

Opportunity Funds: A Tool for Community and Economic Development

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The Promise of Opportunity Zones


- Attract capital into economically underperforming areas
- Boost local real estate and business investments
- Stimulate Real Estate Development on (imminent) vertical development that creates employment and housing
- Bring patient capital to slower-paced local economies



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Real Estate Investment

Investment Structure




Investment Returns

Net Operating Income
+ Asset Reversion
= Yield

Rapid Returns Rely on Reversion

Patient Returns Rely on NOI



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Role of Opportunity Funds

Category	Percentage
OZ Equity	10%
Developer Equity	10%
Debt	80%

- Addresses Feasibility Gaps
- Addresses Insufficient developer equity
- Attract patient investment to pioneer markets
- Attract socially responsible funds
- Covers development over-burden, i.e.- brownfields, utility challenges, soil conditions

Category	Percentage
OZ Equity	20%
Debt	60%
Public Investment	5%
Developer Equity	20%

- Addresses lower bank debt due to perceived risk
- Spread risk in higher-risk and/or Pioneer development
- Bring in high-credit investment partner
- Enables interest rate buy-down
- **Supplements Public Investment**

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Public Co-Investment

Is there a limit to how many investors are in the deal, how much investment is made, or how much governmental incentives and co-investment?

- There is no max or min on how much the OZ fund should comprise of the overall investment
- There is no restrictions on the type or amount of other public or private investment
- Opportunity Funds may comprise but a small % of the overall investment

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OZ Fund "Trends"

- Currently, most capital flowing to markets with "intrinsic" value
 - "Gimme" sites & high momentum markets
 - Some markets seeing premiums for OZ properties, i.e. - up to 5% in Phoenix industrial
 - Redeveloping areas/revitalization phase of neighborhood lifecycle
- Readily adopted by real estate development and financing markets
 - Growing interest even during federal shutdown and recessionary clouds
 - Property owners seeing OZs as an alternative to 1031 exchanges: greater tax benefits; doesn't require investment of principal (capital gains only); and doesn't require an intermediary and associated costs.

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OZ Fund "Trends"

Emerging Opportunity Zone Investors

- High Wealth Individuals
- Family Investment Offices
- Institutional Investor interest is limited

The opportunity zone program has visibility with **high net-worth investors**, many of whom have been driving greater interest in **social impact funds** and calls for "**socially responsible investing**"

- Cushman & Wakefield



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OZ Fund "Trends"

Resolved:

- Working Capital Safe Harbor extended to 30 months

Still in Flux:

- Tax treatment for land development projects
- Already owned land
- Substantial Investment in land (bringing to shovel-ready)
- Definition of "Substantial Plan" for Safe Harbor purposes
- Protocol for business equity investments



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Opportunity Fund Types

Differentiated by geography, investment type, and management style:


- Managed Funds
 - REITs (portfolio)
 - Syndicators (single-project)
 - CDFIs
- Project Specific
 - Developers
 - Partnerships
 - LLCs
- Community Based
 - Local high wealth individuals and families (possibly organized)
 - Targeted fund relationships
 - Regional Coalitions



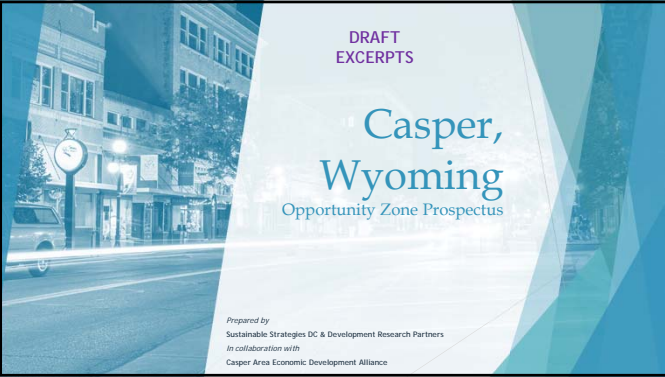
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Example Prospectus

