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real estate REPORT

Learning From Experience

Opportunity zones have plenty of potential, so here are lessons to be learned from the industry's experience with EB-5 visas.

By Michael Halloran



The power of opportunity zones has yet to be unleashed. With the potential to be a transformative economic development tool, this program should be embraced by stakeholders, but they need to be cautious to avoid potential pitfalls.

Opportunity zones may seem too good to be true. These funds aim to produce a healthy return for investors by offering valuable tax gain deferrals, partial elimination of

capital gains taxes on the deferred capital gain, and total elimination of taxes on the appreciation of the investment.

The obvious benefits - for investors and fund managers - are there. But to maximize the program's success, meaningful best practices must be adopted industry-wide. Security, compliance, and transparency will be huge components of a successful program.

Opportunity zones are still new, which means important guidance is still being developed by the U.S. Treasury, IRS, and state and local authorities. As a result, investors may face greater risk of unexpected tax liabilities due to unintentional lack of compliance. Because of the inevitability of change, it is vital to be transparent from the start and have a fund administrator who can keep your data organized.

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One thing will stay constant: No matter what regulatory changes are made throughout the process, given the sophistication of opportunity zones, you want data with the sophistication to match.

What Did EB-5 Teach Us?

Setting up an initial opportunity fund might be simple, but preparing for how the landscape around opportunity zones will change is not. Understanding the tax and securities laws is difficult. Keeping up with developing tracking and reporting requirement can be extremely

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New Listings



6,670 SF

Industrial Sale - 1024 Herr Street, Harrisburg

- Single-story flex space with good frontage on Herr Street
- Property features several offices in the front portion of the building and a shop space in the rear with 12' clear ceilings and an 8' x 10' drive-in door
- The property is located just off Cameron Street with quick access to I-83 and I-81



9,493 SF

Industrial Lease - 2150 S. Queen Street, 2nd Floor, York

- Second floor office and warehouse space available for lease
- Located in the growing area of South York just off the I-83 and S. Queen Street interchange
- Good visibility from the highway and S. Queen Street has access to St. Charles Way and traffic signal
- Many retailers and businesses in the immediate area

Commercial Listings



2,200 - 4,460 SF

Lease - 4647 Jonestown Road, Harrisburg

- Popular retail site - freestanding, updated building with great curb appeal and visibility on highly traveled street
- Bright, open floorplan on first floor and lower level floor features a separate entrance and drive-in door
- 13 Parking spaces on-site



Price Reduced

2,000 - 4,000 SF

Lease - 5129 E. Trindle Road, Mechanicsburg

- Brand new retail or office space along Trindle Road
- Great visibility and parking
- The 4,000+/- SF is an open shell - ready for your finishing touches



1,282 SF

Lease - 418 Market Street, Lemoyne

- Highly visible location in Lemoyne
- Store front windows and off-street parking
- Open floorplan will allow for a variety of uses



Price Reduced

1,000 SF

Lease - 665 Market Street, Lemoyne

- Join Classic Drycleaners at this desirable commercial location
- Open floorplan allows for good retail space
- Business ID sign available along Market Street

(Featured article...Continued from page 1)

challenging, especially for new market entrants. Frankly, an Excel spreadsheet isn't going to cut it.

Examining the EB-5 program can illuminate important lessons about transparency. United States Citizenship and Immigration Services, an agency of the Department of Homeland Security, established this employment-based visa program to encourage foreign investment in 1990, though it grew in popularity after the 2007 financial crisis. Foreign investors could gain permanent residency through investments, between \$500,000 and \$1 million, in a new commercial enterprise that created at least 10 full-time jobs.

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In the early days of EB-5, the dimensions of the program were undefined, but it has become a vital driver of the American economy. Throughout the course of any program, consumer opinion will ebb and flow. Regulations will change, and funds need to expect and be ready to manage that. No fund environment will ever remain static.

You need to have the data and paper trail to be prepared to answer questions from not only the government, but from investors. Ask yourself: "What happens if the IRS does this or that?" Make sure you have an answer.

EB-5 also taught us a lot about security. In opportunity zone funds, the capital investment is driven by the investors' taxable event, and capital is moved into the fund before the specific need and use of that capital are predicated. Large pools of capital will exist in the subscription phase before distribution into a qualifying opportunity zone project.

The EB-5 marketplace was similar, where we saw multiple instances of fraud and abuse where those resting funds were inappropriately allocated for purposes other than the EB-5 development. The need for third-party oversight and investor transparency of this capital became increased measures of security. Industry best practices were developed to prevent malfeasance and ensure investors' capital was properly protected and appropriately utilized.

Best Practices from Your Fund Administrator

Hiring a third-party fund administrator to help manage your investments is not required, and some companies feel that they don't need extra oversight. But if history tells us anything, third-party oversight should be sought, and dismissing it completely may be a misstep.

