

# Beyond the TEA: Why Economic and Financial Fundamentals Should Drive EB-5 Project Selection



*By George C. Griffin II, Executive Vice President, Government Affairs & Global Markets*



N Y S A E B - 5

[NysaEB5.com](http://NysaEB5.com)



# Summary

Since the passage of the EB-5 Reform and Integrity Act (RIA) in 2022, the EB-5 marketplace has undergone a notable shift in priorities. Rural Targeted Employment Area (TEA) projects, with their set-aside visa allocations and priority processing, have quickly become the investment choice for many EB-5 stakeholders. For investors from high-demand countries, this geographic designation often offers a path around visa backlogs and toward faster immigration timelines.

However, the increasing focus on TEA status – especially rural TEA – has led many projects to be designed primarily to meet geographic requirements, sometimes at the expense of sound economic and financial fundamentals. In the rush to capture the immigration benefits tied to a rural TEA designation, some sponsors have placed location ahead of the traditional hallmarks of project viability: market demand, sound capital structure, strong repayment prospects and credible job creation.

## Key Takeaway

A safe, well-structured non-TEA project is often a better and safer choice for a prospective EB-5 investor than selecting a financially inferior project simply because it carries TEA status. Immigration benefits lose their value if the underlying project fails to deliver jobs or repay capital. Geographic advantages should be treated as a bonus, not a blueprint. TEA status can be an excellent enhancement if it naturally aligns with a project's optimal location. But when a project's location is chosen primarily to meet rural TEA criteria rather than to support a viable business model, it can introduce operational challenges and financial risk that outweigh the immigration benefits.

## The Market Shift Toward TEA-driven Projects

Before RIA's passage, most EB-5 investors began their due diligence by asking whether a project was financially sound – whether it could deliver the promised jobs, operate profitably and repay capital on time. Geography played a role, but only insofar as it supported the project's operational success.



RIA changed that dynamic. By setting aside 20% of annual EB-5 visas for rural projects and prioritizing their processing, Congress created a powerful incentive for both investors and project sponsors to focus on geography first. This has fueled a market-wide shift toward “TEA-first” thinking, where location becomes the initial – and rather alarmingly sometimes only – filter in project selection.

While this approach addresses immigration concerns, it does not necessarily safeguard investor capital. In fact, in some cases, it encourages project sponsors to site developments in rural or economically underdeveloped areas that may not be the best fit for the underlying business model. For example, a well-structured project in a non-TEA location with strong market fundamentals and a clear repayment strategy will almost always provide more security and predictability than a weaker TEA-qualified project that relies on geographic designation to mask structural deficiencies.

## The Case for Returning to Fundamentals

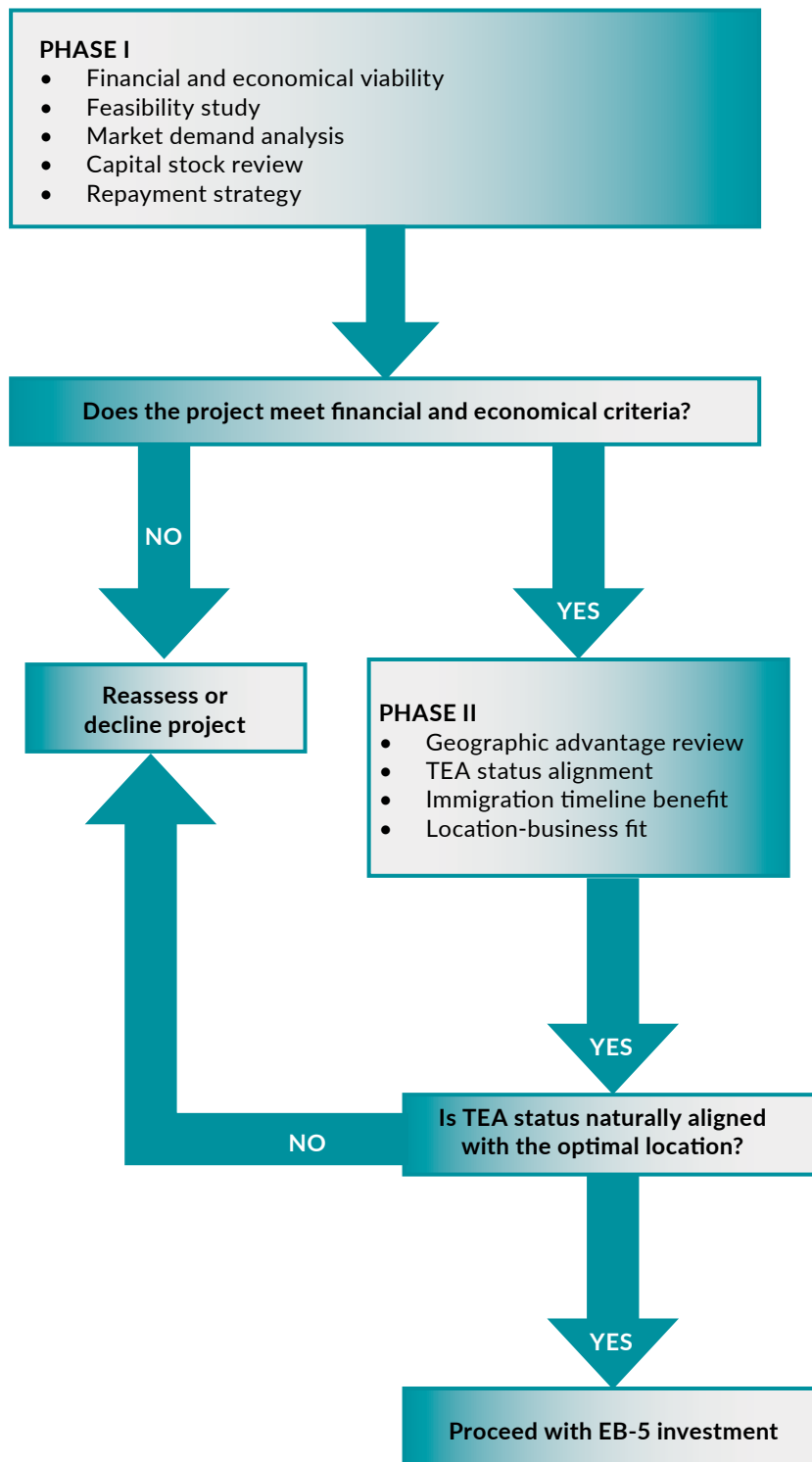
Sound investment decisions, whether in EB-5 or any other asset class, should begin with rigorous economic and financial underwriting. At its core, this means verifying that the business has a market, that it can compete effectively and that it is structured to protect investor interests.

