

**EB-5 Immigrant Investor Program Stakeholder Meeting  
October 14, 2010**

**Notes from the Presentation prepared by USCIS<sup>1</sup>**

III. EB-5 Economic Analysis

The Big Picture

- Using multipliers to estimate impacts requires the user to provide detailed information including: geographic scope, industry data, and initial changes in output, employment, & earnings.
- This information stems from a well-reasoned business plan.
- Use publicly available sources for data.
- To ensure analysis is readily reproducible include source data and RIMS II tables (if applicable).

Important Points

Essential definitions:

- Direct effects (output, employment, or income) are those occurring to the firm that exports the additional good or service.
- Indirect effects occur to industries in the backward linked industries that supply the exporting firm.
- Induced effects result from households spending some of the additional income they receive in the local area.

(Source: Dr. Wayne Miller study, *Economic Multipliers: How Communities Can Use Them for Planning*, subsequently cited)

Geographic Dilemmas

- Push-pull between Regional Center boundary and region defined for multipliers.
- Targeted and narrowly defined for regional center boundary.
- Broadly defined for regional impact analysis.
- Must be large enough to serve as a functional economic unit. Should encompass a region that provides most of the inputs for production.

\*Labor is a major input—look at commuting patterns.\*

Where to get more information?

- Bureau of Economic Analysis
- Census Bureau
- Bureau of Labor Statistics (LAUS)
- Small Business Administration
- National Associations

Helpful studies that further define direct effects and geographic scope:

Dr. Wayne Miller, *Economic Multipliers: How Communities Can Use Them for Planning*:

[http://www.uaex.edu/Other\\_Areas/publications/PDF/FSCED6.pdf](http://www.uaex.edu/Other_Areas/publications/PDF/FSCED6.pdf)

Linda Levine, *Job Loss and Infrastructure Job Creation Spending During the Recession*:

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<sup>1</sup>[http://www.uscis.gov/USCIS/Outreach/Public%20Engagement/National%20Engagement%20Pages/2010%20Events/October%202010/EB-5%20Presentation\\_Quarterly%20Engagement%20Oct%2014%202010.pdf](http://www.uscis.gov/USCIS/Outreach/Public%20Engagement/National%20Engagement%20Pages/2010%20Events/October%202010/EB-5%20Presentation_Quarterly%20Engagement%20Oct%2014%202010.pdf)

<http://cardin.senate.gov/pdfs/jobloss.pdf>

#### Critical Issue

The business plan and economic analysis should be **TRANSPARENT and REPRODUCIBLE**

#### Common Pitfalls

- Defining the study area incorrectly
- Comparing apples to oranges
- Averaging multipliers
- Treating employment impacts as FTE
- Double counting direct impacts
- Incorrectly identifying initial impacts
- Combining forward linkages with backward linkages

#### Crediting Job Creation Outside the RC

- Section 610(a) of the Departments of Commerce, Justice and State, the Judiciary, and Related Agencies Appropriations Act of 1993, Pub. L. 102-395, as amended, provides that
- A regional center shall have jurisdiction over a limited geographic area, which shall be described in the proposal and consistent with the purpose of concentrating pooled investment in defined economic zones.
- USCIS's regulation at 8 CFR 204.6(m)(3)(i) requires, in pertinent part, that each regional center must provide a proposal which *clearly describes how the regional center focuses on a geographic region of the United States* (emphasis added).
- USCIS has interpreted that a regional center should focus its EB-5 capital investment activities on a single, contiguous area which is within the bounds of the limited geographic area for which a regional center requests jurisdiction.
- Beyond these statutory and regulatory directives there are no specific mandates that indirect jobs be created in any particular location.
- There is an exception pertaining to Targeted Employment Areas (TEAs). INA 203(b)(5)(B)(i) provides that a certain number of visas made available under the EB-5 category "be reserved for qualified immigrants who invest in a new commercial enterprise ... which will create employment *in a targeted employment area*" (emphasis added).
- 8 CFR 204.6(e) define a TEA as "an area which, at the time of investment, is a rural area or an area which has experienced unemployment of at least 150 percent of the national average rate."
- A reduced capital investment amount of \$500,000 is permitted for a TEA. If a proposed RC business plan in the Form I-526 includes a TEA and the petitioner is relying on a capital investment of \$500,000 in a new commercial enterprise rather than \$1,000,000, the predicted jobs created must be within the TEA.
- This interpretation of the statutory and regulatory language does not justify job creation data methodologies that are not reasonable. While the RC's EB-5 capital investment activity may produce a legitimate economic benefit outside its formal jurisdictional RC boundaries, the data set used to estimate job creation should fit within the intended impact of the capital investment project.
- Where appropriate, regional data should be used as the basis for a regional center's job creation analysis in keeping with 8 CFR 204.6(m)(3)(i). USCIS may not accept statewide data or data from a broader area outside a regional center as suitable for the job creation analysis when regional data is readily available that focuses solely on an RC's geographic area.

- The scope and nature of industries present in an entire state or in an area outside the geographic boundaries of an RC may not be comparable to the more limited scope and nature of the industries within the RC's jurisdictional area and included in the data for the region.
- However, if the prospective impacts of the capital investment project provided in the project's business plan and associated economic analysis indicate that a broader geographic area should be considered, USCIS will do so.