Take the Bernie Madoff scandal, where regulators missed his \$50 billion Ponzi scheme that defrauded thousands of investors. With third-party administrators, investors would have been less likely to be fooled by his scheme by requiring the fund to be more transparent.

Investors should want fund managers to have reputable outside administrators to help ensure their investments are safe and that all regulations are being met. Fund managers should want third-party administrators so they look good to investors and to protect their own company.

(Continued on page 4)

Commercial Listings



10,500 SF

Sale - 5620 Derry Street, Harrisburg

- Newly renovated building conveniently situated on Derry Street, just moments from Route 322 and 283/83 interchange
- The building underwent major upgrades in 2017 and has been well-maintained throughout the years
- The unique set-up offers many possible options for an office or commercial user
- Up to 2.5+/- acres of vacant land adjacent to the property (5650 Derry Street) is also available for sale



1,600 - 8,000 SF

Lease - 611 N. 12th Street, Lebanon

- Join Save-A-Lot grocery store in this newly constructed shopping center located in Lebanon City
- Tenants can acquire one suite (25' x 64') or all five up to 8,000+/- SF for retail or office use
- The vanilla shell is ready for your finishing touches



Price Reduced

2,500 SF

Sale - 7200 Derry Street, Harrisburg

- Freestanding commercial building with good visibility along Derry Street
- The former AMVETS property could be outfitted to suit a variety of users - restaurants, retail or office users
- Excellent on-site parking with two access points from Derry Street

It can be extremely challenging to work with opportunity zone fund tax and securities laws, regulations, and tracking and reporting requirements. Scaling up to meet sudden investor demand can also pose problems, especially if the accounting is performed with software too basic for such sophisticated fund accounting.

Opportunity zone funds must be equipped with tools that allow them to adjust, and best practices need to be established in security, compliance, and transparency.

Security

In other financial industries, the use of independent, third-party controls and record keeping is standard practice, so it should be no different with opportunity zone funds. If you don't have a third-party administrator, investors will likely hesitate for fear of poor record keeping. They will also want to be certain their information is not subject to a cyberattack, so assuring them that their data is secure will be key to gaining trust - and their investment.

Opportunity zone fund structures are inherently different than traditional private equity funds, where investors make capital commitments that are realized when there is a capital call necessitated by a pending fund investment. Opportunity zone funds feature single asset funds where the operator/developer is both the fund and the project. Once the money moves from subscription to deployment, it's imperative to provide visibility and assurance that capital is being allocated consistently with the project's business plans and in compliance with opportunity zone regulations.

Compliance

In the world of compliance, it is better to overprepare than to underprepare. Track compliance at the fund and investor level and, once again, prepare for rules and regulations to change. Opportunity funds must also comply with additional tax and reporting requirements, such as the "substantial improvement" and 90 percent investment in qualified opportunity zone property tests. This can add complexities and make evolving regulations more difficult to manage.

If history is any indicator, the IRS is certainly able to shift from friendly to aggressive. Funds must plan for a potentially exhaustive level of scrutiny by the IRS at the fund level and at the investor level. Oversight is a dangerous and potentially costly risk for a fund to take with investor capital.

Transparency

Fund managers should be transparent from day one. The complexity and number of stakeholders make transparency a challenge - but it is best practice to make sure all material information is accessible to all relevant stakeholders. Unsurprisingly, investors want to know where their money is and how it is being used.

If you want to invest in opportunity zones, make sure you do it right. You need to know your paper trail is continually up to date. ■

About the Author:

Michael Halloran is founder and CEO of Silicon Valley fintech company NES Financial. Contact him at mhalloran@nesf.com.

Industrial Listings



Lease - 151 Allendale Road, Mechanicsburg

- Hard to find, completely updated warehouse space available
- Tenant's suite features frontage along Simpson Ferry Road, vanilla shell office space, ready to be built-out and a warehouse with 14'6" clear ceilings, two drive-in's (12' x 12'), sprinklers, new LED lighting, and a dock could also be added if needed
- Convenient access to Route 15, Route 581, and I-81



Lease - 1900 Crooked Hill Road, Harrisburg

- Multi-use building with up to 12,000 SF available for lease
- Built in 2001, the space features newer upgrades - high ceilings (18'7" clear), 3 docks, 3 drive-in's, a sprinkler system, central air, and heat
- Located minutes from the City of Harrisburg, Route 22 and I-81, this site is highly desirable

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The Bill Gladstone Group of NAI CIR is searching for articles to fill editorial content.



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Articles are typically 1,200 – 1,500 words and include an author bio, headshot, and recognition for your company.

