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I, Lu Zhang, hereby submit this original work as part of the requirements for the degree of Master of Community Planning in Community Planning.

It is entitled:
An Additional Catalyst for Over-the-Rhine Growth: Immigrant Investor (EB-5) Program

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An Additional Catalyst for Over-the-Rhine Growth: Immigrant Investor (EB-5) Program

A thesis submitted to the Graduate School of the University of Cincinnati in partial fulfillment of the requirements for the degree of Master of Community Planning in the School of Planning of the College of DAAP by
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Abstract

Over-the-Rhine (OTR) is a historic neighborhood connecting downtown and uptown, Cincinnati. It has seen much change in the last 200 years, including cultural and economic growth and decline as well as challenges of densification, poverty, inequality, and gentrification. (Cincy.com) In order to rebuild neighborhood identity, the city has been trying to find effective approaches. One of the most significant efforts is a modern streetcar system. A 3.6-mile circulator route has been under construction since July 2013. However, the city has been struggling with finding ways to pay the operating cost. Within OTR, many projects have been subsidized by federal and state funds like streetcar project, but we all know that those traditional subsidies are not a long-term approach. Therefore, it is time to think an additional source of project funding to catalyze the process. The thesis focuses on one of the most popular immigrant visas, Employment Based Fifth Preference (EB-5). It is a visa created by Congress in 1990 to stimulate the U.S. economy through job creation and capital investment by foreign investors. (U.S. Citizenship and Immigration Services, 2015) In the study, OTR is considered as a hypothetical pilot for stimulating local employment and economic growth by capital and entrepreneurs agglomerated via EB-5 program. A framework of action plan and recommendations are worked out for better promoting and utilizing the EB-5 program.
Acknowledgement

I would like to express the deepest appreciation to my committee chair, Professor David J. Edelman, who consistently conveys a spirit of innovation regarding with research and teaching. He always encourage me to think outside the box and gives valuable instructions for improvement. Without his guidance and persistent help this thesis would not been possible.

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In addition, a think you to John Deatrick, the executive director of streetcar department, City of Cincinnati, who supported me to focus on immigration and introduced me to various related practitioners. I also Mary Stagaman, the executive director of Agenda 360 and Vice President of Regional initiatives Cincinnati USA Regional Chamber, who has accepted me to be a guest of Mayor’s immigration task force. She also invited me to be a preventative in a Detroit and Cincinnati city-to-city two days visit.

To my parents, for their constant support and love.
Preface: Urban Loss and Infusion of Chinese Capital

As an international student, I am always interested in how global economy can fuel the process of urban revitalization in the United States, especially urban areas with historic assets. Born and raised in China with a population of 1.35 billion, the experience allows me to appreciate the beauty of dense urban setting. I have given tours to tourists from China in Over-the-Rhine (OTR), Cincinnati. As known, OTR has been a run-down historic German neighborhood but made a lot of progress recent years, in terms of safety, streetscape, building renovation and public transit. However, I am still not sure how Chinese tourists will perceive it. I have walked them through Findlay Market, Washington Park, Music Hall, Main Street and Vine Street. Surprisingly, the European cityscape and historic architecture actually have given them very positive impression, which went beyond the common perception - a poor and blight neighborhood.

I start to rethink the way of revitalizing OTR. I ask myself, can people from outside make OTR rebirth? Can “Little Germany” be rebuilt by a new wave of immigrants? OTR has provided rich cultural background. Increasing numbers of visitors are rediscovering its charms. A large number of potential visitors can be impressed by OTR; especially people from dense urban context are familiar with the human-scaled street width and compact apartment layout. For them, OTR is not an odd ball. In addition, they rely on public transportation in most of time so the new construction of streetcar connecting downtown and OTR can draw their attention. In their mind, it is easy to associate the increasing land value with a public transit route.

However, this vision is nothing without a political support. How does the local government’s attitude towards immigration? Luckily, recently the City of Cincinnati takes action to emphasize on attracting immigrants. The Cincinnati mayor John Cranley said, “this is a place that “Attracting more foreign-born people to live, work and invest here makes the region more competitive. And it draws new sources of
capital, innovation, productivity and excitement.” Thus, we already have the soil that prepared by the city to grow its new seeds.

In fact, Cincinnati is not the only one that realizes the significance of immigrants. It is a nationwide champion that represented by various city-based attracting immigrants initiatives. In terms of urban revitalization, immigration is a direct haul for repopulation and reinvestment. In the United States, there are many different ways to gain benefits from immigrants. Among all the benefits, foreign investment is the most direct economic haul and its economic ripple effect is far-reaching influential. This is the primary reason driving me to study on EB-5 investment-based immigration.
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Introduction

1.1 Background

1.1.1 The Over-the-Rhine Revitalization

Over-the-Rhine has always been a gateway for immigrants. The transitions of different immigrants enrich the district but also cause historic mismatch. The narrow European street layout and the compact residential units are hard to meet modern automobile needs. Now I am going to use the term “Retrofitting” to describe the kind of status. “Retrofitting” mostly refers to the addition of new technology or features to older systems. At this point, OTR can be considered as “retro” systems. Accordingly, immigrants come after the founders are the “fitting” group. How well the district performs is largely determined by how much “retro” system and “fitting” group can fit each other. It is like fitness is a beauty of fashion.

![Retrofitting diagram](source: made by author)

“Retro” German Founder

OTR is well known by its German heritage. Strolling around Findlay market on Saturday morning, it is easy to be touched by the vibrant ambience created by sellers and buyers. I cherish this kind of sentiment because it cannot be easily obtained in majority of American cities. It has to be generated from a real time...
experience. This vibrancy is not tangible but something relied on collective actions. It cannot be made up overnight or through a simple physical construction. It is a cultural heritage flowing down from the originals and preserved by the offspring. Therefore, we need to understand the original residents.

A question might come to many outsiders’ minds, “Why OTR was chosen and abandoned by Germany?” In the 1820s, OTR was low living cost neighborhood that adjacent to downtown Cincinnati, so it was attractive to German immigrants who were looking for short time to commute and low cost houses. (Cincy.com) The residents crossed over the Miami and Erie canals daily for work and, in honor of their homeland, said they symbolized the Rhine River in Germany—thus, the neighborhood came to be called “Over the Rhine”. Between 1860 and 1900, OTR became a social and cultural center as breweries, meeting halls, churches, stores, and light industrial buildings sprouted and prospered in the neighborhood. By the 20th century, OTR saw this vibrant community reach an all-time high population of 45,000 residents. (Cincinnati Center City Development Corporation)

The events of World War I and World War II gave German heritage a negative connotation and resulted in a decline of OTR’s economy. This occurred as the more affluent Germans moved to other neighborhoods to assimilate to the American culture and Prohibition forced breweries to close, increasing unemployment and weakening the German identity. (Cincy.com)

