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Pictured from left to right : Sheila Bale, Aaron Banda, Steve Goodman, Suzanne Boyles, Stephanie Fogelson

AN OPPORTUNITY (ZONE) IN THE DESERT

West Phoenix region represents a wealth of Opportunity Zones for development

written by Nick Esquer

If you look around the Greater Phoenix area, it's not hard to notice the massive growth from corner to corner. Whether it's new retail developments or housing units in the southeast valley or the high rises going up in downtown Phoenix or the broadening freight corridor striking through the west valley, there's plenty of growth potential in practically every industry. And now, many of these areas have been further enhanced by the creation of Opportunity Zone legislation, to provide even more benefits to desirable projects.

The growth potential associated with these zones have many Cities engaging the investment community with an unprecedented value proposition. While both exciting and robust, this has the potential to create a bottleneck of timelines and requirements that have not been historically navigated. Foreseeing this scenario, an otherwise unlikely group of professionals have linked arms to create a team that can be a one-call solution to the investor and project developer to ensure the timelines required by the funds are met. This team is made up of the critical professional services

to complete these unique projects on a stressed timeline.

In an online interview some of the team had interesting thoughts to share as these funds have just started to take their journey to becoming a project, "Opportunity Zones do not make a bad project good, but they make a good project great", Aaron Banda with CBIZ shared. Suzanne Boyles with the City of Buckeye also shared, "Working with this unified group of professionals has brought early momentum to the City of Buckeye and the collaboration is like nothing we have seen before – truly all parties win with this type of approach."

Arizona was one of the first states in the country to designate these opportunity zones under the Federal Tax Cuts and Jobs Act of 2017, which is overseen by the U.S. Treasury Department. The development program was designed to boost long-term investment into qualifying Census tracts, providing tax incentives on capital gains monies invested into these zones.

Your Opportunity Zone Team

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What is an Opportunity Zone?
Under the program, citizens or corporations who experience capital gains can invest that money into commercial real estate in designated areas known as Opportunity Zones. Doing so comes with tax benefits to the investors, and most importantly, will hopefully result in increased investment into these communities. Speed and efficiencies are critical components to take advantage of Opportunity Zones. This multi-service team offers a one-call solution to move quickly through the process and has extensive experience in the West Valley.

In partnership with 

Opportunity funds in the program are organized as a corporation or partnership, which in turn invest in Qualified Opportunity Zone properties. From office space to retail to industrial projects, practically every major industry that's seen a rise in development in Arizona can take advantage of this. Investors can defer tax on any previous gains invested in a Qualified Opportunity Fund (QOF) until the date on which the investment in a QOF is sold or exchanged.

To illustrate these points more actively, let's look at the City of Buckeye, mentioned above. Buckeye, the west valley suburb of about 85,000 people has been recognized as the fastest-growing city in the United States by the US Census (i.e. growth rate of 8.5%) and has been praised for its opportunity for commercial growth and opportunity zones.

"In general, we deal with investors who put their money into an asset and expect to hold it for a short duration," says Sheila Bale, Cushman & Wakefield. "This is attracting investors who can afford to hold these assets for the full 10 years and that is bringing new investors to new projects."

To help build out opportunity zones, there are Qualified Opportunity Funds available to be used as investment vehicles, organized as a corporation or partnership. The sole purpose of this is to invest in Qualified Opportunity Zone properties, such as the three Census tracts in the city of Buckeye which cover an estimated 100 square miles of land.

"Interacting with the development team early on and understanding the specific challenges with these sites are a great benefit to the project's overall budget goals," notes Steve Goodman, Architecture Expert. "Many times, these areas are in core community sites and we can get extremely creative in capturing that culture and incorporating it into the design all while understanding those budget requirements."

Collectively, the opportunity zones represent the commercial districts along the I-10, which provide commercial and mixed-use development opportunities at Verrado Way, Watson Road, and Miller Road. Next, there's primary industrial rail districts, the airport employment district, and portions of Buckeye's Historic Downtown, all providing a huge opportunity for investment due to their shared collective size.

All these together represent a rising tide of opportunity for investment, growth, and industrial development for not only Buckeye but the Greater Phoenix area as a whole. Neighboring cities like Goodyear are also seeing more investors look into districts that represent the best growth potential for things like retail, industrial operations, housing, and technology. This is all good news for the region and those looking to grab hold and get involved in developing the future of the state's opportunities.

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