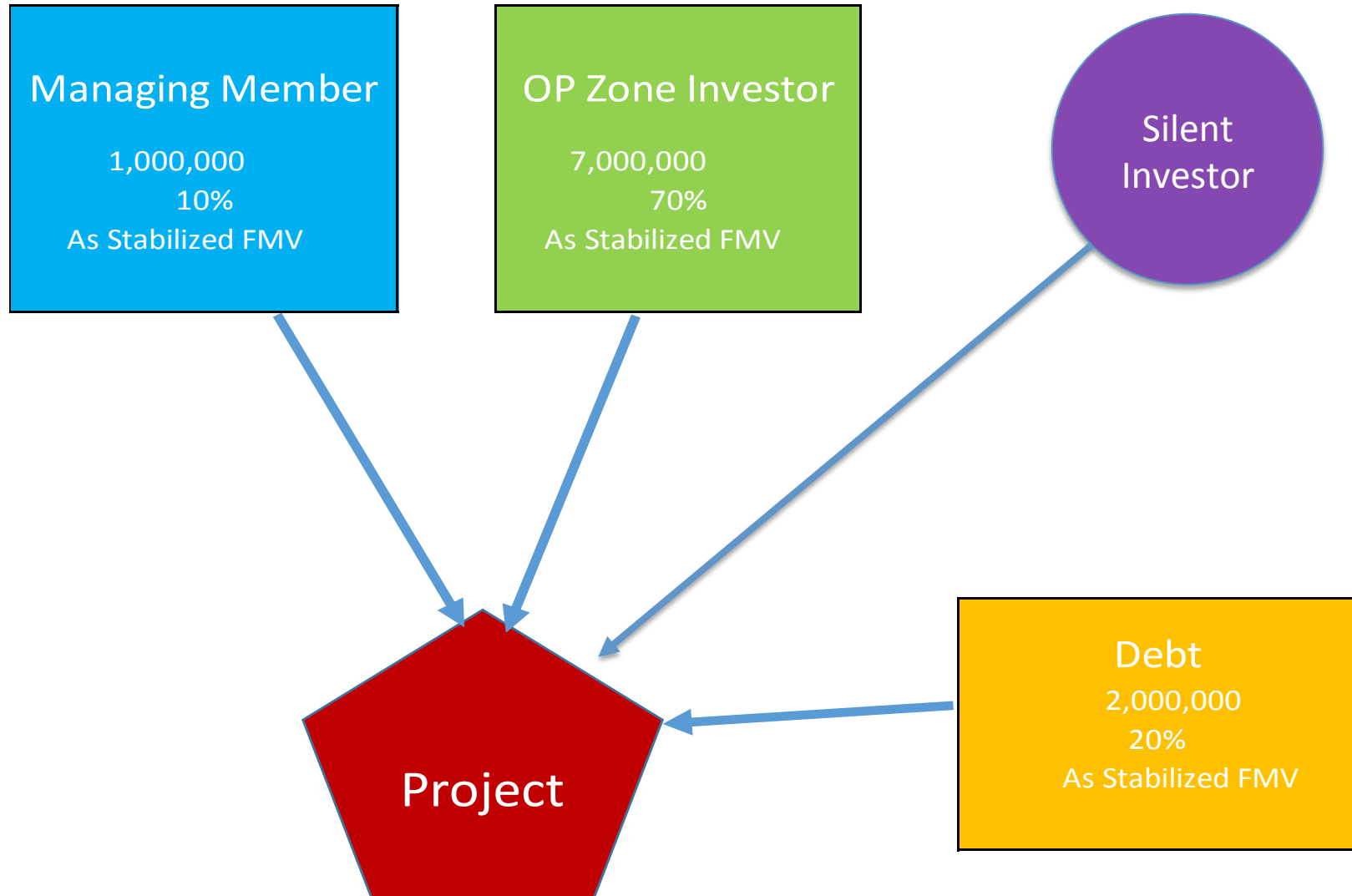
Opportunity Zones: Equity/Debt Structure

Need for flexibility

1. Investor Preferred Returns should be at discounted rates.
2. Equity must be respected as True Equity
3. Debt should be structured independent of equity
 - a) Debt should be amortizing to mitigate refinance risk
 - b) Debt provides a first lien position on the real estate



Opportunity Zones: Sample Structure



Opportunity Zones: Structure

Silent or Third Party Investor

1. May be used to fill appraisal gaps
2. Must agree to be a Silent Investor
3. Allows others to participate

Silent Equity may be replaced with subordinate debt.

Opportunity Zones: Whose Opportunity Is It?

Kevin E. Rogers SVP

Lending and Investing Manager

PNC Community Development Banking

PO Box 231

Scranton, PA 18501

(570) 961-7337

krogers@PNC.com