“Fitting” Appalachia and African American Newcomer

How suitable the “retro” system and the “fitting” groups determine how well the neighborhood can perform. New waves of people from Appalachia and African American from the south have occupied OTR after the exodus of Germany. However, it seems these two racial groups cannot get along with each other. In the 1950s, OTR was divided into east and west ends for transportation easement, which led to a geographic segregation. Moreover, the spatial fight between Appalachia and African American was stimulated. Both of them were trying to keep their homogenous community. This unattractive living
condition led to a decline in OTR's population. The population in OTR dropped to 30,000 by 1960 and plunged to 15,000 by 1970, becoming predominantly African American. With a rapid increase of crime and poverty rates, OTR became known as, “Cincinnati’s urban center for crime, poverty, and a large concentration of social service agencies”. (Cincinnati Center City Development Corporation)

1.1.2 Urban Revitalization

In 1980s, most of American cities were transformed under an urban renewal trend. People were obsessed with Garden cities so massive developments spread out the nation. Everywhere around the country, cities large and small were enthusiastically tearing down their old districts and proudly rebuilding. This common desire was broken until Jane Jacobs made her arguments. She challenged only the idea of urban renewal but also the way architects and city planners decided to rebuild. Many city planners, Jane wrote, were actually anti-city. In their admiration for all that was modern, they wanted to erase the messy old districts that actually worked. Instead, they yearn for projects with the dramatic, clean lines of the tall buildings in Le Corbusier’s models. (Over-the-Rhine Chamber of Commerce )

Obviously, OTR was not an exception of urban renewal but the process went really slow due to the mismatch of “retro” system and “fitting” groups. Fortunately, the slow development made physical appearance of OTR still keep the original framework. The street layout hasn’t been replaced by massive urban renewal actions. Compared with those new-planned new town, OTR was a run-down but still authentic neighborhood. In 2000s, the Cincinnati Center City Development Corporation (3CDC) started to lead the OTR revitalization. 3CDC cooperated with other developers to collect hundreds of blight building and lands. The neighborhood has been transformed since 3CDC stepped in. (Rich Exner, 2014)

In 2002, the city of Cincinnati worked out Over-the-Rhine Comprehensive Plan to address and improve issues mainly focusing on housing, transportation and economic development. At that time, OTR was a starving neighborhood that suffering from poverty, crime and the loss of population and economic
activities. Therefore, the most urgent need was to search for funds. The 2002 plan introduced many useful funding tools including both public and private, like Tax increment financing (TIF), Urban Living Loan Fund (ULLF), Housing Round, Cincinnati Neighborhood Business (City of Cincinnati, 2002)s Districts United (CNBDU), rental rehabilitation and homeowner assistance programs. TIF is a public financing tool to use future tax revenue to subsidize current urban renewal projects. ULLF is $25.5 million loan gained from banks, community and corporate foundations, and the City of Cincinnati by the Cincinnati Development Fund (CDF). (City of Cincinnati, 2002)

The Washington Park has been renovated in 2012, which was the biggest change in OTR. It plays as the neighborhood’s anchor that draws a large number of people come down OTR. Especially in summer, this area is packed and full of energy that created by artists, musicians, vendors, dog walkers, joggers and other visitors. People from far away come for special events, like Taste of Cincinnati, Asian food festival and yoga workout. Even visitors outside of the State will come to see the largest historic district in the United States. The negative perceptions have been changed gradually. People from uptown are not as afraid of OTR as before. It has been transformed to a destination for young people to hang out. Now OTR is a cool name to mention in their conversations.

Geographically speaking, located between uptown and downtown, OTR is extremely critical in building the Cincinnati’s identity. Although so much progress OTR has been done, it is still a district that deserves an even higher occupancy and better performance. It can be a place that oriented by people’s five senses. The bold colors of public art, flavors of street food, rhythm of lazy jazz, and taste of food memory will guide you to find your own. OTR should have been a rounded healthy and self-sufficient neighborhood. What does it still need: newcomers with enthusiasm.
1.1.3 The Immigration Trends in Midwest

Compared with border regions, Midwest fell behind with attracting immigrants. Michigan only got 0.12% population growth from April 2010 to July 2013. On the contrary, Texas gained 5.18% at the same period. The huge gap of population growth can be counted on the immigration gain. Take Ohio as an example, it remains nation’s seventh largest state, behind California, Texas, New York, Florida, Illinois and Pennsylvania. However, Ohio’s slight's 0.3% population growth since the 2010 Census ranks among the lowest in the country. The numbers would be worse - with the state actually losing population - if it had not been for a gain of new residents from other countries. (Rich Exner, 2014)

Recently, many Midwest cities realize the significance of immigration growth. The following are the most outstanding actions towards attracting immigrants.

Global Cleveland is lead by a board of directors composed of a wide range of civic and business leaders. Global Cleveland sets up goals to attract top talent to the region and filling open jobs; retain top talent and provide them opportunities to connect the resign and expand and diversify community networks to encourage connections and spur innovation. (Global Cleveland)

Welcome Dayton initiates Community Partner Service and Programs, Immigrant Community Support Agencies, and Visa Information/Legal Assistance. It focuses on Business and Economic Development; Government and Justice System; and Social and Health Services. (Welcome Dayton, 2011)

Columbus New Americans Initiative gives all immigrant and refugees living in Columbus access to city services and programs to help improve their lives. The growing new American populations contribute to cultural richness, and enhance the economic growth and development the city. (The City of Columbus)

Welcome Springfield is tax exempt nonprofit. They have got Springfield City Commissioners to pass an “immigrant friendly” resolution. Current focus is on community education and conducting research on
access to health care. (Welcome Springfield, 2015)

**St. Louis Mosaic** is trying to make regional prosperity through immigration and innovation. They welcome newcomers because they bring new energy, ideas and talent with them. Immigrants invigorate our region and take us back to our toots. (St. Louis Mosaic)

**Global Detroit**’s initiatives are International student retention; Welcoming Michigan; ProsperUS Detroit – Micro – Enterprise Training and Lending Neighborhood Revitalization; Welcome Mat – Network of Integration Service Providers; Cultural Ambassadors; Near-Shoring; Home-Shoring; EB-5 Investor Visa Regional Center Promotion; Licensing and Credentialing Skilled Immigrants. (Global Detroit)

**Vibrant Pittsburgh**’s mission is embrace inclusion, ensure the Pittsburgh region’s growth by attracting, retaining and elevating a diversity of talent and promote the region nationally and internationally as a diverse, welcoming region of opportunities. Vibrant Pittsburgh will welcome newcomers, be inclusive and energize the region. (Vibrant Pittsburgh)

**Office of New Americans, City of Chicago** is trying to Expand opportunities for immigrant business owners and entrepreneurs; Promote U.S. citizenship by working with organizations that provide immigration and citizenship services; Enhance coordination between government and community organizations to increase access to existing government programs. (City of Chicago, 2014)

**Indianapolis Welcoming Center** was established in 2006 to assist with immigration and integration services. It is actively exploring focusing on regional economic development and economic contribution of immigrants. (Immigrant Welcome Center)
Agenda 360/Cincinnati and Immigration Task Force

**Agenda 360** is the regional action plan designed to transform Cincinnati USA into a leading metropolitan region for talent, jobs and economic opportunity for all who call our region home by the year 2020. One of Agenda 360’s goals is to build a more immigrant-friendly, diverse inclusive Cincinnati. (Agenda 360)

**Mayor John Cranley’s Task Force on Immigration** is working to make Cincinnati a great place for immigrants to call home, start a business and thrive. The mission of Immigration Task Force is to provide Mayor Cranley, City Council and City Administration with a report examine the City of Cincinnati’s policies on immigration and how to bring, retain and foster a stronger immigrant community. (City of Cincinnati)

![Figure 1.02](#)

**The structure of Mayor’s Task Force on Immigration**

*Source: City of Cincinnati Mayor’s office*

Agenda 360 and Immigration Task Force believe that diversity and inclusion have become bottom-line imperatives. There are currently five action teams working to improve the diversity and inclusion in Greater Cincinnati. 1. Immigration; 2. Employee Resource Groups; 3. Talent; 4. Minority Business
Enterprise; Multicultural Leadership.

