

Project French Oaks

**FRENCH OAKS AT LEAGUE CITY
MEMORY CARE COMMUNITY**



Project Details

- League City, Texas 600 Enterprise Avenue near Invincible Drive
- Developer: Senior Housing Partners/Jacobsen Group (www.jacobsegroup.com)
- Management Company: Seasons Management (www.seasonsmanagement.com)
- 48 bed memory care assisted living center
- Estimated \$11.5 million development and construction budget
- Pending EB-5 approvals the developers plan to be in construction before the end of 2017
- Direct employment approximately 50 jobs. Total EB-5 eligible jobs 125 (includes direct, construction, indirect and induced per EB-5 model.
- Principal Contact
Steve Stubblefield, Principal
Senior Housing Partners/Jacobsen Group
560 First Street, Suite 104
Lake Oswego OR 97034
Office: 503.608.4082
sstubblefield@jacobsengroup.com
- EB-5 Consultant
Michael Kester
Economist
Impact DataSource
4709 Cap Rock Drive
Austin, Texas 78735

Project Summary

This is a straight investor project. No tax credit units or socio/economic set asides. The site is adjacent to an existing assisted living center (also developed by Jacobsen) that has operated well for over 7 years. The initial development plan for this site, conceptualized about 10 years ago, envisioned the construction of a memory assisted living project adjacent to the operating assisted living center.

The project is shovel ready. The City of League City has approved this project at all levels and through all required departments (please see the attached documents). The building department has approved the plans pending the dedication of additional park land on the site as required by ordinance. The developers are ready to dedicate the required park land as soon as the project is packaged for financing.

The developers are requesting certification of the project eligible for Federal EB-5 investment for approximately \$5 million. **This will not cost the tax payers of Galveston County any current or future tax revenues. The developers are not requesting any incentives from any local taxing entity. They are utilizing the federal EB-5 program as a part of their project financing model.**

The EB-5 program (described below) is a federal program that provides an opportunity for foreign investors to invest in projects in the United States that generate jobs. This program is in wide use across the country. Many of the high rise condos and apartments recently built in Houston and Dallas were partially funded by EB-5 investments as well as numerous other projects and developments.

I reviewed the project with the City of League City and the developers and their consultant with Impact DataSource (listed above).

In addition to direct project information detailed above please find below responses to specific questions I posed and the responses received.

1. Why does the County Judge need to sign this letter? As opposed to the Mayor of League City? *Since the TEA area extends outside of League City, but is all within Galveston County the letter would need to be signed by the Judge. Please see attached letter from Governor Rick Perry letter giving this authority to County Judges.*

2. Is the mayor also signing a letter? If not why not? *The mayor does not need to sign a letter, as two letters are not needed for USCIS, as the County Judge has been provided authority to sign off on any TEAs within the County. However, we have been working closely with the city regarding both the TEA aspect and the project itself.*

3. Will the project, once completed, going to be on the tax rolls and ant what estimated value? Yes. We spoke with Jeff Faulkner of the Galveston Central Appraisal District last November. At the time he suggested using \$75 - \$85 per square foot for establishing cost. Land value would be additional. He said they typically used cost as an estimate for establishing value especially with assisted living where the business and real estate are harder to separate. Our building is approximately 29,700 square feet. Using \$85 per foot, the estimated valuation would be \$2,524,500. We purchased the land in 2015 for \$750,000. In this case the total would be \$3,274,500.

4. The data – As we did not gather the data nor package the information how is the Judge to know that the data is correct? What exactly is he certifying – the census tract data and the unemployment rate? OR is he just presenting the data that Impact produced with all liability for errors and resulting financial implications accruing to Impact? The County Judge is certifying that the project location falls within an area that qualifies as a TEA, however in the end USCIS has the final say. USCIS will review all of the calculations and provide the final determination. Please let us know if you would like further detail behind the data, or have any questions. We have double-checked all of the calculations, and the TEA was prepared using standard/accepted methodologies.

5. If the data is not correct is there any financial or legal liability that the county or the Judge accrues? There is no financial or legal liability to the County. The County Judge is certifying that the project location falls within an area that qualifies as a TEA, however in the end USCIS has the final say. USCIS will review all of the calculations and provide the final determination. If they have any issues it will be up to us to try and resolve them with the government. The TEA letter is not an endorsement of the project in any way. It only speaks to the unemployment rate of a certain area.

6. Who is responsible for certifying to the federal government that the required jobs were created and how long/many? USCIS will review the project at two stages:

Initial project and investor/documentation (the "I-526 stage"). USCIS will review a significant amount of documentation related to both the project and the investors. It is the developer's responsibility, in conjunction with the attorneys and consultants, to provide USCIS what they need to approve the initial petition.

