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BUSINESS

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COMING MONDAY
■ In State Your Case, Ronald Lipman discusses VA insurance left in an estate.

LOREN STEFFY

Heads of cheese, minds of steel

LAUGH not at the cheeseheads.

Last week, the Green Bay Packers began selling shares in their team for $250 each. In return, buyers get almost nothing.

As an investment, buying a piece of the Pack isn't a smart move, but as a means for financing stadiums, the team may be on to something. Taxpayers in Houston, who have underwritten about $1 billion worth of sports facility bonds, may want to take note.

Exclusively in print and on the iPad

The Harris County-Houston Sports Authority services the debt on Reliant Stadium, Minute Maid Park and the Toyota Center. It has faced a cash squeeze since 2009, when the firm that insured the bonds got downgraded. Ballooning debt payments and a one-time drawdown earlier this year have eaten into the authority's reserve account, and some of the bonds were in technical default.

While an actual default is unlikely anytime soon, revenue to pay the debt is tied to hotel and rental car taxes, which have slowed because of the recession.

Even the new Dynamo stadium, which the team will pay for, comes with city and county commitments for infrastructure upgrades.

By comparison, the Packers' "stock offering" is really a voluntary stadium tax paid at the discretion of fans. The team wants to finance a $143 million expansion of the iconic Lambeau Field, but Green Bay, a city of only about 100,000, lacks the tax base to fund a Reliant-style sports palace.

As the Motley Fool pointed out, the Packers,

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WEALTH

MELISSA PHILLIP PHOTOS : CHRONICLE

FRESH FROM THE U.K.: The L.K. Bennett store in the Galleria is one of only four stand-alone boutiques the London-based luxury retailer opened when it made its debut in the U.S. this year. The chain is a favorite of royal newlywed Kate Middleton.

Brisk times on the high end

Houston proves to be a fertile field for luxury retailers

By DAVID KAPLAN
HOUSTON CHRONICLE

"Tonight I'm hosting a party at my house for Vogue and De Beers," fundraiser Becca Cason Thrash said Wednesday. At her private affair that evening, De Beers Jewellery unveiled its Wildflowers Collection diamond line for its Galleria store and locations around the world.

It's no accident that South Africa-based De Beers picked Houston for the launch, Thrash said.

"Luxury retail is thriving here," she said, and examples abound.

A month ago, Restoration Hardware moved across the street and rechristened itself as a plush home-decor concept called Gallery at Highland Village, styled after a European estate with a towering skylight and "Rooftop Garden and Conservatory." Restoration's other Gallery concept is in Los Angeles.

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At the Galleria, meanwhile, five luxury retailers will have made their

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LEFT: Omega is one of five luxury retailers that have chosen to make their Texas debuts in 2011 at the Galleria. Its Ladymatic watch line runs from $6,400 to $36,800.

BELOW: The Anna purse can be found at L.K. Bennett. It goes for $595. The luxury segment will boost holiday spending significantly, retail expert Howard Davidowitz says.

KAREN WARREN : CHRONICLE

HOME SWEET HOME: Thanks to a financial boost from his parents, Guillermo Artiga, his wife, Yasmin, and their daughter, Maya, live in their own house in northwest Houston.

A boost that puts homes within reach

■ Money from relatives helps first-time buyers

By PURVA PATEL
HOUSTON CHRONICLE

A year after their daughter's birth, Guillermo Artiga and his wife were still short the money they needed to move out of the room they shared at her parents' house and get a place of their own.

So they asked his parents for help. The elder Artigas pitched in about $9,000 for the down payment and escrow costs on a two-story, 2,300-square-foot house in northwest Houston.

"It would have taken us years without their help," said Artiga, an engineer who closed on the couple's $125,000 home in November.

Exclusively in print and on the iPad

First-time homebuyers have long accepted gifts or down-payment assistance toward their purchases. But in the current sluggish economy, the Artigas are emblematic of those finding it harder to save yet eager to take advantage of low interest rates.