Cincinnati is among a dozen large U.S. cities with the smallest proportion of foreign-born residents, Cincinnati at 5.6 percent in 2010 and Dayton at 3.6 percent. (Andrews, 2014) Therefore, it is very important to Cincinnati to catch up with others at this point.

1.2 Employment Based Fifth Preference (EB-5)

USCIS administers the Immigrant Investor Program, also known as “EB-5,” created by Congress in 1990 to stimulate the U.S. economy through job creation and capital investment by foreign investors. Under a pilot immigration program first enacted in 1992 and regularly reauthorized since, certain EB-5 visas also are set aside for investors in Regional Centers designated by USCIS based on proposals for promoting economic growth.

Job Creation Requirements

1. Create or preserve at least 10 full-time jobs for qualifying U.S. workers within two years (or under certain circumstances, within a reasonable time after the two-year period) of the immigrant investor’s admission to the United States as a Conditional Permanent Resident.

2. Create or preserve either direct or indirect jobs

   • Direct jobs are actual identifiable jobs for qualified employees located within the commercial enterprise into which the EB-5 investor has directly invested his or her capital.

   • Indirect jobs are those jobs shown to have been created collaterally or as a result of capital invested in a commercial enterprise affiliated with a regional center by an EB-5 investor. A foreign investor may only use the indirect job calculation if affiliated with a regional center.
**Capital Investment Requirements**

Capital means cash, equipment, inventory, other tangible property, cash equivalents and indebtedness secured by assets owned by the alien entrepreneur, provided that the alien entrepreneur is personally and primarily liable and that the assets of the new commercial enterprise upon which the petition is based are not used to secure any of the indebtedness. All capital shall be valued at fair-market value in United States dollars. Assets acquired, directly or indirectly, by unlawful means (such as criminal activities) shall not be considered capital for the purposes of section 203(b)(5) of the Act.

Note: Investment capital cannot be borrowed.

Required minimum investments are:

1. General. The minimum qualifying investment in the United States is $1 million.

2. Targeted Employment Area (High Unemployment or Rural Area). The minimum qualifying investment either within a high-unemployment area or rural area in the United States is $500,000.

   - A **targeted employment** area is an area that, at the time of investment, is a rural area or an area experiencing unemployment of at least 150 percent of the national average rate.
   - A **rural area** is any area outside a metropolitan statistical area (as designated by the Office of Management and Budget) or outside the boundary of any city or town having a population of 20,000 or more according to the decennial census. (U.S. Citizenship and Immigration Services, 2015)
Figure 1.03

Targeted Employment Areas in Ohio

Source: USCIS, April 2014
EB-5 visa reforms of the 2000s – Create Regional Center

In order to prevent investment from illegal sources, USCIS issued changes to the EB-5 requirements in 1998. The applicants have to provide lawful source proof and the type of commercial activity and administration are determined by AAO. This action extremely discouraged investors at that time. Therefore, the number of EB-5 visa applicants has significantly dropped in the late 1990s. (eb5 investors)

In 2003, Congress took action to revitalize the EB-5 program. The Government Accounting Office (GAO) investigated all the EB-5 projects and found out only a fraction of the 10,000 visas allocated to the EB-5 program were actually being granted each year. In 2005, an organization named the Investor and Regional Center Unit (IRCU) was created to oversee the EB-5 programs. (eb5 investors) By doing so, the EB-5 program became more reliable in terms of financial source and regulation compliance. Therefore, there are two options for investors – basic/direct EB-5 Program and EB-5 Regional Center. Direct EB-5 program takes less time to approve but applicants have to invest at least 1,000,000 and create ten direct full-time positions. On the contrary, a passive investment can be made via a Designated Regional Center but need more time to process. The investment can be reduced to $500,000 in a Targeted Employment Area (TEA) and the full-time positions can be either direct or indirect.

Application process

In order to obtain a green card through EB-5 program, the process can be simplified into the following steps.

1. Evaluate: in the first month, the applicant should review all the requirements about the EB-5 program to see if the current condition meets the criterion. Then the applicant might need to fill out an accreditation questionnaire provided by an agency or a regional center. By doing so, the applicant's
information can be quantified into database.

2. **Decide**: the applicant should go through all the available projects and select one of them. Then the applicant will receive information about the project and sign a reservation agreement with an agency or a regional center.

3. **Reserve**: the applicant needs to make the first refundable reservation to A Bank Trust Account and sign an agreement after reviewing all the documentation from the bank. In the second month, the applicant needs to wire a second payment to Bank-Trust Account upon accreditation acceptance within fifteen days.

5. **Invest**: in the third month, the applicant will remit the $500,000 or $1,000,000 investment. In order to start the immigration process, the applicant needs to file I-526 petition form to USCIS with a lawyer’s assistance. The I-526 form has to prove lawful investment source and future job creation. The I-526 application fee is $1,500.

6. **Temporary Green Card**: in the tenth month, a temporary Green Card will be approved and the applicant’s status will be adjusted.

7. **Permanent Green Card**: in the 28th months, the applicant can lift the temporary residency status through I-485 form and will receive permanent Green Card within one year. The I-485 application fee is $985 plus $85 biometric services fee.

8. **Citizenship**: in the 67th months, the applicant may file I-829 for U.S. Citizenship. Application fee is $3750 plus $ 85 biometric services fee. (U.S. Citizenship and Immigration Services, 2015)
Changes in EB-5 policy – Pilot Program Extension

In spite of not yet being permanent, the EB-5 program has been consistently reauthorized. In 2009, President Obama extended the EB-5 Immigrant Investor Pilot Program until September 30, 2012. President Obama reauthorized a three year extension on September 28, 2012 which will extend the EB-5 Immigrant Investor Pilot Program until 2015. (eb5 investors)

Extension of business, tourist and student visas

November 12, 2014 the United States and the People’s Republic of China will reciprocally increase the validity of short-term business and tourist visas and student and exchange visas issued to each other’s citizens. Chinese applicants who qualify for a B-category nonimmigrant visa (NIV) may now be issued multiple-entry visas for up to 10 years for business and tourist travel. These changes will result in the vast majority of investment activities in the United States can be performed on a standard business/tourist (B1/B2) visa. (Office of the Spokesperson, Washington, DC, 2014)

The extensions ease the barrier between U.S. and China, which is a win-win situation by any means. However, many people have concerns that this easement will overshadow the power of EB-5 visa. Is EB-5 visa still attractive to Chinese investors if they can come to do business by a 10-year business visa? The answer is yes. In fact, the majority of EB-5 applicants are not looking for financial returns. The main goal that draws them to invest is the easy path for citizenship. Holding 10-year business/tourist visas don’t mean the person can stay in U.S. for 10 years and ultimately become a permanent resident (green card holder) or an American citizen. If a foreign investor wants to stay with less time limitation and eventually obtain the benefits of United States citizenship, the EB-5 visa is the way to go. Therefore, it is important to target the potential investors who have stronger desire for citizenship rather than business profit.
American Dream
Chinese families interested in planting roots in the U.S. have led to a surge in visas issued under the EB-5 program.

