

Iowa Regional Center
Iowa Economic Development Authority

Questions and Answers for Potential EB-5 Projects



What is EB-5?

In 1990, Congress created the EB-5 immigrant visa category. This visa category is targeted at qualified foreigners seeking to obtain lawful permanent residency by investing in a business that will benefit the U.S. economy and create or save at least 10 full-time U.S. jobs. The program is administered by U.S. Citizenship & Immigration Services (USCIS). The required investment per immigrant is \$1 million, although that may be reduced to \$500,000 if the investment occurs in a rural or high unemployment area.

What is a Regional Center?

In 1992, Congress created an additional component to the EB-5 program, the Regional Center Pilot Program. A Regional Center is a private or public entity designated by USCIS and authorized to coordinate with multiple immigrant investors and to pool their investments for greater economic impact. Regional Centers operate within defined geographic regions and within specific industry sectors. USCIS estimates that approximately 90% of EB-5 visas are related to Regional Center investments. A primary benefit of the Regional Center program is that it allows the use of economic modeling to determine the indirect and induced job impacts related to the investor's capital contribution. This means that in the Regional Center program, immigrants can legitimately count direct, indirect, and induced jobs. Because of these job creation requirements, investing through a Federally-designated Regional Center offers the immigrant investor the most expeditious means for obtaining a permanent visa.

What experience does Iowa Economic Development Authority offer?

We have played an instrumental role in creating or preserving jobs for Iowans. The Iowa Regional Center was authorized by USCIS in 2004. In an effort to improve our role in this capacity, Iowa Economic Development Authority began working with CMB Regional Centers in 2012 to develop a comprehensive management plan for the Iowa Regional Center.

Active since 1997, CMB is one of the oldest Regional Centers in the nation. The original CMB investment concept focused on communities devastated by California military base closures and the loss of the tens of thousands of jobs associated with the operation of each affected military base. Today, CMB operates Regional Centers throughout the nation; each Regional Center has statewide geographic scope in their respective states. Prior CMB projects have included demolition of obsolete former military base structures, road construction, sewer construction, airport terminal construction, airport runway construction, flood control, wetland mitigation, building rehabilitation, parking lot construction, transportation-oriented development, environmental remediation, railroad projects, new building construction, and solar energy projects (both rooftop and utility scale). CMB is experienced in working with all levels of governments and private industry to implement the EB-5 program in line with the original Congressional intent—by creating jobs for Americans. CMB Regional Centers represent over 1,200 investors and have a 100% success rate for our investors' petitions with the USCIS. Across all CMB projects, CMB funds have been successfully paired with an additional \$4.8 billion in public and private capital.

What is a TEA? What is the difference between a \$500,000 and \$1 million investment?

A Targeted Employment Area (TEA) is an area identified in one of two ways:

- Unemployment rate at or above 1.5 times the national average
- Not in a Metropolitan Statistical Area (MSA) and not in a city with a population over 20,000.

The basic amount a foreign national must invest as required by the EB-5 program is \$1 million. That amount is reduced to \$500,000 if the investment is made in a Target Employment Area (TEA). In many cases TEA's have been defined as areas as large as an entire MSA or parcels of land as small as a census tract.

The Iowa Regional Center focuses both on projects located within and outside TEA's. Projects within qualified TEA's are eligible for the reduced \$500,000 investment.

As a borrower with the Iowa Regional Center, what are my requirements (responsibilities) for EB-5 program compliance?

With regard to EB-5 participation, the Borrower does not have any EB-5 regulatory responsibilities, liabilities, or requirements to the individual investors. The Borrower's only responsibility is to satisfy the terms of the loan agreement. As part of the terms of the loan agreement, the borrower will be required to spend the proceeds of the loan on the projects identified in the loan agreement and to provide documentation on actual construction spending or such expenditure documentation acceptable to the Lender. This documentation could take the form of general ledger reports, invoices, construction contracts, and other similar documents.

A Word about Job Creation:

A primary requirement of the EB-5 program is that each investor must demonstrate the creation of 10 new, full-time American jobs as a result of their investment. These can be direct, indirect, or induced jobs. For example, if the EB-5 investment is used to build an auto manufacturing facility, then the direct jobs are those that occur in the auto plant; the indirect jobs are those that provide the inputs to make new cars, like steel, rubber, and glass; and induced jobs result when the direct and indirect employees spend their newly earned pay in the economy on food, clothing, or shelter.

