

Memorandum



DATE April 30, 2010

TO The Honorable Mayor and City Councilmember

SUBJECT **City of Dallas Regional Center (CDRC) Update**

On Wednesday, May 5, 2010 the City of Dallas Regional Center (CDRC) Update briefing will be presented.

A copy of the briefing is attached. Staff will be available at the meeting to answer questions.

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, Administrative Judge Municipal Court
Ryan S. Evans, First Assistant City Manager
Forest Turner, Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Jeanne Chipperfield, 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

CDRC

CITY OF DALLAS REGIONAL CENTER

UPDATE



CDRC Leverages U.S. Foreign Investor Program

- US Customs and Immigration Service (USCIS) **allocates 10,000 VISAs** annually to **foreign nationals who invest a minimum of \$500k** thru a Regional Center Program
- Investors must pass **USCIS personal and financial screening process (4-6 months)** and invest in projects/businesses that create **10 jobs** for U.S. citizens within a **two year period**
- Approved investors **receive a two year temporary VISA** which **converts to permanent “Green Card”** when program requirements are met. **No residency requirement.**
- **Dallas designated as Regional Center (CDRC)** in Sept, 2009.
- CDRC provides a **new source of low cost capital** to fuel economic growth.



City Relationship with Civitas

- **Council approved** the selection of Civitas Capital Management LLC (**Civitas**) as the **independent CDRC manager** for a period of 10 years in May 2009 (see Appendix B).
- **City** is the **owner** of the CDRC and **promotes** its activities and has the **ability to terminate** the management contract.
- **City does not guarantee investments or make investment decisions.**
- **City does not set investment priorities or participate in underwriting process** (City involvement could create liability or jeopardize legal status).
- **Civitas** is compensated through transaction and management fees, but receives **no payment** from the **City of Dallas**
- **City** receives an **administrative fee**, tied to individual transactions



Investment Eligibility

- Wide variety of legal entities, industries and projects qualify.
- Geographic **boundaries** are **Dallas city limits** (see Appendix A)
- **Every project or business investment must create 10 jobs (direct or indirect) per foreign investor.**
- **Project Investment Size: Minimum of \$500k and targeted maximum of \$50M.**

Terms of Available Capital

- Investment offering **process** can take **6-9 months**
- **Flexible** capital structure
- Investor participants favor **capital preservation over returns**
- Capital cost is consistently **below market rates** for comparable debt/equity
- **5-7 year return of capital** requirement

Current Status

- Civitas' pipeline includes **seven projects in underwriting** and **14 active prospects**.
 - Approximately **\$75M in underwriting**
 - Deals include: Hotel Redevelopment, Corporate Relocations, Healthcare Facilities, Senior Assisted Living and Skilled Nursing Facilities in Southern Dallas, Energy Storage, Call Centers and Entertainment Companies
- **Initial deals** anticipated to **close in first quarter of calendar year 2011**.
- Investor promotion has been initiated in Korea, China, Taiwan, Mexico, India, Pakistan and Africa
- Goal is to close **\$50M in FY' 11** and **\$150M in FY'12**.
- **\$400 – 700k in administrative fees to ECO** projected for **FY'11**.

Questions

Appendix B- Staff

Daniel J. Healy, Managing Partner

Dan Healy is Managing Partner of Civitas Capital Management, LLC. He is responsible for the general management of the firm, including overseeing financial analysis of the firm's investment opportunities, as well as transaction sourcing, asset management and disposition. Mr. Healy has over twelve years of real estate investment and consulting experience.

Mr. Healy previously served as Executive Vice President and Partner with Royalton Real Estate Capital, LLC, a private equity firm affiliated with the San Antonio insurance and financial services firm SWBC. At Royalton, Mr. Healy had broad management and transaction responsibilities. Previously, Mr. Healy was Executive Vice President with Highland Capital Real Estate Advisors, the real estate private equity arm of Highland Capital Management, L.P., a private investment firm with more than \$30 billion in assets under management. There, he sourced, structured and monitored a variety of notable transactions, including the development of a licensed broker-dealer platform for a Highland affiliate.

