



Your Opportunity Zone clock runs out December 31, 2026. Is your valuation ready?

OPPORTUNITY ZONES: KEY BENEFITS AND DEADLINES

Opportunity Zones (OZs) provide tax incentives through qualifying property or business investments across more than 8,700 designated census tracts.

The critical deadline is December 31, 2026, when deferred capital gains must be recognized for tax purposes. The step-down provisions, a 10% reduction after five years and 15% after seven, are no longer available; December 31, 2019, was the last date to qualify. The benefit that remains operative is the separate 10-year-plus provision: full exclusion of capital gains accrued from the OZ investment itself, available through December 31, 2047.

WHY ACTING EARLY PROTECTS VALUE

December 31, 2026, is the statutory measurement point at which deferred gains become includible in income under 26 U.S.C. §1400Z-2, based on the fair market value of each investor's interest in the Qualified Opportunity Fund on that date, unaffected by filing extensions or administrative relief. That valuation must reflect the full economics of the capital stack, not just the real estate, and its defensibility will shape tax outcomes, audits, and 2027 liquidity planning. Waiting until year-end compresses that work into weeks, just as appraisal and audit capacity is tightest and rushed assumptions are hardest to defend.

A Two-Tier Valuation Framework: One Real Estate Appraisal, Plus Member-Level Appraisals

A defensible result starts with a clear structure: one USPAP-compliant real estate appraisal at the asset level, followed by separate, independent appraisals of the membership interests in the entities that own those assets. We translate that asset value into equity value through each entity's debt terms and capital structure, then allocate it to specific classes and members per the governing waterfall, creating a clear evidentiary trail from property FMV to entity net asset value to individual member FMVs that auditors and reviewers can readily follow.

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How We Execute the Property Appraisal

Our real estate appraisal work is USPAP-compliant, applying Income, Sales Comparison, and Cost approaches as appropriate to the asset type, and synthesizing rent rolls, lease terms, and market evidence into a durable “as of December 31, 2026” conclusion.

How We Value the Membership Interests

Translating asset-level value into member-level value is where many projects falter. We model the full capital structure, preferred returns, promotes, and clawback mechanics so allocations reflect actual economics, applying probability-weighted and option-pricing methods where path dependency requires it. Discounts for lack of control or marketability are supported by empirical studies and detailed analyses.. The result is a fair value measurement consistent with the general fair market value standard set out at §20.2031-1(b) of the Internal Revenue Code.

The Efficiency Gain from Early Coordination

When engaged early, we help the sponsor assemble a single source of truth, a secure data room with financials, debt schedules, and executed operating agreements, and pre-brief auditors and tax advisors on key assumptions. This front-loaded coordination prevents last-minute disputes and reduces iteration cycles post year-end.

What You Can Expect Us to Deliver

Our deliverables are designed for use across your stakeholders, with every number tying back to the real estate conclusion and documented capital structure:

- A USPAP-compliant appraisal report for each property
- Stand-alone valuations of each class or member interest, suitable for financial reporting

An Illustrative Path to December 31, 2026

In a typical engagement, we stagger workstreams across portfolios to maintain consistency across properties and entities:

- **Now:** Scoping to confirm assets, entities, and reporting requirements; data room set up
- **Mid Q4 2026:** Property appraisals developed, including inspections, and draft reviews
- **Late Q4 2026:** Member-level valuations follow, leveraging finalized property values
- **January 2027:** Subsequent events documentation and final reports

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What's at Stake if You Wait

Delaying valuation work concentrates risk: Less time to respond to market surprises, and less time to plan liquidity for 2027 tax payments or evaluate year-end actions such as refinancings, distributions, or dispositions.

Why Our Team

We bring one coordinated team across real estate appraisal and business valuation, built for complex capital stacks and promote tiers. Engaging us now lets us work alongside your management, auditors, and tax advisors toward a defensible pathway to December 31, 2026.

Next Steps

If you expect to recognize Opportunity Zone inclusion in 2026, the most effective step today is to reserve capacity and begin data readiness: scope assets and entities, launch the data room, align on the operating agreement waterfall, and set interim milestones so final "as of December 31, 2026" conclusions are ready for early 2027 close.

CONTACT

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