- South Bend, IN
- Casper, WY
- Glenwood Springs, CO
- Gunnison, CO



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DRAFT EXCERPTS

Casper, Wyoming
Opportunity Zone Prospectus

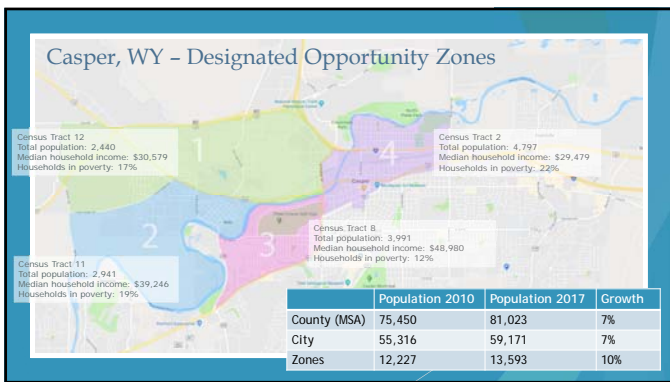
Prepared by
Sustainable Strategies DC & Development Research Partners
In collaboration with
Casper Area Economic Development Alliance

Purpose of Document

- ▶ Articulate the opportunities and risks of Casper's Opportunity Zones to help investors make informed decisions
- ▶ Identify and highlight specific investible projects located in Casper's designated Opportunity Zones
- ▶ Organize stakeholders around a unified vision of strategic growth, catalyzing smart, coordinated public and private investment and leveraging of resources

Casper's Opportunity in a nutshell...

- ▶ **Economic Need and Impact:** Four contiguous Opportunity Zones census tracts with unique, unrealized potential for economic growth.
- ▶ **Ripe for Investment:** Pipeline of projects slated for development to meet growing demand for tourism amenities, downtown housing, and 21st Century industries.
- ▶ **Significant Leverage:** City and partners ready to leverage significant federal, state, local, and private sector resources and incentives to support new development with a vibrant downtown, walkable streets, and a skilled workforce.



II. Why Casper? We've done our research.

The City of Casper & CAEDA have brought in expert consultants to complete thorough and extensive feasibility studies and planning in order to maximize resources and understand the viability of key projects.

- ▶ Generation Casper Comprehensive Plan
- ▶ City of Casper Downtown Strategic Plan
- ▶ Platte River Commons Market & Feasibility Study
- ▶ Platte River Commons Master Plan
- ▶ Mill Riverfront Feasibility Study
- ▶ Hotel & Conference Center Market Study
- ▶ State Office Building Master Plan
- ▶ Environmental Site Assessments
- ▶ Resource Roadmap (in progress)

III. Priority Projects

- Hotel & Conference Center
- Platte River Commons

Priority Property #1
Proposed Riverfront Hotel and Conference Center Site
 Available Site



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The Site

Casper Redevelopment Site



Value Proposition

Casper ...

- Is located in the center of the state and has overnight visitors from business, destination tourism, and as a way-stop to other tourist and business locations
- Is known as the financial center of Wyoming
- Has a high concentration of federal, state, and local government offices
- Casper is located on I-25, connecting I-90 to the north with I-25 to the south
- Is experiencing a shortage of meeting and banquet facilities
- Lacks local hotels offering large space ballroom and meeting space
- Has no upscale hotel
- Is offering significant publicly sourced co-investment
- The City's economic development partner, Casper Area Economic Development Alliance (CAEDA), is focused on growing medical; energy; and advanced manufacturing industries

Value Proposition:

Partner with the City of Casper, it's residents, and stakeholders to develop an upscale hotel and conference center that will be the highest quality lodging in Casper and provide large space, highly functional, business quality conference and banquet space that becomes an important asset for Casper's growing economy.

