

DELAWARE VALLEY REGIONAL PLANNING COMMISSION
REGIONAL COMMUNITY AND ECONOMIC DEVELOPMENT FORUM HIGHLIGHTS
October 9, 2015

A meeting of DVRPC's Regional Community and Economic Development Forum (RCEDF) was held on October 9, 2015, beginning at 8:30 a.m. Patty Elkis, DVRPC's Planning Division Director, welcomed speakers and participants. Patty briefly discussed the meeting's agenda and described other Global Philly 2015 events, before introducing Daniel Miles, PhD, Director at Econsult Solutions, Inc.

Mr. Miles provided an overview of the United States Citizenship and Immigration Services' (USCIS) EB-5 Immigrant Investor Program, which was created by the Immigration Act of 1990 and is one of the nation's five employment-based visa programs. More than 25 other countries have similar versions of the EB-5 program, which provides foreign nationals who invest money in the United States with a means of obtaining a Green Card. He noted that of 990,553 visas issued by the United States in 2013, just over 161,000 were employment-based visas (16 percent), and, of those, only five percent (just over 8,000) were EB-5 visas. A maximum of 10,000 visas are issued annually through the EB-5 program (although the number may be slightly higher to include members of the foreign investor's immediate family). Currently, approximately 85 percent of EB-5 visas are issued to Chinese investors (up from only 12 percent as recently as 2006). Because federal regulations limit the number of investors from any one country, project sponsors are now looking to other countries for potential investors, including South Korea, Mexico, and Taiwan.

The program requirements are relatively straight-forward. Investors are required to invest \$1 million in a project that creates a minimum of ten full-time jobs. The minimum investment is reduced to \$500,000 if the project is in a Targeted Employment Area (TEA), defined as either a rural area or an area where the unemployment rate is at least 150 percent the national average. The investment capital must be from a legal source and acquired directly or indirectly by lawful means, and the investment must be considered "at risk." The jobs created may be either permanent, full-time jobs (including construction jobs that last longer than 24 months), or indirect jobs that result from the investment, calculated based on an input/output model. In exchange, the investor is given two-year temporary visas for themselves and their immediate family members under the age of 18, which are made permanent upon successful completion of the project.

The EB-5 Immigrant Investor Program provides an alternative source of low-cost capital that is significantly cheaper than most other sources, and increases the overall liquidity of a business or project, helping to reduce the cost of acquiring capital from other sources. Originally, EB-5 investments were primarily used to finance projects involving existing businesses, for business expansion or for saving a troubled business. Currently, EB-5 funding is used primarily for real estate development projects (including offices, hotels, retail uses, entertainment, and residential projects) or for infrastructure. Most EB-5 funding is now accomplished through federally-designated regional centers, created in 1992 by Congress as a means of accepting and pooling EB-5 capital for investment in economic development projects.

Regional centers are responsible for identifying investment opportunities that will create jobs in local communities, acting as a matchmaker between investors and borrowers, and ensuring that the investment offering complies with all applicable laws and regulations. All EB-5 applications are required to submit a business plan to the USCIS that defines the proposed business activity, specifies how the capital will be spent, and details how and when the jobs will be created. Mr. Miles noted that between 2010 and 2013, Pennsylvania was third among states in terms of utilizing EB-5 funding (behind New York and California), with over \$684.2 million invested in projects that generated \$1.1 billion in economic activity, supported 13,800 jobs, and generated \$142.8 million in federal taxes and \$65.2 million in state and local taxes.

The EB-5 program was originally set to expire on September 30, 2015, but has been extended through December 2015. A number of competing bills have been introduced in Congress that propose changes to the program, including increases to the minimum investment, limits on the proportion of EB-5 funding in the capital stack, elimination of country quotas, and making the program permanent.

Mr. Miles' presentation was followed by a panel discussion moderated by Michael Boyer, Manager of DVRPC's Office of Long Range Planning and Economic Coordination. The first panelist was Anne Nevins, Senior Vice President of Marketing and Business Development for the Philadelphia Industrial Development Corporation (PIDC). Ms. Nevins spoke about projects financed through the PIDC Regional Center, a partnership between PIDC and CanAm Enterprises that is designed to offer EB-5 investment opportunities. CanAm, a leading operator of EB-5 regional centers across the United States, has more than 25 years of experience in promoting and administering private and government immigration-linked investment funds.

PIDC and CanAm use immigrant investments to capitalize the Welcome Fund, a loan product that provides a source of low-cost, senior financing for commercial, industrial, or non-profit companies that create significant job growth and are located or planning to locate in Philadelphia. CanAm is responsible for marketing the program to investors through a network of international representatives, assisting immigrant investor candidates with the USCIS approval process, and structuring and administering partnerships to pool investor funds. PIDC's responsibilities include identifying prospective borrowers and Philadelphia projects, evaluating loan applications in partnership with CanAm, and administering and servicing the loans. During the ten years the PIDC Regional Center has been in operation, 28 loans have been approved, totaling \$620.5 million. Ms. Nevins concluded by discussing a few of the many PIDC projects that have utilized EB-5 funding, including the SEPTA Key new payment technology program, Aker Shipyard, the Courtyard Marriott at the Navy Yard, the Pennsylvania Convention Center, and the Kimpton Hotel Monaco.

The next panelist was Nikolaus Grieshaber, Chief Financial Officer of the Pennsylvania Turnpike Commission. Mr. Grieshaber discussed the Commission's use of EB-5 funding (working through the Delaware Valley Regional Center) to finance the Pennsylvania Turnpike/I-95 Interchange Project. EB-5 investments are being used to help fund this high-profile, \$1.4 billion infrastructure project that will complete the "missing link" along I-95 corridor. The project promotes economic development and job creation in a targeted employment area in and around Bristol, Pennsylvania. The Turnpike Commission's decision to utilize EB-5 Program funding to finance a portion of the project was based on the program's lower cost, minimal upfront costs, flexibility, and certainty.

The panel's final speaker was Ahsan Nasratullah, Chief Executive/Manager of the Global City Regional Center (GCRC). GCRC is currently utilizing EB-5 Program funding to finance two projects: Chinatown's Eastern Tower Community Center, and Ocugen, Inc., a company created to deliver best-in-class solutions to patients with sight-threatening diseases. The Eastern Tower Community Center is a \$75 million project that will spur economic development while providing critical services to the community. Of the project's \$75 million total cost, \$33 million was raised from 66 separate EB-5 investors. The 20-story high tower, located at the intersection of 10th and Vine Streets, will offer 8,600 square feet of ground floor retail, 18,600 square feet of state-of-the-art office space, 150 residential apartments, and a 17,000 square-foot community center. Mr. Ahsan noted that EB-5 funding was critical to the project, because the desire to include a community center that would provide services at little or no cost to the community limited the income potential of the property, making traditional underwriting and financing difficult. The project's financial closing and groundbreaking is currently targeted for December 2015, and the total construction time is estimated to be 26 months.

After a brief question and answer period, the meeting was adjourned at approximately 10:30 a.m.