



Opportunity Zones pique investor interest; firm seeks millions for region

By Sheldon Gardner
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A new type of tax break is drawing attention from investors and local government and business officials.

St. Johns County has two areas designated as an Opportunity Zone, and they separately cover parts of the city of St. Augustine and St. Johns County, including a swath of land stretching east of Interstate 95 and south of State Road 16. Opportunity Zones are federally approved areas designed to draw investment to low-income communities through tax incentives.

One firm is looking to raise millions for investments through the program, and at least a few locals are looking at opportunities to create affordable housing and other developments in the county through the program.

The federal Tax Cuts and Jobs Act of 2017 established the ability for zones to be created across the country, according to the IRS. Gov. Rick Scott, as allowed by the act, nominated the two Census tracts in St. Johns County to be Opportunity Zones, and the federal government approved them. Opportunity Zones are “economically-distressed” areas, according to the IRS.

Through the program, people can invest capital gains in Opportunity Zones and defer taxes on them until 2026, according to an Associated Press article.

“If they decide not to cash out their investment for seven years, they get to exclude up to 15 percent of those gains from taxes,” according to the article. “And they can permanently avoid paying taxes on any new gains from investment in the zones if they hold onto the investment for a decade.”

The program is estimated to cost \$1.5 billion over 10 years in lost taxes but is also expected to bring in up to \$100 billion for “renewal efforts,” according to the article, which cited U.S. Treasury Secretary Steve Mnuchin and government officials.

Investors can get the benefits by putting money into a Qualified Opportunity Fund. Along with certain requirements, money in an Opportunity Zone fund can go to projects such as “new development or a property upgrade, funding a start-up business or putting money toward any other qualifying local initiative,” according to CNBC.

At least one Opportunity Zone fund has been organized for the area, and others can be created.

Sikari Luxe, a Tampa-based private real estate firm, is looking to raise \$200 million from investors for its St. Augustine Qualified Opportunity Fund, Sikari CEO Thomas Volpe said.

The fund, named for St. Augustine because of its recognizability, is a region that stretches from about Daytona Beach to Tallahassee and includes Jacksonville, St. Augustine and other areas, said David Sillaman, Sikari president and fund developer.

The firm has Opportunity Zone funds for other regions, including funds named for Miami, Tampa and Orlando, Sillaman said.

Sikari officials want to use the funds to invest in residential, business and commercial projects, Sillaman said. While no one has invested in the St. Augustine fund yet, the firm has some potential investors lined up, Volpe said.

The firm is looking into helping fund a retirement community in the St. Augustine area, but Sillaman declined to name the development because the firm is in the early stages of reviewing the project. Volpe described it as a 250-unit community for people 55 and older.

Money from the opportunity zone funds can be used with other money, including government funds, Sillaman said. Sikari officials are working with the federal government and another company to create an affordable housing development of modular homes for veterans outside of St. Johns County, but the location hasn't been chosen yet, Sillaman said.

Sikari officials were among those at a conference in Orlando this week about opportunity zones.

Tony Brown, administrator of the city's Lincolnville Community Redevelopment Area, also attended the conference. The Lincolnville CRA, which uses tax revenue for projects in the area, formed to improve conditions in the neighborhood.

Brown is investigating the possibility of using the Opportunity Zone in the area to help raise private money for a community land trust program in Lincolnville, he said. The point of the land trust would be to keep affordable housing in Lincolnville.

Melissa Glasgow, director of economic development for St. Johns County, said the Opportunity Zones are another tool for her to use when trying to attract development.

“We are definitely aware (of the zones) and are very pleased that we have two opportunity zones within the county to promote for new investment,” she said. “The news is still coming out on how to apply projects to the respective zones because of the regulations.”

Glasgow said the county advocated for Hastings, which was not selected as part of a zone.

Karen and Stefan Zander, owners and brokers at the real estate firm 97Park, have gotten interest from someone about pursuing an Opportunity Zone project, Karen Zander said. She declined to provide further details on it.

Stefan Zander also attended the conference.

“People are thinking about this as ... another tool in the toolbox of financing large-scale projects,” he said.

While the point of the program is to help spur development and job creation in low income or economically distressed areas, the Opportunity Zone that includes part of St. Augustine includes high property value areas such as the Flagler Model Land District, something Karen Zander pointed out.

Also, gentrification has been underway for years in Lincolnville. While the area has some dilapidated housing, it also has a slew of vacation rentals and revamped or new properties.

“I think an area in Hastings and around Hastings would have been a good option because they need some economic stimulation,” Zander said.

In response to questions from *The Record* about the selection process, Florida Department of Economic Opportunity Communications Director Tiffany Vause wrote in an email that the department and Gov. Scott considered poverty levels, population, unemployment rates and other factors.

“DEO also accepted input from communities across the state, including local government, business leaders, economic development organizations, and investors,” according to Vause.