

Commercial Real Estate

Bay Area experts weigh in on opportunity zones and what they mean for developers



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By Marlize van Romburgh and Mark Calvey
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Opportunity zones have created enormous interest in some circles and have led to the creation of huge opportunity funds where investors can together take advantage of the real estate tax implications. From downtown redevelopment to new hotels, the funds can take on a variety of forms. The Business Journals spoke to some of the most prominent such investors in the Bay Area to get their perspective on the program, targets of opportunity and what other potential investors should look for when evaluating an opportunity zone.



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Taylor Lembi, founder and CEO of M31 Capital.

TODD JOHNSON | SAN FRANCISCO BUSINESS TIMES

Taylor Lembi

Founder and CEO, M31 Capital

M31 wants to raise \$25 million to \$30 million for an opportunity zone fund called Morpheus 1 to purchase existing multifamily properties. The fund is expected to generate investor returns in the low to mid teens, not including tax benefits from investing in an opportunity zone.

Lembi's fund will focus on buying apartment buildings with 20 or more units, especially those with high vacancies. He sees an opportunity among multifamily properties where owners have been reluctant to invest in their properties.

The draw for existing properties is that it's a lot easier to renovate an existing property than to build from the ground up, Lembi said, noting that a renovation can be completed in about a year rather than the five to seven years to get a new housing development entitled and built.

He has his eye on a few apartment buildings in the East Bay, but isn't ready to publicly discuss them.

Lembi has 20 years of experience in Bay Area real estate and also has deep family roots in the business. His grandfather, the late **Frank Lembi**, built up a large San Francisco real estate portfolio of about 8,000 apartments. The empire lost many of the properties in the 2008 financial crisis.

Lembi is currently running his first real estate investment fund, a non-opportunity zone fund that raised \$10 million from friends and family to acquire and renovate residential properties, where there's the ability to add units during the renovation.

In addition to the financial rewards real estate offers, Lembi said, "When you improve a piece of real estate, you improve the local community too."
