



**Legislative Committee on Economic Development
and International Relations
Lt. Governor Brad Owen, chair**



February 13, 2014

Dear Members of the Legislature, Staff and Other Interested Parties:

I am proud to share with you the Legislative Committee on Economic Development and International Relations Summary & Recommendations report for 2013. This report will provide you with a review of the main points made by the experts that gave presentations to the committee.

Our sessions covered the following topics:

- EB-5: The Federal Government's Immigrant Investor Program in Washington State
- **FACING GLOBAL CHALLENGES WITH REGIONAL SOLUTIONS:** Working together with our neighboring states and provinces to develop a regional cooperative strategy for international economic trade and tourism development.

Thank you for your interest in the proceedings.

Sincerely,

Brad Owen
Lieutenant Governor

Legislative Committee on Economic Development and International Relations



Lieutenant Governor Brad Owen, chair

2013 Committee Meetings Summary and Recommendations

“Developing Partnerships for Building Tomorrow’s Economy”

MEMBERS

Senators: Randi Becker, Tracey Eide, Bob Hasegawa, Brian Hatfield, Mike Hewitt, Curtis King, Paul Shin (a)

Representatives: Richard DeBolt, Jeff Morris, Luis Moscoso, Cindy Ryu, Norma Smith, J.T. Wilcox

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Introduction

In keeping with its mandate, the Legislative Committee on Economic Development and International Relations examined two topics that relate to our state's need to strengthen the economy and increase jobs through greater international economic development.

The committee's first public work session, held at Everett Community College in September, focused on the federal EB-5 visa program for immigrant investors. Through this program, immigrants who invest \$500,000 or more in an approved EB-5 regional center, in which the project creates 10 or more jobs, can obtain a United States immigrant green card. The purpose of this program is to stimulate investment, especially in high unemployment areas. The committee's goal was to learn more about how this program creates jobs and what, if anything, Washington can (or should) do to attract more EB-5 investment money. Washington is known for having some of the very first and largest EB-5 projects in the nation. However, other states have been aggressively marketing this program as an economic simulator. The committee was interested in investigating the various models used in other states.

The LCEDIR's second session was held in Vancouver, B.C. This session examined the possibilities of neighboring states and provinces working in partnership to develop a regional cooperative strategy for international economic trade and tourism.

Lt. Governor Owen chose to augment each of the work sessions with events and activities that complemented the main topics. The September public work on EB-5 contained an additional working lunch session and a committee tour. The lunch session included an update on the federal government's Beyond the Border Initiative with Canada. The session was conducted by Edith St-Hilaire, acting consul general and senior trade commissioner and Kevin Cook, the political, economic & academic affairs officer for the Consulate General of Canada in Seattle.



Glen Bachman, President for Asia Pacific of Path America, explains Everett's EB-5 Pagoda Village Project on a site visit to members of the Legislative Committee on Economic Development and International Relations. He is speaking here with Rep. Norma Smith, R-10th Legislative District, left, and Senator Randi Becker, R-2nd Legislative District, at right.

After this working lunch, the committee participated in a guided site tour by Glen William Bachman, president of Path America, of Everett's EB-5 Pagoda Village Project. The October work session also included an evening event intended for conducting international relations prior to the meeting. The event was at the residence of U.S. Consul General Anne Callaghan in Vancouver, and included welcoming remarks by the consul general and the lieutenant governor.

Following are more detailed summaries taken from each meeting, along with the specific recommendations for the Legislature and other state policy makers to consider.

Public Work Session #1

"EB-5 - The Federal Government's Immigrant Investor Program in Washington State: *"Did you know that by investing 500 thousand dollars in an approved EB-5 project and creating at least 10 U.S. jobs immigrant investors can obtain their Green Card?"*

Background

The EB-5 visa for Immigrant Investors is a United States visa program created by the Immigration Act of 1990. This program provides a method of obtaining a green card for foreign nationals who invest money in the United States. To obtain a visa, individuals must invest \$1,000,000 (or at least \$500,000 in a "Targeted Employment Area" - high unemployment or rural area), creating or preserving at least 10 jobs for U.S. workers excluding the investor and their immediate family. Currently, investments can be made directly in a job-generating commercial enterprise (new, or existing - "Troubled Business"), or into a "Regional Center" - a 3rd party-managed investment vehicle (private or public), which assumes the responsibility of creating the requisite jobs. Regional Centers may charge an administration fee for managing the investor's investment.

