

# Understanding the Significant and Geographically Diverse Impacts of Capital Investment and Job Creation by EB-5 Projects in Federal Fiscal Years 2014 and 2015



**JEFFREY B. CARR**  
PRESIDENT & SENIOR ECONOMIST, EPR ECONOMICS



**ROBERT CHASE**  
SENIOR ECONOMIST, EPR ECONOMICS



**LEE LI**  
POLICY ANALYST, IIUSA

**T**he U.S. Congress created the EB-5 Regional Center Program in 1992 with the goal of encouraging new U.S. economic growth and job creation through increased capital investment leveraged by immigrant investors. Recently, the EB-5 Regional Center Program has been contending with a period of program instability, including a series of temporary, short-term re-authorizations, and inadequate visa numbers. This is in stark contrast to a long period dating back to 1992 when the program enjoyed a period of relative stability including multiple three year Congressional authorizations/re-authorizations and a sufficient number of visas.

Over the years, various EB-5 stakeholders groups, including Invest in the USA (IIUSA)

and at least two federal government agencies,<sup>1</sup> have published estimates of the economic benefits or value<sup>2</sup> (including job creation impacts) of the EB-5 Program's economic contributions to the U.S. economy. These past analyses used a variety of direct and indirect methods to estimate the economic contribution/impacts of the economic activities under the Regional Center program. While all of these studies made significant contributions in helping to describe the Regional Center program's value to the U.S. economy in general,

<sup>1</sup> Including the Department of Homeland Security and the U.S. Department of Commerce.

<sup>2</sup> This study uses the term "economic value" according to the definition employed in the U.S. Department of Commerce's recent review of the EB-5 Program; See: Estimating the Investment and Job Creation Impact of the EB-5 Program; U.S. Department of Commerce Economics and Statistics Administration-Office of the Chief Economist; 27 pp.; January 2017.

each had limitations of one kind or another in the way they were completed.

The limitations of past studies almost always resulted in a significant under-counting of project-induced job creation or the under-valuing of the Regional Center program's true contributions to output and income of the U.S. economy. This study was conducted by Economic & Policy Resources ("EPR"), Inc. at the request of the EB-5 Investment Coalition and with the support of IIUSA, to address those limitations. Previous economic impact or contribution studies focused on developing impact estimates on the national level, without accounting for the dynamic economic

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connections between the state in which an EB-5 project is located and other states. Since the U.S. economic impacts-contributions of EB-5 projects within a state do not stop at the state border because labor markets and supply chains are more geographically diverse and robust than that, EPR worked with IIUSA and the technical staff at REDYN<sup>3</sup> to develop an approach to estimate the national economic impact-contribution estimate of project capital investment activity under the EB-5 Program using the four sub-national regions as delineated by the U.S. Bureau of the Census. The estimates as developed in this study are therefore more comprehensive and geographically robust to properly capture the robust supply-chains and labor markets that have historically served Regional Center projects. In this way, this study addressed the under-counting biases in past studies with the objective of presenting a more accurate picture of the economic value of the Regional Center program's most important capital investment activity component.<sup>4</sup>

Using a comprehensive EB-5 Regional Center project activity data set supplied by IIUSA as obtained from the U.S. Citizenship and Immigration Services (USCIS) through a series of "Freedom of Information Act" requests,<sup>5</sup> we developed a method to estimate the economic benefits and job creation contributions of all EB-5 Regional Center projects that were active in federal fiscal years (FY) 2014 and 2015. EPR and IIUSA worked together to develop this economic contribution estimate using the four economic regions as delineated by the U.S. Bureau of the Census using the CGGE-based<sup>6</sup> REDYN input-output tool in order to fully-recognize the geographical differences between regional economies (versus using national average impact multipliers or coefficients) and producing an integrated, robust national estimate of economic and job creation contributions of the Regional Center program's capital investment activities for FY2014 and FY2015.

<sup>3</sup> REDYN is one of the input-output tools comprising one of a number of "reasonable methodologies" for measuring job impacts that has been accepted by the USCIS to satisfy the job creation requirement of 10 jobs per investor.

<sup>4</sup> Which coincidentally is also the most robust economic activity data set of the three principal economic activities of the Regional Center program (versus the project operations economic activity category and the economic activities of EB-5 investor households).

