

Memorandum



DATE April 17, 2009

TO Members of the Economic Development Committee: Ron Natinsky (Chair),
Tennell Atkins (Vice-Chair), Dwaine Caraway, Jerry R. Allen, Sheffie Kadane,
Mitchell Rasansky, Linda Koop, Steve Salazar

SUBJECT **EB-5 Regional Center Update**

On Monday, April 20, 2009, you will be briefed on the EB-5 Regional Center Update. Attached is a copy of that briefing.

Should you have any questions, please contact me at (214) 670-3314.



A.C. Gonzalez
Assistant City Manager

C: The Honorable Mayor and Members of the City Council
Mary K. Suhm, City Manager
Deborah Watkins, City Secretary
Tom Perkins, City Attorney
Craig Kinton, City Auditor
Judge C. Victor Lander, Judiciary
Ryan S. Evans, First Assistant City Manager
Forest Turner, Interim Assistant City Manager
Ramon Miguez, P.E., Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, Director, Budget & Management Services
David Cook, Chief Financial Officer
Karl Zavitkovsky, Director, Office of Economic Development
Hammond Perot, Assistant Director, Office of Economic Development
Helena Stevens-Thompson, Assistant to the City Manager

EB-5 Regional Center Update

Economic Development Committee

April 20, 2009



Purpose

- ★ To provide a **status update** on **EB-5 Dallas Regional Center (DRC) Application**
- ★ To review the **RFP selection process** and the choice of Civitas Capital Management, LLC
- ★ To outline the key elements of the proposed **DRC structure** and **Civitas contract**
- ★ To solicit **Council input**
- ★ To obtain **Economic Development Committee endorsement** to execute a contract with Civitas to manage and operate the DRC, subject to **Council approval on May 13th**, and **USCIS approval** of the DRC application.

Previous Actions

- ★ **EB-5 Program Briefing** to Economic Development Committee (Oct. 20, 2008)
- ★ **City Council Approval** of EB-5 DRC application to USCIS (Nov. 10, 2008)
- ★ **DRC application** to USCIS **filed** (November 26, 2008)
- ★ **RFP** process to select a DRC Investment Fund Manager completed (March 27, 2009)
- ★ **Civitas Capital Management, LLC** selected to negotiate a contract to manage and operate DRC (March 27, 2009)

EB-5 DRC Application Update

- ★ **Application filed** with USCIS
- ★ **Endorsement letter** provided by Congresswoman Johnson
- ★ Some initial **USCIS processing delays** due to U.S. Elections and program management change to California office
- ★ EB-5 **Regional Center Program extended by Congress** through end of FY09
- ★ **Additional information requested** by USCIS regarding proposed Regional Center fund structure and fund management.
 - City response due in early June, pending Civitas contract execution.
- ★ Anticipate **final USCIS decision in 3rd Quarter of 2009**

RFP Selection Process (1/3)

- ★ **RFP Issued** November 20, 2008
 - Proposal Evaluation Committee Formed – included staff from OED (2), Business Development & Procurement Services (BDPS) (1)*, Financial Services (1), City Manager’s Office (1)
- ★ **Proposals** received from **3 firms**:
 - Civitas Capital Management, LLC – Dallas, TX
 - Prime Income Asset Management, LLC – Pasadena, CA
 - Dallas Fund for Foreign Investment (DFFI), LLC – Dallas, TX
- ★ January 2009 – Fund manager presentations held
- ★ March 2009 – Top ranked firm brought in for second interview
- ★ **March 27, 2009 – BDPS mailed letter of intent to award**

*Business Development and Procurement Services only evaluated the Business Inclusion and Development Plan.

