

**Mary** Vandenack provides the transcript from Legal Visionaries podcast on Business and Tax Considerations Before Selling Your Business.

## **TRANSCRIPT:**

**Mary:** On today's episode, my guests are Jim Pieper and Kim Kuhle. Jim is an attorney at Vandenack Weaver Truhlsen with experience in Opportunity Zones, and Kim Kuhle is the founder of Veterans Victory Housing. Today, we will discuss Kim's use of an Opportunity Zone structure in building a new business. I was particularly interested in hearing from Kim on her vision and how she started the business, where was the original seed, but thanks for joining me today, Jim and Kim.

**Jim:** Thanks.

**Kim:** Thank you.

**Mary:** Kim, can you tell me what led you to want to become a real estate developer?

**Kim:** Well, I'm not a real estate developer exactly, I'm more of a social service provider and builder. The course of my career involved-

**Mary:** Wait, can you just go ahead and clarify that for our listeners? I think that would be a great clarification when you say that.

**Kim:** Sure. I'm interested in providing programs that help diverse people own brick-and-mortar because that's the single most effective way of helping people get out of poverty and to grow, so I'm combining my interest in program development with real estate, and I'm passionately working for Veterans Victory Housing and Small Business Center because I observed my mother go through an explosion and my father was working on several Air Force bases. He supported my mother during the recovery over many years and she went on to be a leader in her business and I-

**Mary:** Wait, what business did your mom have?

**Kim:** She had real estate businesses.

**Mary:** She was real estate business?

**Kim:** Yes, yes.

**Mary:** Okay, so you grew up around that?

**Kim:** Right, exactly.

**Mary:** Then you grew up around your dad was Air Force is what I heard?

**Kim:** Yes, yes.

**Mary:** Okay, so is that where the interest in veterans comes from?

**Kim:** Absolutely, yes. I learned after playing shuffleboard on several Air Force bases with generals and a number of ranking people that veterans like to hang out with other veterans and 25% of all veterans want to grow their own businesses, so I see an opportunity here where we can help the veteran, especially if he or she has a disability, a mental or physical disability.

**Mary:** Can you clarify that?

**Kim:** Yes.

**Mary:** Because there's veterans housing and sometimes when that gets razed, it's like, "Oh, there's a lot of free housing." This isn't necessarily free housing. Can you explain?

**Kim:** No, this is market rate. Yes. What I'm providing entrepreneurial campuses. This helps the individual that wants to grow their business from their home, which may be the apartment at Veterans Victory or-

**Mary:** Can you stay with the housing first?

**Kim:** Sure.

**Mary:** Is the housing based on a certain model, a certain type? I mean, because you're developing there, right?

**Kim:** Yes.

**Mary:** As you're-

**Kim:** We're working on apartments now, but over time, we believe that we will provide Veterans Victory single-family housing options and even condos.

**Mary:** The housing is apartments?

**Kim:** Yes.

**Mary:** At least primarily right now.

**Kim:** Right.

**Mary:** Then the next component is the business, what else is on the campus.

**Kim:** Right, the business office is on the campus. It's a single campus, usually 10 to 15 acres and then we provide extra services that are over and above anything that you would ever experience with amenities. For example, we have a coffee shop planned in the business center, and we'll probably have a small grocery store, and we'll have an attorney's office.

**Mary:** The business center is simply, when you refer to that, is that the business center for the project in general?

**Kim:** Yes.

**Mary:** Okay, and so the coffee in there, who will that be operated by?

**Kim:** We hope to have a lot of veteran-owned businesses come to the business center. Then we may have a number of medical specialists like podiatrists, eye doctors, psychologists that want to serve veterans. Then in the housing, we may have a number of home-based businesses where the individual just wants to walk across the campus and share coffee and technology ideas in a think tank type of atmosphere. This is totally driven by small business, and it's not intended to be something that is really focused on the controversial areas in veteran housing. Many people talk about homeless shelters and so forth, but we have to remember that only 0.04% of all veterans are homeless. We have 20 million veterans that want to be out there and active and have their second or third career, and many want to own their own businesses, but they don't know how to get together and take advantage of their veteran preference and grab those bids and land the new business as a team.

**Mary:** I just want to go back to my question, Kim, on you grew up around the real estate and you had your mom in that business, and then you were in this service and it grew into this whole idea of the Veterans Villa Housing Project. Was that part of the plan, or were you looking just to do a development and the Veterans Victory grew out of that? Or were you wanting to do something for veterans and the development grew out of that idea? Which?