<sup>5</sup> The data that IIUSA obtained via Freedom of Information Act (FOIA) consists of annual, required Form I-924A filings by Regional Centers to USCIS.

<sup>6</sup> CGGE means Computable Geographic General Equilibrium Model.

## National Impacts

The study found that, using IIUSA's EB-5 Regional Center project data, a total of \$10.98 billion<sup>7</sup> in capital investment was made through the Regional Center program during FY2014 and FY2015 (see Figure 1 and Figure 2). That total represented approximately 2 percent of all foreign direct investment (FDI) net flows to U.S. economy over the two-year period. A total of \$7.07 billion, or nearly two-thirds, of the projects' capital investment made through regional centers during FY2014 and FY2015 was in the construction sector. Among the other sectors with significant EB-5 Regional Center project capital investment activity over the two federal fiscal year period were: Hotels and Motels (at an estimated \$1.05 billion),

<sup>7</sup> All monetary values in this report are in constant 2015 dollars.

Real Estate (at an estimated \$0.53 billion), Wholesale Trade (at an estimated \$0.5 billion), Architecture, Engineering and Related Services (at an estimated \$0.41 billion), and health care (at an estimated \$0.35 billion).

The study found that this level of capital investment by projects in the Regional Center program supported more than 355,200 total jobs for U.S. workers during the study period (see Table 1), with roughly 100,000 new job opportunities falling into the "economically direct" category, and another 250,000 net new jobs falling into the economically indirect (including induced) category (see Figure 3). In total, those new U.S. job opportunities accounted for roughly six percent of the all

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FIGURE 1: Estimated EB-5 Investment by Industry Sector, FY2014-FY2015

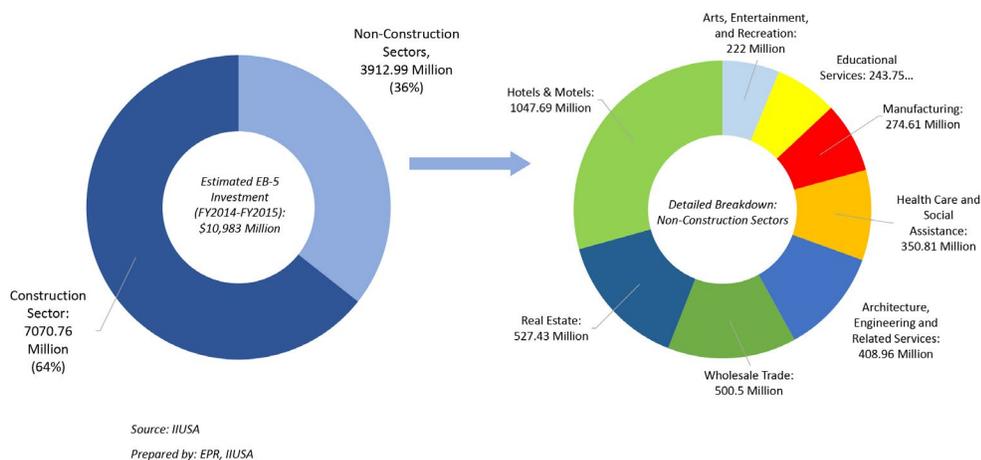
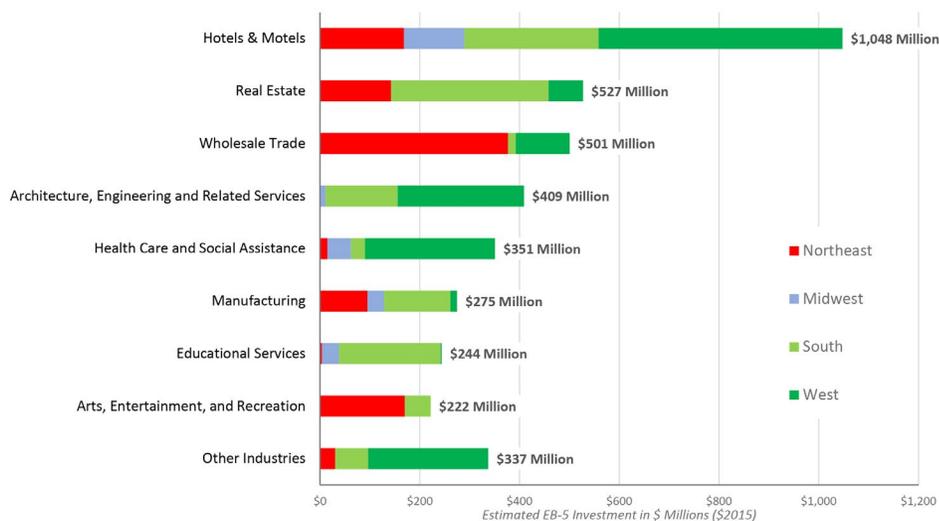


