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California's Inland Empire Region Vigorously Pursues "Foreign Direct Investment"



San Bernardino County, California

Local government officials in [California's Riverside and San Bernardino counties](#) are utilizing new strategies to lure overseas investment and create jobs. A [piece in the Los Angeles Times this month](#) quotes Riverside County Commissioner Tom Freeman, who has been meeting with officials from several countries: "We're rolling out the welcome mat. [...] We're creating programs that encourage foreign direct investment."

During the economic downturn, the so-called "Inland Empire" region in the southern part of the state has had difficulty creating enough jobs to bring its unemployment rate – currently 14.7% – below the national average. But with low prices for industrial space, manufacturing jobs have become more attractive. Many at the local level agree that courting foreign investment dollars is a good way to breathe new life into the manufacturing sector.

The *Times* explains:

The United States is the world's largest recipient of foreign direct investment, helped by its open economy, stable government, rule of law and huge consumer market. More than

\$300 billion of such investment flowed into the United States in 2008, according to the International Trade Administration.

Foreign companies employed 605,600 California workers in 2007, the last year for which data were available, according to the Bureau of Economic Analysis. Nearly one-quarter of these workers were employed in manufacturing.

Attracting new industries is key to the Inland Empire's growth. The region, which comprises the more populous parts of Riverside and San Bernardino counties, has shed 183,600 jobs since December 2006, many of them in construction and logistics.

"The two most important sectors for us were arguably the ones that were hit the worst," said Marc Weidenmier, professor of economics at Claremont McKenna College. "This area needs to develop other things."

One example of a foreign company that has recently invested in the Inland Empire region is Nepco, a South Korean manufacturer of picture frames. Reasons Nepco cites for its decision to locate operations in a state with a reputation for being expensive include proximity to 37 million consumers and good transportation systems to get materials shipped in and goods shipped out.

Although wages in the U.S. are higher than they would be overseas, says Tommy Kim, Nepco's U.S. Director of Operations, the company saves time by not having material sent back to China before being shipped (again) to the U.S. and placed on a display shelf.

Like neighboring San Bernardino County, Riverside County recently passed a resolution that would encourage foreign investment through the EB-5 program. California currently contains more EB-5 regional centers than any other state.



Mississippi EB-5 Project Recruits Former DNC Chairman

According to the *Mississippi Business Journal (MBJ)*, former Democratic National Committee Chairman Terry McAuliffe [will be filling a key role at Greentech Automotive](#), a company that makes hybrid vehicles.

Greentech announced several months ago its intention to build a manufacturing plant in Tunica, Mississippi, [a project scheduled to receive a substantial portion of its funding from EB-5 investments](#).

McAuliffe, known for setting fundraising records during his tenure as DNC Chairman, will now be working to pump those EB-5 dollars into Greentech's Tunica project.



Former DNC Chairman Terry McAuliffe

Will it work? Reporting for the *MBJ* is Clay Chandler, who shows healthy skepticism in his recent column, "Familiar Name Among Greentech Leadership." Chandler reports that Greentech has been "surrounded by a pile of skepticism (and rightfully so) since news of the company broke last fall. A lot of smart automotive folks think the project is a pipe dream; honestly, it probably is."

Having someone like McAuliffe at its helm, however, may lend Greentech more legitimacy. The manufacturer of hybrid cars wants to build a factory that should cost somewhere around \$1 billion to construct.

Although Mississippi governor Haley Barbour is likely "intrigued by Greentech," according to Chandler, he has largely kept mum about the project. "I hope they'll be able to put together their financing," he recently told the *MBJ*.



Indiana Explores EB-5 Program Possibilities



Indiana State House

With over 80 EB-5 regional centers now operating, few states want to miss out on the opportunity to secure foreign investment dollars through the EB-5 program, and [Indiana is no exception](#).

The *Ball State Daily News* [has just reported](#) that Delaware County, Indiana will court foreign national immigrant investors who want to receive a green card for themselves and their families by investing in a U.S. business. The county will try to receive immigrant investor dollars through its work with a company called Energize East Central Indiana, which seeks investment in logistics, advanced

manufacturing, and food processing and distribution.

For clarification on why officials believe EB-5 a valuable way to raise capital investment in local projects, the newspaper sites Michael Hicks, Director of the Ball State University Center for Business and Economic Research. According to Hicks, "Indiana is well-suited to attract foreign business because it's one of the few states that has remained fiscally solvent during the past year."

Though true, it remains to be seen whether that fact will resonate with potential investors. Competition among EB-5 regional centers is growing fiercer every day, and travel to Asian nations like China and South Korea to promote projects before groups of investors is becoming more common. In some cases, high profile political figures – in particular, governors – have even traveled abroad to promote the program.

According to the article:

Terry Murphy, vice president of Economic Development in Delaware County, said this summer Delaware County officials will try to attract foreign business from Japan, China, Europe and possibly Turkey.

"I only see a plus side to it," he said. "New businesses will bring construction jobs here as well. All the service industries will benefit."

Murphy said initial job creation could result in job opportunities for students and those just out of college.

So far no foreign companies are on board with the program, and Hicks said it's hard to speculate when the program will actually get started.

If Indiana is able to sell investors on its solvency and what Hicks terms its "trustworthy tax system," foreign investor dollars via the EB-5 program may help curb the trend of static job growth that plagued Central Indiana even before the most recent recession.