**Kim:** Well, it was the first property that I found that really made a lot of sense to rework. It was an extended-stay motel, and it was right next to a veteran Legionnaire-type club. All of a sudden, I realized, "Oh, within a five-mile radius, we have 40 veteran programs operating," and I thought, "This is ideal. I'll put all this together because there's a need."

**Mary:** That is the entrepreneurial instinct there.

**Kim:** Mm-hmm, yes.

**Mary:** It's like, "Okay, I'm going down a path of doing some development. There's legislation that's been passed, this created some opportunity, and here's an underserved population that I can provide an Opportunity Zone for, so to speak."

**Kim:** Right, yes, and I had a passion for blending some of the current programs that are already out there that bankers use all the time. I felt that this Opportunity Zone tool could add to the ways we can stretch the dollar and provide more good things, housing, and business offices for people in revitalization areas.

**Mary:** The whole Opportunity Zone fund, which we did a previous episode on, really has created some opportunities. What I like as I listen to is just hearing that whole, a lot of our listeners are entrepreneurs. It's always interesting to me to watch how it's like, "Oh, I was thinking about a real estate project. This legislation got passed and we are within the vicinity of a lot of veterans and it grows out of that," 'cause I always, with real estate developers, I have a friend who I'll be driving down the street with and he goes, "Oh, that would be the perfect place to put..." I'm like, "What?" It just doesn't even occur to me to think that way, but give me a tax code section, and I'll probably do something interesting with that. We are going to take a brief break from our episode for a word from one of our sponsors.

**Mary:** Okay, let's continue our episode. Well, I want to ask, though, Kim, because I happen to know that this wasn't idea to first project, but you have a first project underway in Colorado, but I want you to speak to a little bit about what that process was like, because I think anybody who's starting a business, whether it's development or any kind of business, goes through this process of, "Was I really crazy to think that I could do this?" Can you talk a little bit about that part of the journey?

**Kim:** Sure. I've had a lot of work experiences and program development experiences and I just know that this model will work. But in the real world, I did run into investors that wanted to take over and investors that weren't terribly honest, and then sometimes the contracts didn't go through, but I stayed with it. In some cases, I worked three jobs at once, but I believed in my idea. That is what an entrepreneur needs to do is to know that there will be many challenges, but it feels great when the funding does come.

**Mary:** I'm going to just go to Jim for a minute on your point there because that is something that those going into a new business for the first time will run into and don't always know how to navigate. As I understand it, Jim helped you navigate some of those challenges. If you were to talk about somebody that's got a business idea, Jim, and they're going down a road into a new business and listening to some of the obstacles that Kim ran into, do you just have some thoughts on what to do? When to call a lawyer might be part of the case because we know sometimes that call doesn't come quick enough, but I also understand the why of that because a new business owner is short on cash, typically, but if you just said, "Here's three things to really know about looking for investors and some of the obstacles you might run into on a project like this."

**Jim:** Yeah, thanks. Anytime you have a big idea, but you don't have deep pockets, you have to figure out how to get that financing in place, and you have to understand about the debt financing. Where you go to a bank, typically you're going to need a guarantor if you're not having a lot of assets bringing into the deal. For equity financing-

**Mary:** Your typical initial financing can be yourself if you have a lot of cash, which a lot of times is not the case.

**Jim:** Sure.

**Mary:** You can also go to friends and family as potential investors, which has its own perils. I think we generally suggest that if you go to friends and families, you do documentation and make sure it's really done like a deal, right?

**Jim:** Sure.

**Mary:** Then the bank financing.

**Jim:** Sure. Yeah. Yeah, getting a loan can be challenging, getting equity, again, if you go beyond your friends and family, you can have securities law issues that, again, lawyers need to be aware of, and obviously the tax issues. Mary knows more than anybody about structuring transactions-

**Mary:** 'Cause I find it fun.

**Jim:** ...so that you don't get a surprise tax bill at the end of it. Yeah, it is a challenge and we've tried a whole bunch of different techniques with Kim because we've needed to, the tax increment financing, which most cities will allow you to use in a redevelopment project where you get some of your property tax put back into the deal. We were using the clean energy financing called PACE, where you can get a good interest rate over a long term to begin, depending on the state law if you use clean energy and clean water utilities in your project. The 1202 small business stock is another thing that we've been working in, which provides another tax incentive when you have people investing in small businesses. Again, if you know what you're looking for, there's a lot of different things you can use if they fit, but you have to have someone who knows that landscape and can figure out what type of tax incentives and other types of programs can fit with what you're trying to do.