2008: **1,443 visas**
- Other 14.1%
- Canada 1.7%
- Taiwan 3.3%
- U.K. 8.0%
- China 24.9%

Source: State Department

2012: **7,641 visas**
- China 80.1%
- Other 9.6%
- Iran 1.1%
- Venezuela 1.4%
- Taiwan 1.9%
- South Korea 5.9%

Source: State Department/Wall Street Journal, 2013

Figure 1.04
The EB-5 American dream

Source: State Department/Wall Street Journal, 2013
Benefits of United States citizenship

In order to target the potential investors, it is necessary to identify the reasons why United States citizenship is attractive to them.

U.S. citizenship benefits

- Voting rights
- Bring family members to U.S.
- Lower tuition to U.S. higher education system
- Access to insurance and retirement pension
Compared with other foreign investment programs, the most attractive benefit of EB-5 is the potential citizenship. Many Chinese parents consider this is an educational investment for their children. There usually are two options. First, one time invest through EB-5 to await citizenship. If it is successful, their children will have cheaper access to U.S. higher education system. Second, pay children’s tuition per semester and take a risk of non-citizen job hunting. For the latter case, it is not cheap to study abroad so usually those parents hope children to stay in the United States to get high salary positions and high quality of life. Ironically, it is hardly easy for international graduates to find a job and a sponsor to support H1B working visa. In other words, investment on U.S. educational system doesn’t guarantee any financial return. Therefore, we must be aware of the different goals of EB-5 investors and seize those mainly seeking for citizenship.
1.3 Purpose: An Additional Catalyst for Urban Growth

The purpose of this thesis is to create an EB-5-friendly environment for adding an additional source of funding for Over-the-Rhine growth. In order to achieve this, the first step is to find who potential investors are and how we can attract them to invest. After the investors are targeted, we can take a series of actions to insure the success of the program. Therefore, the goals can be summarized:

- Identifying the targeted investors for incentive creation
- Providing a framework of action to guide the program operation

1.4 Conclusion

The following chapters are literature review, methodology, case study, analysis and outcome. In the second chapter, literature review provides an overview of previous research on the topic. It is a background for people who are not familiar with this topic. In the third chapter three, methodology defines case study used as a research method in this thesis. The defined process of case study is conducted in the fourth chapter. Two cases are presented as reference for further analysis in the fifth chapter. In the last chapter, the outcome of action plan is worked out for attracting EB-5 investors.
Literature Review

Why is EB-5 immigrant investor program necessary for the OTR revitalization? In order to answer this question, the research focuses on three objectives: urban revitalization, immigration pattern and foreign investment. Urban Revitalization summarizes what kind of urban renewal programs other cities have utilized and what pros and cons they have brought. Immigration pattern is going to analyze where immigrants usually land, move and settle down. Getting spatial settlement preference, we will know geographically how strong Cincinnati can attract outsiders. Foreign investment presents the recent trends on foreign capital in the United States, which shows the economic role of some leading counties.

2.1 Urban Revitalization

2.11 Urban Renewal Program

In 19th century, European city planner started to think how to reorganize overpopulated urban areas. The Housing Act of 1949 kick-started the urban renewal program that was a landmark for the urban renewal movement of American cities. (Boundless, 12) Urban revitalization is a key topic that has been discussed by planners, politician and policy makers for decades in the United States. During the interwar, a large wave of urban renewal projects started accompanying with both construction and demolishment. Both successes and failures mixed in the process. Certainly, the urban revitalization movements at that time were more focusing on physical changes, such as bridges, high ways, housing projects and public parks.

2.12 A transformation from physical capital to human capital

Researchers, governors, investors and planning advocates have collaborated to understand the problems in America, and make strategic plans for revitalizing conditions of disadvantaged neighborhoods. A strategic plan usually has a comprehensive vision to cover all social, physical, economic aspects. Back to “retrofitting” concept, a strategic plan is like a “lubricant” that makes the old and the new fit more easily.
In 21st century, except for a few developing countries, the majority of the world already went through infrastructure construction and is involving in a competition of attracting talents. Therefore, there is a transformation from the physical redevelopment of decaying infrastructure to human capital investment. David Rusk (1993), based on his analysis of several central cities, concludes that uncoordinated urban revitalization program are ineffective in the long term. His data indicate that cities with piecemeal programs tend to show decline across most economic indicators. Cities with comprehensive urban-revitalization plans, on the other hand, tend to show growth across most economic indicators. A comprehensive plan would combine physical redevelopment, financial investments and business incentives with education, training, community organizing, and other forms of human capital investment. (Fritz W. Wagner, 2013)

Harvard University economist Edward Glaeser describe has explored the factors have allowed some U.S. cities to thrive as others continue to struggle. Below are five metropolises’ strategic plans for urban shrinking.

**DETROIT** Detroit's mayor David Bing has adopted a promising strategy to save his city: shrink it to a sustainable size. By focusing public services on healthy neighborhoods and pulling back from the others, Detroit can become a vibrant, livable smaller city.

**BOSTON** Three times in its history, Boston has gone into decline, and three times, Boston has managed to reinvent itself. Each time, the key has been its human capital. High education levels and local investment in R&D mean that Bostonians can shift their talents to new industries when old industries die and new opportunities present themselves.

**BUFFALO, N.Y.** Buffalo is half the city it used to be and one of the most impoverished urban areas in the country. The federal and state governments have poured money into the city, trying to revitalize it, but
the sad fact is that it simply no longer serves as the transportation hub it once was. Its forbidding climate and low average education levels are disincentives for private investment. Like Detroit, Buffalo needs to manage a contraction to a sustainable size.

**NEW YORK CITY** New York City used to be a byword for urban decay, but the Big Apple has managed to reinvent itself. Commentators have debated the reasons for its current success, such as innovative policing, but the underlying reasons are its vibrant entrepreneurial culture and skilled workforce.

**CHICAGO** It wasn't long ago that Chicago, like the other large cities of the East and Midwest, seemed to be caught in a spiral of decay. Human capital played a large role in its recovery, as it has elsewhere, but innovative, minimum-drama city government has greatly helped. (Glaeser, 2011)

In these five cases, obviously human capital plays an important role in Boston, New York City and Chicago. To some extent, whether a city can build a diverse talent pool profoundly affects how well the city can perform. Cites across America are at a crossroad: to attract newcomers to rebuild the old urban area, or to allow old social structure to block the changes. The cities where immigrants are welcomed, they perform diversely and resiliently, while in an unwelcoming cities they are suffering from population lose and economic decline.

