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EXCERPT

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# 29 West Stacks Possibilities in Multiple Opportunity Zones in Arizona

NICK DECICCO, SENIOR WRITER, NOVOGRADAC

In a former coal-fired power plant on Navajo land in northern Arizona, an innovative solution to developing housing is being constructed. Inside the facility, ZenniHome is manufacturing apartments that will become homes to residents nearly 300 miles south in Mesa, Arizona.

Spearheading the development to be known as 29 West is Caliber, a vertically integrated asset management firm based in Scottsdale, Arizona, that owns the land in Mesa and is using its own qualified opportunity fund (QOF) investment in an opportunity zone (OZ) to do so.

the process into two parallel timelines to quicken development. This allows Caliber to prepare the site in Mesa while ZenniHome simultaneously manufactures the apartments near Page, Arizona. ZenniHome refers to this concept as its “ZenCity” solution for multifamily developments.

*Image: Courtesy of Caliber*

An artist's rendering depicts the future 29 West apartments in Mesa, Arizona. The capital stack includes a \$3.2 million qualified opportunity fund investment from Caliber, which is developing the apartments with modular home manufacturer ZenniHome.

Building the homes offsite allows Caliber to eschew one continuous construction schedule, instead forking

“To give you an idea, we’re building 144 units in downtown Mesa, Second Avenue Commons,” said Michael Pells, project manager for Caliber. “That is a 24-month process from start to finish. We’re going to do ZenCity in 14 months from start to finish. Right there, you’re saving yourself 10 months of heads in beds. Our investors are getting a better bang for their buck on that investment.”

### Setting the Table

Upon completion, 29 West in Mesa will be a 90-apartment property. 29 West will comprise two, five-story midrise buildings in downtown Mesa, sitting atop an existing basement and ground-level commercial area. Nearby members of the Arizona State University students and faculty are anticipated to be a potential pool for residents.

“We’re targeting the new generation of living,” Pells said. “Right now, I feel like we are out ahead of the transition and we’re going to be first to put that product into fruition. We’re super, super excited for this joint venture.”

The future 29 West is part of a 10-locale batch of properties purchased or added to its holdings by Caliber beginning in 2017. Caliber focuses primarily on sites in the American southwest and Rocky Mountain region. Caliber picked up several properties along Mesa’s Main Street corridor. Pells said Caliber held some of the sites prior to the inception of the OZ incentive.

“This is right on Main Street in Mesa,” said Wren Martin, vice president of construction management for Caliber. “It’s right in the very center of town. The units have this coolness factor, somebody who is looking for a hip place to live in downtown that’s super accessible.”

Martin said that the units are designed with moving walls to make the space as functional and practical as possible.

“We think it’s a big niche that’s going to be in high demand,” Martin said.

Pells said Caliber is hoping to start work this summer with a completion date in late summer or early fall of 2024.

“I feel that the final end product, I can’t wait for that just due to the exposure that Caliber has on Main Street, the potential for, again, taking this product and multiplying it times 10 or 15 in other parts of the state or country,” Pells said. “Honestly, I think that the need is what we’re excited about. We’re providing need for a housing shortage everyone’s stumbling on right now. We can provide 90 units where they don’t have the kind of livable space on Main Street. ... With the growth of downtown Mesa, we couldn’t ask for better timing.”

Scott Mills, director of tax for Caliber, said Mesa is on the upswing after a slowdown period. “I know that Mesa was one of the bigger suburbs of Phoenix 30-to-40 years ago,” Mills said. “It’s been slowly on decline and taken over by other up and coming cities around here over the past few decades, so it’s good to see the downtown thriving.”

### Forging a Fresh Path

ZenniHome is the brainchild of Bob Worsley, founder of SkyMall and a former three-term member of the Arizona state senate from 2013 to 2019. Since leaving office, Worsley has sought to bring the sort of innovation to housing production that shakes the status quo in a manner similar to how rideshare service apps changed ground transportation.

“We’ve seen disruptions to a variety of industries, but not to the housing industry,” said Kenna Hettinger, marketing operations manager for ZenniHome.

Worsley’s goals with ZenniHome, which he founded in 2019, are to make homes sustainable and efficient. By producing them offsite in the former Navajo power facility, the vagaries of Arizona weather such as winter snows and scorching summertime heat are minimized.

ZenniHome produces two types of home: the 640-square-foot, two-bedroom Citizen and 320-square-foot studio Denizen models. The steel

frame of the apartments is built to the dimensions of shipping containers to ease transportation via boat, train or other conveyance. Hettinger said ZenniHome aims to provide solutions to developers looking to build multifamily high rises, low rises and midrises due to the flexibility and stack-ability of the model.

The apartments can be stacked up to five stories high, hooking together vertically and horizontally with bolt boxes built into the corner and central support columns. Martin and Pells said once they're affixed via tower crane, it's a matter of connecting it to the support systems Caliber will have in place such as electrical, plumbing and more.

"We build homes and send them to someone like Caliber," Hettinger said. "We would love to see ZenCities across the nation."

Hettinger said the homes are built to be delivered based on a development's requirements. In the case of 29 West, Pells said that will likely be in batches to minimize crane costs.

Hettinger said a foundational concept for the homes and the company is bringing Zen into these spaces for residents to maximize space and comfortability.

"There's so much space in a home that doesn't get used," Hettinger said. "These homes are trying to bring Zen. They're using a smaller space. They're designed to feel beautiful, to feel luxurious and to utilize space well so you can spend time on the things that matter most to you."

### Turn the Page

ZenniHome's production of apartments for 29 West includes the facility on the Navajo reservation just east of Page. The area previously hosted a coal mine and factory, which are also located in an OZ. The plant concluded commercial generation in 2019 and its trio of distinct smokestacks visible in the Arizona skyline came down in 2020. The closure of the plant had a deep impact on Page and the Navajo reservation, curbing more than 750 jobs.

"It left a real hole in the community," said Hettinger, who moved to the area in 2021. "Those smokestacks represented a huge part of the economy. It was a hard thing that hit Page and the reservation."

Hettinger said being in Page gives her the ability to contextualize the scope of ZenniHome's efforts on multiple levels.

"ZenniHome made a big difference to Page," Hettinger said. "We're employing Navajo people, the Diné. I think what Bob Worsley is trying to do with homes, I think it will change how people live and how people buy homes. But also, on a small scale, the impact in Page is incredible to see. It's really cool to see the macro and micro impacts."

### Financing

Due to ongoing market issues, Caliber said its costs for 29 West are in flux. Mills said the total invested thus far is \$8 million. The capital stack includes a \$3.2 million QOF investment from Caliber.

"Everything that has been financed has been through equity," Mills said. "There's no construction or property debt on ZenniHome or on that specific building. It's all been equity investment."

Mills said ZenniHome and outside investors have comprised the other \$4.8 million financed thus far.

Martin said that ZenniHome is a great example of the benefits of the OZ initiative, that it provides several levels of benefits for Caliber and ZenniHome as well as the communities in Mesa and Page.

"It's a marriage when you consider opportunity zones financing was designed to give an economic boost to areas that need it," Martin said. "There's a product that's modular, built in a factory, in a community that has an economic need. It will create new jobs and supplemental businesses, new small business to support the factory. Ship down and put in those units in an opportunity zone and it's still affordable housing. It hits every point of what the opportunity zone is and what it was created for." ❖

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