The Iowa Regional Center investment model typically relies upon indirect and induced job creation resulting from construction spending. Using this method, we are able to show that indirect and induced jobs are created as money is spent in the economy. The timing of construction and the construction spending will determine the role that CMB EB-5 investor capital can play in a particular project.

What is the Iowa Regional Center's typical timeline for the capital raise?

The Iowa Regional Center will begin raising capital based upon the timing of job creation in a specific project. EB-5 investments have a limited window of time in which to demonstrate new job creation. We will need to match the timing of construction spending with our funding efforts. Iowa Regional Center's ability to raise capital is heavily dependent upon the quality of the investment and the likelihood the investment will meet the goals of the EB-5 investor. Further, the Iowa Regional Center chose CMB as the managing Regional Center because of CMB's successful EB-5 history. In past partnerships, CMB Regional Centers have raised capital rapidly. One project raise for \$90 million was accomplished in as little as 32 days. The flow of funding to the borrower is linked to the successful adjudication of investor petitions by the USCIS. Current adjudications are taking approximately six to eight months. From each Borrower we will need specific information to document our submission to USCIS including project details and timetables, authorization to raise capital, loan agreement and more.

What costs are associated with borrowing EB-5 capital through the Regional Center?

CMB Regional Centers are the servicing organization for the Iowa Regional Center. As such, CMB Regional Centers function as the general partner of any partnership that lends EB-5 capital. CMB Regional Centers' role is much like that of any financial lending institution. Our revenues come, in part, from the interest paid by the borrowers on loans from investment partnerships.

What about expenses and fees attributable to the borrower?

This is determined on a project-by-project basis. Fees to the borrower may include a document preparation fee and modest origination fee. The Borrower is not responsible for other legal or marketing costs, other than the borrower's own legal costs (including legal counsel), as deemed necessary for the preparation and review of all financing and security documents.

What types of projects are you looking for?

The Iowa Regional Center and CMB primarily focus on infrastructure, manufacturing, and construction-related projects.

What size projects does the Iowa Regional Center undertake?

The amount of job creation related to a project determines the participation of EB-5 funds within the project. There are also limitations based upon the ability of the Borrower to service debt and to repay the loan at maturity.

Are you looking for an equity position or solely a creditor/debt position?

Iowa Regional Center's business model is focused on loan-based investments. This does not mean that a properly-structured equity investment would not be considered. Any equity investment would need to demonstrate how it can achieve the goals of the EB-5 investor, particularly with respect to the investor's exit strategy.

What is the term of the loan and what is the timing of the loan?

Iowa Regional Center investment loans are typically six-year loans. Each borrower is required to make quarterly interest payments on the amount of the loan that has been advanced. The loans have a single principal payment that is due at maturity. The six-year loan term gives the borrower time in which to complete construction and develop a revenue stream. Additionally, the six-year "clock" on the loan begins when the first funds are advanced to the borrower.

Can I repay early without penalty? How early?

The ultimate goal of every EB-5 investor is to gain permanent residency in the United States. In order to achieve this goal they are required to submit an I-829 petition that demonstrates (1) they are fully invested with capital at risk and (2) that they have created the required ten new American jobs. Each Iowa Regional Center loan agreement contains provisions preventing repayment during the first 42 months, to satisfy the fully at risk portion of the statute. Each Borrower is free to prepay the loan, without penalty, after this 42-month period of time.

Is my project suitable for EB-5 investment by the Iowa Regional Center?

Because of the immigration parameters of the USCIS, not every great project will necessarily make a great EB-5 project. The Iowa Regional Center first looks at project location. The most marketable projects are located within a Targeted Employment Area. Generally, investors that are interested in a \$1 million investment are exceptionally risk-averse. Therefore, outside of a TEA, only certain projects will be successful. The Iowa Regional Center uses USCIS-approved methods to determine if a project is in a qualified TEA. Secondly, the project must be able to demonstrate that the required number of jobs will be created. The Iowa Regional Center's business approach is conservative and does not contemplate financing 100% of any project. The most successful EB-5 projects are those where EB-5 capital provides a portion of funding and is matched with non EB-5 funds from other sources.

Regional Center I-829 Approval Record

The primary goal of every EB-5 investor is to obtain permanent residency in the United States. Iowa Regional Center has obtained I-829 approvals prior to their beginning work with CMB Regional Centers. CMB has I-829 approvals for multiple investors within our first five investment partnerships. Investors from CMB's sixth partnership will begin filing for their permanent Green Cards in late 2012.