

Dallas Business Journal

FEBRUARY 15, 2013



Daniel J. Healy, CEO, Civitas Capital

Civitas Capital's Dan Healy: Immigrant investors earn attention

By CANDACE CARLISLE
staff writer

Not many people know about Dallas-based Civitas Capital Group. Perhaps that's because, until recently, the asset management firm has flown under the radar. That's changing, says CEO Dan Healy, as EB-5 funding, an immigrant-investor program, gets increasing attention. The program was created in the early 1990s. It grants green cards to immigrants whose investments create or save at least 10 full-time jobs in the United States. Civitas Capital Group, in a public-private partnership with the city, operates the City of Dallas Regional Center. Healy spoke with reporter Candace Carlisle.

WHAT DOES CIVITAS CAPITAL GROUP DO?

Civitas Capital Group has a couple different divisions, but we do EB-5 funding and manage the City of Dallas Regional Center, the official regional center in the immigrant program. We began this partnership with the city in 2009. Since then, we've hit the \$200 million mark for foreign investment in job-creating family businesses.

HOW DID YOU GET STARTED IN THIS BUSINESS?

I founded the company with some partners in 2008 and have led the company since then. Before that I was a partner in a real estate equity firm (Royallton Real Estate Capital, which is now SWBC Real Estate LLC). We were very fortunate that our portfolio wasn't exposed too much at the severe downturn. We were able to refinance all of our properties. But there wasn't a lot of activity at the time. I learned about an opportunity for the EB-5 initiative with the City of Dallas, and after I looked into it, I found an opportunity in the EB-5 space. We launched our first investment in the first quarter of 2010.

WHERE DID YOU FIRST HEAR ABOUT EB-5 FUNDING?

Of all things, they (the City of Dallas) had approached my mother, who is a longtime immi-

gration attorney in Dallas. She handles mostly corporate practice. The city hired her to provide them with basic counsel. They wanted to know what EB-5 funding was and if they could use it as an economic development tool. I was somewhat familiar with it because people invest through it, but it was very uncommon then. I learned more about the assignment, and I found that people involved in the program at the time would not, candidly, be a good partner with the city. We saw an opportunity to do something different than the typical model in the industry at the time. We made an unsolicited proposal and went through the bid process.

WHERE DO YOU THINK EB-5 FUNDING IS HEADED?

I think what we are seeing in the EB-5 space is considerable more interest. In the last two years, the program's volume has increased dramatically. We bring an impartial eye to the investments, which puts our investors in a better place. They don't often want to make an investment that seeks aggressive returns, so we actively manage the portfolio to mitigate risk.

WHY HAS EB-5 FUNDING GOTTEN A REPUTATION FOR BEING RISKY?

Because the fancy term is information asymmetry. The investment sponsors (real estate developers) know what they are talking about, and the investors are unsophisticated when it comes to investment opportunities. When this happens, there's a risk that what you invest in isn't something you actually get. We've gone to great lengths to mitigate this. In the Chinese market, which is our largest source of EB-5 investors for the program, we help them look at different options before them. I haven't been surprised that the volume of investment from China has increased. The quality of participants in the market has increased.

WHAT PROJECTS ARE YOU WORKING ON RIGHT NOW?

We are just now starting our 10th investment in the City of Dallas Regional Center. We've done a \$15 million loan for a call center facility, a

\$5.5 million investment in part of the capital structure for the NYLO South Side hotel. That hotel was the first full-service hotel that has been brought online south of Interstate 30 since 1946. This is a good example of how you can use capital from EB-5 funding to grease the skids where market rate capital can't go. We also recently closed on a \$64 million senior loan to finance a residential high-rise in the West Village area for Forest City. We also did an \$8.5 million loan to expand the El Fenix restaurant chain. The company is doing great.

IS THERE A DOWNSIDE TO EB-5 FUNDING?

There's little downside, as far as I can see. The program attracts investment to parts of the country that need it. There's zero tax impact, and it's a fully funded program paid for by investors. Now, EB-5 investment activity can be found in every state, except Alaska may still be holding out.

HOW DOES THIS ANTICIPATED GROWTH IMPACT CIVITAS CAPITAL?

We have just the Dallas office, but we'll expand over the next 12 months to 24 months. We are in the process of opening an office in Shanghai and will probably open one more in Texas. We will probably open another two offices in the next 12 months and another four in the next 24 months. We have 23 employees in Dallas right now. We are bursting at the seams on Jackson Street and plan to move into our new office at 1601 Bryan St. in February. We are tripling our space to 12,500 square feet.

WHAT DO YOU SEE IN THE FUTURE OF EB-5 FUNDING IN DALLAS?

We have a very healthy pipeline. I expect we will do pretty significant growth and volume in Dallas.