**Mary:** I also actually encourage some business coaching early on for businesses other than the legal issues, which we tend to focus on, but a new business owner is just going to run into, as I listened to Kim, a whole lot of challenges that you might not expect. I think you mentioned a dishonest investor. I grew up in a small town where I thought people do the right thing because it's the right thing to do. I remember in my career early on going, "What? That's not the way it works all the time." That's a really important thing to know, and maybe some people grew up knowing that, but it's something, how do you manage dealing with that? I suggest the coaching aspect to people that are engaging in new businesses as well. I want to go back to you a minute Kim and just say, you've got Colorado's in progress, and once you get something going, other opportunities arise. Can you just speak to what else do you have or where have you set your goals now?

**Kim:** Yes. We purchased 20 acres in South Sioux City, and that will be very special because we'll have the Veterans Victory Housing and the small business center, plus a community resource center for the nonprofits. They're very excited. It's a role model for the region. Then we also have assisted living in phase two, so that will be wonderful. We're going into Daytona Beach, and we have an intercoastal purchase agreement in process. This is very exciting because we can have a combination of solar and wind energy on the roof and then we can also have people boat their way up to the front door and we can have some retail in addition to our offices and apartments. That's what's so exciting is that we have a model that's structurally competent for the securities industry and tax and IRS, all the government agencies will be satisfied, plus we can adapt to local collaborators.

**Mary:** One of the things I've heard both you and Jim say that I just want to point out for somebody venturing into a business again, but they often don't realize is how many different tax credits are available both on the federal perspective and the estate. Jim, you and I have both worked on trying to create some resources to help new business owners find that, but it's not an easy task. You have a particularly good knack at knowing some of those things based on your background. But let's just say if somebody's venturing out, a lot of times here in the state that they're in, the state may offer a variety of credits for employing people and other things. What's the best way for somebody looking at starting a business to find out what is available out there other than calling? They're not quite ready to call a lawyer. They want to go out and do their Google research and find that. Can they go to state resources? Are there chamber of commerce type resources? I know it's a long list, and again, we've tried to assemble it, but what would be the, say at least look for these things if you were to give three things you should think about when you're starting a new business?

**Jim:** Yeah, I mean, I think every community has a chamber of commerce, basically where business leaders can network and get information. Pretty much every city and county have economic development professionals and who can provide guidance on state and federal tax incentives and programs. Then there's a nonprofit and higher ed component to that. University of Nebraska at Omaha, for example, has a small business development center. A lot of communities will have those type of resources as well through, then there's the Small Business Administration, which is a federal agency, too.

**Mary:** If you were to google to find, because I do know that we have some really great resources here in this state, and so I assume that that's true in a lot of different locations, if I were googling to find, "Hey, I'm starting a new business, where do I go?" What's my Google search? Exactly that?

**Jim:** Just "small business resources," probably, yeah. The SBA would be a good place to start for links and your local chamber of commerce and if there's a business development center at a university near your location. Then in terms of Opportunity Zones, particularly the Department of Housing and Urban Development federally has a website with a lot of resources on that, too.

**Mary:** On this particular project, you've really used a lot of different tax credits, resources, options, legislations in putting these projects together, and so we are going to shift to the one that you just mentioned, and we did a previous episode where we talked about the qualified Opportunity Zone fund. That is part. I'd really say, well, that's part of the structure. The structure overall takes advantage of a whole lot of different opportunities. But can you just briefly speak to why the qualified Opportunity Zone fund is part of this project, Jim?

**Jim:** Yeah. Well, for Kim's project in particular, it has the twofold benefit because, first of all, she's developing a project with real estate, apartments and commercial and other things that will come together on that campus, and so the opportunity fund allows investors to, if they hold that investment for the 10-year period that's required under the opportunity fund statute, they can get a very significant tax advantage when they sell that interest, so that gives her investors a good reason to put their money into her project as opposed to a project that doesn't have that. But then the second thing is because she's creating an entrepreneurial campus with a business center, anybody that forms a business, whether it's actually in the office building, or as Kim mentioned, in their home at home-based businesses, because they'll be in a zone, they could form those as qualified Opportunity Zone businesses, which could give them a tax break and people who invest in those businesses a tax break by using an opportunity fund to build those businesses up.

