

K. David Andersson, President
Robert C. Divine, Vice President
Robert G. Honts, Secretary-Treasurer

Peter D. Joseph, Executive Director
Email: peter.joseph@iiusa.org
Telephone: 773.899.0563
www.iiusa.org
"Creating Jobs Through Investments"

George W. Ekins, Director
William P. Gresser, Director
Daniel J. Healy, Director
Patrick F. Hogan, Director
Tom Rosenfeld, Director
William J. Stenger, Director

Henry Liebman, Director Emeritus
Stephen Yale-Loehr, President Emeritus

IIUSA Testimony on the EB-5 Regional Center Program

Texas State Legislature – Committee on International Trade & Intergovernmental Affairs

March 11, 2013

Introduction

Chairman Anchia, esteemed members of the committee, thank you for the opportunity to discuss the EB-5 Regional Center Program (the "Program") with you all today. Mr. Chairman, you and I have run into each other in three world capitals in just the last month: Beijing, Washington DC, and Austin, Texas. The cliché "save the best for last" comes to mind here. My hope is that my testimony is useful in informing the committee on the Program's growth, success, and challenges and look forward to an engaging discussion.

My name is Peter D. Joseph and I have the privilege of serving as Executive Director at the Association to Invest In the USA (IIUSA) – a position I have held for over three years. Founded in 2005, IIUSA is the national membership-based, not-for-profit industry trade association for the EB-5 Regional Center industry. Federally-designated, active EB-5 Regional Centers – the public and/or private entities approved to serve as the conduits of foreign direct investment ("FDI") and regional economic development in the Program – are IIUSA's core members. As a reflection of the international and interdisciplinary makeup of the Regional Center industry, IIUSA also has Associate members from numerous professions and from around the world, including: attorneys, broker-dealers, consultants, developers, economists, financial advisors, migration intermediaries, etc. **To date, IIUSA represents 79 Regional Center members and 160+ Associate members, with our Regional Centers accounting for approximately 95% of all the EB-5 capital formation (billions of dollars), resulting U.S. job creation (tens of thousands of jobs), and tax revenue (over a billion dollars) – see Appendix.**

IIUSA's primary mission is to make the Program a permanent and successful part of 21st century U.S. economic development policy. To support that mission, IIUSA's operations cover

advocacy, industry development, and education – sometimes across national borders. The Program has grown exponentially since 2008, thanks in most part to the strong “post-recession demand” for “at risk” capital in the U.S. and the supply of unprecedented wealth that now exists overseas. This new macroeconomic reality is the environment for which this innovative regional economic development policy was designed. Program utilization is at an all-time high with investor petitions more than doubling between fiscal year (FY) 2011 and FY2012 – accounting for approximately \$2.0 billion in FDI in FY2012. **All trends indicate that FY2013 will be yet another record breaking year of EB-5 capital formation, likely adding well over \$2.0 billion to the over \$4.7 billion in EB-5 capital formation since FY2005.**

The “globalized” world we live in today demands public policy that takes advantage of the fact that economic opportunity, capital, and people are crossing national borders at a record-setting, seemingly ever-increasing rate. “Immigrant investor programs” exist all around the world, all competing for the same economic benefit of attracting entrepreneurial investors to their shores and each with a unique purpose once the capital is attracted. The U.S. designed the EB-5 Regional Center Program to allocate that capital to regional economic development and U.S. job creation. **Since FY2005, IIUSA estimates over 95,000 American jobs have been created thanks to this Program – and the number is growing every day.**

The promise of “globalization” has always been that economic ties that result from outward FDI yields stable trading partners, mutually beneficial international trade agreements, and lasting peace among major world economic powers. The results are astounding. There is now more wealth in the world than ever before – and it can be transferred across national borders seamlessly. The next phase of “globalization” must cultivate – through innovative public policy and cross-sector collaboration – an economy that can efficiently allocate capital (whether investment, human, or otherwise) across national borders at rates that parallel that of the global economy. The EB-5 Regional Center Program epitomizes this noble intention of attracting more of this new wealth to the U.S. for the purposes of U.S. job creation. **IIUSA exists to ensure the permanent success of the Program: *Creating [American] Jobs through Investments (at no cost to the American taxpayer)!***

