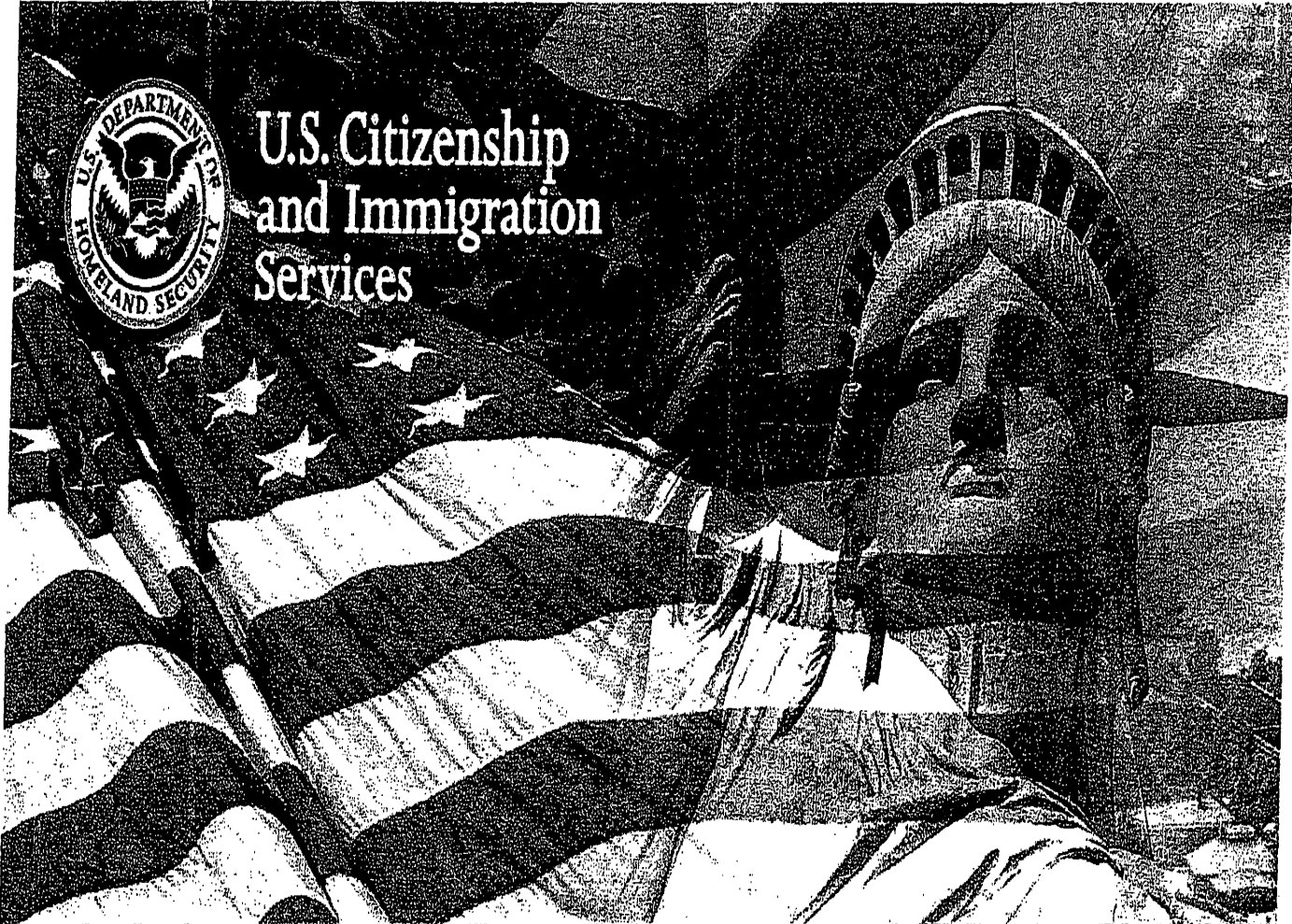




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# EB-5 Economics Cell

Implementation of Tenant-Occupancy Methodology

October 30, 2012

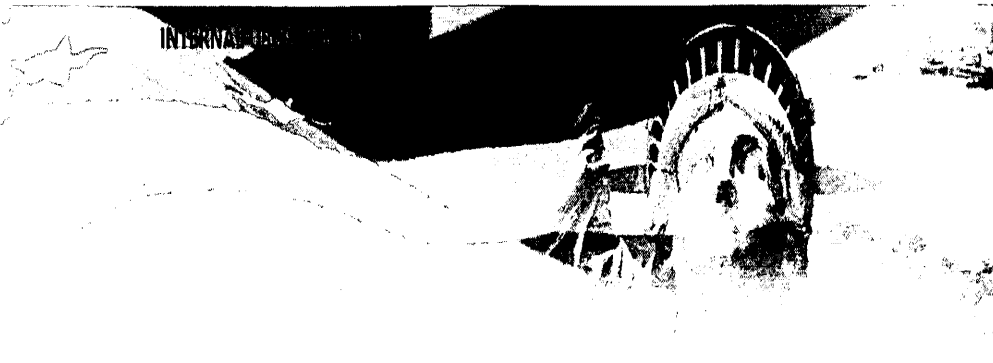
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# Summary