Seaway Valley Pursues EB-5 Regional Center for Six States

According to [a press release published on GlobeNewswire, Inc.](#), holding company Seaway Valley Capital Corporation is partnering with ACG Consulting to create [a new EB-5 regional center](#) that will cover six states in the Northeast. In what appears to be a large potential investment zone – land in New York, Massachusetts, Connecticut, Vermont, New Hampshire, and Maine would be included – the company plans to fund projects for Hackett's Stores, a retail sales outfit, and the Harbor Brewing Company.



Seaway Valley would take exactly 49% interest in the proposed EB-5 regional center, which would include "certain new retail concepts" according to the release. Harbor Brewing Company, on the other hand, develops "new restaurant concepts."

Seaway Valley's Portfolio Includes the Harbor Brewing Company

Here's what the press release says about ACG Consulting:

ACG Consulting is affiliated with ACG Companies (www.acgcompanies.com) and possesses specialized expertise in the employment based EB-5 Program. It develops and provides economic research and consultation services to clients nationally and is currently working with a number of clients who in the aggregate are seeking to raise more than a billion dollars in capital from foreign investors.

Seaway Valley is located in Sackets Harbor, New York, and the new regional center would presumably have its headquarters at the holding company's current office address. There are currently three USCIS-approved EB-5 regional centers in New York state.



Startup Visa Act (Actual Language)

For readers looking for the actual bill introduced by Senators Kerry (D-MA) and Lugar (R-IN), it is now [available here](#).

A BILL

To establish an employment-based immigrant visa for alien entrepreneurs who have received significant capital from investors to establish a business in the United States.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the "StartUp Visa Act of
5 2010".

6 SEC. 2. STARTUP VISAS.

7 (a) IN GENERAL.—Section 203(b) of the Immigra-
8 tion and Nationality Act (8 U.S.C. 203(b)) is amended—

The following comments come from Will Herman, well known entrepreneur and incubator of several startups:

“Simply put, anyone from anywhere who starts a company in the U.S. and is able to reasonably capitalize it can get a visa to stay in this country to develop their business here, on American soil with American employees, paying American taxes.

That’s a no-brainer you say? You might be surprised to learn that the country is routinely kicking

entrepreneurs out, telling them to start their businesses elsewhere.

These aren’t people who are taking away American jobs. They’re entrepreneurs – people who are creating new technologies, services, products and . . . wait for it . . . jobs. It’s a meritocracy, folks, the best stuff wins. Anyone is allowed to play. That is, for now, if you live here.

The new legislation is supported with over [100 signatures](#) from leading venture capitalists and angel investors throughout the country. I’m honored that my name is included on the list. Not because I’m an investor looking for more deals, but I’m an American with an insanely strong desire to see this country continue to set the pace for the rest of the world when it comes to opportunity and leadership.

Relatively speaking, the streets of the US are, in fact, paved with gold. I’d like to see us keep it that way and to provide opportunities for even more Americans to be able to mine it.”



Three-Part Seminar to Discuss EB-5 Investment Essentials

Click to see [all current EB-5 Events](#).

Beginning Thursday, April 29, a number of EB-5 visa program experts and practitioners will participate in a phone seminar to discuss key issues surrounding the EB-5 visa program.

Among the topics to be discussed are EB-5 indirect jobs, direct jobs, and induced jobs, risks for EB-5 investors, a breakdown of the regional center/business structure, and changes made to the EB-5 program since the 2009 USCIS memorandum.



Speakers will include [Michael Gibson](#) of USAadvisors.org, [attorney David Morris](#), professors John Barrett and [Scott Barnhart](#), [Melissa Krinzman](#) of Venture Architects, and Jason Oleet of Oleet & Co.

The following are summaries of each seminar session provided by ILW:

[FIRST Phone Session](#) on April 29: EB-5 Indirect Jobs? Induced Jobs? Ask the Economist What are direct/indirect/induced jobs?

- Overview of USCIS approved models including RIMS II and IMPLAN
- Reality check on job creation claims by Regional Centers
- Coordinating business plan, econometric report, and reality during I-526 and I-829 petitions
- Defining TEAs to claim \$500,000 reduced investment threshold
- Questions and Answers

[SECOND Phone Session](#) on May 20: No – The Actual Business? A Regional Center or A Regional Center Project

- Survey of Business/Structure Characteristics Used By EB-5 Projects
- Two biggest risk factors for EB-5 Investors: job creation and capital preservation
- Independent business analysis and valuations/Investment Banking Issues
- Different Business Models: Commercial Real Estate, Manufacturing
- Different Investment Models: Loan, Equity, other
- Testing the Business Plan & Job Creation Plan
- Testing the Exit Strategy & Return of Capital plan

THIRD Phone Session on June 10: Change, Change, Change. USCIS Issues 38 Pages of EB-5 Policy Changes (December 2009)

- What are the new EB-5 policies and adjudication standards
- What policy problems has the Service fixed and what is now broken
- How a “material change” could result in an investor losing both residency and an “age out” child under CSPA
- How a TEA today may not be a TEA tomorrow (failing to preserve \$500,000 investment qualification)
- USCIS burdens on Investor not Regional Center/Project
- Using “Exemplar” I-526 Petition To Stop USCIS Second Guessing



**Are you an EB-5 practitioner who would like to contribute an article?
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