Proposed Riverfront Hotel & Conference Center

Site

Location: North Platte River near Poplar Street Bridge
Casper, Wyoming 82644

Neighborhood: Downtown Casper/
Yellowstone Urban Renewal District

Neighborhood Lifecycle: Gentrifying

Building Type: Hotel and Conference Center

Site Size: 17.5 acres

Flood Zone: 500 year

International Airport: Casper/Natrona County, nine miles west

Year of Construction: 2020 (RFP Pending, Unsolicited offers welcome)



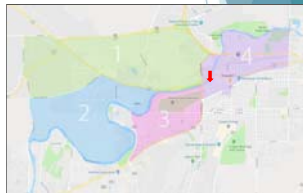
Proposed Riverfront Hotel and Conference Center Site

Opportunity Zone

Census Tract: 56025000200

County: Natrona

Area: Zone 4
Downtown Casper and
Adjacent Neighborhoods



County Assessor's Market

Valuation Estimate

Land: \$

Improvements: \$

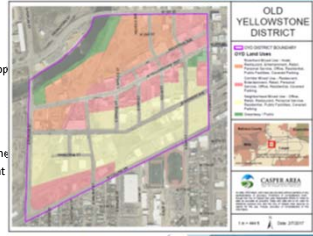
The Neighborhood

Downtown Casper

The heart of the Casper community: walkable, dining, shopping, art, and culture.

Old Yellowstone District

City leadership and neighborhood stakeholders created the redevelopment area adjacent to the downtown core - that vibrancy with businesses, housing and entertainment.



Development Program Metrics

Proposed Configuration

Hotel Rooms: 175 keys
 Meeting/Banquet Space: 19,000 sf
 Parking: On-site surface/structured

Estimated Development Costs

Land, site development and construction \$43,000,000

Planned Public-Investment for Hotel

- City of Casper
- ARA Joint Powers Board
- Urban Renewal Authority TIF
- Wyoming Business Council
- New Market Tax Credits
- 63-20 Bond Financing

Total Anticipated Incentives: \$30M

Projected Stabilized Operations

Average Daily Rate \$165
 RevPAR \$115
 Occupancy 69%
 Operating Expense Ratio¹ 63%
 Management Fee (% Gross Revenue) 3.5%
 Property Taxes and Insurance (% Gross Revenue) 1.2%
 Capital Reserves (% Gross Revenue) 4.0%
 Return on Development Costs 28%

¹ Includes rooms, food & beverage, and conference center, Departmental & Undistributed Expenses



Select Casper Hotel Comps



Parkway Plaza Hotel & Convention Center
 1 Parkway Plaza Drive



Ramada Plaza Riverside Hotel & Convention Center
 300 West F Street



Ramkota Hotel 800
 North Poplar Street



Hilton Garden Inn 800
 North Poplar Street

Priority Property #2 Platte River Commons Proposed Mixed-Use Innovation District

Available Site



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Possible Master Site Plan



Value Proposition

- Casper ...
- Desires to attract its first master-planned community including residences, employment centers, and retail amenities
 - Is home to a highly skilled and entrepreneurial workforce
 - Is the location of the University of Wyoming's Technology Business Center (WTBC) which anchors this site
 - Is known as the financial center of Wyoming
 - Has a high concentration of federal, state, and local government offices
 - Is in need of new retail and grocery square footage
 - Lacks research & development and office-flex properties
 - Is in need of quality senior living options
 - Desires to develop a riverfront park and trails to access the North Platte River along the site
 - Is willing to incentivize project development and make appropriate public co-investments

Value Proposition:
Partner with the City of Casper, its residents, and stakeholders to develop and expand its technological businesses and provide a modern master-planned community offering employment opportunities, a senior living campus, residential units with all necessary retail and open space amenities. This is an opportunity to contribute to the ongoing revitalization that complements adjacent districts including Downtown, the Old Yellowstone historic district, and a proposed upscale hotel and conference center.