"I don't think it's anything new, but I think in today's interest-rate environment, people are just taking more advantage of it," said Bryan Sherman, a regional sales executive

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HELP: Asking for money can take toll on pride

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at Bank of America in Dallas.

Indeed, a national survey by New Jersey-based real estate firm Better Homes and Gardens Real Estate found that baby boomers increasingly are helping out, with one in five having already given or loaned money or co-signed a loan to help their children or grandchildren buy homes.

A letter about the gift

Family members usually complete a letter that indicates they are giving the funds and no repayment is required.

Artiga's parents, who live in El Salvador, aren't expecting repayment. But Artiga says he hopes to repay them, in part, with airplane tickets so they can visit their granddaughter.

Tightening lending standards in the wake of the subprime mortgage crisis have also prompted some buyers to ask family for funds.

Raymond Green and his wife failed to qualify for a loan a year ago because of damage Green says he did to his credit score when he was younger.

This time his wife found a house she really liked, but they had to get funds quickly or lose it, he said.

So he asked his uncle for $4,500 to put toward a down payment and closing costs that totaled $11,000.

"I called him, sucked it up and asked him for it," he said. "I'm one of those people who do not ask for money or to borrow money. It's a lot of pride to ask for money, but I was tired of paying rent."

Plus, the three-bedroom, two-bath house they bought in the Clear Lake area provides more room for the couple's 3-year-old daughter.

Interest rates a factor

For Brittany Waggenspack and her husband, taking help from family was all about the interest rates.

Her husband's part-time salary as a restaurant manager wasn't enough to help them qualify for a loan. Her dad agreed to co-sign on the loan, so she and her husband could close on a two-bedroom two-bath ranch-style house in the Spring Branch area.

"We didn't have to buy. We made a choice to take advantage of the low rates," she said. "It was a conscious decision."

They landed a 30-year fixed mortgage at 3.75 percent.

Her dad, Mike McBath, said he offered to co-sign because he wanted to get the couple into a neighborhood that had a chance of appreciating in value.

"It's not a wonderful house. It's a fixer-upper, but it's a nice neighborhood," he said. "At a minimum, they will be able to live in this neighborhood the rest of their lives if they so choose, but I also think the values in this neighborhood will continue to go up and benefit them more than it would in the suburbs."

purva.patel@chron.com
twitter.com/purvap

Hedge fund plans to stop withdrawals

■ Harbinger may be sued by regulators

By SAIJEL KISHAN
BLOOMBERG NEWS

Billionaire Philip Falcone's hedge fund, Harbinger Capital Partners, has been told it may be sued by regulators for securities-law violations and says it plans to halt investor withdrawals at year-end.

Falcone, 49, and other Harbinger employees also received Wells Notices from the staff of the Securities and Exchange Commission, Harbinger said in a filing last week.

A lawsuit would add to Falcone's woes, as assets at his $5.7 billion fund have slumped from a peak of $26 billion three years ago and a wireless tech venture he's backing faces regulatory and political hurdles. New York-based Harbinger is being investigated by the SEC over a $113 million loan Falcone took from one of his funds to pay personal taxes, according to a July filing.

Harbinger told clients in April that the government was also looking into whether it had engaged in market manipulation in its trading of the debt securities of an undisclosed firm from 2006 and 2008.

"Harbinger and its affiliates are disappointed that the staff issued Wells Notices," the firm said in the filing. "If the SEC decides to bring an enforcement action," they "intend to vigorously defend against it."

The SEC declined to comment.

LUXURY: High end is where much of the action is

MELISSA PHILLIP PHOTOS : CHRONICLE

GUCCI: The retailer recently finished its redesign, featuring accents of rosewood, marble, ribbed glass and polished gold.

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Texas debuts by the end of the year: Already open are Omega, Hugo Boss and London-based L.K. Bennett — a favorite store of royal newlywed Kate Middleton. Miu Miu and Prada make their Texas debuts in the Galleria on Thursday and Dec. 20, respectively.

The luxury retail surge, both locally and nationally, means spending on high-end goods may soar this holiday season, retail analysts say.