- **If applicants provide a cogent argument supported by reasonable and verifiable evidence that benefits generated by a commercial space development/renovation project financed by EB-5 capital will be a significant factor in the decision of a business to start operations and locate in the specific commercial space, then USCIS will allow the EB-5 investment group to take credit for the employees of the tenant.**
  - This is what is known in legal context as “but for” job creation; That is, the tenant jobs would not have been created “but for” the construction/renovation of the commercial space.



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# Analytical Focus

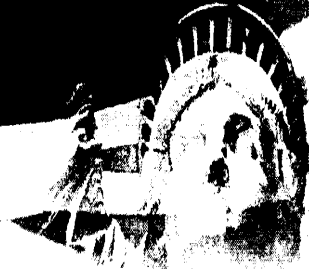
- **Core analytical and methodological focus areas for effective implementation of tenant-occupancy job creation credit:**
  - Interaction of local commercial space and product markets
  - Incentive factors for the tenant startup/location decision
  - Startup job estimation methods and metrics used
  - Industry specificity for prospective tenants



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# Facilitation

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- **Tenant jobs can be credited to development projects if the supply of space relevant to that development is shown to generate economic benefits that factor significantly into the decision calculus of a new tenant business**
  - **Benefits can be derived from two general sources:**
    1. The space provision removes a market based constraint on the realization of demand for a tenant specific products/services.
    2. The space provision provides direct or imputed cost-savings



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# Demonstrating Facilitation

- **Demonstrate a high probability that the supply of a specific type of new or renovated commercial space in a specific geographic area will cause new businesses to start/expand operations that were otherwise constrained in startup/expansion**
  - **USCIS will focus its evaluation on the presentation of the supply and demand conditions for specific space and specific products/services.**
  - **Other metrics that could be provided:**
    - Space absorption (i.e., the speed with which available space is leased and taken off the market) data can assist in the demonstration of supply and demand for space
    - Vacancy rates, rental rates, and externalities associated with “tight” markets (such as search costs)
    - Product/service market and competitor analysis—should reveal that there is solid demand for the goods/services to be provided by proposed tenants



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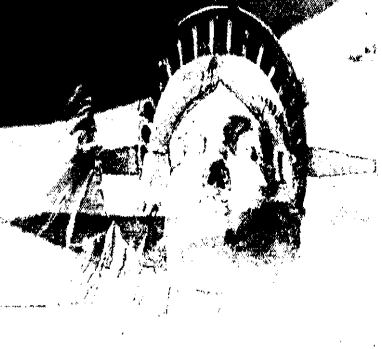
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# Incentives

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- **Good arguments may include incentives provided by the space developer to entice tenants to startup in that commercial space. Direct or imputed cost savings that factor into a tenant startup/location decision by reducing startup or operating costs, including:**
  - Rent subsidies
  - Energy and utility incentives
  - Maintenance and operational costs
  - Tax subsidies
  - Other



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# Tenant-Job Estimates

- The tenant employment estimates must be grounded in acceptable methods and use verifiable data sources relevant to specific industries and space parameters, such as:
  - Capital-labor ratios
  - Production functions
  - Revenue per employee
  - Square fee per employee
  - Sales per square feet
  - Other



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# Tenant-Specificity

- Reasonable methods of tenant job forecasting require tenant industry specificity in business plans
  - Tenant industry specificity drives the estimation of direct tenant jobs, which drive indirect and induced jobs
    - Thus, incorrect direct job estimates create highly inaccurate total job estimates
  - Metrics that support methods used to forecasts job creation vary widely across industries
  - Under optimal (profit maximizing) assumptions, industry specific metrics such as capital-labor ratios or employment per sq. foot could be utilized

If applicants do not need to indicate what type of tenant will move in, they can gerrymander job creation estimates by cherry-picking industries with the highest square feet per employee and calculating an average. Applicants could then select across the randomly selected industries after the I-526 process, which may yield significantly different direct employment and impact results from that submitted at the I-924 stage.



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# Revised Economist Reports



Critical assumptions table:

NAICS Code	Critical Assumptions	Result/Model Input
5411	222 square feet of space	\$0.12 million
	300 square feet per employee	
	\$140,562 revenue per employee	
5412	222 square feet of space	\$0.05 million
	200 square feet per employee	
	\$67,335 revenue per employee	

Model results table:

Activity	NAICS	Input	RIMS II Multiplier	Total Jobs
<i>Office Space</i>				
Attorneys	5411	\$0.12 million	17.21	2.2
Accountants/Tax Preparers	5412	\$0.05 million	23.69	1.3

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