**2.12 Human Capital that EB-5 can bring**

In the “New American” Fortune 500, more than 40% of fortune immigrants or their children founded 500 companies. Immigrants founded 28% of small businesses started in 2011. (FORTUNE, 2014) As known, the EB-5 program is a combination of job creation and financial capital, which are the most direct impact to a region. EB-5 investors and their families can also seen as human capital, which are in secondary after
workers attracted by created positions. In addition, investors usually don’t come alone. They share their experience with other opportunities seekers and persuade them to take a try. The peer effect can draw more attention to an EB-5 friendly region, which can draw potential investment and talents. The foreign investors bring new energy to a region in both financial and human capital.

2.2 Immigration Pattern

In order to allow newcomers easily adapt to new environment, the study on previous immigration pattern is critical to future planning. We definitely don’t want to see a region segregated by different ethnical groups, which doesn’t meet American belief. However, language barrier and different culture background do hinder the mergence of the native and newcomers. Therefore, it is important to attract immigrants, guide them to invest, and help them integrate with communities.

**Figure 2.01**

**Foreign settlement**

**Source:** Social Explorer
External Migration

Immigrants have always moved to relatively few places, settling where they have family or friends, or where there are people from their ancestral country or community—in short, with people with similar backgrounds and nationalities. This phenomenon, observed in earlier waves of immigrants, characterizes the first decades after arrival in the United States; thereafter, their children may disperse more widely. Most immigrants live in a handful of states and in less than a dozen major metropolitan areas. This extreme geographic concentration implies that any state or local fiscal effects of immigration will likewise be concentrated in a relatively few communities. Similarly, labor market effects of immigration may also be more pronounced in the places where most immigrants live. (Edmonston, 1997)

Internal Migration

The patterns of immigration (foreign-born arrivals) and internal migration (by both immigrants and native-born within the United States) are often interrelated. In many instances, the same forces that attract immigrants into a state entice internal migrants from other states. In other cases, the arrival of new immigrants into a state may induce out-migration by some native-born workers with whom they may compete. These patterns varied widely among the major immigration-receiving states in the 1980s. For example, California and Florida attracted a sizeable number of internal migrants as well as a large number of immigrants during that period. By contrast, New York, Texas, Illinois, and New Jersey received many immigrants, but experienced a large number of departures to other states. For these four states, population gains from immigration were largely offset by losses from internal migration. (Edmonston, 1997)
Spatial Settlement Preference

1. Immigrants are concentrated in California, New York, Texas, and Florida.

2. This distribution of the foreign born is not independent of language usage as the concentration is more intense among those who speak a language other than English at home.

3. Gateway cities are attractive regarding to job opportunities, language diversity and lifestyle.
4. There is a higher degree of urbanization among the foreign born than among the native born.

5. The foreign born are more likely to live in the Central City in Metropolitan areas and equally likely to live outside central cities in Metropolitan areas compared to the native born. (Barry R. Chiswick, 2004)
2.3 Foreign Investment

2.3.1 United States Faces Increasing Competition for Foreign Investment Dollars

Foreign direct investment (FDI) in U.S. businesses, measured on a cumulative stock basis, reached $2.7 trillion at the end of 2012, which is equivalent to about 16 percent of U.S. gross domestic product. By
2012, the U.S. share accounted for 17 percent of world’s inward FDI stock, compared with 37 percent at the beginning of the 21st century. The European Union’s part rose to 34 percent in 2012 from 31 percent in 2000. Sweden, Hong Kong, and China each more than doubled their investment in the U.S. economy between 2011 and 2012. (Organization for International Investment Global Investment Grows America's Economy, 2013)

2.3.2 China is the Largest 2012 U.S. Investor Among (BRICS) Countries

Collectively, the large emerging economies of Brazil, Russia, India, China and South Africa are known as the BRICS. U.S. data show their investments in the United States remain tiny. Last year, BRICS represented less than one percent of total investment inflows. At $1.4 billion, China was the largest BRICS investor in the United States. Its investment rose by 163 percent over 2011. South Africa’s investment also more than doubled between 2011 and 2012 more than $500 million. (Organization for International Investment Global Investment Grows America's Economy, 2013)

2.3.3 Immigrant Investment

The Immigrant Investor Program, also known as “EB-5”, has become an increasingly important source of investment for development projects in the United States, attracting billions of dollars to the U.S. economy and creating tens of thousands of jobs. However, the program is unlike any other managed by U.S. Citizenship and Immigration Services (USCIS) in that it is the only visa program whose stated purpose is to create jobs and growth. This mandate creates special opportunities and challenges. (American Immigration Council, 2014)
Methodology

3.1 Introduction

The case study is but one of several ways of doing social science research. Other ways include experiments, surveys, histories, and the analysis of archival information. In general, case studies are the preferred strategy when “how” or “why” questions are being posed, when the investigator has little control over events, and when the focus is on a contemporary phenomenon within some real-life context. (Yin, 2014) EB-5 program is a relatively new investor visa within real-life context. It has been reformed couple times since 1990. It is hard to quantitate and forecast because we do have little control over processes and results. Therefore, case study is an appropriate method to conduct the research.

3.1.1 Definition of Case Study

In the social sciences and life sciences, a case study (or case report) is a descriptive, exploratory or explanatory analysis of a person, group or event. An explanatory case study is used to explore causation in order to find underlying principles. (Mills, Durepos, & Wiebe, 2010) A critical case is defined as having strategic importance in relation to the general problem. A critical case allows the following type of generalization, ‘If it is valid for this case, it is valid for all (or many) cases.’ In its negative form, the generalization would be, ‘If it is not valid for this case, then it is not valid for any (or valid for only few) cases. (Pamela Baxter, 2008)

3.1.2 Research Questions

3.1.2.1 What does Employment Based Fifth Preference (EB-5) Program bring?

In order to identify why we are doing this research, we need explore the benefits EB-5 creates in real cases. This is the underlying reason to complete the whole process. In the selected cases, the initial motivations and successful outcomes can answer the first question.
### 3.1.2.2 Who are the Targeted Immigrant Investors?

Once the benefits are known, we can determine who will be interested in. We already have the “retro” system and the second step is to find the “fitting” groups. In the selected cases, the situation varies from different locations, local policies and demographic compositions. Therefore, it is not likely to generalize the target immigrant investors. However, it is helpful for future reference.

### 3.1.2.3 How can We Attract Immigrant Investors?

An action framework is made to attract immigrant investors. The ultimate goal is to catalyze a sustainable growth by optimizing investments.

### 3.2 Specific Procedures

#### 3.2.1 Conducting Case Studies: Collecting the Evidence

Evidence for case studies may come from six sources: documents, archival records, interviews, direct observation, participant-observation, and physical artifacts. An investigator must know how to use these six sources, which call for knowing different methodological procedures. (Yin, 2014) In this study, documentation, Geographic Information System (GIS) mapping and direct observation are major sources of evidence.

**Documentation**

It is the most common and stable source that mainly collected from letters, memoranda, agendas, announcements, presentation, newspaper clippings, online discussion and other written events.
**GIS mapping**

It provides information with location, which gives data a visual and spatial presentation. GIS is a data source that can be obtained on open media, such as Social Explorer, American Fact Finder, City-Data. It can ease the way of data interpretation. It is also a tool to analyze the case by collecting and customizing raw data.