FIGURE 2: Estimated EB-5 Investment in Non-Construction Sectors, FY2014-FY2015

\* Sorted by total estimated EB-5 investment in FY2014-FY2015



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**TABLE 1:** Estimated EB-5 Economic Impacts in U.S., FY2014-FY2015

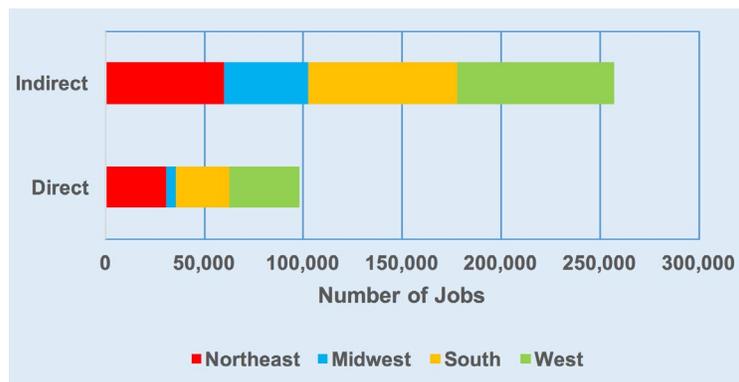
	Northeast Region	Midwest Region	South Region	West Region	United States Total
EB-5 Investment (\$ Millions)	\$3,820	\$380	\$2,613	\$4,171	<b>\$10,984</b>
<b>Economic Impacts</b>					
Job Creation	90,474	47,564	102,456	114,714	<b>355,208</b>
Economic Output (\$ Millions)	\$14,455	\$7,790	\$14,922	\$18,324	<b>\$55,490</b>
Labor Income (\$ Millions)	\$6,547	\$2,851	\$5,989	\$7,636	<b>\$23,022</b>

Source: IIUSA

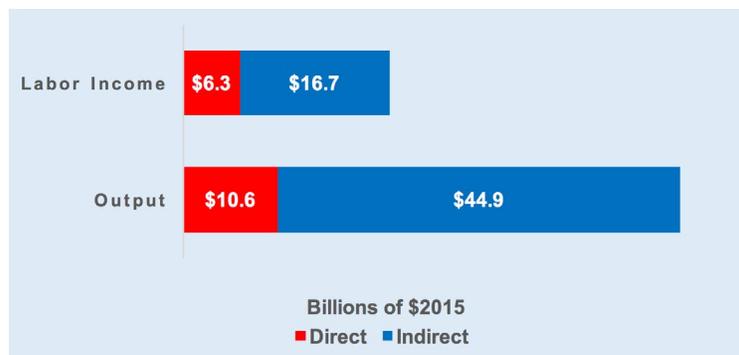
Prepared by Economic & Policy Resources, Inc.

Among the four subnational Census regions, the estimated EB-5 Regional Center program capital investments made during FY2014 and FY2015 were as follows: Northeast Region (\$3.82 billion), Midwest Region (\$0.38 billion), South

**FIGURE 3:** Estimated Jobs Generated in FY2014-FY2015



**FIGURE 4:** Estimated Labor Income & Output Generated in FY2014-FY2015



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private sector job growth in U.S. over the two-year period—**underscoring that the EB-5 Program is a national jobs development program.** Further, jobs were created by Regional Center project capital investment activity in all of the broad industry sectors<sup>8</sup> of the U.S. economy across each of the four subnational Census regions during FY2014 and FY2015. Even jobs created in the government category—including net job increases in the Federal Government, and in the State and

<sup>8</sup> All economic activity are grouped into various categories according to the North American Industrial Classification System (NAICS). Broad industry sectors for instance are also termed 2-digit NAICS sectors, such as construction (NAICS 23); manufacturing (NAICS 31-33); and professional, scientific and technical services (NAICS 54).

additional labor income for the U.S. economy associated with this Regional Center program capital investment activity (See Table 1 and Figure 4).

