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Would EB-5 Capital Invest in Your Project?

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In recent years, the New York City skyline has been increasingly dotted with construction cranes. Hundreds of new buildings or conversions have added to the map of the five boroughs. What is causing this real estate boom? The low interest rates from the Federal Reserve for so long is one reason, and the popularity of financing through the EB-5 Program is probably another reason.

What is the EB-5 Program? The U.S. Congress created the EB-5 Program in 1990 to allow a foreign investor to obtain an immigrant visa if they invest in a U.S. business that directly creates 10 new jobs in a two-year timeline. In 1992, the “Regional Center Pilot Program” was enacted, stating that the 10 jobs can be created “indirectly.” Regional Centers are business entities that can pool multiple foreign capitals to invest in the same EB-5 project. In 2012, Congress reaffirmed its commitment to the regional center model of investment and provided a three-year reauthorization of the regional center model through September 2015. This program has received several reauthorizations without any reforms until December 9, 2016.

Since the Great Recession of 2008, developers’ demand for sufficient capital has made the EB-5 Pilot Program a popular vehicle to fund their projects. Numerous EB-5 development project plans have been implemented by seeking capital through the in-house Regional Center or by participating in an existing third-party regional center. Here are some selected large-scale projects funded by EB-5 capital in New York City:



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Project Name	Location	Developer	Property Type
Four Seasons Hotel	Tribeca Manhattan	Silverstein	Luxury Residential/Hotel
701 TSQ	Times Square Manhattan	Witkoff Group	Hotel
City Point	Brooklyn	Acadia	Mixed Use/Retail
Atlantic Yards/Pacific Park	Brooklyn	Greenland Forest City partners	Mixed Use/ Stadium
Brooklyn Navy Yard	Brooklyn	BNY Development	Industrial (Steiner Studios)
NY Wheel	Staten Island	Plaza Capital	Ferris Wheel
International Gem Tower	Midtown Manhattan	Extell	Diamond & Jewelry Market
Hudson Yards	West Side of Manhattan	Related	Mixed Use

As you can see, EB-5 projects represent a wide range of property types. Other successfully funded EB-5 projects include: convention center, casino, medical facility, and educational institution.

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However, not every development project can find the sufficient EB-5 capital the developer needs as the demand for EB-5 capital is much higher than the supply of foreign EB-5 investment. What types of projects will likely be selected by the foreign EB-5 investors? We have to keep in mind that the primary goals of the EB-5 investor are to obtain the green card and to get their original capital investment back. High investment return is not of the utmost consideration.

Certain projects that have the characteristics listed below have a higher possibility to fulfill the EB-5 program requirements, and are the more preferred choice by EB-5 foreign investors:

Type of Project

The EB-5 Program requires the foreign investor applicant to create and maintain 10 new jobs in a two-year period. Income producing property, such as residential and commercial rental property, are preferred by investors since they can usually generate large and long-term employment numbers. Hotels are another favorite type of project by EB-5 applicants. Condominium projects are a risky selection since the condo units can be sold quickly.

Location

Major urban centers are preferred by foreign investors as these investors are most familiar with popular U.S. cities. They don't feel comfortable to invest in cities that are rarely mentioned in the international media. Furthermore, projects in major cities have higher appreciation potential, or at least, can keep the property value.

Good Track Record

Developers and sponsored Regional Centers with a successful track record is an important factor. A developer's track record includes their success with similar prior projects, reputation and financial strength.

Regional centers with a successful track record of raising substantial amounts of EB-5 capital and completing projects are more likely than new Regional Centers to attract investors' capital. Ideally, the Regional Center will have a track record of multiple successful projects with I-526 approvals, I-829 approvals and repayment of the investors' capital.

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