

# Papillon OZ Fund

## Shovel Ready Opportunity Zone Fund

### Papillon Towers - The Development

Selkirk Development, who specialize in the redevelopment of rare and historical properties throughout the Inland Northwest, is offering investors the opportunity to invest in what we believe is the best positioned property in Spokane via the Papillon Opportunity Zone Fund.

Design development has begun for **Papillon Towers** in Spokane's north bank neighborhood. Papillon Towers will offer energetic mixed-use spaces for everything from dining, to service retail, Class A office, luxury multi-family, and residential floorplans. **Construction is set to begin Spring 2020.**

- The integrated, shovel-ready project will boast a **six-story mid rise tower** (Papillon South) adjacent to the existing Papillon Building at 908 N Howard as well as...
- A **12-story high rise tower** (Papillon North), and **parking podium**
- **Spokane** is in transformation, offering a **high quality of life** with attractive cost of living, scenic beauty and recreational access, award winning higher education schools, and diverse, growing industry
- Papillon Towers consists of nearly 500,000 sq ft and will **meet rising tenant demand** for modern spaces and amenities
- Planned Class A office **floor plates in Papillon North are 60% larger** than current market
- Offers amazing locale and connectivity to Riverfront Park and the downtown core
- Sits in a unique position to **take advantage of proximity to other significant public venues and amenities:**
  - Veterans Memorial Arena
  - Riverfront Park & Promenade
  - Kendall Yards Neighborhood
  - Regional Sportsplex (opening 2021)
  - Discovery Park (opening 2020)
  - First Interstate Center for the Arts

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### Opportunity Zone – The Fund

Selkirk Development, in collaboration with HC Global is sponsoring a **direct investment opportunity via the Papillon Opportunity Zone Fund**. Among the various provisions of the 2017 Tax Cuts and Jobs Act, was Opportunity Zone legislation. **OZ legislation is intended to incentivize investors to exit capital gains positions and invest in designated opportunity zone communities.**

- A single property syndicated real estate development, designed to take advantage of **Opportunity Zone tax benefits**.
- Investors *must* invest capital gain or 1231 gain money to receive the tax benefits
- Investors have **180 days from recognition event to invest** in an Opportunity Zone Fund to receive the tax benefits. 1231 gain investors must invest on the last day of the tax year.
- **Projected investor 14.68% IRR** after fees, before QOZ tax incentives
- **16.34% total project IRR with Anticipated 2.38x Equity Multiple**
- Targeted 65% LTV; Refinance is expected to return approx. 70% of capital to investors at stabilization (2024)
- April 2022 expected first month of cash flow
- **First Fund Closing Date: December 15, 2019**
- Funds Raised: approximately \$30M with target minimum investment \$500,000<sup>1</sup>

### Opportunity Zone – The Benefits

- **Capital Gains Tax Deferral** – Capital gains taxes on disposed of investment are deferred up to 2026<sup>2</sup>
- **Capital Gains Tax Reduction<sup>2</sup>** – Capital gains are reduced by 10% if gain money is invested for 5 years. Gains are reduced an additional 5% if gain money is invested for 7 years.
  - Cutoff date for 15% reduction: December 31, 2019
  - Cutoff date for 10% reduction: December 31, 2021
- **Tax Elimination<sup>3</sup>** – If investments in Opportunity Zone Fund are held for at least 10 years, and interest in the qualified Opportunity Zone Fund is sold, all taxes on gains from the sale of that interest are eliminated.

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1: Minimum investment may be adjusted on case by case basis,

2: Assumes no acceleration event has occurred,

3: After 10 years, if interest in opportunity zone fund is sold, tax basis will be adjusted to fair market value at disposition

<https://www.irs.gov/newsroom/opportunity-zones-frequentlyasked-questions>