In addition, combining the results of the past economic impact or contribution studies by IIUSA and the U.S. Department of Commerce, the study found that the estimated capital investments made through the EB-5 Regional Center program during FY2014 and FY2015 increased by more than 100 percent from FY2012 and FY2013 (See Figure 5).

## Regional Impacts--Four Subnational Census Regions

Local Government categories all experienced positive economic gains associated with EB-5 Regional Center project capital investment activity, supporting about four percent of all net public sector job growth during the two-year period.

Overall, capital investment expenditures associated with EB-5 Regional Center project activity in FY2014 and FY2015 was estimated to have contributed nearly \$55 billion (or about three percent) to U.S. output growth during the study period and more than \$23 billion in

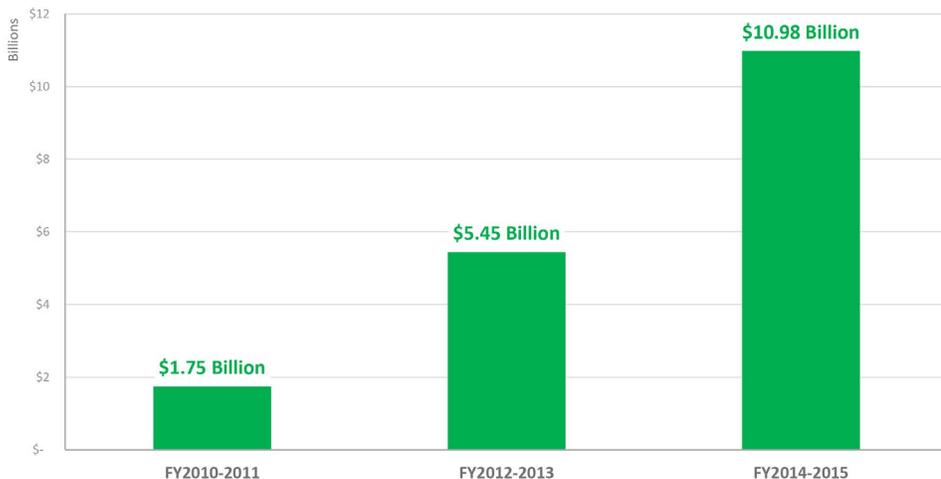
region (\$2.61 billion), and West Region (\$4.17 billion). The West Region accounted for a total of approximately 38 percent of total estimated EB-5 capital investment activity over the two-year period. The Northeast Region was next in descending order at approximately 34.8% of the total. The South Region at 23.8% and Midwest Region at 3.5% round out the new capital investment activity percentages of the total. Given the distribution of the EB-5 Regional Center projects' capital investment activity that was made during FY2014 and FY2015, the estimated number of new job opportunities created by the EB-5 Regional Center program's capital investment activity was an estimated 114,700 jobs in the West Region, followed by an estimated 102,500 new jobs in the South Region, an estimated 90,500 new jobs in the Northeast Region, and an estimated 47,600 new jobs in the Midwest Region. The West Region alone accounted for nearly one-third of the total net U.S. job creation due to the Regional Center projects' capital investment activities.

