

Opportunities & Challenges Investing in Native Areas

MAKING THE NEW MARKETS TAX CREDIT WORK IN NATIVE COMMUNITIES

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FEDERAL RESERVE BANK *of* MINNEAPOLIS



NMTC Complexities on Reservations: Investor Perspective

Focus on the Investor Perspective on issues related to:

- Borrower
- CDE
- Stakeholders' Involvement and Community Support
- Decision-making
- Enforcement of Obligations





NMTC Complexities on Reservations: Investor Perspective

Borrower issues:

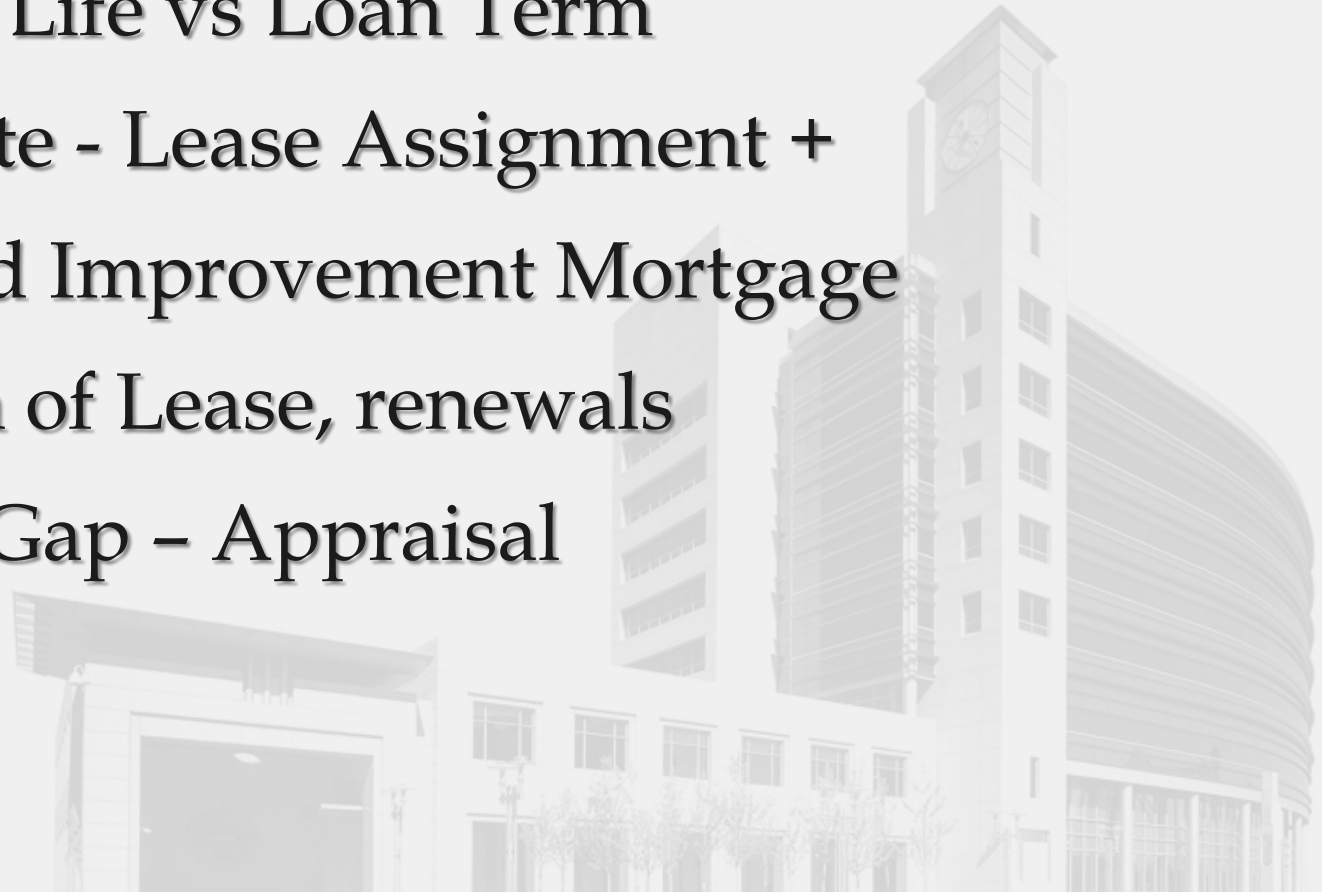
Securing the Loan. QLICI must be a loan or equity or it is not a QLICI. An unsecured loan without legal ability to enforce is a grant.

