# Future of Immigrant Visa Program Has High-End Builders At Odds

By Eliot Brown

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The real-estate industry is splintering over a controversial program that has allowed developers of high-end towers to benefit from cheap financing thanks to immigrants seeking green cards.


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Cranes hover above the construction site of Related Cos.' $20 billion Hudson Yards project in Manhattan. Photo: John Taggart for The Wall Street Journal

Critics say the program, a key piece of which expires on Dec. 11, has been overtaken by urban developers who are gaining from a provision meant to create jobs in economically ailing areas. In response, some property developers are trying to scale back this practice so as not to risk it ending completely.

But Related Cos., one of the country's largest developers, is lobbying aggressively to see that prosperous urban areas can still qualify.

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EB-5 offers green cards to aspiring immigrants who invest at least $500,000 in certain job-creating businesses. In recent years, the program has become dominated by urban developers, and is being used to help finance some of the highest-profile projects in the country, including Related's $20 billion Hudson Yards mixed-use project west of Midtown Manhattan.

These projects have benefited from a provision intended for rural or high-unemployment areas—a practice that makes it far easier to raise the low-cost financing but also has attracted the caustic criticism from members of Congress who call it an abuse of the rules.



Influential industry executives at a trade group board meeting late last month banded together to support a compromise that would curtail the practice and allow some, but not all, projects in prosperous urban areas to continue to qualify for the benefit.

"We've got to do something, because if we don't do something, something's going to get shoved down our throat or the program's over," said Pat Hogan, chief executive of one of the largest regional centers that bundle together immigrant investor money for U.S. businesses. He is on the board of the EB-5 trade group, Invest In the USA, and pushed for the compromise plan. "I'm for the EB-5 program—and I'm for what's right within EB-5."

The compromise position puts the IIUSA group squarely at odds with New York-based Related, which is by far the largest consumer of EB-5 financing and is heavily involved in pressing its position in Washington.

With backing from influential groups including the U.S. Chamber of Commerce and the Real Estate Roundtable, the developer has strenuously pushed back against any legislative changes that would block areas such as Manhattan from receiving a "targeted employment area" benefit. Related spent more than $700,000 on lobbying on immigration issues between April and September, according to federal lobbying records, multiple times more than any other one company involved in the fight.

The company has said that workers at construction sites come from poor neighborhoods far away from the area immediately around a project, so limiting rules to a neighborhood makes little sense.

The Chamber of Commerce, Real Estate Roundtable and the EB-5 Investment Coalition—a different trade group of which Related is a member—urged in a letter to legislators last week a "reasoned and objective" plan in which projects qualify as targeted employment areas if "workers live in high unemployment Census tracts, and commute to the specific tract where the EB-5 project is located."

High unemployment areas are at the center of the fight over EB-5, a 1990s-era program that allows 10,000 visas a year for investors and their families. The program is now at capacity, which has left many in rural areas complaining they are outcompeted by large urban projects. One example is a condo tower planned for a high-end neighborhood south of Central Park, that qualifies as a targeted employment area.

Projects in such areas can raise money at $500,000 per investor, a far easier level than the $1 million minimum for those outside such areas. The urban developers work with state governments to draw special districts, often stringing together census tracts connecting their projects with poor neighborhoods to meet the high-unemployment area threshold.

The industry tension with Related flared up at a meeting of the industry trade group at a downtown Dallas hotel, attendees said. Many who have spent years in the program backing noncontroversial projects like manufacturing plants and developments on closed military bases said they feared those projects, too, could be hurt if a stalemate in Congress leads the program to expire.

Meanwhile, the legislators most involved on the issue are trying to push ahead with a reform bill.

In recent days, industry leaders received draft language of a bill supported by Senators Charles Grassley (R., Iowa) and Patrick Leahy (D., Vt.) that would significantly curtail the practice known to critics as “gerrymandering,” according to a draft bill reviewed by The Wall Street Journal. It would limit the lower fundraising level—which would be raised to $800,000—for projects in high-poverty census tracts, making it similar to other federal economic development programs. In addition, projects in census tracts immediately adjacent to tracts with high unemployment would qualify.

Manufacturing and infrastructure projects also could qualify for the lower level, according to the draft, but it appears many projects that qualify in Manhattan would be unable to under the proposed rules. The higher level would be raised to $1.2 million per investor.

Many in the EB-5 industry still think this goes too far, making it unclear whether an accord can be reached. The IIUSA compromise called instead for a maximum of 12 census tracts to be banded together for high-unemployment areas, and sought to block use of rivers or parks to connect the tracts.

The draft legislation “is going to force non-economically viable projects to be constructed in areas that aren’t ready for the development,” said Nick Mastroianni, chief executive of regional center US Immigration Fund LLC, which has raised funds for some of the largest real-estate developments in the program.

Still, Mr. Mastroianni said, he supports the 12 census tract proposal pushed by the industry leaders because he views some compromise as inevitable at this point.

“There has to be a compromise—it’s going to be painful to both sides.”

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