If the foreign national investor's petition is approved, the investor and their dependents will be granted conditional permanent residence valid for two years. Within the 90 day period before the conditional permanent residence expires, the investor must submit evidence documenting that the full, required investment has been made and that 10 jobs have been maintained or 10 jobs have been or will be created within a reasonable time period.

In 1992, Congress created a temporary pilot program designed to stimulate economic activity and job growth while allowing eligible aliens the opportunity to become lawful, permanent residents. Under this pilot program, foreign nationals may invest in a pre-

approved regional center, or "economic unit, public or private, which is involved with the promotion of economic growth, including increased export sales, improved regional productivity, job creation, or increased domestic capital investment". Investments within a regional center provide foreign nationals the added benefit of allowing them to count jobs created both directly and indirectly for purposes of meeting the 10 job creation requirement.

Presenter Recommendations from Work Session #1

- Different tools for state implementing EB-5 – The state is currently implementing a private approach model but has the opportunity to use any of the following models. Each model has drawbacks and assets.
 - Private Model - This model is currently used in Washington state and encourages investment in this program without liability for the state.
 - Public Model - This approach provides the state maximum control but will increase the size of state government and require full state liability.
 - State Level Public / Private Model – This is a balanced program but in order for it to work, projects must be carefully coordinated between the private and public elements that oversee or are involved in this program.
 - City Level Public/ Private Model - The state is not liable for the program under this model but the development of projects are not coordinated with existing state and regional planning.
 - Not-for-profit Private Model – The state has no liability, while cities may have some liability under this model. Savings could make this model attractive to investors and existing businesses could take full advantage of this approach.
 - Not-for-Profit Model – State can have significant input into the strategic deployment of capital but is subject to some liabilities.
- *Tri-Cities and Bellingham Models* – the administrative method implemented in the Tri-Cities and in Bellingham for EB-5 provides city-based assistance for the development and oversight of projects. As such, projects can be developed in partnership with businesses and targeted investors in a balanced format that is tailored to the specific needs of individual communities. This model can be implemented in communities statewide.
- *Seattle-Based American Life Inc.*, the nation’s largest and most successful EB-5 program, has implemented a private sector-based model that does not rely on either state or city oversight or direct assistance. However the state could remind federal officials that some problems currently inherent in the program are creating difficulties for expanding and improving the program. The problems that should be addressed by state officials are:

- The unrealistic and arbitrary stance on government regulations as they relate to interpretation of job creation and approval of immigrant green card petitions.
- Federal government trying to micro-manage the program, thinking their economists know better than the developers/investors what the outcomes of the projects will be.
- Imposition of unrealistic constraints as to when the jobs must be filled.
- The federal government has lost sight of the original reason and logic as to why the program was started and the state should remind them of the need to keep focused on the program's goal of stimulating investment and creating jobs.
- Support for this program by our state's congressional delegation, and especially our senators, is very sparse. Additional pressure can be placed on them by local officials to have the federal government relax their interpretation of the program and decisions that slow the program down.
- We will continue to lose the investment opportunities to other state's EB-5 programs unless we get stronger political support from our local, state and federal government elected officials.
- The state could provide limited oversight to insure that investors who are participating in proposed EB-5 projects in our state are realistic and are not fraudulent.
- State elected officials should provide support for federal legislation called the Leahy Amendment that will strengthen the program and ensure that the program will be permanent, help eliminate fraud, and provide for efficiencies that will help investors

and regional center operators.

- Conducting focused international trade missions are an important way to help sell regional projects and should be increased.

Lunch Session: An update on the Beyond the Border Action Plan

Edith St-Hilaire, the acting consul general for Canada in Seattle, and Kevin Cook, the senior political, economic & academic officer for the Consulate General of Canada, provided the committee with an overview of the current Canada-United States Beyond the Border Action Plan. Acting Consul General St-Hilaire explained that the plan



Edith St-Hilaire, the acting consul general for Canada in Seattle, outlines next steps for the Beyond the Border agreement.

was developed to address the following four action areas:

- 1) Threats at the earliest possible opportunity;
- 2) Facilitate trade, economic growth and jobs;
- 3) Build on successful cross-border law enforcement programs; and
- 4) Enhance cross-border critical and cyber infrastructure.

Accomplishments to date:

- Implemented a joint Entry/Exit program at all automated land ports of entry and released a report on Phase I results.
- Developed the U.S. – Canada Integrated Cargo Security Strategy (ICSS) through the deployment of “cleared once, accepted twice” pilots.
- Achieved mutual recognition of our respective Air Cargo Security Programs for passenger aircraft.
- Signed an Immigration Information Sharing Agreement to enhance screening of visa applicants and help combat fraud and criminality.
- Deployed ship-rider operations in Ontario/Michigan and British Columbia/Washington state.
- Implemented a bi-national radio interoperability system between U.S. and Canadian border enforcement personnel at two locations to coordinate effective bi-national investigations.
- Tested cross-border emergency communication systems interoperability to improve response coordination across the border during bi-national disasters.