Enforcing the Obligation. While sovereign immunity is to be respected, it can be an obstacle to enforcement.



What Can Be Collateral?

- ▣ Equipment, Personal Property
 - Useful Life vs Loan Term
- Real Estate - Lease Assignment +
- Leasehold Improvement Mortgage
 - Length of Lease, renewals
 - Value Gap - Appraisal





NMTC Complexities on Reservations: Underwriting

- Collateral: Trust Land Can't Be Mortgaged
- Entity Status: Good Standing Certificates for N.A. entities
- Collection Rights: Tribal Sovereign Immunity Rights
- Gambling businesses not eligible



Waiver of Immunity - Lending

- Limited Waiver of Sovereign Immunity ... for claims or actions related to the loan documents;
- Any suit related to these claims may be brought in state or federal court;
- Waiver of requirement to exhaust tribal remedies in any tribal court or other tribunal of the Tribe, Band, or Nation.



NMTC Complexities on Reservations: Investor Perspective

CDE Issues

Capacity: Skills and Abilities

- ❑ Underwriting
- ❑ Closing
- ❑ Compliance
- ❑ Cash Management
- ❑ Asset Management





NMTC Complexities on Reservations: Investor Perspective

CDE Issues

Financial Strength

- Staying Power for entire 7 – 8 years
- Ability to provide enforceable CDE indemnification

Limitations and ability to redeploy in the event of a default.



NMTC Complexities on Reservations: Investor Perspective

CDE Issues

Decision-making process

- ❑ Are decisions made by people who are comfortable with complex financing?
- ❑ Are decisions based on political or financial factors, or both?
- ❑ Can decisions be made timely?



NMTC Complexities on Reservations: Investor Perspective

Community and Cultural Issues

How can an investor be sure the project they're funding is the right project for this community?

What differences in stakeholder involvement should the investor address?

What will happen to the CDE if there is a change in Tribal governance?



CHICKASAW NATION – CARL ALBERT INDIAN HOSPITAL REUSE



Facility built in 1977, saw over 300,000 patients per year by closure.

Chickasaw Nation built a new hospital in 2010. \$25M NMTC allocation.

Tribal Services:

Career services

Youth and Family Services

Chickasaw Interior Services

CN Dept of Commerce

Social Services



Sah-Kay-Tay

- \$250,000 project on White Earth Reservation
- Financing of facilities for inter-generational camps focused on teaching culture, traditions, and life skills to youth





TERRA NETWORK: \$69 MILLION



GCI's TERRA network provides broadband Internet access to remote Alaska villages for the first time, improving public safety, health care, and education.

Three rounds of NMTC funding came from several partners: **USBCDC** and Community Development Entities Alaska Growth Capital BIDCO, Inc.; **CNB Economic Development Company**; Lower Brule Community Development Enterprise; Travois New Markets, LLC; **USBCDE (U.S. Bank's CDE)**; and Waveland Community Development, LLC.



Oshki Manidoo Center

- White Earth Band of Ojibwe purchased for a chemical dependency treatment center for youth
- \$8.2 million in NMTC
- Located by Bemidji, Minn. on 40 acres; 10 buildings, athletic facilities, pond, sweat lodge





STRAKA HEALTH CENTER EXPANSION

FEDERALLY QUALIFIED HEALTH CENTER



Variety Care, Inc: Oklahoma's largest CHC, formed in 1932

Straka Terrace Center - Southwest Oklahoma City – distressed area

10,000 SF addition to add 15 dental operatories, patient consult rooms, lab, x-ray, staff areas and offices, rehab two existing procedure rooms

#1 reason for non-emergency visits to ER

\$11M NMTC allocation

26,857 dental visits in 2016



Further Discussion

This has been an introduction to the Investor perspective on CDE Strengths and Weaknesses, and the Challenges and Opportunities for bringing NMTCs to Native projects.

The benefit of all of us being in this room is the chance to think together about solutions.



How can we help each other?

A mature industry finds economies of scale and centers of unique expertise to reduce cost and risk.

How can you do this among yourselves and your colleagues?