**Direct observation**

It is a way to watch and note, which can be easily conducted in field trips and daily life. In this thesis, Shipyard, San Francisco (SF) and Hudson Yards, New York City (NYC) are the two case studies. In 2014, have spent a summer break in SF and a winter break in NYC. The short-term living experience is a basis to roughly understand this two urban context, which can be seen as direct observation. The observation study in NYC might be more specific and goal-oriented because it occurred after literature review. They are both projects that mainly funded by Chinese EB-5 investors. The San Francisco case is the one taking advantage of investment reduction for High Unemployment Areas. The NYC case is how leading developers are trying to cut out the middleman and build their own regional center.

### 3.2.3 Analyzing Case Study Evidence

The study uses explanation building as an analytic technique. Explanation building: “To ‘explain’ a phenomenon is stipulate a set of casual links about in.” In the study, all major rival interpretations are discussed to address the most significant aspect of my case. I will differentiate the potential EB-5 investors based on a series of criterion, such as income, social class, expectation of financial return, willing to obtain citizenship and easy education path. By this, I intend to find the targeted investors who are most suitable for a specific site/project.
3.2.4 Composing the Case Study Report

I will generalize my own and obtained knowledge to seek for application. The goal is to find unique "selling points" that make Cincinnati attractive and competitive based on targeted investors' preference. Apply the management and promotion skills of case studies for the OTR pilot. An action framework will be created as a thesis outcome.
Case Studies of EB-5 Funded Projects

4.1 A Rebirth of the “Extreme Poverty” in San Francisco

The San Francisco case is the one taking advantage of investment reduction for High Unemployment Areas. (Sheehan, 2014)

4.1.1 Background of Shipyards

Like OTR, Shipyards has gone through both the glory and the bitter past. The Shipyards is located in the southeast waterfront of San Francisco. It was a United States Navy shipyard named Hunters Point in 1870. After World War II and until 1969, the Hunters Point shipyards was the site of the Naval Radiological Defense Laboratory, the US military’s largest facility for applied nuclear research. Because of all the testing, there is widespread radiological contamination of the site. After the war, with an influx of blue-collar industry, the area remained a naval base and commercial shipyards. (Military Analysis Network, 2014)
Due to the polluted environment, Shipyards gradually became a predominantly black neighborhood and marked as “extreme poverty”, which doesn’t fit into San Francisco’s characteristic. City of San Francisco spent more than ten years to make a plan that transforming Shipyard from a deteriorated military base to brand new neighborhood. However, it is 775-acre land that is too massive to develop by a local government or a single private developer.

The City and County of San Francisco collaborate with Lennar Corporation (NYSE: LEN), one of the largest residential developers in the United States, to build a new waterfront community for people to live, work, study and have fun. The land is zoned into five categories – shopping & Entertainment, Spirited Neighborhoods, Open Space, Sustainable Living and Arts & Innovation. Spirited Neighborhoods are modern and dense mix-use and flats and Sustainable Living are low-density neighborhoods. In shopping & Entertainment section, they are going to create a world-class destination for shopping full of boutiques and luxury storefronts. In Arts & Innovation section, it will be an incubator for new business and space for innovative people. (The San Francisco Shipyard) (Golden Gate Global EB-5 Investment Fund)
4.1.2 A Lower Investment Threshold in High Unemployment Areas

During the economic depression, it was very difficult to raise funds in the United States. According to the regional vice president for Lennar Urban and head of the Shipyards, the initial plan was to borrow $1.7 billion loan form the state-owned China Development Bank, but when that deal fell through in early 2013, Lennar began to lean heavily on money raised through EB-5 partner organization, the San Francisco Bay Area Regional Center (SFBARC) Over the past two years, SFBARC has raised $200 million and it plans to raise another $250 million in 2015. (Sheehan, 2014)

Hunters Point Shipyards EB-5 program has been divided into five series:

In the series A (3G Fund 1), there are 54 investors involved in land infrastructure. Their I-526 petitions are received and ongoing. In the series B (3G Fund 2), the number of investors increases to 100. The total capital was put into home construction. The 100 investors received their I-526 as well. In the series C (3G Fund 3), the number of investors increases to 192. The total capital was put into home construction and land infrastructure. The 192 investors are waiting for their I-526 petitions approval. In the series D (3G Fund 4), the number of investors is 71 and fully reserved. They haven’t started to file I-526 petitions yet. The total capital will be put into home construction. In the series E (3G Fund 5), the number of investors is 127. The total capital was put into home construction. They haven’t started to file I-526 petitions yet and everything is on going. (Golden Gate Global EB-5 Investment Fund )

On March 16, 2015, the first phase two residential flats – Olympia and Merchant were sold out, which is the first milestone of Shipyard project. (The San Francisco Shipyard)
4.1.3 Conclusion

The Shipyards project has successfully raised funds from 544 investors through EB-5 program over two years. The total investment is $2.72 billion that is 90.6% of the $3 billion project. The project was expected to create nearly 2,000 new full-time positions by 2013 and more than 4,000 jobs by the completion of phase 1. (Golden Gate Global EB-5 Investment Fund)

What can we learn from Shipyards project?

**Partnership – Private and Public**

In China, governments develop most of big projects, especially infrastructure. Therefore, Chinese investors are usually concerned about the insecurity of private projects. They believe public sections can protect their rights in most cases. In Shipyards, the partnership between a private developer Lennar Corporation, city and county is the precondition to ensure the size of the development, which make investors feel secure and promised. The 775-acre project cannot be done without support from public support and private execution. The funding coming from a combination of private capital and land-secured public financing in the form of tax-exempt tools and bonds supported by special levies. Money from federal neighborhood and transit programs, as well as the necessary environmental remediation of the naval base, shows an extraordinary commitment from all levels of government. (PUENTES, 2012)

**Management – break down into phases**

Such a gigantic project needs both long-term and short-term plans to guide the actions. Meanwhile, the potential investors need to exactly know what is going to happen. Shipyards team breaks the projects down and makes each series of investment keep under 200 investors. It is easy to track the immigration process and financial return, which gives confidence to future investors.
Marketing - Tell the story

The marketing team did a very good job on storytelling and selling the Shipyards. Browsing the Shipyard website, the antique and royal style with the bold slogan “Established 1970” brings back to the old time. It is like wine. The older you are, the better taste you have. For viewer, it is hard to associate the new Shipyards with the old military base and the “extreme poverty”. This is a very successful marketing case.