RFP Selection process (2/3)

- ★ The successful proposer was selected based on demonstrated competence and qualifications under the following criteria:
 - (40 Points) - Investment Management and Decision Making
 - (35 Points) - Organizational Characteristics
 - (10 Points) - Proposed Management Fees (not paid by City)
 - (15 Points) - Demonstrated inclusion and commitment to and understanding of the City's Business Inclusion and Development (BID) Plan in proposed item

Final Evaluation Outcomes

Fund Manager	Score
Civitas	72.3
Prime Income	52.3
DFFI	**

** DFFI, LLC was deemed non-responsive for failure to meet specifications.

Managers' Profiles

Jason T. Barnes

- ★ **Law partner** at Haynes and Boone, LLP in both **Corporate** and **Finance** Sections
- ★ Extensive background in **private equity fund structuring**
- ★ Extensive background in **transaction due diligence, transaction structuring** and execution
- ★ Vice-Chairman **Finance Committee** of the **Mayor's Southern Sector Task Force**

Daniel J. Healy

- ★ Current **Partner** with **real estate private equity fund**
- ★ Extensive background in real estate transactions and investment structuring
- ★ Extensive background in **transaction due diligence**
- ★ FINRA Series 24 Registered Principal
- ★ **Former Chief Compliance Officer** for large private investment firm
- ★ SMU MBA

Managers' Profiles

Rafael M. Anchia

- ★ **Law partner** at Haynes and Boone, LLP specializing in Public and Corporate Finance
- ★ **State Representative**, House District 103
- ★ Former **DISD School Board** of Education, Trustee
- ★ Currently serves as **Chairman** of the Board of Directors for **Civitas**

Kevin W. Page

- ★ Extensive background in **investment banking** and transaction due diligence, transaction structuring and execution
- ★ FINRA Series 24 Registered Principal
- ★ **Marketing and Media background** (Page 3 Productions, SSO Media Capital Group)

City Relationship with DRC

- ★ When EB-5 application is approved, the City itself will be **designated** as the **City of Dallas Regional Center** and will have the **authority to delegate the control** of the DRC.

City Relationship with Civitas

- ★ The City selected **Civitas** to act as the “**Regional Center Manager**” and, in doing so, will assign the essential **investment and regulatory compliance functions** of the DRC to Civitas
- ★ Subject to established DRC policy and oversight rights, the City will **permit Civitas to launch offerings and pool EB-5 investors** into investment vehicles structured and managed by Civitas.

Proposed City of Dallas/Civitas Agreement Parameters

★ Civitas **General Duties:**

- **Source capital** from **foreign investors** for the Civitas fund
- **Screen** all foreign investors prior to accepting investments
- Develop and operate a robust **due diligence process** for investor sources of capital
- Maintain a rigorous **securities and immigration law compliance** regime
- **Administer immigration application process** for investors
- **Source and screen investment opportunities** within the DRC
- Carry out all investment activities
- **Report regularly to investors**, the **City** and the USCIS

Proposed City of Dallas/Civitas Agreement Parameters

★ Reporting to City

- The **City** entitled to **receive all reports delivered to Civitas investors** including but not limited to:
 - **Audited financial statement** of each investment fund (Balance sheet, income statement, cash flows)
 - **Annual performance analysis** for each investment made by each investment fund
 - **Quarterly investment activity report** for each investment fund
- ★ **City** will have the **right to attend all meetings** of the **Civitas Advisory Board**, and require that such meetings be called at reasonable intervals.

Proposed City of Dallas/Civitas Agreement Parameters

★ Marketing

- Civitas will **market directly** and through **affiliated third party funds**.
- **City** will actively **promote** the **DRC**, but will **not endorse individual funds or investments**
- Fund **investments coincide** with the City's **economic development priorities**
- Civitas will develop a **sophisticated online presence** that supports their marketing plan

Proposed City of Dallas/Civitas Agreement Parameters

★ Investment Parameters

- **No investments** that fall **outside** of **DRC guidelines**
- **No investments outside** of **DRC geography**
- Required to direct at least **50% of investment activity** to ***Targeted Employment Areas*** (see Appendix 1)
- **Invest** generally according to **City's economic development priorities**

Proposed City of Dallas/Civitas Agreement Parameters

★ Other

- Civitas acts as **independent contractor** and will **exercise independent judgment** within the parameters of its contract with the City.
- Civitas shall receive **no compensation from City** for **performance of service**.
- Civitas will maintain **insurance acceptable to the City** during term of contract.
- Civitas is held to the **ethics standards** defined by all **applicable laws** and **City of Dallas requirements** .
- Civitas will continue to meet **minority ownership** and **vendor hiring targets. (25% minimum minority participation on Advisory Board)**
- Civitas will be **bound by the City charter** regarding **conflicts of interest**.
- The Civitas **contract** is not **assignable**.

