

**Statement of Senator Patrick Leahy (D-Vt.),
Ranking Member, Senate Judiciary Committee,
Hearing on
“The Distortion of EB-5 Targeted Employment Areas: Time to End the Abuse”
April 13, 2016**

It is not often that all four leaders of the Senate and House Judiciary Committees sit in the same room, on the same side of an issue. But that is what you are seeing today. Chairman Grassley, Chairman Goodlatte, Ranking Member Conyers and I are committed to bringing much-needed reforms to the EB-5 Regional Center program.

This program was designed to bring jobs to underserved areas, but in reality it has become an unintended boon for some of the wealthiest business districts in the country. The bicameral compromise that all four of us supported last December would have ushered in much needed reforms to improve this program. Our bipartisan proposal included improvements requested by the Department of Homeland Security (DHS). It addressed vulnerabilities and concerns raised by the Government Accountability Office (GAO), DHS Inspector General, and others. And importantly, it would have restored incentives Congress created to promote investment in undercapitalized locations known as “targeted employment areas,” or TEAs.

Newspapers across the country have exposed the abuse of TEAs through gerrymandering. This abuse occurs when wealthy neighborhoods qualify for incentives intended for underserved areas. The *Wall Street Journal* reported just yesterday that one big-city developer referred to EB-5 financing as “legalized crack cocaine.” Developers draw TEA maps in any shape necessary to connect an affluent area with enough distressed areas to obtain discounted EB-5 financing. Through manipulation of the EB-5 program, Beverly Hills can be considered just as distressed as Detroit. This practice has been sharply criticized by The Leadership Conference on Civil and Human Rights.

It has been suggested that the TEA reforms in our bicameral compromise would treat urban areas unfairly. This could not be further from the truth. Our reforms would reserve a relatively small numbers of visas for true urban poor and rural projects. Because investors are reluctant to invest in these distressed areas, our reforms would allow true TEA projects to compete at a slightly reduced investment level. Up to 80 percent of EB-5 investment dollars would continue to flow into urban areas, and much of those funds would be funneled into luxury areas.

Yet our reforms would, for the first time, provide meaningful incentives to invest in true urban poor and rural areas. And these reforms have been supported by the leading industry group, Invest in the USA (IIUSA), which is here today. But even these modest reforms went too far for those who want to continue driving cheap investment to wealthy projects at the expense of rural and urban poor. Despite broad recognition that the program needs reform, Congressional leaders blocked our efforts in December. As Chairman Grassley said at the time, “our House and Senate leadership failed us.”

If this Regional Center program is to continue, it must be reformed. I will not support mere window dressing. Proposals that do not require transparency and accountability for every EB-5 project are just that. The program is need of a blood transfusion, not a Band-Aid. We know what is needed to repair this program. It is long past time that we fix it.

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