

**Metro**Los Angeles County  
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Los Angeles, CA 90012-2952213.922.21  
metro.net**FINANCE, BUDGET AND AUDIT COMMITTEE  
JANUARY 18, 2012****SUBJECT: IMMIGRANT INVESTOR PILOT PROGRAM, ("EB-5") FINANCING****ACTION: APPOINT CANAM ENTERPRISES TO PROVIDE EB-5 FINANCING OPPORTUNITIES****RECOMMENDATION**

Appoint CanAm Enterprises for a three-year term inclusive of two one-year options to identify opportunities to use EB-5 financing to debt finance capital projects.

**ISSUE**

EB-5 financing may provide us the opportunity to obtain low cost loans with five-year maturities at a 1.5% interest rate. The loans would finance portions of our capital projects located in targeted high unemployment areas.

**DISCUSSION**

The United States Citizenship and Immigration Service ("USCIS") administers the Immigrant Investor Pilot Program, also known as EB-5. The EB-5 immigrant visa program was established in federal law in 1990. The current authorization expires in September 2012, but is anticipated to be reauthorized as it has been in the past. The EB-5 program provides the opportunity for qualified immigrants to obtain permanent residence for themselves, their spouses and their minor unmarried children. Certain EB-5 visas are set aside for investors in "regional centers" designated by USCIS based on proposals for promoting economic growth by making a capital investment of \$500,000 in a targeted area having an unemployment rate at least 1.5 times the national unemployment average. Expenditures on the projects are required to generate ten full time jobs per \$500,000 of loan monies expended over a two year time period, as calculated using Federal guidelines. To accommodate the time needed to complete the citizenship application process, the full amount of the immigrant's investment needs to remain outstanding for about five years, after which we would repay the entire principal amount to the investors.

As a regional center registered with the USCIS, CanAm is authorized to aggregate investors and projects into pools under the EB-5 program. A regional center such as

CanAm serves as the loan arranger and administrator. The regional center identifies appropriate projects to invest in, locates foreign investors, works with the USCIS to obtain approvals for the specific projects for the investments and then administers the pooled loans and processes the immigrants' visa applications.

In late September 2011, a request for proposal was released to select a loan arranger and administrator. The RFP was sent to four regional centers that are approved to operate in Los Angeles County. Prior to sending out the RFP, a number of regional centers were contacted, but only those four expressed interest in receiving an RFP. Two firms submitted proposals, which are summarized in Attachment A. CanAm was recommended due to their significantly lower all in cost.

When a loan is authorized by the Board, CanAm will receive an origination fee equal to 15 basis points of the loan amount or \$150,000, whichever is less, and we would pay an estimated \$75,000 per loan for CanAm's attorney fees and economic consultant. The interest rate for any loans entered into during the three-year engagement would be 1.5% per annum with all principal paid at the end of the loan. Individual loans are anticipated to range between \$10 million and \$50 million with a maximum of \$200 million over the three years.

#### **DETERMINATION OF SAFETY IMPACT**

Approval of this item will have no impact on safety.

#### **FINANCIAL IMPACT**

The appointment of CanAm Enterprises will not have any budgetary impact because fees and loan interest will only be paid in the event a loan is entered into. Separate Board authorization will be required prior to entering into any loan agreement.

Because this is a multi-year contract/project, the cost center manager and Chief Financial Services Officer and Treasurer will be accountable for budgeting the cost in future years, including any option exercised.

#### **ALTERNATIVES CONSIDERED**

The Board could choose not to select a firm at this time and instead select a firm after a decision has been made to undertake a financing. This alternative is not recommended because of the lead time required to determine the portions of specific projects that will qualify for EB-5 financing. By appointing CanAm at this time, the necessary analysis can be done prior to seeking Board authorization for any proposed financing. Appointment of CanAm also locks in the interest rate of 1.5% for any financings initiated over the three year period.

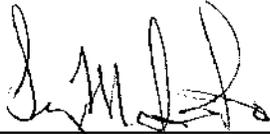
**NEXT STEPS**

Identify suitable projects that may be eligible for EB-5 financing and determine amount to be borrowed and potential job creation.

**ATTACHMENT**

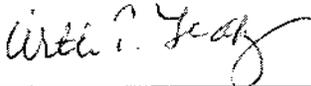
A. Proposal Summary

Prepared by: Michael J. Smith, Assistant Treasurer  
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Terry Matsumoto  
Chief Financial Services Officer and  
Treasurer



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Arthur T. Leahy  
Chief Executive Officer

**PROPOSAL SUMMARY  
EB-5 FINANCING**

Two firms submitted proposals that are summarized below. Prior to release of the RFP we met with each of the proposing firms and during the RFP process we held phone interviews with both firms. The relevant information from the proposals and interviews is included in the summary.

**CanAm Enterprises, LLC**

**Background and Qualifications** — CanAm has 25 years of experience and has raised more than \$1 billion for more than 40 projects in the U.S. CanAm's Los Angeles regional center was initially approved by the USCIS in 2008 to target the film and television industry and in 2009 was amended to expand its target industries to include transportation, agriculture, alternative energy and technology. CanAm has recently been named as the exclusive partner of the Los Angeles County Economic Development Corporation. CanAm has successfully raised funds for several large projects, including the Southeastern Pennsylvania Transportation Authority (SEPTA), the Pennsylvania Convention Center Authority, Sony and Time Warner.

**Pricing** — CanAm proposes the use of five-year loans with an interest rate of 1.5% per annum. The 1.5% rate will be effective for any loans we initiate with CanAm over the next three years. If we were to enter into a loan, interest would be paid semi-annually over the five years of the loan, with the entire principal amount paid at the end of the loan. At loan funding we would pay a 15 basis point origination fee up to a maximum of \$150,000 plus CanAm's out of pocket cost of about \$75,000 for legal and economic consultant fees. Over the life of the loan we would pay loan monitoring costs of up to \$2,500 per month. CanAm documented their past pricing performance by providing a list of the interest rates they charged for other projects. All were higher or equal to 1.5%.

**CMB Export LLC**

**Background and Qualifications** — CMB has 14 years of experience and was originally authorized in 1997 as a regional center in California and was reauthorized in 2007. They have raised \$395 million in EB-5 funds over the past three years, all of which was for public agency infrastructure projects in California. They have loaned money to the City of El Monte for the relocation and construction of the City Yard project. When CMB was first formed its focus was on the conversion of military bases in Riverside, San Bernardino and Sacramento Counties. But the focus has been expanded and now includes other types of projects including a solar power plant.

**Pricing** — CMB proposed the use of up to six-year loans with an interest rate of 5.0% per annum. The 5.0% rate would be effective for any loans we initiate over the next

three years. Loan interest would be paid quarterly, with the entire principal amount paid at the end of the loan. CMB indicated they would prefer any loans to be structured as a tax-exempt debt. The legal fees to provide the tax exempt opinion and other related costs would be paid by CMB. Other than the 5.0% interest rate, CMB would not charge us any other fees or expenses for legal and consulting services. MTA would pay for its own legal and financial advisory costs.

### **Recommendation**

After reviewing the proposals and interviewing the firms, it was determined that each firm understands the engagement and is capable of providing the services being requested. CanAm is recommended based primarily on their much lower all-in financing costs.