Robust underwriting starts with a comprehensive market demand analysis to confirm that the project’s product or service is needed and sustainable over time. Independent feasibility studies should test the validity of project assumptions. The capital stack must be carefully evaluated to ensure EB-5 funds are appropriately positioned for repayment, ideally with protective covenants and well-defined exit strategies. And perhaps most importantly, repayment sources must be credible, contractual and aligned with the EB-5 investment term.

These “old-school” fundamentals are what give investors the best chance of achieving both immigration and financial success, and they are also the most reliable guardrails against the kinds of operational and financial failures that have tarnished portions of the EB-5 industry’s history.



# EB-5 Project Underwriting Process



# The Risks of a Location-first Strategy

When a project is sited primarily to secure TEA designation rather than to optimize the business model, investors can face hidden disadvantages. Counterintuitive siting such as placing a hospitality development in a rural area far from demand drivers can make it harder to generate revenue or attract a skilled workforce. Infrastructure in some rural areas may be insufficient for modern operations, and supply chain costs can rise sharply when distance from suppliers or customers increases.

The “build-it-and-they-will-come” strategy is risky. Building in the hope that demand will eventually materialize simply because a project exists is a flawed approach to EB-5 investment. Sustainable success comes from aligning development with proven market demand, not from relying on optimism to overcome weak fundamentals.

The age-old adage in real estate – “location, location, location” – still rings true. In EB-5 investing, location should be chosen for its ability to enhance the project’s commercial success, not merely to satisfy a geographic designation.

Over the past decade, there have been examples of EB-5 projects that achieved TEA status but failed to deliver promised returns or timely immigration outcomes. In many of these cases, the root cause was a poor fit between the project’s operational needs and the location chosen to secure TEA qualification. Job creation targets lagged, operational losses mounted and investors experienced delays or defaults in repayment. These examples underscore a key point: a TEA label cannot substitute for strong project fundamentals. A rural designation may help secure a visa, but if the project falters, the immigration benefit may be delayed and, worse yet, the capital may be lost entirely.

