



Center for
Real Estate
Finance Research

EB-5 Financing Summit Friday, March 27, 2015

On March 27, 2015, the Center for Real Estate Finance Research sponsored an EB-5 Financing Summit which was prompted by the Center's release of a paper focusing on this topic. ["A Roadmap to the Use of EB-5 Capital: An Alternative Financing Tool for Commercial Real Estate Projects"](#), co-authored by Professor Jeanne Calderon and Gary Friedland, a Guest Lecturer at Stern, provided the springboard for this forum at which leaders in real estate finance freely exchanged ideas about current issues raised by developers' use of EB-5 capital.

Subsequent to the financial crisis when traditional financing sources evaporated, the little-known EB-5 immigration program became an alternative source of capital for real estate development projects. Immigrants seeking a visa under the program must invest in a project that creates U.S. jobs. The investors' funds are pooled together as a capital source for real estate development. Now that the market has rebounded and construction loans have become more readily available, this inexpensive, flexible and patient capital source has become a mainstream financing tool routinely considered by all real estate developers, especially to fill the gap between the senior loan and the developer's equity.

Professor Stijn Van Nieuwerburgh, the Director of the Center for Real Estate Finance Research opened the Conference. Professor Nieuwerburgh welcomed the guests and presented an overview of how EB-5 capital has promoted job creation and capital formation, particularly since 2008 in the Gateway cities.

Peter Joseph, the Executive Director of IIUSA, the industry's trade association, provided a broad overview of the EB-5 visa process. Mr. Joseph reviewed the history of this 25-year old program, particularly its exponential growth in the aftermath of the financial crisis. He vividly illustrated this with charts and statistics. Mr. Joseph then introduced Professor Calderon by referring to her paper as the most comprehensive academic work on EB-5 capital.

Professor Calderon provided the audience with an overview of the paper: focusing on those portions of the EB-5 immigration program that drive the EB-5 capital investment structure; reviewing a capital structure diagram to illustrate how EB-5 capital is first invested by the immigrants as equity and then deployed to the project as either debt or equity; and discussing the variety of ways that EB-5 capital can fit in the capital stack. She concluded with a review of the paper's detailed database of 25 select large-scale real estate projects that have raised, or are in the process of raising, over \$4.6B of EB-5 capital.

The Center assembled a panel of some of the leading participants in the EB-5 financing field. Ericka Banach is the director of Extell Development's Regional Center. Extell has deployed EB-5 capital as both debt and equity. Chris Marlin is the President of Lennar International. Lennar, the public homebuilder, is utilizing over \$200M of EB-5 capital to fund a portion of its \$8B San Francisco Shipyard mixed-use project. John Shannon is Senior Managing Director of HFZ Capital, the large NYC based developer of numerous luxury condominiums throughout Manhattan. HFZ has utilized EB-5 capital for two of its NYC based hotel/condominium projects. Tom Rosenfeld is the CEO of CanAm, owner and operator of one of the nation's largest Regional Centers that provides funding for a vast array of public and private projects. CanAm recently repaid EB-5 investors the greatest amount of capital of any project since the inception of this immigration program 25 years ago. Drew Fletcher is Executive Vice-President of Greystone Bassuk, the mortgage lender and real estate investment banker that advises leading developers on potential capital sources. Mr. Fletcher announced at the Summit that Greystone is preparing to launch a new institutional EB-5 lending platform that will leverage its balance sheet and capabilities as a real estate lender, servicer, fiduciary, advisor and developer to directly source and lend foreign investor capital for major developers in NYC and nationally.

Mr. Friedland moderated the panel discussion. The panelists examined a wide array of current EB-5 capital issues raised by the paper. These topics ranged from how a real estate developer selects the particular type of developments projects most suitable for EB-5 capital; whether the capital should be deployed as debt or equity and the specific investment type; how job creation, the essential requirement that determines the size of the EB-5 capital raise, affects the EB-5 project capital stack; how the "all-in" EB-5 capital costs compare to alternative capital sources; how the use of EB-5 capital by the mega-developers might impact the availability of future EB-5 visas, and thus EB-5 capital, for smaller projects. The panel concluded by focusing on current issues such as pending legislation to extend the program's life beyond its scheduled sunset in September 2015.