Starpoint Properties Welcomes OZ Challenges, Investments

The program has become a focal point in Starpoint Properties' portfolio, showing a great enough promise in potential tax benefits to overcome challenges with understanding the unfolding tax program and its regulatory guidelines.

By **Mariah Brown** | December 23, 2019 at 07:30 AM

NEW YORK CITY – StarPoint Properties, a real estate investment company based in Beverly Hills, California, is all in on Opportunity Zones, a tax incentive program introduced in the 2018 Tax Cuts and Jobs Act to direct resources to distressed census tracts. The program has become a focal point in its portfolio, showing a great enough promise in potential tax benefits to overcome challenges with understanding the unfolding tax program and its regulatory guidelines, Mike Treiman, general counsel at the firm, tells GlobeSt.com.

“It’s a really exciting time for a company like ours, which has defined this as an important business strategy, and one that we’re going to dedicate resources to really understanding and really moving in,” Treiman said.

The 30-year-old firm didn’t jump into Opportunity Zones without giving it heavy thought. Starpoint weighed the advantages and teamed up with multiple law firms devoted to understanding the tax program to work through the challenges, such as timing and appreciation standards for target assets and doubling a property’s basis. Because the deals tend to move slower in an Opportunity Zone due to the timeline of tax deferment ranging between seven to 10 years, Starpoint is evolving its strategies in tandem to make sure they're tested and re-tested in their capital deployment over that time, according to Treiman.

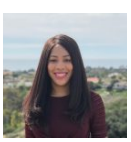
"We identified fairly early on that we thought that this was an exceptional program. And the further we peel the onion, the more exceptional it appeared to be and the more resources we dedicate to it," he said.

The initial deals the firm worked on was from Starpoint's own balance sheet, the firm didn't run to deploy third-party money given that the program was new. And since its launch, the government has rolled out seven new tranches of guidelines, which has moved the real estate industry farther from ambiguity to a greater understanding of the tax program. However, despite anxiety around nailing the program logistics down, slow and steady wins the race in the long term, Treiman said.

"Maneuvering within the lines is not a simple thing," he said. "That was sort of the frustration I think of the people who jumped in and thought this was going to be easy, easy, easy. They're starting to learn that there are serious challenges to making this work in a thoughtful way."

The firm has been executing on multifamily investments in Opportunity Zones but is now paying closer attention to last-mile distribution centers as a growing segment, according to Treiman. "The first OZ deal we did was a multifamily deal. So we're not limited to just that strategy, but last-mile is a very interesting strategy and could fit well with the juxtaposition of where that segment of real estate is going and Opportunity Zones," he said.

Mariah Brown



Mariah Brown is the New York Bureau Chief and Real Estate Reporter for GlobeSt.com, covering the New York Metro area, Northeast region and national real estate trends. She is responsible for producing multi-media content, including articles, podcasts and video. Before joining the GlobeSt team, she served as a New York Times fellow, reported for the Associated Press in New York and Philadelphia and several other New York City-based outlets.

https://www.globest.com/2019/12/23/starpoint-properties-welcome-oz-challenges-investments/?slreturn=20210704174706