Even though the level of direct capital investment activity varied widely by region, each region benefited from Regional Center project capital investment activity thanks to EB-5 projects' capital investment activity's robust supply chains and labor markets which results in the creation of new jobs and economic impacts, irrespective of where the initial, direct capital investment occurred. Given the national scope of supply-chains and the broad impacts of workers' consumer spending, the indirect effects can often be greater than the initial direct stimuli tied to the location of the capital investment. For example, although the Midwest Region had the fewest number of Regional Center projects (24) and the lowest dollar amount of direct EB-5 project capital investment (at \$380 million) during FY2014 and FY2015, companies

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**FIGURE 5:** Estimated Capital Investments Impacts of the EB-5 Regional Center Program, FY2010-FY2015



Source: IIUSA, EPR, U.S. Department of Commerce  
Prepared by: EPR, IIUSA

program capital investment spending was in the West Region (at \$18.32 billion), followed by the South Region (at \$14.92 billion), the Northeast Region (at \$14.45 billion), and the Midwest Region (at \$7.79 billion)—see Figure 7. As with the contribution to U.S. job creation, the West Region's contribution to increased output represented 3.4 percent of the total U.S. output increased during the two year period associated with the Regional Center projects' capital investment activities.

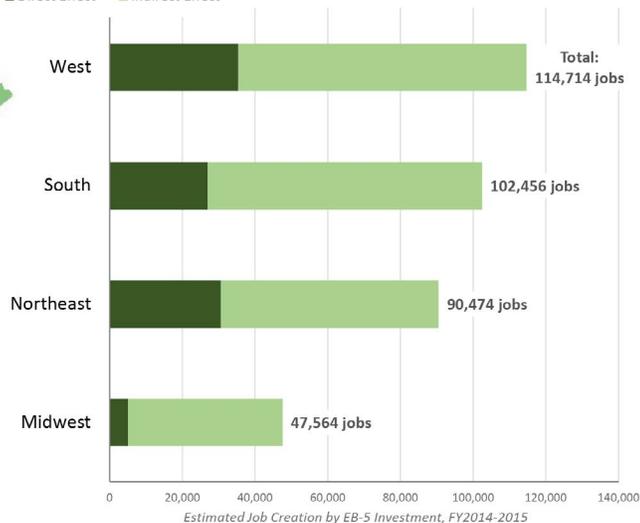
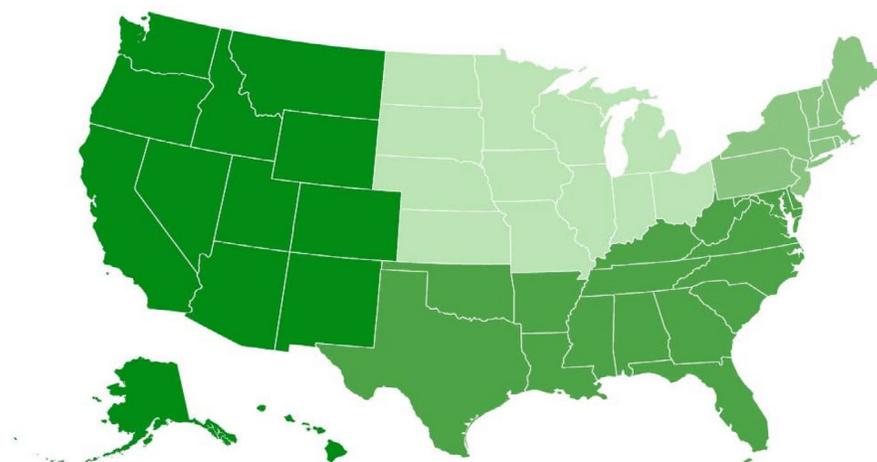
Figure 7. For the program-induced labor income gains associated with the estimated project capital investment under the Regional Center program during FY2014 and FY2015, this study found that the estimated increases in labor income at \$7.64 billion in the West Region, at \$6.55 billion in the Northeast Region, at \$5.99 billion the South Region, and

**FIGURE 6:** Job Creation by Region from EB-5 Projects Located in the Northeast, Midwest, South, and West Regions

EB-5 Contribution to U.S. Job Creation by Region  
114,000+ jobs (Dark Green) | 47,000+ jobs (Light Green)

\* Sorted by total estimated EB-5 job creations in FY2014-FY2015

■ Direct Effect ■ Indirect Effect



Source: IIUSA  
Prepared by: EPR, IIUSA

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and organizations throughout the Midwest experienced significant indirect impacts from projects located elsewhere in the other three subnational Census regions. Nearly nine out of every ten indirect jobs created in the Midwest Region were due to capital investment expenditure activity from Regional Center projects located elsewhere in the Northwest, South and/or West Regions.

