

DATE: March 13, 2013
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 13-07
Adopting the Portland Development Commission EB-5 Partnership Program

BOARD ACTION REQUESTED

Adopt Resolution No. 6992

ACTION DESCRIPTION

This action will adopt the Portland Development Commission's (PDC) EB-5 Partnership Program (Program), allowing PDC to serve as the lead designated agency for EB-5 related investments and activities in Portland.

Adopting the Program will:

- (1) Implement City Council Resolution No. 36981, which named PDC as the City's designated lead agency for all locally controlled decisions regarding the federal EB-5 Program;
- (2) Authorize the Executive Director to enter PDC into formal partnership agreements with EB-5 Regional Centers to provide services for EB-5 investments and projects; and
- (3) Result in revenue-generating opportunities contributing to the financial sustainability of the agency.

BACKGROUND AND CONTEXT

Portland City Council approved Resolution No. 36981 on December 12, 2012, which authorizes PDC to serve as the City's designated lead agency for all locally controlled decisions regarding the Federal Immigrant Investor Program, known as EB-5 (Employment Based Immigration: Fifth Preference). The resolution formally directs all requests and processing to PDC, and includes program activities and related investments.

Created by United States Congress in 1990, the EB-5 program makes lawful, permanent residence available to qualified foreign nationals on the basis of their creation of new, permanent jobs through capital investments that benefit the U.S. economy. The EB-5 program is a key opportunity to attract investment that can advance objectives in the City's 2009 Economic Development and 2011 Neighborhood Economic Development strategies.

The EB-5 program is administered by the U.S. Citizenship and Immigration Services (USCIS) in the Department of Homeland Security, but a variety of services and endorsements are sought from local municipalities. This support increases confidence of foreign investors who are often unfamiliar with the geographic location of their investment. Through PDC's involvement, local EB-5 projects will gain credibility and generate a streamlined, efficient, and coordinated approach to EB-5 investments.

In order to ensure EB-5 investments are made in communities of need, Business Oregon has the designated authority to certify Targeted Employment Areas (TEAs), which are redrawn on an annual basis using demographic and unemployment data. Investment in a TEA qualifies projects for a \$500,000 investment rather than a \$1,000,000 investment in a non-qualified area. PDC has worked closely with Business Oregon to expand TEAs. As a result, the majority of Portland's industrial areas, eastside commercial corridors, and the central city are in qualified TEAs today (see map in Attachment A). In addition to working to expand TEAs in the Portland region, PDC has hosted investor groups and delegations of foreign nationals, facilitated investment opportunities, and acted as an information source for EB-5 related activities. PDC intends to leverage other economic development tools, including loan products, Enterprise Zone, tax increment financing, and relationships with traded sector partners to increase the attractiveness of EB-5 investments and meet City economic development goals.

State and local municipalities across the U.S. own and operate Regional Centers or provide services relating to EB-5 investments in various capacities, including the states of Vermont, Hawaii, and South Dakota, and the cities of Dallas and Philadelphia (through the Philadelphia Industrial Development Corporation). A 2012 study commissioned by the Minnesota Department of Employment and Economic Development provided an extensive analysis of the use of EB-5 nationally. The study concluded that city-level public/private models have shown the strongest credibility and sustained project pipeline, both necessary for successful EB-5 Regional Centers.¹

Similar to a number of the Regional Centers referenced in the Minnesota study, PDC will seek compensation for the agency's role in facilitating EB-5 investments. While PDC does not own and operate a Regional Center, the Program will establish partnership agreements with existing Regional Centers, allowing the agency to cover costs, generate revenue, and provide valuable tools and services to bring foreign direct investment to the Portland region.

COMMUNITY AND PUBLIC BENEFIT

By adopting the Program, PDC will begin to play a direct role in attracting financial investment from foreign nationals that creates new jobs for Portland residents.

An additional benefit to the Program will be the generation of revenue from projects under the Partnership Agreements. Revenue for support services will contribute to PDC's ongoing economic development and neighborhood economic development work, now challenged by the current and projected decline in resources.

PUBLIC PARTICIPATION AND FEEDBACK

Staff conferred with Business Oregon, local Regional Centers, Regional Center applicants awaiting approval from USCIS, and other EB-5 stakeholders. Several Regional Center operators see the value PDC brings and would be interested in partnering. Others see the value PDC brings, but prefer a fee for services model that is more closely tied to the market rate for those services. As an administrative action with a limited stakeholder group, there was no formal public participation process.

BUDGET AND FINANCIAL INFORMATION

Total budgeted requirements including staff and startup costs are \$110,000 in the Revised FY 2012-13 Budget and \$173,000 in the FY 2013-14 Requested Budget. Funds that cover these costs come from

¹ Carlson Consulting Enterprise, University of Minnesota (2012). *EB-5 Investor Program and the State of Minnesota*. www.positivelyminnesota.com/Data_Publications/Publications/Reports/EB-5_Investor_Program_Reports/EB-5_Whitepaper.pdf

available non-TIF, non-General Fund resources and fee income over the next 18 months. Staff anticipates that over time, fee income will cover most to all of the costs to operate the program and it will become self-sustaining.

RISK ASSESSMENT

There is a risk of committing staff and resource development funds without guaranteed financial results. While EB-5 projects have the potential to bring investment and job creation to Portland, there's also risk to PDC should the agency be involved with a project that ultimately fails.

Lastly, the Regional Center program remains a pilot program, which was recently reauthorized until September 30, 2015. PDC staff will work with the City's Government Relations staff and Oregon's federal delegation to support the permanent authorization of the program.

ALTERNATIVE ACTIONS

The Board has several alternatives to adopting the Program as outlined:

- Decide against adopting the Program and continue to provide limited staff support for EB-5 projects without compensation;
- Modify the Program; or
- Direct staff to take a different direction or approach.

ATTACHMENTS

- A. Map of Targeted Employment Areas, March 2013

Map of Targeted Employment Areas, March 2013