Figure 3.03
Shipyards evolution
Source: http://thesfshipyard.com/
4.2 The New Core of Manhattan
The NYC case is how leading developers are trying to cut out the middleman and build their own regional center. (eb5 investors)

4.2.1 Background of Hudson Yards, New York City

Figure 3.04
Rendering of Hudson Yards
Source: http://therealdeal.com/blog/2013/10/26/more-developers-turn-to-in-house-eb-5-centers/

Hudson Yards is a project that developed by Related Companies, one of the leading developers in the U.S.A. Related Companies have experience on over 22 million square fee of commercial real estate properties including 250,00 residential units. With Stephen M. Ross’s leadership, the chairman and founder, Related Companies becomes even more diverse and comprehensive in regards to marketing, product, development, and sale, such as partnership with a brokerage firm and in-house EB-5 center. They are very ambitious and determined to make everything under their control. (Manhattan Reginal Center)
**EB-5 in-house center**

“More developers who are handling large projects are looking to this source of financing,” Steven Polivy, the head of the law firm Akerman Senterfitt’s New York City real estate practice, told Crain’s. Polivy added that he estimates there are roughly a dozen regional centers currently operating in New York and he experts that number to double over the next six months. “Developer are getting senior construction financing from traditional sources like banks and then using EB-5 to supplement that,” Polivy said. “

Normally a mezzanine loan in today’s market is bout 15 percent but you get the same capital from EB-5 and pay a 5 percent return.” Obviously, Related Companies is not an exception. It was planning to use an in-house EB-5 center to help fundraise for its massive Hudson Yards project. (The Real Deal New York Real Estate News, 2013)

**4.2.2 Connection Between Investors and Developers**

New York City developers have long used the government’s EB-5 program, which grants overseas investors green cards in exchange for financing real estate projects, to source cheap debt from foreign markets. And not only is the trend picking up, but developers are trying to cut out the middleman. (eb5 investors)

At the beginning of 2015, Related EB-5 was already approved and established. Now when you Google Related and EB-5, the official website will pop up as the first option. This website has only two language version – English and Chinese. Therefore, we can tell it is a Chinese-targeted organization at this point.
Related makes a statement in website Contact section. The EB-5 program is open only to persons who provide satisfactory verification to Related of their status as “accredited investors” under the U.S. Federal securities laws. Offer will be made to accredited investors only by private placement memoranda of one or more entities affiliated with Related. This announcement does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction to any person to whom it is unlawful to make such offer, sale or solicitation. Past performance is not indicative of future results.

In order for an individual to qualify as an accredited investor, he or she must accomplish one of the following:

1) Earn an individual income of more than $200,000 per year, or a joint income of $300,000, in each of the last two years and expect to reasonably maintain the same level of income.

2) Have a net worth exceeding $1 million, either individually or jointly with his or her spouse, not including their primary residence.
They simplified the EB-5 investment process into a process diagram in both English and Chinese as well.

(Hudson Yards, 2015)

Figure 3.06
Immigrant Inventory Flowchart
Source: http://www.relatedusa.com/en/project-experience
Talking about Hudson Yards, people probably have not heard it before because it is still a project under construction. If you have been to High Line, the award-winning project in NYC, you must notice there is a giant high-rise project at the end of High Line. That is Hudson Yards. I didn’t know anything about Hudson Yards but I was totally amazed by such a huge scale construction last summer. It is a project making you wonder how much it costs to construct and where they can raise such a huge funds.

Hudson Yards is the largest private real estate development in the history of the United States and largest development in New York since Rockefeller Center. It is anticipated that more than 24 million people will visit Hudson Yards every year. The site will ultimately include more than 17 million square feet of commercial and residential space, 5 state-of-the-art office towers, more than 100 shops, a collection of restaurants, approximately 5,000 residences, a unique cultural space, 14 acres of public open space, a 750-seat public school and a 175-room luxury hotel – all the offering unparalleled amenities and easy access to transportation for residents, employees and guests. (Hudson Yards, 2015)

Figure 3.07
Rendering of Western Yard
Source: http://www.relatedusa.com/en/project-experience
4.2.3 Conclusion

What can we learn from Hudson Yards project?

In-house EB-5 Regional Center – cut out the middleman

Related Companies established its own in-house EB-5 Regional Center, which is different from the traditional Regional Center focusing on various projects. Related EB-5 is an organization that only dealing with projects developed by Related. There are more than 600 regional centers in the United States but only one third of them are active. Some of them were shut down because of scams, frauds and other illegal activities. The bad reputation might make investors hesitate. Therefore, developers as big as Related Companies can run their own Regional Center to make everything under the control.

Management – access investors

As long as investors are accredited by USCIS, usually EB-5 Regional Center will accept their application. Related EB-5 requires even more criterions because they must be confident on their success. They have right to pick the investors, which also makes investors build a confidence on their projects. On the other hand, the wealthy investors also promise the future cash flow.
Analysis

5.1 Opportunities and Constraints

Opportunities

The investment based EB-5 program can quickly catalyze local development by both financial supports and job creations. In a long term, the ripple effect can further modernize and diversify the base of local economy as well as demographic composition.

1. **Job creation, GDP and tax revenue**

2. **A strategic source of financing with low-interest-rate during financial crisis**

3. **A tool for economic modernization and diversification**

   The investments, coming from developing countries, especially China, bring not only capital but also life style if those investors have control on their own business. Instead of stewarding their money, educating them to get in local market is a way to gain human capital. (American Immigration Council, 2014)

Challenges

First, speaking of immigration, east and west coasts must be the places in mind. Recently, Taxes also shows a great performance on attracting immigrants. Indeed, Midwest doesn’t have a moderate weather like California does and various opportunities like New York City. People from other countries might think there are no attractive points.

Second, in order to lower risk, we need to analyze the factors that primarily lead EB-5 projects fail and succeed through case studies. For instance, a complicated procedure and network of intermediaries; loose coordination among regional centers, migration agents and local economic development agencies; investors’ little control over application and investment process; over relying on lawyers for doing
business; failure of maintaining enough positions; investment scams and lack of public data for monitoring and evaluating.

Third, we have to learn a lesson from the failure of some speculative EB-5 projects across the country. A sustainable way to utilize EB-5 program is not simply raising funds but actually easing the way towards green cards and financial returns for investors. The abuse of EB-5 program will let us lose the opportunity. The more failing cases occur, the fewer investments follow. Therefore, a cautious risk-return analysis should always be a precondition for an action. The projects should be finalized by the local regional center to make sure that it meets an underwriting process.

5.2 Targeted Investors

Since most of EB-5 investors are from China, naturally the targeted investors are mainly from China. However, they come from different backgrounds with different goals. The majority of investors are looking for U.S. Green Cards accompanying with interests in investment, education and other personal desires. Accordingly, we have to design different promoting materials to accommodate their needs.

1. Investment

Green-hand investors who are looking for stepping in the US market with a low risk. The immigration benefit is a non-financial return but it can generally lower the risk of a project; experienced investors who are in a better position to attract venture capital if they are present in the U.S.

2. Immigration

There are definitely at least two age groups of immigrants. The first wave is 60s and 70s first wealthy generations. They are turning to 50 years old and looking for a place for retirement. For
people born in 1960s, their children are older than 21 years old so there is no consideration for children’s education at this point. The second wave is 80s and 90s wealthy generations who are looking for a bright future. They will bring their kids and have baby in the United States.

3. Education

People are looking for studying aboard but they also are concerned with the future employment right after graduation. A four-year college tuition fee plus living expense for foreign students almost equals to half of EB-5 investment. Therefore, they think it is worthy to pay more at one time but get a promising future.

4. Desire

There are wealthy emerging young adventurers who are looking for foreign life style.