Businesses and organizations across all U.S. industry sectors participating also experienced positive impacts as a result of capital

investments by EB-5 projects during the study period. This study found that construction contractors, manufacturers, utilities, businesses in the professional services category, retailers, and even governments benefited from Regional Center program capital investment activity through increased output, added hires (including increased payrolls), and higher incomes from that labor effect (See Figure 8). For program-induced output gains associated with the estimated project capital investment under the Regional Center program during FY2014 and FY2015, this study found that the estimated increase in the value of economic output associated with EB-5 Regional Center

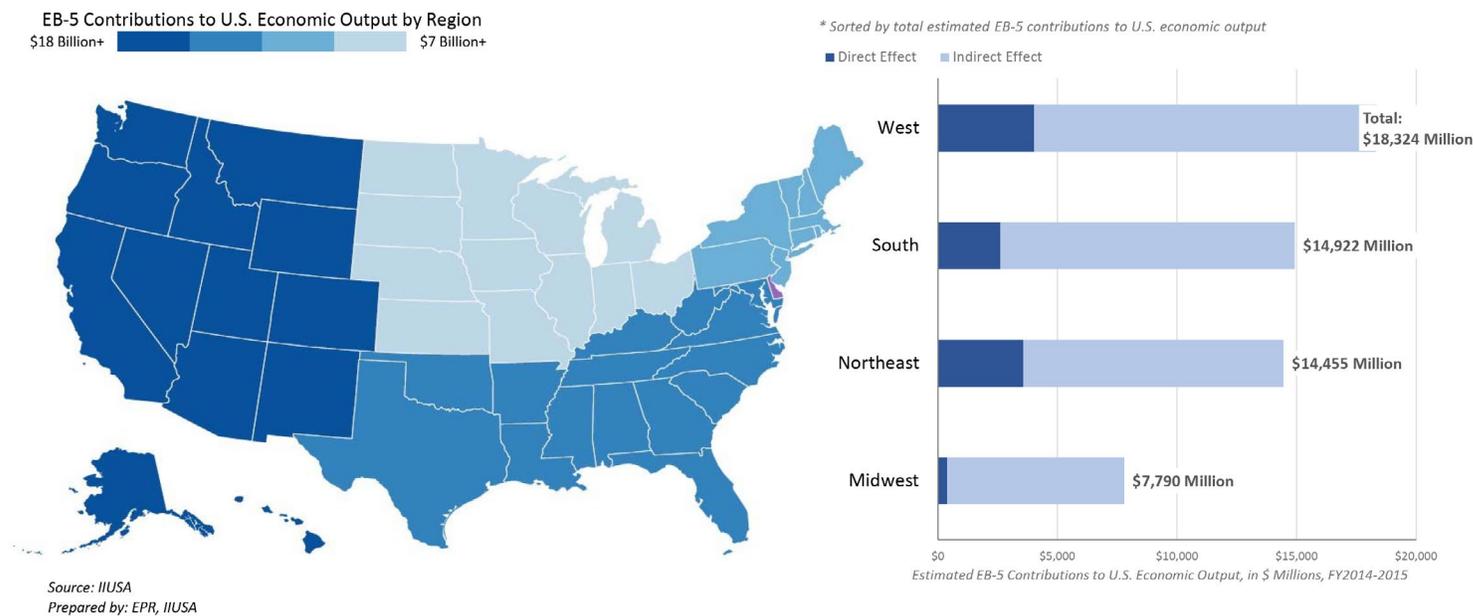
at \$2.85 billion in the Midwest Region (see Figure 8). As with the contribution to U.S. job creation and output, the West Region's contribution to labor income represented 1.8 percent of the total U.S. labor income increase during the two year period associated with the Regional Center projects' capital investment activities.

