



# COMMONWEALTH DEVELOPMENT AUTHORITY

## WHO WE ARE AND WHAT WE DO

### Our Mission

We provide appropriate financial and technical assistance to facilitate the start-up or expansion of private and public enterprise for their success, the benefit of the Commonwealth's economic welfare and the long term sustainability of CDA.

### Our Vision

Our vision is to revitalize and reposition CDA to perform its mission and achieve an overall vision of economic development for the Commonwealth.

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### Our Agency

The Commonwealth Development Authority (CDA), a semi-autonomous agency of the Commonwealth of the Northern Mariana Islands (CNMI) was established in 1985 to stimulate the economic development of the CNMI. This mandate is carried out thru **the Development Banking Division (DBD)**, which engages in government and public sector activities and the **Development Corporation Division (DCD)**, which engages in private sector activities.

The **DBD** serves as the financial advisor and coordinator to any public borrowing of the CNMI's departments, autonomous public agencies, municipalities, and public corporations, thru Bond and bank financing. The **DCD** via its pilot programs provides direct financing: **1) the Micro Loan Program of \$25,000 and below; 2) the Direct Loan Program of up to \$250,000; and 3) the State Small Business Credit Initiative (SSBCI)**, a bank-driven program. CDA was designated Implementing Agency by the CNMI Department of Commerce in 2012 to administer this Program with funding of \$8.2M allocation from the U.S. Department of Treasury. The objectives are to leverage private lending to increase the amount of credit available to small businesses and strengthen the CNMI's capital access and other innovative credit support programs for lending.

Applicants for the Micro Loan and the Direct Loan Programs may apply directly to CDA, while applicants for the SSBCI Program may apply directly to the SSBCI participating banks, namely: Bank of Guam and City Trust Bank.

The CDA administers and facilitates other investment initiatives, the **Qualifying Certificate (QC) Program** established in 2000 and the **Opportunity Zone (OZ) Program in 2018**. The QC Program provides for certain tax rebates or tax incentives for businesses in the CNMI that meet the Program requirements in return for their investment in the CNMI. Under the OZ Program, investors can defer tax on any prior gains as long as the gains are reinvested in a Qualified Opportunity Fund, a vehicle for investment in Qualifying Opportunity Zones.

Governor Ralph DLG. Torres signed Executive Order (EO) 2020-21 on September 24, 2020, separating **NMHC and CDA. EO 2020-21 provides these agencies the ability to function independently**. The Northern Marianas Housing Corporation (NMHC) became a subsidiary corporation of CDA in 1994.

### Our Board of Directors & Officers

#### CDA & DCD Board of Directors

- Ignacio L. Perez (Tinian)**  
CDA Chairman; Member DCD Board  
(Served up to September 25, 2020)
- Aubry M. Hocog (Rota)**  
CDA Vice Chairwoman; Member DCD Board  
CDA Acting Chairwoman starting September 26, 2020
- Frank Lee SN. Borja (Tinian)**  
DCD Chairman; Member CDA Board
- Kimo M. Rosario (Saipan)**  
DCD Vice Chairman; Member CDA Board  
(Served up to April 1, 2020)
- Vinney Atalig-Hocog (Rota)**  
Member CDA & DCD Board  
(Served up to September 25, 2020)
- Rafael S. Demapan (Saipan)**  
Member, CDA & DCD Board  
(Served up to May 15, 2020)
- Joaquin P. Omar (Saipan)**  
Member, CDA & DCD Board
- Joaquin Q. Dela Cruz (Saipan)**  
Member, CDA & DCD Board  
(Serves beginning June 19, 2020)

#### Officers:

- Manuel A. Sablan**, Executive Director
- Donnie P. Militante**, Comptroller

### Our Locations & Contact Numbers

Saipan at CDA Building, Beach Rd, Oleai  
Tel. Nos.: 234-7145/7146/6293/6245  
Fax No.: 235-7147

Rota at Tamara & Seven Brothers' Building, Songsong Village  
Tel. No.: 532-9408 Fax No.: 532-9409

Tinian at NMC Campus, San Jose Village  
Tel. No.: 433-9203 Fax No.: 433-3690

For more information about CDA, visit us at:

CDA Website: [www.developcnmi.com](http://www.developcnmi.com) Facebook: Commonwealth Development Authority

