

# Texas firms tap little-used source of capital

By Lynn Brezosky

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Investment capital was nearly nonexistent in 2009, when Dallas-based Civitas Capital Group CEO Daniel Healy learned of the then little-used EB-5 immigration program that grants visas in return for investments that create U.S. jobs.

"It just seemed like a good opportunity to bring an institutional approach to this very narrow little niche," he said.

Civitas jumped into that investor pool by forming an EB-5 "regional center," in this case a public-private partnership that had the firm matching foreign investors to projects for Dallas.

Civitas was not alone in tapping a funding source that had been largely ignored since its establishment in 1990.

In 2007, when Wall Street giants like Lehman Bros. were on the verge of implosion, there were fewer than 12 regional centers and 473 approved investor applicants.

As of February, U.S. Citizenship and Immigration Services had OK'd 226 regional centers and 13,589 investors.

## *Rising in Texas*

A program that had been more heavily utilized on the East and West coasts is now all the rage in Texas, where there are some 29 regional centers, including one at San Antonio's Brooks City-Base.

In April, Civitas announced approval of its 43-county Civitas Texas Regional Center, encompassing San Antonio, Houston, Austin, Dallas and Fort Worth. It also will manage projects for the Laredo and El Paso.

All compete for an investor base capped at 10,000 applicants a year.

And those potential investors are getting increasingly savvy, made skeptical by news of mismanagement if not outright fraud.

Last month, the FBI had raided the office of a McAllen couple heading up the USA Now Regional Center, with search warrants suggesting their EB-5 program was actually a Ponzi scheme that used investors' money to pay off legal debt and purchase guns, jewelry and cars.

## *Asset freeze*

The biggest fiasco has been the asset freeze of the Intercontinental Regional Center Trust of Chicago, shut down by the Securities and Exchange Commission after taking in more than \$145 million for a convention center that never broke ground.

"This program is going to be defined by before Chicago and after Chicago," said Michael Gibson of Tampa, Fla.-based USAdvisors.org, which specializes in vetting projects for would-be investors.

The scandal started driving investors to smaller projects, such as franchise restaurants and doctors' offices, said New York City-based immigration attorney Mona Shah.

She said it was a misconception that EB-5 investors were deep-pocketed jet setters. Instead, many see this as their one ticket to the United States and can afford to lose neither their money nor their visa.

One client cashed in his retirement to get a widowed sister out of Pakistan, she said. Another, a student, borrowed money from his father, who took out a loan against the equity of his house.

The Chicago fiasco struck a blow to large public projects that until then had an assumed credibility, said Yi Song, also a New York City-based attorney. Politicians, including the governor of Illinois, had appeared in the marketing of the convention center project, so when it failed, investors recoiled, she said."

### ***Marketing strengths***

That's not to say investment centers don't have their marketing strengths.

Audrey Singer, a senior fellow at the Washington, D.C.-based Brookings Institution, has been researching the EB-5 "free for all" and says partnering with regional economic development agencies who know what projects are needed makes sense. Civitas boasts that the City of Dallas Regional Center has attracted more than \$250 million in EB-5 capital and created thousands of jobs. Its Civitas Texas Regional Center, meanwhile, is gearing up.

There will be competition.

Leo Gomez, president and CEO of Brooks City-Base, said the regional center there has identified investors and is starting with two projects.

"People have been waiting for us to get up and going and we're out of the gate," he said.

And Rashesh Ragrej, who owns hotels throughout the region, says his American Regional Center, a partnership with Dallas-based Encore Enterprises, is ready to invest in lodging projects in a wide geographic area encompassing Eagle Ford.

"I don't worry about competition," he said. "We have a lot of personal contacts."

<http://www.houstonchronicle.com/business/article/Texas-firms-tap-little-used-source-of-capital-4739705.php>