Mr. Healy holds a Bachelor of Arts in Government and Politics, summa cum laude, from the University of Texas at Dallas, and a Master of Business Administration from Southern Methodist University.

Jason T. Barnes, Chairman

Jason T. Barnes is Chairman of Civitas Capital Management, LLC and a founder of the firm. He is responsible for strategic planning and global business development initiatives.

An accomplished transactional lawyer, Mr. Barnes is a [Partner](#) in the Finance and Private Equity sections of the Dallas-based law firm Haynes and Boone, LLP. Throughout his career he has developed relationships with a wide variety of financial institutions, asset managers, principals and high net worth individuals in businesses and transactions that cross industries, markets, geographies and asset classes. Mr. Barnes' practice and experience covers transactions involving over \$25 billion in value, and clients with assets ranging from \$10 million to \$40 billion. In addition, Mr. Barnes has spent years working pro bono with funds and managers in the structuring of social-purpose investment vehicles, and the tailoring of mainstream structures to provide "double bottom line" returns to investors. He writes and speaks regularly about this issue, and works as a general matter to educate the investment community on the merits of investments in underserved and emerging markets.

Mr. Barnes graduated from the Georgia Institute of Technology with a Bachelor of Science in Economics and earned his Juris Doctor from the Emory University School of Law. He serves as the Chairman of the Finance and Funding Committee of the Mayor's

Southern Dallas Task Force, and is actively involved at the board level with multiple non-profit organizations.

Tina Hou, Managing Director - Investor Relations

Tina Hou is Managing Director – Investor Relations of Civitas Capital Management LLC. She is responsible for developing and maintaining relationships with the firm’s investors around the world. She also is involved in product development and execution of marketing strategies through multiple channels in domestic and global markets.

Previously, Ms. Hou was Managing Director with Commonwealth International Consulting Services, where she focused on facilitating business integration between Chinese and US companies. Prior to that, she was with JPMorgan Chase Bank for five years, serving most recently as International Client Manager. In that role, she developed sophisticated wealth management and preservation strategies for international clients, with a particular focus on China and Brazil.

Ms. Hou holds a Bachelor of Arts in Economics from the University of California at Los Angeles, is a candidate for the Certified Financial Planner designation, and is fluent in Mandarin, Cantonese and Shanghainese.

Gabriel Hidalgo, Managing Director - Investments

Gabriel Hidalgo is responsible for sourcing and underwriting investments for Civitas Capital Management, LLC. Mr. Hidalgo has an institutional background in real estate investment. Most recently, he was an Associate with Macfarlan Capital Partners, a private equity real estate investment firm, where his responsibilities included underwriting and valuing prospective acquisition targets, and participating in the asset management of the firm's portfolio. Prior to joining Macfarlan, Mr. Hidalgo served as a portfolio manager and investment analyst with CSG Investments, Inc. the investment advisor to Beal Bank, SSB. In that capacity, he was responsible for monitoring and servicing a \$1.2 billion portfolio of asset-based high yield and distressed corporate bonds and syndicated loans. In addition, he was responsible for identifying potential investment opportunities and the quantitative analysis of borrowers and issuers.

Mr. Hidalgo holds a Bachelor of Science in Economics from Texas A&M University, a Masters in Business Administration from Southern Methodist University, and is fluent in Spanish.

Advisory Board

Rafael M. Anchia

Mr. Anchia is a Senior Advisor to Civitas and Chairman of the Advisory Board. Mr. Anchia is a partner at Haynes and Boone, LLP, an international law firm. He represents financial institutions and public and private funds in a variety of transactions involving,

among other things, senior and subordinated debt and equity, domestic and international syndications and distressed debt acquisitions and sales. He also represents issuers and underwriters on tax-exempt bond transactions.