Next Steps

- ★ **Economic Development Committee endorsement** to execute a contract with Civitas Capital Management, LLC to manage and operate the DRC
- ★ Seek **Council approval of Civitas contract** on **5/13/09**
- ★ **Respond to USCIS queries** by 6/01/09
 - Anticipate USCIS approval in 3rd Quarter 2009

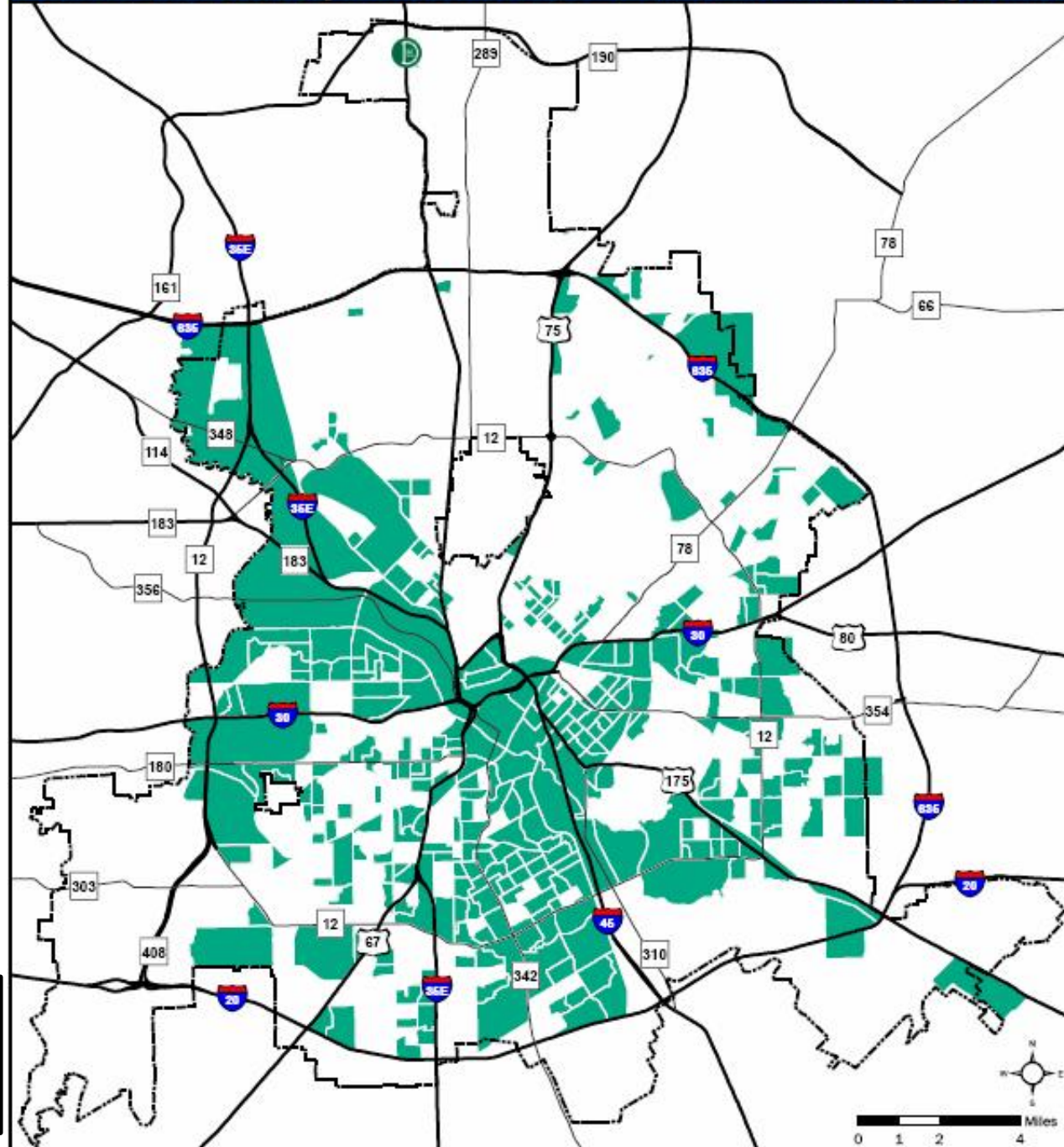
Appendices

- ★ Appendix I: Targeted Employment Areas & Map
- ★ Appendix II: EB-5 Immigration Process & Flowchart
- ★ Appendix III: Fundraising
- ★ Appendix IV: Underwriting
- ★ Appendix V: EB-5 FAQ