**Mary:** What I really liked, Kim, in listening to you talk about how your idea evolved is as somebody who's helped with a lot of new business owners start, and I remember one 20-year-old young man who walked into my office with a little piece of metal in his hand, and ultimately that was a part to use in relation to biking. He got a patent on it, which we didn't do, so we had to send him elsewhere. But here, this young man with this idea did really, really well, but he'd already developed the part. What happened in this instance was you took opportunities created by legislation and let the idea evolve out of that. I just wanted to share that. You've talked a little bit about how the concept evolved from the qualified Opportunity Zone fund legislation, but would like to just talk to you a little bit more about why you feel that that really is a good fit for creating investment opportunities.

**Kim:** Yes. I believe that entrepreneurs find the low-cost land to start their business, and they have a way of seeing that 10 years down the road, this piece of land will have all kinds of businesses around it. That's the message I want to bring to my colleagues and that is that for every \$10 million of investment, we're creating 45 jobs. We are making a substantial improvement in the local community, and everybody wins. The veteran gets special support if he or she has a disability, mental or physical or both. Then the taxpayer gets a benefit because for example, in Colorado Springs, we're going to create 315 jobs, and then we also have the investor making a great internal rate of return, and he or she can always, always count on his or her tax deduction. How can you lose? Then in 10 years, they will be able to take their appreciation capital gains tax-free. It's a great deal.

**Mary:** In my mind, in listening to this, the great winners in this case are actually the veterans.

**Kim:** Yes.

**Mary:** Because what you did is carved out an area that really isn't served, so there's a lot of focus on the VA hospitals, and there's a lot of focus on the homeless vets, and the mentally ill vets, but not all of the mentally ill vets are necessarily homeless. I think I heard 0.04% is what the homeless rate is. I didn't realize it was that low.

**Kim:** Mm-hmm, it is.

**Mary:** That's a really interesting fact to me. But you took that whole... I just really think the vets are the big winners, and what you did is created something for them by bringing an opportunity together that will work well for investors, will work well for some business owners, some young entrepreneurs, or older entrepreneurs, whatever the case might be. You want to start some businesses and the Opportunity Zone gives a particular opportunity that they might not have had otherwise. If you're saying, and again, on your case, you didn't have a specific vision about what you were doing, but you wanted to create something.

**Kim:** Yes.

**Mary:** I hear you wanted to create something. You had a particular business background. You had been introduced to the concepts by your parents, you worked in a current environment. I also heard you talk about wanting to bring your daughters into the business and having them have a legacy in that regard, so if you were to say to somebody who wants to pursue a dream just to create something versus having a necessary particular idea, what might you tell them to do is that to look around in their experiences and draw on those to find a need or ...?

**Kim:** Absolutely. You hear about authors of bestselling books. Why did they become bestsellers? It's because they drew upon their personal experiences. That's what Veterans Victory represents to me. I added on the technology aspect. That's where veterans in all the locations will be able to benefit from the knowledge that we're accumulating at each of the locations. We have different specialties in each location, and in the long run, we'll probably be able to find prosthetic arms anywhere in the world or find the best doctor for any particular ailment anywhere in the world. That's the power. What I recommend to entrepreneurs with a vision and a special, unique skill is that they research, research, document, calculate, and talk to everyone, talk to the people that can help them directly, and even indirectly because the communication tends to create a feedback loop, and the more people you have inside your dream, the greater the chance of success you'll have.

**Mary:** Well, thanks very much, Kim. I want to ask if either of you, as we're at the end of our episode, have a last thought that you'd like to offer?

**Jim:** I would just say that even though a lot of it sounds complex and there are a lot of complexities and regulatory issues with starting a business or getting some of these incentives, that there are ways to make it simple and straightforward and make it work at all different levels of what you're interested in trying to accomplish.

**Kim:** Right, it is really the same thing over and over again. It's building a network. That will help you. Systems, networks, that's where our future is.

**Mary:** Well, thank you very much to both of you for being here today. As we reach the end of our episode, I want to thank our sponsors Interactive Legal, Carson Private Client, and Foster Group. Well, that's all for now. Thanks for listening to today's episode and stay tuned for our weekly releases.