Program Overview

The EB-5 Program as a whole was created in 1990 under the Immigration and National Act (INA). This “direct” EB-5 Program allows foreign investors who invest and manage their own business to qualify for permanent residency if they create/save at least 10 direct jobs. The EB-5 Regional Center Program was created in 1992 under a Congressional mandate to stimulate regional economic activity and create jobs for U.S. workers, while simultaneously affording successful foreign entrepreneurs the opportunity to become lawful permanent residents of the U.S. In the Regional Center Program, direct and indirect economic impact can be credited to investors to meet the job creation metric – thereby allowing the Program to capitalize economic development projects that can transform communities. The Immigration and Naturalization Service (“INS”) – which became U.S. Citizenship and Immigration Services (“USCIS”) in the 2002 federal government reorganization that created the Department of Homeland Security (“DHS”) – was tasked with implementation and administration of the Program. Regulations were promulgated in 1993, thus creating the EB-5 Regional Center Program.

The Program has been extended in three or five year increments, all with bipartisan support, since 1993. The current expiration (or “sunset”) date is September 30, 2015. The most recent reauthorization was in 2012, again with strong bipartisan support with unanimous support in the Senate and a 412-3 vote in the House. Furthermore, the word “pilot” was struck from the statute when referring the Program – setting the stage for the next Congressional authorization to be permanent – after 20+ years on the books. IIUSA was proud to lead a diverse national coalition of almost 400 organizations from across sectors to urge Congress to immediately reauthorize the Program so it could continue its record-breaking economic contribution to the United States.

The EB-5 Regional Center Program allows foreign investors (and their dependent immediate family) to receive permanent residency (*i.e.*, “green card”) in the U.S. if they meet minimum investment and U.S. economic impact metrics. To qualify for its benefits, immigrant investors must meet one of two minimum investment thresholds. If the investment is taking place in a “targeted employment area” (“TEA”) then the minimum investment amount is \$500,000. Investments outside of a TEA have a \$1,000,000 minimum. A TEA is defined as a geographic area that has 150% time the national unemployment rate (according to the U.S. Department of Labor (DOL)) or a “rural” area. In this Program, “rural” is defined as an area outside a metropolitan statistical area (“MSA”) with a population of less than 20,000. For immigrant investors to become eligible for Program benefits (*i.e.* a “green card” or lawful U.S. permanent residency for themselves and their immediate family), immigrant investors must demonstrate – by filing an Form I-526 petition – that their capital investment meets one of the two minimum investment thresholds depending whether the location of the investment opportunity is in a TEA (detailed above) and that their investment will be “at risk” for the duration of their time as a conditional permanent resident.

The investor must also be able to demonstrate that the capital was obtained lawfully, and a full background check is performed by U.S. federal authorities to ensure truth in the documentation. Regardless of the investment amount, after receiving a conditional visa after an interview at a U.S. consulate abroad or by “adjustment of status” (if already in the U.S. on another visa type), the investor must demonstrate that their investment has created (or saved, in a “troubled business scenario) at least ten jobs for American workers throughout the duration of their conditional permanent residency period in order to receive unconditional lawful permanent residency by filing a Form I-829 petition to USCIS evidencing all of the above.

Regional Centers are defined in the code of federal regulations as: “any economic entity, public or private, which is involved with the promotion of economic growth, improved regional productivity, job creation and increased domestic capital investment. The organizers of a Regional Center seeking the “Regional Center” designation from USCIS must submit a proposal, supported by economically or statistically valid forecasting tools...” Regional Centers are the entities that facilitate the regional economic development that is the very core of the Program mission of American job creation. The increased regional economic activity, through FDI in a Regional Center affiliated project that fits into the Regional Center’s approved geography and economic sectors, should – according to economic theory – create economic growth and opportunity for local residents. In practice, over 95% of EB-5 investments are made through Regional Center, in a TEA – providing capital for the purpose of job creation in areas that often have difficulties attracting investment.

The last time the Congressional Budget Office (CBO) evaluated the cost of administering the Program, it was “scored” as revenue neutral – meaning there would be no cost to the government because the administrative expenses are paid for by user fees. The Program also eventually generates tax revenue at the local, state, and federal levels through its induced economic activity and adding high net worth individuals to the tax rolls (based on their worldwide assets). The current political, fiscal, and economic situation of the United States requires public policy with exactly the qualities of economic stimulus without adding to the federal deficit. The EB-5 Regional Center Program goes even further by reducing the federal deficit by inducing economic activity that generates public sector revenue and adding people of means to our tax rolls.

