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Indians keen on local dwellings

Southern Utes funnel cash earned through energy profits into Houston apartments

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A wealthy Indian tribe with a progressive investment strategy has purchased several apartment complexes in Houston, and is looking to acquire more units.

The Southern Ute Indian Tribe, based in Ignacio, Colo., plunks down cash to buy Class A multifamily projects in good locations that can be held as long-term investments.

The Utes currently own four apartment complexes in the Houston area.

Regina Fallace, acquisitions and research manager for the Southern Ute Growth Fund's GF Properties Group LLC, says the tribe looks to buy multifamily complexes with at least 150 units in infill locations that cost more than \$10 million. While acquiring properties throughout the Southwestern United States, the tribe was attracted to Houston's price tags.

"It seemed to have the right type of product we were looking for at the right price," says Fallace, who works for the Utes in Durango, Colo., but is not a tribe member.

The tribe's deep pockets are fueled by oil and gas royalties and revenue from Ute-owned oil and gas companies.

One such outfit -- Red Willow Production Co. -- has an office in downtown Houston. The firm owns wells in Texas and has interests in offshore rigs in the Gulf of Mexico.

Meanwhile, Red Cedar Gathering Co., a natural gas gathering and treating company in Colorado, is a Ute partnership with Houston-based Kinder Morgan Inc.

The Ute (pronounced "yoot") tribe is the first Indian tribe in the United States to receive a AAA credit rating from both Fitch Inc. and Standard & Poor's.

The tribe established the Southern Ute Permanent Fund to pay for all government services for its 1,400 members.

And the Southern Ute Growth Fund is an investment vehicle created by the tribe in 1999 to accelerate earnings potential. The private equity investment fund focuses on oil and gas exploration; natural gas gathering and pipelines; real estate acquisition and development; construction materials; and venture capital investment.

The value of the Growth Fund's portfolio of companies and investments currently exceeds \$1 billion. That's an increase of more than \$200 million in the last five years, thanks in part to significant increases in the price of oil and gas.

The tribe's most recent acquisition in Houston was the August purchase of the 252-unit Stonewood apartment complex on T.C. Jester. Other acquisitions include The Inverness on Buffalo Speedway, The Vinings in Stafford and The Biarritz on Eldridge Parkway.

"They bought some very nice apartment complexes," says Stacy Hunt, regional partner for Greystar Management Services LP, which manages the Utes' four local properties. "They have very sophisticated asset managers."

Jim Hearn, a local broker who sold Stonewood and The Biarritz to the Utes, says the tribe typically spends \$10 million to \$30 million per deal, and expects to make a good return on each investment.

"They are very savvy," says Hearn, a partner with Phoenix-based Hendricks & Partners Inc. "They're opportunistic buyers."

G. Craig LaFollette, who represented sellers of The Inverness and The Vinings, says there is never a concern about funding when working with the Utes.



Michael Stravato/HBJ
Stacy Hunt of Greystar Management Services: 'They have very sophisticated asset managers.'

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"You don't worry about financing. That's a hiccup for a lot of people," says LaFollette, senior vice president with CB Richard Ellis Inc. "You don't worry about that with the Utes because they've got the money."

For that reason, the group also tends to close deals quicker than other buyers, LaFollette adds.

FUELED BY ENERGY

The Utes' reservation has a total of 350,000 acres of non-contiguous land spread out over 750,000 acres in Colorado. In the past, the tribe was paid royalties by other companies drilling on the reservation, but the Utes tribe has become very wealthy by taking back a lot of control over the oil and gas activity on their land.

The Tribal Council, a seven-member elected body led by tribal chairman Clement Frost, makes financial and social decisions for the group, much like a board of directors for a publicly traded company, Fallace says.

"I would characterize them as progressive," Fallace says. "They certainly have their eye on the future."

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