As noted above, this economic benefits and job creation contribution study for the EB-5 Regional Center program includes only one of the three principal areas of economic activity

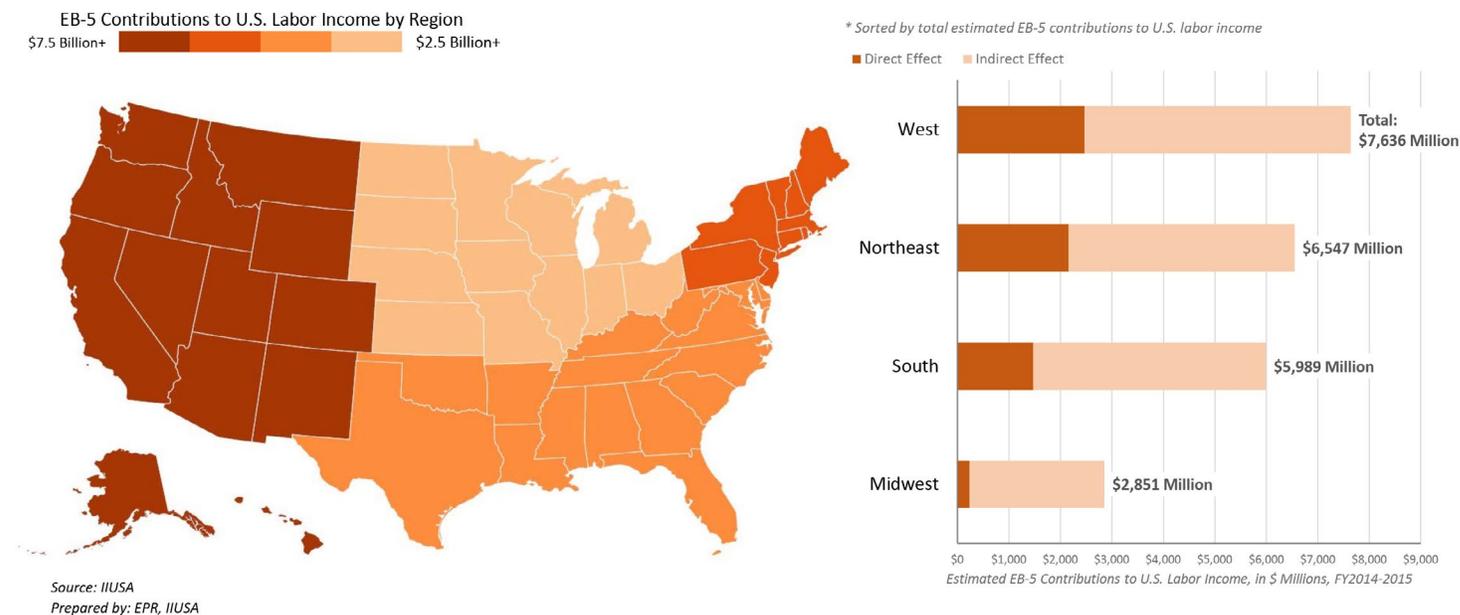
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**FIGURE 7:** Contribution to the U.S. Economic Output by EB-5 Projects Located in the Northeast, Midwest, South, and West Regions, FY2014-FY2015



**FIGURE 8:** Contribution to the U.S. Labor Income by EB-5 Projects Located in the Northeast, Midwest, South, and West Regions, FY2014-FY2015



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under the program corresponding to project capital investment activities. As a result, these effects represent a conservative estimate of the Regional Center program’s economic benefits and job creation contribution to the U.S. economy overall. The two excluded areas—the effects of projects’ operations and the economic activities of EB-5 investor households who establish residency in the U.S.—remain a work-in-progress as we undertake to develop more reliable data for impact estimating purposes. Just because the economic contributions of these two program

activity areas are hard to quantify does not mean the associated economic benefits and job creation effects are not significant. **As such, the estimates of the economic benefits and job creation effects presented in this study are significantly under-stated in comparison to the actual economic benefits and job creation contributions of all three economic activity areas associated with the Regional Center program if they were to be included.**

Economic contributions and job creation effects of this scale represent a call to the EB-5 industry and legislative policymakers to action—to make the compromises necessary

to reach consensus on the type of credible and workable EB-5 reforms that would be an important first step to solving the program’s visa numbers shortage that is currently limiting program activity. Without action to unleash an unconstrained EB-5 program’s impacts on U.S. job creation and U.S. capital investment, the economic contributions quantified in this study will merely represent “lost opportunities” for the U.S. economy—with literally, tens of billions of future foreign investment dollars and hundreds of thousands of new U.S. job opportunities over the coming years hanging in the balance. ▶