Final stage (removal of conditions) - the "I-829 stage". 4-5 years after the I-526 is approved, USCIS will review to make sure the project was developed and is operating, and that the jobs were created. It is the developer's responsibility, in conjunction with the attorneys and consultants, to provide USCIS what they need to approve the investor's I-829 (removal of conditions).

7. Is there an ongoing reporting requirement by the county either jobs or financial? Can you give me details showing that the county has no ongoing liability or responsibility?

There is no on-going responsibility for the County Judge. The TEA is effective at the time of the I-526 filing (or the initial investment). The TEA does not need to be re-certified at any time after the initial petition is filed. The TEA letter is not an endorsement of the project in any way, and is not speaking to the financial feasibility of the project. It only speaks to the unemployment rate of a certain area. In the end USCIS has the responsibility to approve.

Here is a link to language from USCIS saying that the TEA is effective at the time of the I-526. <https://www.uscis.gov/policymanual/Print/PolicyManual-Volume6-PartG.html>

Please see the "Decision Box" that is about 1/3 of the way down the page, that discusses the timing of when the TEA becomes effective.

8. Is the developer or other parties seeking any incentives (rebates, abatements, etc.) from the city, county or state for this program? NO

REQUEST

The Developers are requesting that the County Judge submit the attached letter (draft attached) to the US Department of Homeland Security facilitating the utilization of the EB-5 program to support Project French Oaks. The letter is a DRAFT open to editing per the advice of the County legal department. The intent of the letter is to present the following message in summary:

- Designating the identified census block groups as a "Targeted Employment Area" (TEA).
- Certifying that the project will be located in this TEA.
- Reporting that the federally certified unemployment data in these areas as presented by Impact DataSource meets the threshold from an unemployment base to qualify as a TEA.*

I recommend that this request be submitted to county legal for further review and I will make the principals listed above available as needed along with the raw source data and source location to clarify and certify the accuracy of the data in the requested letter. I believe the project is financially sound and well supported by the market and the City of League City and will be a valuable addition to the County. I recommend approval of the certification request letter.

*Please note that certification of a TEA is based only on unemployment rates and does not consider income or poverty levels. As such areas with high numbers of residents who are retired and not working or not working for other reasons regardless of their income can qualify an area as a TEA.

Attachments Included:

- Project Summary
- Site Plan
- Zoning Verification Package
- DRC Package and Comments
- Draft Letter
- Governor Perry Letter

EB-5 Immigrant Investor Program

USCIS administers the EB-5 Program. Under this program, entrepreneurs (and their spouses and unmarried children under 21) are eligible to apply for a green card (permanent residence) if they:

Make the necessary investment in a commercial enterprise in the United States; and

Plan to create or preserve 10 permanent full-time jobs for qualified U.S. workers. (One eligible visa per 10 jobs)

This program is known as EB-5 for the name of the employment-based fifth preference visa that participants receive.

Foreign investors have the option of directly investing either \$1 million to create 10 direct full-time jobs for Americans, or just \$500,000 in a Targeted Employment Area (TEA) through a regional center and create 10 direct or indirect full-time jobs. The investment can either be in debt or equity in the project. The Foreign investors have no control over the project and cannot access their investment or interest (if applicable) for at least 3 years and only then on a restricted schedule.

Congress created the EB-5 Program in 1990 to stimulate the U.S. economy through job creation and capital investment by foreign investors. In 1992, Congress created the Immigrant Investor Program, also known as the Regional Center Program. This sets aside EB-5 visas for participants who invest in commercial enterprises associated with regional centers approved by USCIS based on proposals for promoting economic growth.

In this case the developers will contract with a third party (usual practice) who will identify the foreign investors and certify them as required through the US State Department and Homeland Security. The developers themselves will not have any direct engagement with the EB-5 applicant investors. The funding will come through an investor pool to the developers.



OFFICE OF THE GOVERNOR

RICK PERRY
GOVERNOR

October 24, 2011

Mr. Alejandro Mayorkas
Director
U.S. Citizenship and Immigration Services
20 Massachusetts Avenue, NW
Washington, D.C. 20529

RE: State Designation of Local Governmental Authorities to Certify High Unemployment Areas
In Accordance with 8 CFR §204.6(i)

Dear Mr. Mayorkas:

Pursuant to 8 CFR §204.6(i), an official of the state must notify the U.S. Citizenship and Immigration Services of the agency, board or other appropriate governmental body of the state that shall be delegated the authority to certify that a geographic or political subdivision meets the necessary unemployment rate to qualify as a high unemployment area (Targeted Employment Area) under EB-5 program regulations. This letter shall serve as a supplement to my prior letter, dated August 12, 2009, to ensure that all qualified areas of the State of Texas are able to participate in the EB-5 program.