# PERFORMANCE • WHAT WE DID IN FY 2020

## Development Corporation Division (DCD)

### Micro Loan & Direct Loan Programs

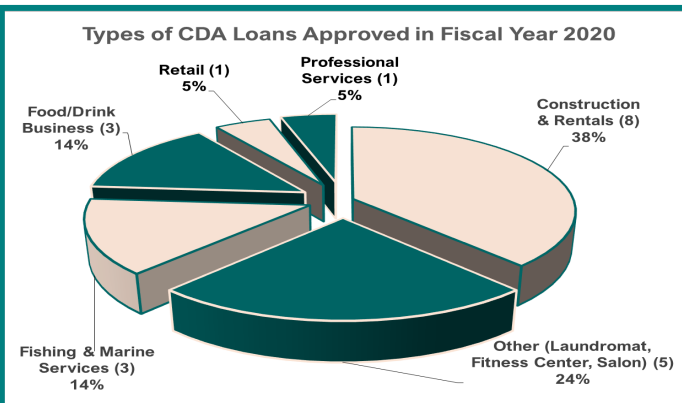
**Micro Loan Program of up to \$25,000** is under the purview of the Executive Director. Interest rates are 4.5% to 9%, with terms of up to seven (7) years. For a complete application, the process has an average loan review and decision time frame of about 5-7 days.

**Direct Loan Program of up to \$250,000**, falls under the purview of the DCD Board of Directors; interest rates at 4.5% to 9% with terms of up to twenty (20) years. For a complete application, the average loan review is 5-7 days and decisions usually rendered within an average of 30 to 45 days.

Despite the devastation from the super typhoons in 2018, disaster recovery in 2019, and the COVID19 public health and economic crisis in 2020, CDA continues to assist our local business entrepreneurs with financing options. Our commitment and actions are presented in the results reflected in the data graphs. In addition, CDA continues to collaborate with the **Tinian leadership, delegation, & stakeholders, and the NMC CREES** to foster economic development on Tinian by supporting the emerging **Tinian cattle and beef industry**.

TOTAL LOANS APPROVED IN FISCAL YEAR 2020		
<b>Rota</b>		
Business Category	Amount Approved	Count
Construction & Rentals	\$185,000	4
Fishing & Marine Services	\$103,000	1
Food/Drink Business	\$16,000	1
Retail	\$3,000	1
Other	\$84,000	6
	<b>\$391,000</b>	<b>13</b>
<b>Saipan</b>		
Business Category	Amount Approved	Count
Construction & Rentals	\$635,000	6
Fishing & Marine Services	\$25,000	1
Food/Drink Business	\$10,000	1
Professional Services	\$50,000	1
	<b>\$720,000</b>	<b>9</b>
<b>Total for FY 2020:</b>	<b>\$1,111,000</b>	<b>22</b>
<b>Total for FY 2019:</b>	<b>\$432,000</b>	<b>16</b>

MICRO LOAN AND DIRECT LOAN PROGRAMS	2019	2020
Loan applications processed	24	28
Loans approved	16	21
Loans closed	12	21
Total amount of loans disbursed	\$432,000	\$637,389
Average interest rate	6%	7%
Average loan review time	5-7 days	6-8 days
Loans cancelled	none	1
Loans approval rate	67%	75%
Performing Loans	96	117*
Foreclosures	3	5
Foreclosed properties sold at auction	none	5



### State Small Business Credit Initiative (SSBCI) - A Bank-Driven Program

**Collateral Support Program (CSP)** enables small businesses to acquire necessary financing that might otherwise be unavailable due to collateral shortfall according to the Lender's analysis. CSP supplies pledged cash collateral accounts to lenders for qualified projects.

**Loan Purchase Participation Program (LPPP)** is designed to assist lenders and borrowers in financing diversification projects. It enables businesses to acquire necessary financing that might be otherwise unavailable due to a cash flow shortage according to the Lender's analysis. LPPP allows for the participation on loans with Lenders for qualified projects.

BANK-DRIVEN SSBCI PROGRAM	2019	2020
Loan applications processed	3	1
Loans approved	3	1
Loans closed	3	1
Total amount of loans disbursed	\$1.13 million	\$300,000
Total amount of collateral support	\$562,500	\$150,000
Loans cancelled	none	none

### Development Banking Division (DBD)

Acting as a financial advisor and coordinator concerning any public borrowing of the Commonwealth, its departments, autonomous public agencies, municipalities, and public corporations, CDA in FY 2020:

- approved the CNMI government **\$25M Pension Obligation Bond, Series 2020A** from Bank of Guam. The Bond was closed on August 18, 2020, and bond proceeds, net of cost of issuance, was remitted to the Settlement Fund as pension payments for FY 2020.
- approved on July 24, 2020, the Commonwealth Ports Authority's (CPA) request to issue Revenue Bonds for **Saipan International Airport Runway Rehabilitation II Project and the Refunding of the 1998 Airport Bonds**, in the aggregate principal amount of not to exceed \$40M.
- approved on May 21, 2020 the **Commonwealth Utilities Corporation's (CUC) request to defer dividend payments** (May to September 2020) under the 2009 Preferred Stock Agreement between CUC and CDA. Deferment ends September 30, 2020.



