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Funding for Public Private Partnership Projects - of Significant Interest to Public Officials and Prime Contractors.

The success of public-private partnerships (P3s) over the past decade has demonstrated emphatically that government can collaborate successfully with private sector partners. And in the niche world of the EB-5 Immigrant Investor Program, these collaborations not only succeed, they are quickly growing in numbers.

Interestingly enough however, too few public officials and prime contractors who collaborate with government understand the program. Since the EB-5 Program has become a valuable alternate financing tool, it seems timely to raise the visibility and explain how it works.

Congress created the EB-5 program in 1990 “to stimulate the U.S. economy through job creation and capital investment by foreign investors.” Administered by the United States Citizenship and Immigration Services, the program allows foreign nationals willing to invest \$1 million in a commercial enterprise in America to acquire U.S. citizenship. The money is then made available for projects that create at least ten jobs for American workers.

Government interest in the EB-5 program has grown steadily as a result of tightening budgets and the need to launch critically-needed large public projects.

Critics say the program essentially allows foreign investors to buy their citizenship. That may be true, but the program is now more than 25 years old and while it was used primarily for commercial projects in the beginning, governmental entities are now benefitting as well. And, thousands of jobs for American workers have resulted. The Brookings Institute estimates the EB-5 program has created 85,500 full-time jobs and attracted approximately \$5 billion in investments since 1990.

Unlike conventional capital providers—such as investment banks, private equity funds, REITs, life insurance companies, and pension funds—the EB-5 investor’s prime reason for investing is to secure a visa. Because these investors are highly motivated, the program provides extraordinary flexibility and attractive terms for financing projects. As long as foreign investors believe the project will allow them to qualify for the visa and safely regain their capital over time, they are often willing to accept a below-market, if not minimal, return on investment.

Financing through the EB-5 program can be used for all types of projects and capital invested has ranged from \$500,000 to more than \$600 million. Over the past five years, EB-5 funds have played a key role in financing several large-scale public projects, particularly in major urban areas.

Many public officials and prime contractors have become quite adept at accessing this alternative funding source. In Miami, the city’s planning and zoning commission, along with a panel of EB-5 experts, is actively involved in vetting EB-5 projects. The City has a P3 office for EB-5 projects and just announced plans to use money from Chinese investors to build affordable housing.

In Vermont, EB-5 projects are reviewed carefully before they go to market, and the state oversees transparently and ensures regulatory oversight. The fact that the state is involved provides credibility and security to cautious investors.

The city of Dallas has also been successful in launching public-private partnership projects using EB-5 funding. Some of these projects have included assisted living facilities, call centers, and multi-family apartments in the Dallas area.

The bottom line: EB-5 funds are available to governmental entities, private sector contractors and commercial developers. It is reasonable to assume that, whether entities choose to use this type of investment capital or not, the program deserves a look.

With thousands of critical projects languishing for lack of funds, the EB-5 federal program may be an attractive option. Who knows – it might even provide the impetus for the nation to begin repairing its crumbling infrastructure.

MASS TRANSIT

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