



S. 1501's TEA Proposal: The Economic Consequences Made Clear

Some maintain that urban and suburban areas unfairly benefit from foreign investment dollars pooled by EB-5 regional centers. Unfortunately, in an effort to “punish” the success of the program in major urban gateway markets, S.1501 risks significant economic downside for hundreds of mid-sized cities and suburbs across the country. By redefining Targeted Employment Areas (TEAs) in a way that favors certain geographic regions over others, S.1501 threatens to restrict EB-5's impact overall, undermining its ability to promote growth and investment everywhere in America.

ALL STATES HAVE URBAN AREAS

There are cities in every single state in America. In fact, the most recent census data shows **there are 388 Metropolitan Statistical Areas (MSAs) across the U.S. and Puerto Rico**. Even states that are colloquially referred to as “rural” have urban cores, from Cedar Rapids and Des Moines in Iowa to Birmingham and Mobile in Alabama to Louisville and Lexington in Kentucky.

MID-SIZED CITIES WILL LOSE JOBS UNDER S. 1501

S. 1501's “One Census Tract” standard would mean that cities and suburbs where most Americans live would lose the economic benefits provided by EB-5 TEA designations. *For example:

- ✓ **ALABAMA:** *Approximately 72% of census tracts disqualified as TEAs* in the Mobile, Tuscaloosa, and Birmingham-Hoover MSAs. (Only 130 of the 469 tracts would qualify).
- ✓ **ILLINOIS:** *Approximately 73% of census tracts disqualified as TEAs* in the Chicago-Naperville-Arlington Heights, Peoria, Springfield, and Champaign-Urbana MSAs. (Only 561 of the 2,064 tracts would qualify).
- ✓ **IOWA:** *Approximately 97% of census tracts disqualified as TEAs* in the Des Moines-West Des Moines and Cedar Rapids MSAs. (Only 6 of the 188 tracts would qualify).
- ✓ **KENTUCKY:** *Approximately 83% of Kentucky census tracts disqualified as TEAs* in the Louisville-Jefferson County, Lexington-Fayette, Bowling Green, and Cincinnati MSAs. (Only 89 of the 516 Kentucky tracts would qualify).
- ✓ **LOUISIANA:** *Approximately 80% of census tracts disqualified as TEAs* in the New Orleans-Metairie, Baton Rouge, Lafayette, and Lake Charles MSAs. (Only 137 of the 679 tracts would qualify)
- ✓ **OHIO:** *Approximately 80% of census tracts disqualified as TEAs* in the Columbus MSA. (Only 82 of the 420 tracts would qualify).
- ✓ **PENNSYLVANIA:** *Approximately 89% of census tracts disqualified as TEAs* in the Pittsburgh MSA. (Only 75 of the 711 tracts would qualify).
- ✓ **TEXAS:** *Approximately 90% of census tracts disqualified as TEAs* in the Dallas-Ft. Worth-Arlington MSA. (Only 258 of the 2,628 tracts would qualify).
- ✓ **UTAH:** *Approximately 94% of census tracts disqualified as TEAs* in the Salt Lake City, Provo-Orem, and St. George MSAs. (Only 23 of the 387 tracts would qualify).

**A more robust list of impacted states and MSAs follows this document.*

To further illustrate the extreme imbalance created under S. 1501, it's worth noting that nearly the entire land areas of certain states qualify as TEAs. Rural areas outside of MSA boundaries are automatically eligible— and dominate these states. For example:

- ✓ **All of Alaska is a TEA** – except for the Anchorage and Fairbanks MSAs
- ✓ **All of Hawaii is a TEA** – except for the Honolulu and Lahaina MSAs
- ✓ **All of Vermont is a TEA** – except for the Burlington MSA

In order to be effective, TEA designations must not be drafted to benefit these states alone. They must also work for states with higher populations concentrated in cities and suburbs.

COMMUTING PATTERNS ARE KEY TO APPROPRIATELY DEFINING TEAs

Any effort to successfully redefine TEAs must account for worker commuting patterns within individual labor markets. **This is standard economic practice and a fair and objective means for addressing the fact that people don't typically live and work within the same census tract.** Encouraging a process for TEAs to frequently include the downtown areas most likely to yield jobs and business growth—rather than residential neighborhoods, as would often be the case under S.1501—is consistent with EB-5's job creating mission and in the best interest of U.S. workers and businesses.

EB-5 IS NOT A RURAL DEVELOPMENT PROGRAM

The EB-5 program was created for the purpose of bringing private investment into the U.S and creating jobs *everywhere* in America at no cost to taxpayers. Congress never intended for it to be a proxy or substitute for USDA's rural economic development programs. **USDA already operates 50 rural assistance programs representing billions of dollars of taxpayer funds, including:**

- **The Rural Business–Cooperative Service**, which provides assistance for the development of business and industry and had a FY'15 program level budget of approximately \$1.3 billion.
- **The Rural Utilities Services**, which provides assistance for services including water, rural electric and broadband access and had a FY'15 program level budget over \$7.3 billion.
- **The Rural Housing Service**, which provides assistance for home ownership, multi-family housing, and essential community facilities such as health and public safety infrastructure, with a total FY'15 program level budget of more than \$28.3 billion.

There is no evidence that the programs listed above (and other similar initiatives) are failing to promote economic development in rural communities. Nor has it been shown that EB-5 would be the appropriate tool for filling any unmet needs in USDA's Rural Development program office, should those gaps exist.

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The analysis in this fact sheet was conducted using U.S. Government Census data from: <http://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml>. It assumes a national unemployment rate of 9.7%, based on the most recent 5-year estimates from the American Community Survey.