While a number of big-box chains are downsizing nationally, a number of luxury retailers in Houston are getting larger, in some cases twice as big, noted Lilly Golden, president of Evergreen Commercial Realty, a local retail brokerage firm.

Restoration Hardware doubled in size in its new location, Golden said, as did Tootsies after moving from Highland Village to West Ave.

Expanding, revamping

Luxury retailers in the Galleria are also expanding and renovating. Gucci recently completed its redesign featuring accents of rosewood, marble, ribbed glass and polished gold. Louis Vuitton is doubling its store size, and Burberry is renovating and expanding.

Luxury is the best-performing sector in retail, and Houston is perfectly positioned for the boom because of the strength of the energy industry, said Howard Davidowitz, chairman of Davidowitz & Associates, a national retail consulting and investment banking firm in New York. He noted that other luxury cities such as New York depend more on financial services, where there have been layoffs and smaller bonuses.

The highflying luxury segment will boost holiday spending significantly, said Davidowitz, who noted the top 10 percent of Americans account for 35 percent of all Christmas season spending.

The high-end retail market may continue to grow, Davidowtz said, because "the wealthy are going to keep getting wealthier."

'Other side of the coin'

Love Goel, chairman and CEO of GVG Capital Group, a private equity firm based in Minnetonka, Minn., agreed that this year's strength in luxury retail reflects the increasing polarization of income and wealth in the U.S.

"It's the other side of the coin of Occupy Wall Street," he said.

The geographic heart of Houston luxury retail is Uptown, which includes the Galleria, Uptown Park and Blvd Place; and the western portion of the Inner Loop, including the River Oaks Shopping Center, Highland Village, Upper Kirby District, Rice Village and West Ave, Golden said.

While some suburban areas have at least some high-end or luxury retail, from Webster to The Woodlands, she said, the Galleria is in a luxury league of its own: "The mall is seeing huge increases in sales this year over last."

Milan-based Prada, featuring high-end apparel, footwear, bags and accessories for men and women, chose Houston for its first Texas store because Houston is "the luxury center of Texas," said Francois Kress, president and CEO, Prada USA. "Especially at the Galleria," he said, "the brand mix and business as a whole are far superior to any other location in Texas."

L.K. BENNETT: The geographic heart of Houston luxury retailing is Uptown, which includes the Galleria, and the western part of the Inner Loop.

Likewise, the L.K. Bennett store in the Galleria is one of only four stand-alone boutiques opened in its U.S. debut this year.

Luxury retailer Neiman Marcus experienced robust tailwinds heading into the holiday season. In the last quarter, Neiman saw "very strong" business in the precious jewelry department, the highest end of the jewelry business, company spokeswoman Ginger Reeder said, and many of the women's departments have been performing very well.

Raja Ratan, owner of 3-month-old Q Custom Clothier and Rye 51 at West Ave, said the Houston store is already in profitable territory. He said sales are up substantially over last year at his two stores in Dallas.

The Q side of his store specializes in custom-made slacks, shirts and suits that average $2,000 to $3,000 each. Rye 51, offering casual ready-to-wear clothing, is a "man-cave-like experience" with a whiskey bar and TVs airing sports and CNBC, Ratan said.

Business up sharply

Liz Glanville, owner of 3-year-old DeVille Fine Jewelry at 5700 Woodway, said her business is up 93 percent over last year. Glanville designs many of the rings and other jewelry that she sells directly to customers. She estimates the pieces sell for an average of $2,500 each.

While high-end retailers are well positioned, many others are more likely to have so-so holiday business, Davidowitz said. With mid-range and discount retailers, it's a mixed bag and will vary from chain to chain, he said. Along with the high end, the only other thriving segment is the very bottom or "extreme value" segment, including dollar stores, he said.

One likely reason so many local luxury retailers flourish is the Houston economy.

Bill Gilmer, senior economist and vice president at the Houston branch of the Federal Reserve Bank of Dallas, noted that year-to-date job growth in Houston is up 3.4 percent, much better than the national average.

Texans have had less of a housing debt problem than other Americans, Gilmer said, while the petrochemical industry has helped the state lead the nation in exports.

