



URBAN CATALYST FINDS TRUE PARTNERSHIP WITH ARMANINO AND GAINS INVESTOR CONFIDENCE



Challenge

Urban Catalyst was in the process of fundraising for their first qualified opportunity zone fund (QOF) and needed to find an accounting firm with the expertise and knowledge required to serve them.



Solution

Armanino's experts completed a review of the QOF's asset test computation, allowing Urban Catalyst to pursue new investors and for the Fund's Chief Administrative Officer to correctly prepare and file Form 8996.



Result

In finding the technical accounting support in Armanino's experts, Urban Catalyst was able to focus on growing their QOF while instilling investor confidence, expanding its brand and growing its pool of potential investors.

CLIENT CHALLENGE

Urban Catalyst, based in San Jose, CA, is one of the most prestigious qualified opportunity zone funds (QOFs) in the country. As a real estate equity fund, they're focused on ground-up developments in downtown San Jose.

During the launch of Urban Catalyst's first fund, (which officially closed on December 31, 2020 and ultimately raised \$131M which significantly exceeded their expectations), they were searching for a firm with the expertise and knowledge to provide the level of support and attention to help them succeed.

THE TAX ISSUE

Opportunity Zones are designated under Code 1400Z-1 of the census, identifying over 8,700 designated areas in the U.S. and Puerto Rico as low-income, distressed census tracts based on poverty levels. In 2019, the IRS completed final regulations under Code Section 1400Z-2 on the rules to qualify as an opportunity zone business or fund, something Armanino's experts specialize in. Failure to meet these regulations could result in penalties and/or potential cancellation of the designation as a QOF.

QOFs like Urban Catalyst attract investors, as investments (in the form of capital gains) in these funds allow for deferral of the associated capital gains tax, a reduction of the originally invested capital gain, and no federal capital gains tax on the appreciation of the investment upon exit.

The demand for information transparency and assurance in the funds qualifications is key in providing the confidence for them to invest. Maintaining this level of documentation and ongoing compliance with filings is key and requires a close relationship with their professional tax and audit advisory teams.

OUR SOLUTION

Armanino's experts reviewed Urban Catalyst's 90% asset test computation (which provides confirmation that 90% or more of the assets are qualified opportunity zone business property), confirmed that the fund was adhering to the working capital safe harbor election, and reviewed the underlying calculations for accuracy.

In addition, Armanino's experts introduced the Urban Catalyst executive team to other practices and geographies, including Intersect Capital and the Los Angeles Armanino offices, to join in explaining how opportunity zone investing works as well as providing the opportunity for Urban Catalyst in identifying new investors.

Urban Catalyst Chief Administrative Officer Sean Raft best explained the value in this relationship with the following statement, "What has been outstanding about Armanino is the exceptional level of service provided outside the 'four corners' of our engagement. This 'outside the box' assistance not only goes a long way with me, but [builds] our relationship, along with my loyalty and, by helping me in my mission to grow our Fund, is creating an increasing need for us to utilize the services of Armanino."

THE RESULT

Finding a true partnership with Armanino's experts has helped Urban Catalyst further align to meet their goals as they expand and raise their second fund, confirming compliance and gaining investor trust and alignment. Having a partner with extensive industry expertise to help navigate the rules and regulations behind this complicated program enables them to focus on growth and investor satisfaction, while knowing Armanino's experts are looking out for their best interests.



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