Acting Consul General St-Hilaire outlined some of the next steps that should be completed together to realize the fullest potential of this plan.

These include:

- Implementing additional phases of the Integrated Cargo Security Strategy pilots.
- Mutually recognizing the passenger checkpoint screening measures to provide additional benefits for trusted travelers in Canada and the United States.
- Releasing a joint inventory of border fees.
- Providing real-time information on wait time at key crossings to the public.
- Adopting a common framework to align trusted trader program requirements and enhance member benefits.
- Joint consultation on facilitating cross-border business travel.

- Deploying law enforcement radio interoperability to additional locations along the shared border; and
- Beginning implementation of the Immigration Information Sharing Treaty with automated exchange of biographic information.

In closing, St-Hilaire and Cook stressed the importance of the Beyond the Border Action Plan for both countries and noted the great extent to which progress has been made to date. Consul St-Hilaire also made a plea for elected state officials and stakeholders to join in the efforts and add their voice to building and promoting the plan so we can avoid future barriers to trade.

Public Work Session #2

“Facing Global Challenges with Regional Solutions: *Working together with our neighboring states and provinces to develop a regional cooperative strategy for international economic trade and tourism development*”.

Background

The Pacific Northwest region of North America includes Alaska, Alberta, British Columbia, Idaho, Montana, Oregon, and Washington state. It is a distinct region with shared values and common interests, not only in the more effective integrated areas across the U.S.-Canada border and between states, but also with deeply rooted economic partnerships. British Columbia and Washington are home to a combined population of 22.9 million people. Washington State is B.C.’s largest trading partner in the U.S. with two-way trade of \$1.7 billion annually between the two jurisdictions.

Although a cooperative regional marketing partnership is not currently being implemented offshore, a successful web of organizations has helped provide a vital and integrated link in this region. These include the Pacific Northwest Economic Region (PNWER), the International Mobility and Trade Corridor Project (IMTC), the Cascadia Project, the West Coast Corridor Coalition, the Northwest Corridor Development Corporation, the Pacific Corridor Enterprise Council, and the Portland Vancouver I-5 Transportation and Trade Partnership, among others.

The federal governments, related municipalities and state governments of this region have also been very active in initiating cooperative infrastructure and economic planning efforts. A formal regional agreement was established by Washington law (Chapter 43.147 RCW). It is called the Pacific Northwest Economic Region Agreement and has guided many cooperative efforts. Some of the cooperative efforts were most recently stimulated by the

past Winter Olympics in B.C. and now by the Beyond the Border Initiative. Some of the results of these regional cooperative efforts include:

- The Enhanced Drivers' License travel document, as well as additional, quicker border crossings with added NEXUS and FAST lanes.
- Technology improvements, such as web-based public communications about border conditions.
- Considerable financial investment for roads and rail services including upgrading the rail line used by Amtrak trains through the Oregon, Washington, and B.C. Lower Mainland.
- Resources and support during emergencies through the Pacific Northwest Emergency Management Arrangement.
- Formalized cross-border collaboration on preparation, response and recovery for public health emergencies, such as pandemic flu and the West Nile virus.
- British Columbia - Washington State Competitiveness and Prosperity Action Plan.

During this work session, the committee reviewed different joint cooperative models and the possible economic benefit of implementation. A cooperative regional marketing effort for the Pacific Northwest and bordering Canadian provinces was presented. This model is designed to enhance our ability to jointly market trade and tourism opportunities here and in locations such as Asia, Latin America, Mexico, and Europe. Testimony reinforced the unique geographical proximity shared between Washington state and British Columbia, and the many corresponding similarities in terrain, culture, infrastructure, history and opportunities found in this region. There is one other region in this continent that has a regional model of regionally shared oversight. This model is called the Council of Great Lakes Governor. Its mission is to encourage and facilitate environmentally responsible economic growth through a cooperative effort between the public and private sectors among the eight Great Lakes States and with Ontario and Québec.

Through this council, governors and premiers of the respective states work collectively in a voluntary non-competitive partnership to ensure that the entire Great Lakes region is both economically sound and environmentally conscious in addressing today's problems and tomorrow's challenges. This model has established jointly managed international trade offices in Sydney, Australia, Sao Paulo, Brazil, Toronto, Canada, Santiago, Chile, Shanghai, China, New Delhi, India, and Johannesburg, South Africa. This model was reported to be a cost effective means for enhancing international trade opportunities while still allowing for the promotion of individual member states.