Proposed Mixed-Use Innovation District

Opportunity Zone
 Census Tract: 56025000800
 County: Natrona
 Area: Zone 3
 Casper, south North Platte River, west of Poplar St., North of CY Ave., east of Wyoming Blvd.

County Assessor's Market
 Valuation Estimate
 Land: \$
 Improvements: \$

Planned Uses within Platte River Commons

Existing Anchors and Amenities:

- ▶ Wyoming Technology Business Center (WTBC)
- ▶ Three Crowns Golf Club/Course

Planned Public Uses:

- ▶ City Riverfront Park

Anticipated Development within Platte River Commons:

- ▶ Retail
- ▶ Health Care
- ▶ Office
- ▶ Senior Living
- ▶ Multi-family
- ▶ R&D/Flex Innovation Businesses Park

University of Wyoming – Wyoming Technology Business Center (WTBC) Incubator

- ▶ Advanced Geotechnical Solutions, Inc. (full service geotechnical engineering company)
- ▶ Bison Kings (game development team)
- ▶ Frog Creek Partners (environmental technology)
- ▶ McGinley Orthopedic Innovations (innovative engineering solutions for surgical procedures)
- ▶ Medicine Bow Technologies (IT specialty providers)
- ▶ Nunn Utility Locating (utility-locating)
- ▶ Western Alternative Energies (Hydrogen Electrochemical Generator R&D)
- ▶ Aerial Enforcement Solutions (chemical dispenser drone accessories)
- ▶ DISA (extraction site engineered products)
- ▶ Imperium (power generation project/vendor software)
- ▶ Morris Visual Stress Solutions (diagnostic services for individuals with Visual Stress)
- ▶ Senior Patient Advocates (healthcare system services and advocacy)

Emerging Entrepreneurial Ecosystem

- ▶ Expand upon the incubator already on the site
- ▶ Include sites and buildings for shared working spaces and lab facilities to share ideas and knowledge
- ▶ Potential to create spinoff businesses and R&D spaces to complement the WTBC Incubator
- ▶ An "Innovation Zone or District" is desired for branding R&D businesses
- ▶ The Innovation District should contain a mix of uses including retail and housing, senior housing, retail, grocers



Operating Proforma Metrics

Potential Configuration

Retail	
Grocery Store	30,000 to 55,000 sf
General Retail	55,000 to 80,000 sf

Senior Living Community

Villas/Patio Homes:	102 units
Independent Living:	160 units
Assisted Living:	50 beds

Innovation District

Office/R&D/Flex	200,000 sf
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Retail: Projected Stabilized Operations

General Retail Rent/sf/yr NNN	\$18
Specialty or Build-to-Suit Rent/sf/yr	\$30
Market Vacancy	4%
Operating Expenses/sf/yr ¹	\$8.50
Non-Reimbursed Expenses/sf/yr	\$0.34
Retail Cap Rate	7.5%
Stabilized Value Estimate (110,000 sf)	\$28M

1. Includes 5% management fee, property tax, insurance, utility, and common area maintenance (CAM)



Select Casper Comps - Retail



Walmart Anchor
4011 Cy Ave
YOC 2008
Asking Rate \$20 NNN



2629-2669 E 2nd St
YOC 2008
Asking Rate \$10-\$16 NNN



Big Box Anchors
4070 Plaza Dr
YOC 2008
Asking Rate \$17 NNN



Kohls Anchor
Blackmore Rd
YOC 2008
Asking Rate \$13-\$30 NNN

Select Casper Comps - Office



1300 Venture Way
YOC 2008
Asking Rate \$17 mod gross



550 N Poplar St
Asking Rate \$12-\$20 mod gross



6000 E 2nd St YOC 2008
YOC 2007
Asking Rate \$18-\$21 mod gross



907 N Poplar St
YOC 1997
Asking Rate \$18-\$20 mod gross

Select Casper Comps - Industrial



341 E E St
Industrial Warehouse
\$5 - \$7 NNN



5880 Enterprise Dr
Office Flex
Asking Rent \$10 NNN

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