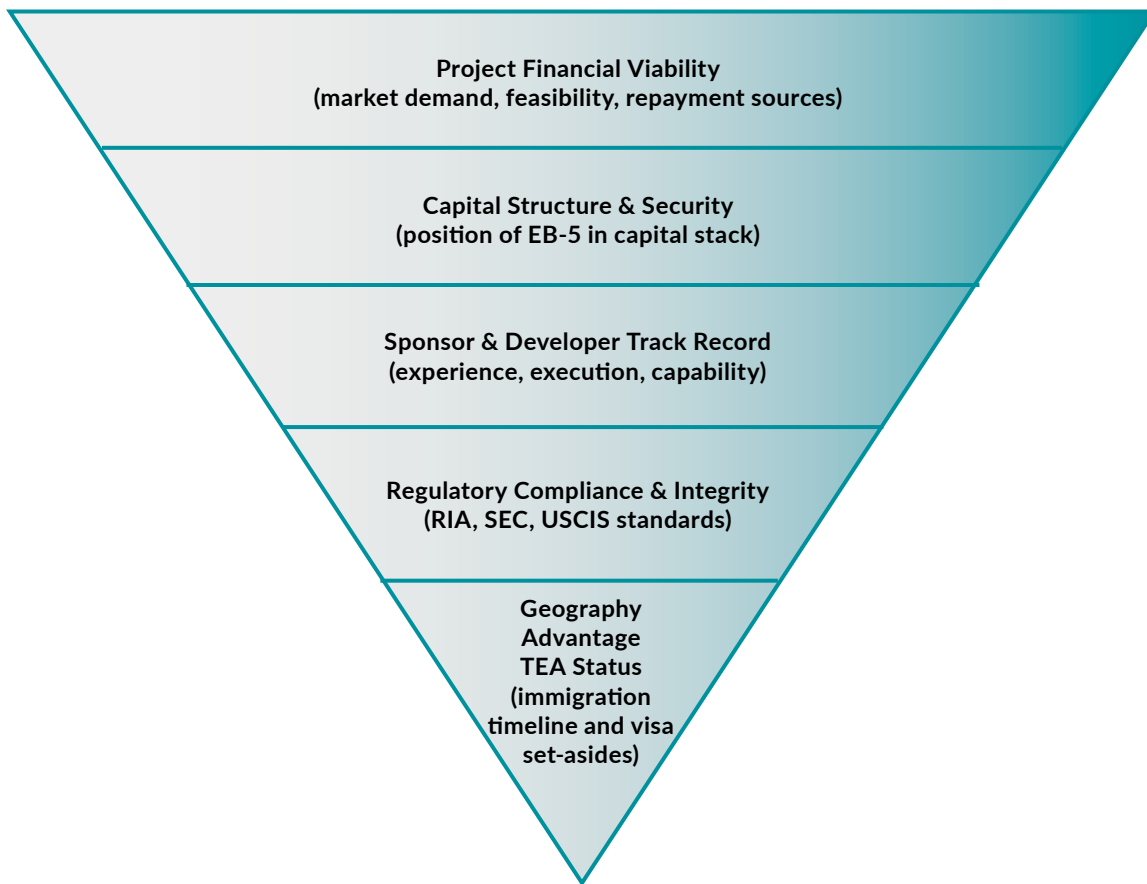
## When Geography Enhances, Not Undermines, Viability

TEA status is not inherently problematic; to the contrary, when geography is selected because it supports the project’s commercial success, TEA designation can be a powerful additional benefit. A rural lodge adjacent to a national park may draw steady tourism demand while enjoying Rural TEA benefits. Similarly, a logistics facility strategically located near interstate and rail connections in a low-cost county can leverage both operational efficiencies and rural visa set-asides. In such cases, Rural TEA status is not the rationale for the location – it is an added advantage that complements a sound business strategy.



# A Two-phase Framework for Smarter EB-5 Project Selection

To strike the right balance between immigration benefits and financial prudence, EB-5 investors and advisors should adopt a two-phase evaluation process. The first phase should focus exclusively on financial and economic viability. This involves reviewing independent feasibility studies, validating market demand, assessing competitive positioning and stress-testing repayment plans under adverse scenarios.



Only when a project clears this phase should the second phase begin: evaluating geographic advantages. In this second phase, the question is whether TEA status aligns naturally with the optimal project location. If there is alignment, the immigration advantages can be quantified and weighed alongside the project's operational benefits. If the TEA status does not align, the investor must decide whether the trade-offs such as higher operational risk or weaker market access are worth the potential immigration benefits. In many cases, the more prudent decision will be to pursue a strong high-unemployment TEA project with superior fundamentals, even if that means a slightly longer immigration timeline.



While rural TEA status can offer distinct immigration advantages, a well-structured project in a high-unemployment TEA may ultimately be the more desirable choice if its market fundamentals, capital structure and repayment prospects are stronger than those of a rural TEA alternative. In such cases, investors gain both the benefit of TEA designation and the confidence that comes from a fundamentally sound investment.

## Conclusion: TEA as the Bonus, Not the Blueprint

Rural TEA designation is an important tool in the EB-5 landscape, but it should never be the driving force behind a project's creation. The strongest EB-5 investments are those where financial and economic fundamentals are fully sound and TEA status emerges naturally from the optimal business location. A non-TEA project with strong fundamentals will almost always provide greater security and predictability than a TEA project that is financially inferior.

By treating TEA as a bonus rather than a blueprint, investors can better safeguard their capital, increase the likelihood of timely job creation and improve the chances of achieving both their immigration and investment goals.

## Next Steps

*If you are interested in learning more about investing in an EB-5 project through Nysa EB-5, please reach out to us discuss the opportunity at +1.404.239.2222 or [Info@NysaEB5.com](mailto:Info@NysaEB5.com). Our focus is on you and your success.*