It was also noted that the Pacific Northwest Economic Region (PNWER) organization is a model for developing and enhancing joint cooperative efforts regionally.



There is no other region that has an organization,

outside of government, that serves in a capacity to bring joint issues before a body of members who formally represent a binational region. However, the current PNWER model has not established jointly managed international trade offices. They have considered this option but have not received enough support to act upon this. The Pacific Northwest Economic Region (PNWER) is a statutory public/private non-profit organization created in 1991 by the states of Alaska, Idaho, Oregon, Montana and Washington, the Canadian provinces of British Columbia, Alberta, Saskatchewan, and the Yukon and Northwest Territories. It is a very active organization.

The committee received testimony from Canadian government officials who highlighted the many areas of common regional interest and concern as well as the history of special and very mutually beneficial regional cooperation. Data was presented that graphically exhibited the benefits of regional economic cooperation and the aspects of potential conflict, especially in the transcontinental shipping and port sectors. Jointly relevant economic sectors in this region also were listed. They included: energy, innovation, environment, health care, invasive species, sustainable development, trade, workforce development, transportation, tourism, disaster resilience, agriculture, and natural resources. It was noted that with a Gross Domestic Product (GDP) of over \$1 trillion and a

population of 22.9 million people, this region as a whole represents the fourteenth largest economy in the world. The PNWER model for addressing issues in the categories employs a system of sixteen officially sanctioned working groups.

Presenter Recommendations

- The state of Washington would benefit from regional cooperation and should focus on enhancing and creating links with trade partners and establishing joint locations that would serve to lower fixed costs of shipping and advertising, identify bi-national value chains and clusters, and provide a method for developing interest in regional tourism.
- The State of Washington will need to address the fact that regional port traffic usage patterns have changed significantly, with greater business going to the Port of Prince Rupert, Canada and the Port of Metro, Vancouver. Greater regional port cooperation could benefit our local Washington state ports.
- Currently the PNWER (Pacific Northwest Economic Region) model significantly builds regional cooperation and promotes greater regional economic development. This organization could expand its cooperative model to include offshore, jointly administered, regionally shared international trade sites.
- Establishing offshore, regionally shared, international trade offices is a trade development model that has been implemented by the Great Lakes International Trade Cooperative and could be employed in the Pacific Northwest Region. This model could be cost effective by sharing fixed overhead costs, allowing for regional focus on key sectors, and providing an ongoing forum to share regional information.
- In order for British Columbia and Washington state to further develop joint regional economic cooperation we will need to advance the work being conducted on the bilateral Beyond the Border and Regulatory Cooperation Council initiatives.
- Greater regional cooperation will depend on building on the successes of NAFTA (North American Free Trade Act).
- More discussion and cooperation is needed in the area of joint energy policies and related infrastructure development that the discussion and cooperation will lead us toward North American energy independence.
- We will need to continue to jointly pursue, via the Trans-Pacific Partnership, new trade agreements with the European Union.
- The cruise line industry is a global business that could be of greater economic benefit to the Pacific Northwest region if this industry could get greater regulatory cooperation with local governments that mandated less onerous environmental regulations regarding wastewater and air quality emissions and voter driven head taxes.
- Regional tourism in the Pacific Northwest is a significant economic driver in this area, however the state of Washington has the lowest state-funded tourism budget in the United States and will need to increase state supported funding.

- The state of Washington should legitimize the Washington Tourism Alliance and allow this private sector organization to further develop its regional reach.
- The state should develop further regional marketing alliances with Portland, Seattle and Vancouver, British Columbia.
- The state should work to enable a synergy of cooperation in overseas markets with travel trade, media, travel operators, and tourism related product development.
- The Pacific Northwest could benefit from establishing cross border economic clusters.
- The state of Washington can help retain, grow, and attract businesses by improving and communicating Washington's advantages.
- The state should look into co-locating international marketing offices with regional partner states. Regional branding in general makes a lot of sense.
- The Office of the Governor of the State of Washington has explored conducting regional cooperation with Oregon on international trade missions. This effort should be expanded.
- Governor Jay Inslee's red tape index will increase regional cooperation and should be implemented across the board to reduce time, cost and frustration.
- In light of the current changes in patterns of port use in the Pacific Northwest, we should work to develop regional strategies and grow our container transport market share.
- We should establish a regional waterway protection plan that includes establishment of similar standards for vessels.