People are skillful but their specialties aren't valued for what they do in their motherland.
Outcome: A Framework of Action in OTR

6.1 A Plan for Attracting EB-5 Investment

6.1.1 Resources needed

1. The research on the characteristic of the well conducted EB-5 based projects

2. The expertise from the City’s Department of Trade & Development to identify the potential projects those have relatively low risk and high capability of creating jobs.

3. The service of the local regional center and oversea brokers to promote the potential projects, target potential investors and eventually raise funds.

6.1.2 Vision and Goals

Build a strategy for ramping up EB-5 investment in the next few years, leveraging international students, foreign nationals already in the market and the network of brokers in countries such as China. In a short term, help investors achieve their goals – green cards and financial returns and build an image of immigrant-friendly city. In a long term, bring new blood to the city and catalyze regional resilience.
6.1.3 A Framework of Action

1. Analysis

Case Study

Goal: seek for the general characteristic of both the well-conducted and poorly managed EB-5 based projects.

Participant:

- Mayor’s Immigration Force Task
- The City’s Department of Trade & Development
- Researchers of University of Cincinnati
Suitability Analysis

Goal: identify the healthy projects those have relatively low risk and high capability of creating jobs.

Participant:
- The City’s Department of Trade & Development
- The Regional Center
- Local developers

Client Analysis

Goal: identify the potential investors’ goals and categorize them into different interest groups served by customized promotion approaches.

Participant:
- Mayor’s immigration force task
- The Regional center
- Oversea brokers

2. Implementation

Promotion

Goal: build an image of immigrant-friendly city and market the potential projects to interested groups.

Approach

Establish a non-profit organization “China America Society of Great Cincinnati (CASGC)” which is composed of three categories: school program, visit program and investment program. Like Japan America Society of Great Cincinnati (JASGC), CASGC is a bridge to promote a better understanding and cultural awareness between the people of China and the people of the
Cincinnati Region. They are long-term programs that create a nutrient soil for growing potential investors and immigrants.

Participant:

- China America Society of Great Cincinnati
- The Regional center
- Source Cincinnati
- Oversea brokers
- University of Cincinnati
- Tourist Bureau - Study trip and conference
- International media
- Proposed city Ambassador

**Establishment**

Goal: establish the direct partnership between investors and the local regional center.

Participant:

- Investors
- Local entrepreneurs provides all the project materials for analysis and application
- The local Regional Center is responsible for all the documentation including application submittals to USCIS

**Development**

Goal: develop the project online within expected budget and create required amount of positions.

Participant:

- Investors
- Local entrepreneurs conduct the project and report to the Regional Center
- The local Regional Centers oversees the process and reports to USCIS
**Maintenance**

Goal: meet all the requirements, such as maintain the required amount of positions for two years

Participant:

- Investors
- Local entrepreneurs conduct the project and report to the Regional Center
- The local Regional Centers oversees the process and reports to USCIS

**Tourism – an additional promoting approach**

Facing with the increasing demand, the China-based tourism agencies may fail to respond effectively. The majority of brokers, tour guides and agencies lack of relevant international traveling experience. Some of them even haven’t been to the US. Therefore, it is not easy for them to design a sophisticated itinerary. On the other hand, some US-based tourism companies and Chinese American branches have seen the opportunity. However, these organizations haven’t grown from traditional ways regarding to low travel quality, inefficient operation, and management. In terms of low travel quality, most of time tourists spend is on the bus. In each destination, the sightseeing time is very limited so it is difficult to deeply introduce the site, and most of tour guides lack of professional training makes it even worse. The way of traditional traveling wastes money, time and energy but tourists cannot get valuable takeaways. In most cases, there are 30 – 40 people in one tour group, which lowers the traveling cost but it goes to an extreme. Tourism agencies are obsessed with cost control, sale commission but ignore to improve the quality of a tour. In this simple profit-oriented tourism model, even though large tourism companies lack of a long term of tour guide training system. Thus, the quality of a tour is hard to be promised.

As the boost of Chinese economy, a standardized low-quality tourism won’t meet the desire of the new wealthy generations who prefer to the higher quality tour. Fiona Feng, the executive of
the Operation Department in Haide Group, who has more than 20 years experience on tourism service claims, she has received many high-end customized travelling requirements recently, such as aurora seeing, health examination, playing golf, island wedding and etc. She believes the traditional 14 days rushed tours have been transformed by a diverse way and more customized projects will be required. According to US Qiaobao, the theme of tours has been diversified, including sports, education, housing and investment. In Los Angeles, the American housing purchase tour is very popular. Mr. Deng, a tourism specialist, analyzes a change indicated by the American housing purchase tour. Most of tours are “hodgepodge” aiming to include all the attractions but not in depth. The housing purchase tour is a good example that tourists are looking for a specific tour purpose instead of a “hodgepodge”. Mr. Deng also mentions he has met two Chinese tourists who are basketball fans. They required to watch NBA game because Yao Ming is going to play in Los Angeles.

Product Inventory
1. **Investment investigation**: direct investment, housing purchase, EB-5 immigration
2. **Health care**: physical examination, senior house
3. **Entertainment**: sports (golf, baseball, tennis, basketball, football, ski, helicopter); wedding (island, church, garden)
4. **Academic conference**: ASLA, APA, AIA
5. **Education**: Ivy school, open house, career tutoring, application assistance

Strengths
1. **Principle**: free, independent, common interest, acquisition
2. **Operation**: American initiate, Chinese customize
3. **Management**: tour guide training; guest speakers; membership; transparency of feedback
4. **Product**: modularity development; theme tour
5. **Promotion:** online social network (Luluyou, Wechat, Taobao, Zhihu, Weibo)

3. **Evaluation**

Goal: evaluate projects and work out guideline for future reference

Desirable share: I believe a developer-based regional center is more reliable than a brokerage firm. In order to ensure reliability, developers usually invest at least one third of the total. The common breakdown is, 30% investment is from developers, the other 30% is from bank and the rest 60% is from EB-5 investors.

Participant:
- Investors
- Local entrepreneurs conduct the project and report to the Regional Center
- The local Regional Centers oversees the process and reports to USCIS

6.2 **Conclusion and recommendation**

In conclusion, in order to strategically ramp up EB-5 investment in the next few years, it is important to leverage international students, foreign nationals already in the market and the network of brokers in countries such as China. In a short term, we need to help investors achieve the primary goals - green card. In a long term, they will get their financial returns that usually will be reinvested in the United States. For the city, if we build an image of immigrant-friendly city, which will bring new blood to the city and catalyze regional resilience.

Therefore, I highly recommend EB-5 program to people who want to raise funds through an unconventional way with low interest. Meanwhile, we should be aware that the EB-5 program is not only
taking a risk of capitals but also investors’ American dream. The nonfinancial exchange of residence permit merges with capital investment, which is not common for most of developers. As increasing foreign capital flows in, it is necessary to take advantage of this program. For further targeting investors from China, the following points will be valuable.

- Major areas of concentrated wealth in China
- Growth rates of wealth markets in China
- Upper-class vs. middle class disparity in China (percentage and total volume comparison)
- Geographic distribution of wealth in China
- Areas of China providing highest number of EB-5 investors
- Percentage of Chinese businesses publicly-listed vs. privately-owned
- Any restrictions on foreign ownership of Chinese companies
- Geographic distribution of industries throughout China
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