In compliance with 8 CFR §204.6(i), I, Rick Perry, Governor of the State of Texas, hereby designate the following authorities in the State of Texas as the appropriate governmental bodies of the state to certify that a particular geographic or political subdivision meets the necessary criteria as an "area of high unemployment" as defined by the EB-5 program:

- 1) local mayors of cities or towns located within a metropolitan statistical area, or cities or towns with a population of 20,000 or more, for areas of high unemployment within the boundaries of incorporated cities or towns;
- 2) county judges for areas of high unemployment within the boundaries of counties;
- 3) the county judges of each affected county may jointly designate areas of high unemployment in the event that a particular area of high unemployment is located within the boundaries of two or more contiguous counties; and

Mr. Alejandro Mayorkas
October 24, 2011
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- 4) the local mayors of each affected city or town may jointly designate areas of high unemployment in the event that a particular area of high unemployment is located within the boundaries of two or more contiguous cities or towns.

In making this delegation of authority, I hereby advise all such Texas mayors and county judges to review and comply with all applicable regulations and instructions from the U.S. Citizenship and Immigration Services regarding the designation of areas of high unemployment to establish targeted employment areas. In particular, I advise such mayors and county judges that the U.S. Citizenship and Immigration Services has directed that the cobbling together of various portions of political subdivisions, so that an investment in a commercial enterprise in a location that is not a high unemployment area would ultimately qualify as one, blatantly frustrates the congressional intent behind INA §203(b)(5)(B), and is not an acceptable business practice in the making of TEA designations.

Sincerely,

A handwritten signature in black ink that reads "Rick Perry". The signature is written in a cursive, slightly slanted style.

Rick Perry
Governor

RP:mbp

cc: The Honorable Vernon Cook, County Judge, Roberts County and President, Texas
Association of Counties
The Honorable Leonard Reed, Mayor, City of Willis and President, Texas Municipal
League
Ms. Barbara Q. Velarde, Chief, Office of Service Center Operations, U.S. Citizenship
and Immigration Services

Letterhead

July ____, 2017

Department of Homeland Security
U.S. Citizenship and Immigration Services (USCIS)
California Service Center
24000 Avila Road
Laguna Niguel, CA 92607-0526

RE: EB-5 Designation of Targeted Employment Area in Galveston County, TX

To Whom It May Concern:

As the Galveston County Judge, by the authority granted to me by the State of Texas, I hereby designate that the following contiguous census block groups compose a Targeted Employment Area ("TEA"):

Block Group 1, Census Tract 7206	Block Group 2, Census Tract 7230
Block Group 2, Census Tract 7206	Block Group 3, Census Tract 7230
Block Group 3, Census Tract 7207	Block Group 2, Census Tract 7231
Block Group 4, Census Tract 7209	Block Group 3, Census Tract 7231
Block Group 2, Census Tract 7212.01	Block Group 1, Census Tract 7232
Block Group 1, Census Tract 7213	Block Group 2, Census Tract 7232
Block Group 2, Census Tract 7214	Block Group 1, Census Tract 7233
Block Group 1, Census Tract 7215	Block Group 2, Census Tract 7234
Block Group 3, Census Tract 7215	Block Group 3, Census Tract 7234
Block Group 1, Census Tract 7226	Block Group 4, Census Tract 7234
Block Group 1, Census Tract 7227	Block Group 1, Census Tract 7235.01
Block Group 2, Census Tract 7227	Block Group 3, Census Tract 7235.02
Block Group 2, Census Tract 7228	Block Group 2, Census Tract 7237
Block Group 1, Census Tract 7229	Block Group 2, Census Tract 7262

The site at 600 Enterprise Ave., League City, TX 77573 is located in Block Group 1, Census Tract 7215, Galveston County, Texas and is included in the TEA described above.

The determination of eligibility is based on analysis of labor force data and the application of the census-share method, as described in the U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics Program Manual. The unemployment calculations were made using the American Community Survey 2011–15 data for the purpose of establishing ratios of census block group-to-county shares of employment and unemployment. Furthermore, county-level unemployment was obtained from the Bureau of Labor Statistics 2016 annual Local Area Unemployment Statistics. These data sets were used to determine the qualifying subareas with unemployment meeting or exceeding the current required threshold of 7.4%.

I have determined that the 2016 unemployment rate in the combined area composed of the census block groups described above is 7.5%, which exceeds the threshold rate of 7.4%, or 150% of the 2016 average national unemployment rate of 4.9%, according to the Bureau of Labor Statistics.

The certification herein relies entirely on the methodology employed by Impact DataSource, LLC in preparing the unemployment study dated June 29, 2017 (the "Unemployment Study") as shown in Exhibit "A", which methodology has been represented to me as reasonable and accepted for this purpose. As demonstrated in the Unemployment Study, the Targeted Employment Area noted above has experienced unemployment of at least 150% of the national average and therefore meets the definition of a Targeted Employment Area found at 8 CFR §204.6(e).

Thank you for your time and consideration.

Sincerely,

Galveston County Judge Mark Henry