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Office Listings



155 - 5,910 SF

Lease - 112 Market Street, Harrisburg

- Great downtown location, directly across from the Dauphin County Courthouse and accessible to all the downtown business and entertainment districts
- Suites available in all sizes, from a single office to an entire floor
- The fifth floor suite was recently renovated with expansive views of the Susquehanna River
- Parking is available in the Market Square Garage at market rates



1,880 - 3,802 SF

Sale/Lease - 5006 - 5010 E. Trindle Road, Mechanicsburg

- Three condominium units available for sale (1,880 - 3,802 SF)
- Excellent location in newly developed area in Hampden Township
- Can be sold individually for owner/user or together as an investment



266 - 4,453 SF

Lease - 415 Market Street, Harrisburg

- Attractive office spaces at the Harrisburg Transportation Center
- In walking distance to all the downtown restaurants, amenities, and Riverfront Park
- Located in Technology Corridor Enterprise Zone
- **HALF PRICE RENT for the first year on a 3 or 5 year deal (promotion ends October 31, 2020)**



8,403 SF

Lease - 101 N. Pointe Boulevard, Lancaster

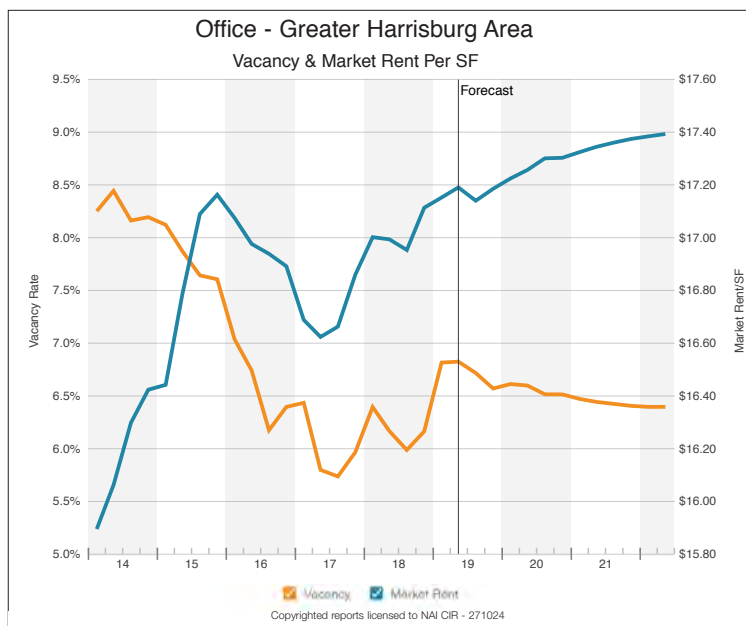
- Class A, multi-tenanted building in the heart of Lancaster County's business area
- This beautiful building boasts large window lines, in-suite cooling/heating, in-suite music system, a guarded lobby, a common area breakroom and many high-end finishes
- Great central location with ample parking available



12,571 SF

Sale - 5650 Lancaster Street, Harrisburg

- Newly renovated building conveniently situated on Derry Street, just moments from Route 322 and 283/83 interchange
- The building underwent major upgrades in 2017 and has been well-maintained throughout the years
- The unique set-up offers many possible options for an office or commercial user



Office Listings



Sublease - 3 Kennedy Street, Lancaster

- This 2,875 SF former bank has modern features and an intelligent layout for a variety of users
- The design includes 3 drive-thru lanes (1 ATM), 4 private offices, conference room, and a break room
- Located just minutes from the Route 30 interchange at Greenfield and Old Philadelphia Pike and Route 222



Lease - 156 Cumberland Parkway, Suite 200, Mechanicsburg

- First floor office space available in this Class A, high-profile building
- The location offers easy access to Route 15 and the PA Turnpike (I-76), plus great local amenities
- It is hereby disclosed that a partner in the ownership of this property is a licensed real estate salesperson in the Commonwealth of Pennsylvania



Lease - 24 Northeast Drive, Hershey

- Functional, single-story office building in prominent Hershey location
- Perimeter window line can be expanded to suite tenant's specs
- 35+/- Parking spaces in-common with all tenants in building, and over 100 parking spaces available nearby



Lease - 30 N. Third Street, Harrisburg

- 1,443 - 20,112 SF contiguous available in Class A office building
- Skywalk to Strawberry Square, Walnut Street Garage, Harrisburg Hilton, Whitaker Center, etc.
- This building is Energy Star Certified and utilizes the latest energy management systems for optimal energy efficiency



Lease - 5275 E. Trindle Road, Mechanicsburg

- Two corner suites offering functionality and usability are available
- The east side office (4,545 SF) features perimeter offices with windows, a conference room, breakroom, and in-suite private restrooms
- The west side office (7,018 SF) has private offices and large conference room(s) lining the perimeter