While the local outlook remains strong, Gilmer and Davidowitz cautioned that there is a tremendous amount of uncertainty stemming from financial problems in Europe, which could conceivably spread to the U.S.

If that happens, Davidowitz said, "Watch out!"

david.kaplan@chron.com

STEFFY: Creative thinking is going on under cheesehead hats

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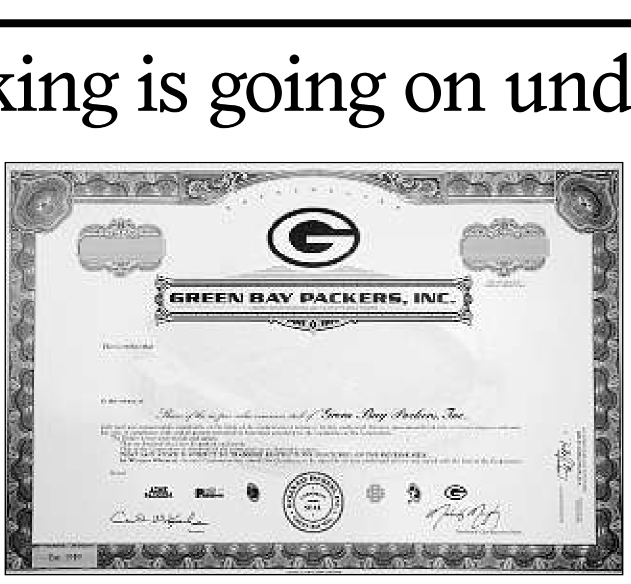
the only publicly owned team in U.S. professional sports, isn't a bad investment on paper. Its first public offering in 1950 had a split-adjusted price of 2.5 cents a share. Based on the latest offering price of $250, Packers stock would have generated a return 200 times better than gold, and better than buying Apple in 1984 or Ford in 1977.

Except you'll never realize that return. The Packers are nonprofit, so there are no earnings and no dividends paid to investors. Under the terms of the offering, the shares can never be sold or transferred except to an immediate family member. If the team catches you trying to sell, it can buy the shares back at the 1950 price of 2.5 cents.

No leg up at all

What's more, your investment bears no privileges typically associated with ownership — no premium seating, no ticket discounts, not even a chance to jump ahead on the legendary season ticket waiting list, now several lifetimes long. You get a stock certificate and an invite to the team's annual meeting.

So it isn't really a stock offering at all, which may be why the Securities and Exchange Commission had nothing to do with it, and, as the prospectus points out, no "federal, state or international securities laws" govern it.



H. MARC LARSON : PRESS-GAZETTE/ASSOCIATED PRESS

'STOCK' OFFERING: As a smaller city, Green Bay doesn't have a big tax base, so the franchise is offering shares of the team for $250 a pop to help pay for stadium renovations.

The Packers timed the offering well, selling more than $46 million worth of stock in the first two days, capitalizing on last season's Super Bowl victory and this year's as-yet-undefeated season. The team may sell as many as 880,000 shares, raising as much as $220 million.

A few differences

The Houston Texans are, of course, not the Green Bay Packers. This year is the franchise's most promising, but these days coach Gary Kubiak is hoping his squad can make it to the playoffs before even the water boy winds up on injured reserve.

Also unlike the Packers, the Texans are owned by a consortium of wealthy businessmen who believe they shouldn't have to pay for things like stadiums.

They convinced elected officials, as team owners in many other cities have done, that taxpayers should foot, or at least guarantee, the bill.

By comparison, the Green Bay approach seems more simple and more fair. Let those who love the sport pay for the facility. Call it a user fee, call it a voluntary tax or call it a "stock offering."

In the end, the cheeseheads may have the last laugh.

Loren Steffy is the Chronicle's business columnist. His commentary appears Sundays, Wednesdays and Fridays. Contact him at loren.steffy@chron.com. His blog is at http://blogs.chron.com/lorensteffy. Follow him on his Facebook fan page and on Twitter at twitter.com/lsteffy.