



The Puerto Rico Chamber of Commerce  
and the Puerto Rico Builders Association  
present



PUERTO RICO  
BUILDERS  
ASSOCIATION

# Opportunity Zones

Opportunities for New and  
Existing Businesses

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# Opportunity Zones

- **Investment Banking:**
  - Create and Manage an Opportunity Fund
  - Provide Junior Financing Alternatives to the Investment Venture
- **Commercial Financing:**
  - **Senior Credit Facilities**
    - Acquisitions
    - Construction
    - Property Improvements
    - Equipment
    - Working Capital

# Opportunity Zones

## Fundamental Point:

- ✓ Capital Gain Deferral and Tax Burden Reduction, in addition to the Permanent Exclusion of Taxable Income of Fund Gains are attractive incentives **for the Investor**.
- ✓ **However**, these incentives do not guarantee the feasibility and the repayment capacity of a business venture.
- ✓ Long Term Fundamentals of the Project, not its Tax Advantages, will be the basis of the Senior Lender Underwriting.

# Opportunity Zones

## Opportunities for New and Existing Businesses:

- The benefits we see:
  - Incentive to monetize and deploy existing embedded gains into new productive activity.
  - Long Term Nature of these Investments allow for a more permanent economic impact in invested areas.
  - Will promote increases in CRE Values → Improving Collateral.
  - Opportunity for new financings and new relationships may arise when investments are sold.

# Opportunity Zones

## Opportunities for New and Existing Businesses:

- **The benefits we see:**
  - **Will trigger new business opportunities in:**
    - Commercial Real Estate Development
    - Affordable Housing – Including Rental Housing
    - Investment in Island's Reconstruction Activity
    - CRA Credits / Compliance
    - Retail – Appliances, Furniture, Hardware, Discount Stores
    - Fast Foods and Food Retailers
    - Hotels
    - Manufacturing Investment – U.S. Operations
    - Municipalities – Property and Sales Taxes

# Opportunity Zones

## Opportunities for New and Existing Businesses:

- The benefits we see (Cont.):
  - Obvious Social Impact:
    - Employment
    - Retraining of labor force
    - Quality of the Communities / Quality of Life

# Opportunity Zones

## Opportunities for New and Existing Businesses:

- Other Business Activity that we would like to see:
  - Acquisitions of under capitalized and / or distressed operating businesses
  - Manufacturing Businesses (pharma/technology)

# Opportunity Zones

## Opportunities for New and Existing Businesses:

### Concerns:

- Time Table – 180 Days rule/December 2019 (To Maximize Return).
- Investment Focus and Diligence
  - Investment Opportunities – Define (Limited Designated Zones vs. “Whole Island”)
  - From “Interest to Action”



# Thank you

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