Mr. Anchia is also actively involved in community affairs and public service. Representing District 7 on the Dallas ISD Board of Trustees from 2001 to 2004, he oversaw a \$1 billion budget, 19,000 employees and almost 220 schools in the nation's 12th largest school district. Mr. Anchia was recently elected to his third term as Texas State Representative for District 103, which includes parts of Dallas, Irving, Carrollton and Farmers Branch. Texas Monthly named Mr. Anchia "Rookie of the Year" during the 79th Legislative Session and one of the "10 Best Legislators" during the 80th Legislative Session. He was named an American Marshall Memorial Fellow in 2001, a Broad Foundation Fellow in 2003, LULAC National "Man of the Year" in 2005, a Flemming Institute Fellow in 2006, and an Aspen Institute Rodel Fellow in 2007. He also presently serves as the National Chairman of the National Association of Latino Elected Officials, and is Board Secretary for the Dallas-based charitable organization Education is Freedom.

Mr. Anchia earned his undergraduate degree from Southern Methodist University and his Juris Doctor from Tulane University. Mr. Anchia is also fluent in Spanish.

J. McDonald Williams

J. McDonald "Don" Williams will serve as Vice-Chairman of the Advisory Board. Mr. Williams served as the chairman of Trammell Crow Company from 1994 until May 2002. Prior to serving in that role, he was the chief executive officer of Trammell Crow from 1977 to 1994. Mr. Williams received his bachelor of science degree from Abilene Christian University and his L.L.B. from George Washington University Law School. He serves as a director of two public companies, A. H. Belo Corporation and Tenet Healthcare Corporation. In 1995, Mr. Williams founded the Foundation for Community Empowerment to assist in redeveloping low-income neighborhoods in Dallas. He also serves on the boards of a number of nonprofit organizations, including the Hoblitzelle Foundation.

James W. Keyes

Mr. Keyes is the Chairman and Chief Executive Officer of Blockbuster Inc. The firm is currently undergoing a transformation under his leadership. Mr. Keyes serves as the President of 7-Eleven Sales Corporation. He is an Operating Partner at CIC Partners, LP and focuses on retail operations at the firm. Mr. Keyes served as the President and Chief Executive Officer of 7-Eleven Inc. from May 2000 to November 11, 2005. During his tenure, he helped the company achieve 36 consecutive quarters of same-store sales increases. From May 1998 to April 2000, Mr. Keyes also served as an Executive Vice President and Chief Operating Officer of 7-Eleven Inc. he also served as the Chief Financial Officer from May 1996 to April 1998 and in various other capacities at the firm since 1985. Mr. Keyes also served as a Director of the firm from April 1997 to November 11, 2005.

He serves as the Member of Advisory Board of Americas Strategic Alliances, L.L.C. and Southern Methodist University's Edwin L. Cox School of Business. Mr. Keyes serves on the Board of Directors of the American Red Cross.

Brett Lawson

Mr. Lawson was most recently the National Managing Partner of Strategic Initiatives for Tatum, LLC, a national executive services firm and a leader in the delivery of finance, accounting, technology and recruiting services in and around the CFO Suite. Previously, he served as Tatum's Chief Financial Officer. During his tenure at Tatum, Mr. Lawson provided strategic and operational leadership for Tatum's national consulting practice, and was instrumental in Tatum's transformation from outsourced CFOs to a full-service executive services firm. Prior to his tenure at Tatum, Mr. Lawson was a Partner in The Controller Group (TCG), a Texas-based professional services firm focused on accounting, technology and recruiting services. TCG was twice named to the Dallas 100 Top 100 Fastest growing private firms (#13 and #11) and was acquired by Tatum CFO in 2006. Mr. Lawson began his career with Ernst & Young in the UK, where he focused on retail and manufacturing businesses in public company space, before transferring to the Dallas office for a two-year rotation. Before returning to the US in 2003, Mr. Lawson spent a year within the Education and Training department of Ernst & Young, instructing internal staff on global audit methodology and related soft skills.

Mr. Lawson graduated from the University of Warwick in the UK and is a Chartered Accountant.