

# EB-5 Addressing the Financing Gap

■ **TOBY RITTNER, CDFA PRESIDENT & CEO**  
trittner@cdfa.net

Over the past year, the development finance industry has been rapidly embracing the Immigrant Investor Program, more commonly called “EB-5.” This old, but increasingly popular program has seen one of the fastest growth rates in our industry. In January, CDFA held a national webcast featuring the EB-5 program and, judging by the over 400 registrations, the program will only continue to grow in the coming months.

The EB-5 program is a federally-authorized visa category created by Congress in 1990. The primary concept is to encourage foreign investment in job-creating U.S. economic development projects or companies in return for a U.S. green card. These projects or companies must create or save 10 full-time jobs in the states, and a minimum investment of \$1M is required. This investment can be reduced to \$500K, if the investment is made in a high unemployment or rural area.

Once the investment in a qualifying project or company has been made, the investor receives a conditional green card for two years. After two years, the investor must prove that their investment has been maintained, and that the 10 jobs continue to exist. At this point, the conditional status is removed. Through the early periods of the program, this was the primary investment strategy, and it worked sparingly.

Originally, the program was established without any official intermediary between investors, projects, and the green card

process. In 1993, Congress boosted the program by also allowing private and public agencies to create Regional Centers, which can accept the investment from the green card-seeking investor. The U.S. Citizenship and Immigration Services, the managing federal agency, sets aside 10K green cards each year for foreign investors participating through designated Regional Centers. The centers invest in projects that meet all of the program criteria.

## The development finance industry is poised to make a big splash in the EB-5 market.

In 2002, Congress further improved the program by altering the job creation/retention definitions. Today, investors who make investments in Regional Centers only have to show indirect job creation or retention achievements, instead of direct impacts. This has allowed more projects to qualify for the program, which has increased its popularity significantly. In 2002, roughly 300 EB-5 visas were issued, while over 3.7K visas were issued in 2009. Additionally, \$22.5M was invested and 450 jobs supported through the program in 2003, compared to \$845M invested and 17K jobs supported in 2010. The popularity of the Regional Center approach continues to grow, and 208 centers have now been designated throughout the country.

Using the EB-5 program is not simple, and there are significant investment and timing

rules that must be followed. These rules can mean the difference between an investor receiving a green card or being deported. CDFA highly recommends consulting and working with reputable and qualified Regional Centers, immigration lawyers, and project finance experts. There is a wealth of expertise in this field, and partners should be fully vetted before making any commitments to investors or projects.

Having said all that, the development finance industry is poised to make a big splash in this market, as the EB-5 program presents a new source of capital for projects. In Vermont, Wisconsin, and Ohio for instance, the EB-5 program is working successfully to bring capital to projects that otherwise would have a significant funding gap. In California, EB-5 investments are being considered as a replacement for the now defunct state tax increment finance program, showing EB-5’s potential to be a true gap financing tool.

To learn more about EB-5, visit CDFA’s Online Resource Database, with over 40 resources on the program, including case studies, program documentation, presentations, and fact sheets.

### Sources

Miller Mayer, [www.millermayer.com](http://www.millermayer.com)

David Andersson, IIUSA, CDFA BNY-Mellon Webcast presentation, [www.cdfa.net](http://www.cdfa.net)

James Candido, Vermont EB-5 Regional Center, CDFA BNY-Mellon Webcast presentation, [www.cdfa.net](http://www.cdfa.net)