### Administrative & Personnel

The CDA Board of Directors approved & adopted the CDA Personnel Rules & Regulations (PR&R) in FY 2020, which became effective on September 7, 2020. Public Law 20-87 exempts CDA from the application of the Commonwealth Civil Service Act and shall promulgate its own rules & regulations on personnel hiring and compensation.

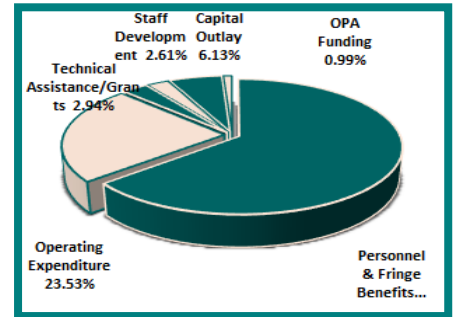
The **DCD Rules & Regulations** were amended to restate, enhance, clarify and simplify the requirements of the existing regulations and are necessary to effectively carry out the intent of the Development Corporation Division. The amendments took effect on September 7, 2020.

## FINANCES • HOW WE USED OUR RESOURCES

### CDA BUDGET 2020

CDA's operation is funded from interest on loans, income from investments, QC annual compliance and application fees, leases and sale of foreclosed properties, and rental income from CDA building. We reduced our FY 2020 expenditures to correspond with the decrease in income and revenues for the Fiscal Year. To assist our borrowers, tenants, and lessees in easing their burden during this period of economic instability because of COVID-19, CDA provided reliefs. On loan payments for eight (8) months beginning March 2020, 50% discount on rents for three months, and three months payment deferment on ground leases starting April 2020.

Budget Item	Budget Amount
Personnel & Fringe Benefits 63.80 %	\$ 977,371
Operating Expenditure 23.53%	360,500
Technical Assistance/Grants 2.94%	45,000
Staff Development 2.61%	40,000
Capital Outlay 6.13%	93,900
OPA Funding 0.99%	\$ 15,168
<b>Total Budget</b>	<b>\$ 1,531,939</b>



Account	FY2020*	FY2019
<b>Revenue</b>	<b>\$ 1,052,999.00</b>	<b>\$ 1,489,098.00</b>
Less: Personnel & Fringe Benefits	859,087.00	979,292.00
Operating Expenditure	308,998.00	356,206.00
Technical Assistance/Grants	21,718.00	21,982.00
Staff Development	18,511.00	34,197.71
Youth Training Program	0.00	1,033.60
OPA Funding	12,000.00	12,000.00
<b>Net Income</b>	<b>\$ (167,315)</b>	<b>\$ 84,387</b>

\*FY2020 Unaudited Report

### FINANCIAL STATEMENTS SUMMARY

Statement of Net Position		
	2020*	2019
Assets	\$ 29,641,699	\$ 28,967,257
Liabilities	7,584,098	6,742,341
Net Position	<u>22,057,601</u>	<u>22,224,916</u>
Liabilities and Net Position	<u>\$ 29,641,699</u>	<u>\$ 28,967,257</u>

\*FY2020 Unaudited report

Statement of Revenues, Expenses & Changes in Net Position		
	2020	2019
Operating Revenues	\$ 842,928	726,856
(Provision for)recovery for loan impairment	210,071	762,242
Net Operating Revenues	1,052,999	1,489,098
Operating Expenses	<u>(1,220,314)</u>	<u>(1,393,461)</u>
Operating Loss	(167,315)	95,637
Non-operating Revenues (Expenses), net	-	(11,250)
Change in Net Position	(167,315)	84,387
Net Position - beginning	22,224,916	22,140,529
Net Position - ending	<u>\$ 22,057,601</u>	<u>\$ 22,224,916</u>

The **Rent-to-Own Home Program** is a continuing effort by CDA to provide affordable, decent, safe, typhoon & seismic proof homes for CNMI residents. This investment portfolio uses a strategic asset allocation that explores untapped markets with a secure and better return for investment (ROI). In Fiscal Year 2020, CDA collaborated with the Department of Public Lands and the Northern Marianas Housing Corporation (NMHC) to identify lots to build the houses. CDA's Rent-to-Own Home Program is now a work-in-progress. The total budget allocation for this program is \$4.8 million.

