

TRIBAL FUNDING OPPORTUNITIES  
NEW MARKET TAX CREDITS  
TAX EXEMPT BONDS

Presented By

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# New Market Tax Credits 101

- Federal program designed to encourage economic and social service growth in low income areas.
- Investors receive federal tax credits over 7 years for investing in qualifying projects.
- Community Development Entity (CDE) must be formed to apply for NMTC. This is a highly competitive program.
- Qualifying projects include manufacturing and commercial projects to bring new jobs to the low income community as well as essential services like health clinics, day care, elderly care and education.
- The tax credits provide 18-20% of the project cost as “equity” and reduces the cost of financing by 30%.

# Qualifying a Project and Next Steps

- Project must create economic development or provide essential services to a “low income community”.
- LIC is defined narrowly by census tract and can be readily mapped with a specific address.
- Project Owner/Developer will typically form a new Special Purpose Entity (“SPE”) for the specific project.
- The SPE needs to meet the tests of a Qualified Active Low Income Community Business (“QALICB”).
- The QALICB must be a trade or business and meet several asset and revenue test thresholds.

# Why Participate?

## Example Project Economics

- \$10,000,000 manufacturing plant to create jobs and tax base located in a LIC.
- \$3,900,000 of total federal tax credits that are sold to an investor for approximately \$2,800,000.
- The \$2,800,000, less costs, is invested in the project as “quasi equity” at virtually no cost to the project.
- Total financing costs are reduced 30-35% compared to conventional financing.
- Total cash savings estimated at \$3-4 million on a \$10 million project.

# Targeted High Impact Projects

- Economic development to create jobs on reservation.
  - Manufacturing Operations
  - Warehouse and Distribution
  - Not for Gaming or Housing
- Critical Community and Governmental activities.
  - Health Clinics and Wellness Centers
  - Day Care and Education
  - Essential Utilities to underserved areas.
- Looking for most benefit with fewest investment dollars...jobs, health care, essential services.

# Tax Exempt Bond Financing

- Restricted to essential governmental services.
- Health care, education, government services.
- Bank Qualified vs. Non- Bank Qualified:
  - \$10MM annual limit.
  - Lower rate from bank as % of loan rate.
  - 67-78% of taxable loan is typical pricing level.
- \$5-10 million minimum transaction due to high issuance costs for legal and banking.
- Bank purchase vs. Variable Rate Demand structure.
- Board resolution to protect future bond opportunity.

# Other Programs for Economic Development

- **USDA direct loans and guarantees:**
  - Utility infrastructure
  - Educational facilities
  - Private enterprise and business development
- **BIA loan guarantees.**
- **Private partners for renewable energy projects.**
- **EB-5 foreign investor loan program:**
  - 5-7 year interest only loans
  - 65% of cost
  - Must create 10 direct/indirect jobs per \$500,000 investment
  - 2 year test after closing

# The Whitman Group LLC

- The Whitman Group LLC was formed in January, 2007 to provide financial advisory services to Native American Tribes, manufacturing companies and not for profit organizations.
- Tom Whitman, the founder and principal of the company, has over 25 years of investment banking experience and has been the lead banker on approximately 500 bond transactions.
- Prior to forming the company, Tom worked with several investment banks, including Banc One Capital Markets and J.P. Morgan Securities.
- Whitman has acted as financial advisor to a Tribal enterprise on new market transactions and is presently working with several Tribal entities on new markets projects.

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