Lease - 28 E. Main Street, New Kingstown

- Hard to find flex space in Silver Spring Township
- The suite features approximately 1,376 SF of freshly updated (new paint, cleaned carpets) office space and an adjacent 720+/- SF of warehouse space
- Former use was office for a transportation company

Investment Listing



Sale - 905 E. Chocolate Avenue, Hershey

- 15 unit Travel Inn ideally located off E. Chocolate Avenue with excellent roadside visibility and moments from Hershey attractions
- This facility is made up of 2 buildings consisting of 10 exterior guest rooms, 5 apartments and a spacious on-site manager's suite with three bedrooms, living area and kitchen
- The Hershey Travel Inn has been renovated over the years and also has solid revenue history for many years

Featured Land



Sale - I-81 and W. Trindle Road, Carlisle

- Two parcels along W. Trindle Road, directly off I-81 available
- Build on Parcel 1 for maximum exposure
- Additional parking as needed would be available on the 0.55+/- acre Parcel 2

Land Listings

Location	Acres	Zoning	Type
370 W. Main Street, Leola, Lancaster County	1.3 - 2.8	General Commercial	Sale/Lease
1301 Eisenhower Boulevard, Harrisburg, Dauphin County	1.86	ML-Light Industrial	Sale
5650 Derry Street, Harrisburg, Dauphin County	1.90+/-	Commercial Limited	Sale
Pending - Bent Creek Boulevard, Lot 2, Mechanicsburg, Cumberland County	2.02	Community Commercial	Lease
453 Jonestown Road, Jonestown, Union Township	2.05	Commercial	Sale
Price Reduced - 7700 Derry Street, Harrisburg, Dauphin County	2.12 (lot 4)	Commercial District General	Sale
Price Reduced - I-81 and W. Trindle Road, Carlisle, Cumberland County	2.18 (2 parcels)	Commercial Highway	Sale
Price Reduced - 100 Narrows Drive, NEC of US Route 422 & Narrows Drive, Lebanon	2.2	Commercial	Sale
Price Reduced - 7700 Derry Street, Harrisburg, Dauphin County	2.3 (lot 8)	Commercial District General	Lease
Pending - St. Johns Road, Camp Hill, Cumberland County	3.05	General Commercial District	Sale
1345 Eisenhower Boulevard, Harrisburg, Dauphin County	3.95	ML-Light Industrial	Sale
Peters Mountain Road & River Road, Halifax, Dauphin County	5.1	None	Sale
700 S. Baltimore Street, Dillsburg, York County	5.23 - 57.5	Agricultural - Conservation (AC)	Sale
Eisenhower Boulevard, Harrisburg, Dauphin County	5.39	Commercial General	Sale
W. Suncrest Drive and Spring Road, Carlisle, Cumberland County	6.72 (5 parcels)	Commercial/Light Industrial	Sale
503 Jonestown Road, Jonestown, Lebanon County	7.91	Commercial	Sale
Route 441 and Orchard Drive, Harrisburg, Dauphin County	8.34	Single Family Residential District	Sale
730 Limekiln Road, New Cumberland, York County	8.64	Commercial Business	Sale
Carlisle Pike (Route 11) Waterford Square, Mechanicsburg, Cumberland County	8.78 (8 lots)	Community Commercial (C2)	Sale
1900 State Road, Duncannon, Perry County	9.46	Commercial	Sale
Price Reduced - Eisenhower Blvd & Highspire Road, Harrisburg, Dauphin County	10	Commercial District General	Sale
Pending - Gettysburg Pike & Spring Lane Road, Dillsburg NWC, York County	14.92	Commercial	Sale
Price Reduced - Allentown Boulevard, Harrisburg, Dauphin County	17+	Commercial Highway (CH)	Sale
Price Reduced - 349 Pleasant View Road, New Cumberland, York County	45.48	Commercial Business	Sale

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Check Out Our Recent Deals

Visit www.billgladstone.com to view listings not included in this issue.



SOLD - 25 S. 28th Street, Harrisburg

First Church of Our Lord Jesus Christ, Inc. purchased this 11,000 SF church located in Penbrook Borough. The Bill Gladstone Group of NAI CIR represented the seller and Chante Gloster of Berkshire Hathaway HomeServices Fox & Roach, Realtors represented the buyer.



SOLD - 2151 Linglestown Road, Suite 120, Harrisburg

Ideal Services Group LLC, a behavioral support and habilitation company, purchased 2,023+/- SF of office space located in Susquehanna Township. The Bill Gladstone Group of NAI CIR represented the seller and Roy Brenner of Landmark Commercial Realty, Inc. represented the buyer.



LEASED - 1801 Oberlin Road, Suite 300, Middletown

TecPort Solutions, Inc., an Information Technology (IT) consulting firm, leased office space in Lower Swatara Township. The Bill Gladstone Group of NAI CIR handled the transaction. Space remains available. Call for details.