Accordingly, the Program has components of FDI, immigration, and regional economic development policy – working together to create U.S. jobs at no cost to the U.S. taxpayer.

Conclusion

IIUSA speaks for the regional economic development and U.S. job creation that our Regional Center members are responsible for nationwide. Having seen first-hand the U.S. job creation that results from the EB-5 Regional Center Program around the country, IIUSA is well-equipped to advocate from its national platform with a proven track record of credibility and effectiveness that we are proud of. Our strong and consistent voice has made IIUSA an important partner of [Congress](#), [White House](#), [U.S. Citizenship and Immigration Services \(USCIS\)](#), [Department of State](#), [Department of Commerce](#), [Securities and Exchange Commission \(SEC\)](#), [CIS Ombudsman](#), and other pertinent federal/state/local agencies in the development of best practices, providing feedback on policies, regulations, and other practical issues, and ensuring the integrity of the EB-5 Regional Center Program as its utilization grows.

It is through this open dialogue with the public sector that IIUSA demonstrates its value as an essential and influential national stakeholder that serves the essential role of connecting the various public and private sector stakeholders within the industry. IIUSA continues to work closely with its strategic partners and Congress to improve and permanently re-authorize the Program well in advance of the September 2015 "sunset date." With comprehensive immigration reform on the docket for Congress in the 113th Congress, it is especially important the growing EB-5 Regional Center industry work together to ensure that any Program reform being considered would improve the efficiency, effectiveness and protect the integrity of the Program in its economic impact for the U.S. The growth of the Program has proven challenging for USCIS and requires a fresh administrative approach immediately that provides the industry with the predictability in processing and policy development that investment and economic development planning requires to be effective. Addressing these issues will accelerate the economic impact of the Program on a state and local level.

The strength of IIUSA’s message comes from our Regional Center members, who are utilizing the opportunities of globalization to raise capital for economic development projects that create American jobs in concentrated geographic regions within the U.S. The

Program’s national scope, yet targeted economic impact in local communities around the U.S., is a story that needs to be shared with the public, for example:

State	Project Types
Arizona	Education, Healthcare
California	Agriculture, BRAC development, Energy, Entertainment, Infrastructure, Logistics, Real Estate, Hospitality
Florida	Real Estate, University Research Facility
Hawaii	Agriculture, Infrastructure, Real Estate
Illinois	Assisted Living
Iowa	Agriculture
New York	Education, Healthcare, Infrastructure, Hospitality, Manufacturing
Nevada	Energy, Entertainment
Ohio	Healthcare, Real Estate
Pennsylvania	Infrastructure, Manufacturing, Real Estate
Texas	Assisted Living, BRAC development, Hospitality, Restaurants
Vermont	Assisted Living, Manufacturing, Hospitality
Washington	Agriculture, Assisted Living, Hospitality, Real Estate
Wisconsin	Hospitality, Manufacturing, Real Estate

These are just a few examples of the diverse economic development that the Program is responsible for across the country. Program modernization is necessary to continue the Program’s growth trajectory and to maximize its economic impact for the U.S. in the year ahead to maximize the Program’s economic impact, IIUSA believes Congress must: (1) permanently authorize the Program well in advance of the 2015 “sunset” date; (2) maximize the quantity of visa available to immigrant investors in the EB-5 Program; and (3) fix the unpredictable processing times and policy development/implementation currently frustrating the Program’s ability to achieve maximum U.S. job creation – at no cost to the U.S. taxpayer. IIUSA welcomes working with state government partners on all of the above.

Thank you again for the opportunity to share this story of growth for a Program that is clearly built for the 21st century – using the opportunities of globalization to design policy that accounts for billions of dollars in capital formation, hundreds of thousands of U.S. job creation, and billions of dollars at tax revenue (without any adjustments to tax rates). The great state of Texas is at the forefront of utilizing this Program for the state’s benefit – with seven IIUSA Regional Center members serving the state. Through cross-sector collaboration at the local, state, and federal level, we can ensure the Program has a vibrant future in U.S. regional economic development and job creation.

I welcome any questions from the committee.

Appendix

