

# STAR FUND OF TEXAS

Presented to the Honorable Phil Hardberger, Mayor  
and  
The City of San Antonio

Sustainable Systems, Inc.  
Strategic Development Solutions  
Economic Innovation International, Inc.

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SUSTAINABLE SYSTEMS, INC

STRATEGIC  
DEVELOPMENT  
SOLUTIONS



ECONOMIC  
INNOVATION  
INTERNATIONAL, INC.

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## 1.0 SUMMARY

### Summary

In June 2008, the City of San Antonio engaged Sustainable Systems, Strategic Development Solutions (SDS) and Economic Innovation International, Inc. (Economic Innovation) (collectively the “Project Team”) to consult on Mayor Hardberger’s sustainability initiative. The Project Team was tasked with three specific tasks in its engagement with the City of San Antonio:

- Conduct an initial feasibility assessment of a Multi-Tech Venture Capital Fund for San Antonio.
- Conduct an initial feasibility assessment of a Retrofit Program in San Antonio.
- Initiate a relationship between San Antonio and the Star Fund of Texas, a Texas real estate fund.

This report details the third part of the engagement, the Star Fund of Texas. In this report, we detail the following with regard to the Star Fund of Texas:

- 1) Inclusion of the Star Fund of Texas in the Sustainability Initiative
- 2) Star Fund of Texas Overview
- 3) Accessing the Star Fund of Texas

## 2.0 INCLUSION OF THE STAR FUND OF TEXAS IN THE SUSTAINABILITY INITIATIVE

Prior to the Project Team's engagement with the City of San Antonio, SDS and Economic Innovation were developing the Star Fund of Texas—real estate fund—with several principals of Hunter Chase & Company, a real estate investment firm based in Texas. The Star Fund of Texas will bring equity capital to catalytic real estate projects throughout Texas. When the City of San Antonio learned of this independent initiative, it incorporated the Star Fund of Texas into the contract.

The City of San Antonio is not a partner in, nor is it active in, the management or operation of the Star Fund of Texas. Instead, the City wanted local developers, economic development professionals, and others within San Antonio to learn about this resource.

In late August of 2008, Sustainable Systems, SDS and Economic Innovation traveled to San Antonio to work on Mayor Hardberger's sustainability initiative. In meetings with developers, City officials, County officials, economic development professionals, and others, SDS and Economic Innovation provided meeting attendees with a brief introduction to the Star Fund of Texas. Conversations focused on: (1) An overview of the Star Fund of Texas and (2) how various parties could access or learn more about the Fund.

## 3.0 STAR FUND OF TEXAS OVERVIEW

### Fund Overview

The Star Fund of Texas is a Triple Bottom Line (TBL) real estate investment fund. The Star Fund of Texas seeks to achieve financial returns while also positively impacting communities in low- to moderate-income areas of Texas.

Triple Bottom Line Funds are designed to provide the community with strong, positive returns. The targeted investment strategy of the fund is to provide:

- First Bottom Line: Financial returns to investors
- Second Bottom Line: Jobs and economic opportunity in low- and moderate-income communities
- Third Bottom Line: Sustainable, green buildings that reduce resource consumption

The Star Fund of Texas will provide both equity capital and technical resources to real estate developers seeking to finance real estate projects in low- to moderate-income neighborhoods. The Fund will invest in retail, office, light industrial, housing and mixed-use developments.

### Fund Management Team

The Star Fund of Texas will be managed by several principals of Hunter Chase & Company, Strategic Development Solutions and Economic Innovation International, Inc. (collectively the “Fund Management Team”). The Fund Management Team brings together a breadth and depth of experience in real estate development and finance.

The principals of Hunter Chase & Company specialize in providing equity and mezzanine capital for opportunistic and value-add real estate development projects. The principals and their staff have been responsible for raising and investing in excess of \$2 billion, with a particular emphasis on community investment projects.

Strategic Development Solutions and Economic Innovation International, Inc. have raised and/or developed more than \$2 billion in Double and Triple Bottom Line private equity funds across the U.S.

The Fund Management Team is currently working with developers and government stakeholders in San Antonio and throughout Texas to identify projects needing equity capital, technical resources and/or gap financing.

## Understanding the Benefits of the Star Fund of Texas

Many low- to moderate-income (LMI) areas in Texas lack the investment capital needed to develop impactful real estate development projects. Conventional wisdom has historically led investors to view many LMI neighborhoods as “disadvantaged” and “risky.” But this view of LMI neighborhoods is shifting dramatically and underdeveloped LMI neighborhoods are now increasingly viewed as “domestic emerging markets” with substantial potential to contribute to the growth and vitality of the regional economy of which they are often a neglected part.

Investment in these areas presents a market opportunity, as evidenced by the growth of the Double and Triple Bottom Line fund industry from \$0 to \$20 billion over the last decade. To date, Texas has not significantly benefited from Double or Triple Bottom Line funds, with much of the industry focused on the West Coast and the Northeast.

The Star Fund of Texas brings benefits to communities and developers in San Antonio and throughout Texas. These benefits are detailed below:

### Benefits to Communities:

- Revitalizes low- to moderate-income communities through job and wealth creation.
- Generates critical tax revenues from newly-productive properties.
- Converts abandoned or underutilized properties within underserved communities to productive, beneficial uses.
- Cleans up and re-uses blighted and contaminated properties.
- Works closely with community stakeholders to identify priority projects.

### Benefits to Developers:

- Provides equity financing to developers.
- Provides developers with management resources in the areas of deal structuring and cost mitigation in order to make deals more financially viable and profitable.
- Assists developers in finding and utilizing federal, state and local resources and incentives and other below-market financing sources for economic development and sustainable building. These resources can minimize financial gaps for projects with significant community and environmental benefits.
- Helps developers incorporate sustainability into projects, thus improving operational costs and exit values post-construction. The Fund Management Team is collaborating with green building expert Johnson Controls, Inc. to provide environmental sustainability advice and strategies to the Fund’s developers.
- Provides additional technical support to developers that are (1) undertaking environmentally sustainable projects for the first time or (2) developing projects that may be more complex than previous projects due to such factors as contamination, new uses, scale or gap financing needs.

## 4.0 ACCESSING THE STAR FUND OF TEXAS

Community leaders, developers and persons in San Antonio interested in learning more about the Star Fund of Texas are invited to reach out to the Fund Management Team with any questions or projects.

Inquiries should be directed to Laird Fairchild of Hunter Chase & Company at (817) 796-5606 or [lairdfairchild@hunterchase.com](mailto:lairdfairchild@hunterchase.com).