Appendix 1 – Dallas Targeted Employment Areas (TEA) (1/2)

- ★ Targeted Employment Areas (TEAs) were a key element of the original 1990 legislation, creating the EB-5 investor visa.
- ★ A TEA is either a rural area, or a high unemployment area.
- ★ The City of Dallas identified and grouped Census Block Groups with an average unemployment rate 150% of the national average to serve as a Targeted Employment Area for EB-5 purposes.

2000 Block Groups with 150%+ of National Unemployment



Appendix 1- Dallas Targeted Employment Area Map (2/2)

Legend

- Block Groups with 150% of 2000 Unemployment Level
- Not Eligible
- City of Dallas
- Freeway
- Highway

Source: US Census Bureau, 2000

0 1 2 4 Miles

Appendix 2 - EB-5 Immigration Process

- ★ Transfer investment to DRC (Civitas)
- ★ Approvals from USCIS
- ★ Conditional Green Card
 - Two years of meeting all requirements
- ★ Permanent Green Card



Appendix 3 – Underwriting

- ★ Civitas has developed a comprehensive **Underwriting and Risk Management Manual**, according to which it will conduct its activities. Highlights include:
 - A diversified private equity investment model with a range of unique projects that feature broad support
 - A broad network from which to select investment candidates with an integrated and rigorous diligence process
 - Proprietary risk management assessment tools and credit scoring mechanisms
 - An experienced and disciplined Investment Committee and a stable, experienced and disciplined Advisory Committee comprised of individuals with local, national and global experience
 - Databases and analysis tools designed to help underwrite, monitor and value each investment in a consistent and regular manner
 - Civitas principals have direct experience handling hundreds of highly regulated investors, funds and transactions involving billions of dollars and Civitas principals carry all FINRA licenses necessary to conduct both private and retail securities offerings
 - Civitas intend to monitor, track and report on all economic and factual details necessary to provide investors with the best chance to navigate the immigration process.
 - All recipients of CDRC capital, whether debt, equity or a hybrid instrument, will be required to adhere to certain record-keeping requirements that will ensure that Civitas can comply with the job-creation reporting requirements.
 - Civitas will work closely with City staff responsible for monitoring and projecting economic impact to refine Civitas' model for the CDRC, as well as individual investment opportunities, and to obtain any required pre-approvals from USCIS.

Appendix 4 – Fundraising

- ★ Civitas’ plans to launch a multi-faceted marketing plan that has a global scope dedicated exclusively to promoting the development of Civitas’ initial funds.
- ★ To fund this extensive marketing initiative, Civitas will initially commence fundraising via its Launch DALLAS! campaign.
 - **What will Launch DALLAS! Funds be used for?**
 - Launch DALLAS! dollars focus specifically on:
 - Targeting and recruiting **qualified** investors to participate in DRC Civitas Funds
 - Creating Dallas-specific content that **markets the City** as well as the **EB-5 investment opportunities** of the DRC.
 - **Who will manage Launch DALLAS!?**
 - It will be a standalone program directed by the **Managing Director** and **Chief Marketing Officer** of Civitas and will report directly to the City of Dallas OED on this initiative.

Appendix 5 – EB-5 FAQ

- ★ **How long must an investor keep his money in the Dallas Regional Center Fund?**
 - The fund model has been based upon a five-year investment minimum.
- ★ **What information and documentation are required?**
 - An investor can apply for an EB-5 visa by submitting an I-526 petition to the USCIS. Various documents might be required with this petition including financial statements and personal documents.
- ★ **Who receives permanent residency (“green card”)?**
 - Permanent residency will be granted to the investor, his or her spouse, and any unmarried children who are under the age of 21 at the time of the I-526 petition.