Despite the struggles brought about by COVID-19 at the beginning of Fiscal Year 2020, CDA continues to assist small business entrepreneurs by providing start-ups funding and additional working capital. The CDA Board of Directors increased its limit to its **Direct Loan Program**, from \$150,000 to \$250,000. Total budget allocation for this Program is \$2.5M.

The CDA Board of Directors approved a \$1M **Line of Credit (LOC) request from the Northern Marianas Housing Corporation (NMHC)** in the mid-part of the fiscal year. The LOC is for initial administrative and planning expenses incurred in the first year of the CDBG-DR Grant (\$244 million) from the U.S. Department of Housing and Urban Development (HUD). CDA & NMHC agreed on a \$500,000 LOC, in July 2020, with a six-month term at 3.5% simple interest. The LOC is secured by a pledge and assignment of rental income from NMHC's properties on Saipan, Tinian, & Rota, and reimbursement of administrative costs from the CDBG funds. The first disbursement was \$121,307 on August 4, 2020.

From **DBD funds**, CDA disbursed a total of \$93,948 for pilot projects. We also provided the CNMI government \$6M to assist in its fiscal challenge and addressing the threats of COVID-19. The Governor invoked his emergency powers and tapped the Commonwealth government's available resources, including autonomous agencies and independent entities.

## CHALLENGES /RECOMMENDATIONS • WHAT TO DO

Since our two issued CCRs, CDA reported similar challenges and will continue to do so until they are addressed. Some were resolved in Fiscal Year 2020 by the Executive Branch and the Legislature. CDA is appreciative of their efforts in addressing these matters despite the pressures in tackling the threats of COVID-19. One, Executive Order 2020-21 addressed the separation of NMHC and CDA, and two, amendment to the travel provision for CDA in Public Law 20-87 is in the works.

The following continue to hamper CDA's ability to carry out effectively its mandates:

1. Overlapping and similar missions concerning economic development and investments, whether foreign or domestic. These have been the most challenging aspects of CDA's ability to foster and stimulate economic growth. We have seen progress from both the Executive and Legislative Branches of our government when CDA participated in some government-private formed partnerships that deal with CNMI's economic activities.

2. Combining the two Boards — the CDA Board of Directors and the DCD Board of Directors are created by the CDA Act (Public Law 4-49). These two Boards function as separate and independent boards even though the same individuals comprise both. The management and the Board of Directors find that acting on matters related to both the DCD and CDA is time-consuming as the process is duplicative of the other. CDA will work with the legislature in

3. The COVID-19 pandemic and the economic ramifications have magnified and accelerated the urgency to explore additional programs, policies, or activities that promote the creation and retention of jobs that facilitate economic growth and provide a stable tax base. This would also help attract and increase investments, encourage entrepreneurship and business expansion, and provide increased capital and financing options.

4. Challenges in foreclosures and after judgment processes. CDA will work with the Legislature in the introduction and passage of a legislation that would -

5. Challenges in the administration of QC Program regarding: a) Compliance — QC beneficiaries fail to meet the deadline because of the late submission of reports from participating government agencies. b) Investment opportunities to all islands — the QC Law was amended to entice prospective investors for Tinian & Rota, both on the application and minimum capital investments including fees which are reduced by 40%. Majority of investments are for Saipan to potentially be able to spread both investment and economic development equally across all islands. c) Minimum investment amount — Inquiries are received from investors who are willing to invest in a new type of industry in the CNMI but with minimum capital investment lower than what is required by Law. CDA recommends

1. To be more effective, CDA recommends bolder collaboration and strengthening of efforts with the Executive and Legislative Branches of the CNMI government; and, to be placed in a position to take the lead. CDA will consult and collaborate with the Department of Commerce to explore the possible amalgamation or integration of certain functions of the Economic Development and Statistics Division of the Department with related CDA functions. A coordinated and centralized economic development office can be best situated within CDA.

2. amending the CDA Act to combine meetings of the DCD Board of Directors and the CDA Board of Directors into one for the purpose of saving time and money since the two boards have the same members.

3. CDA will support the necessary action needed to implement the recommendations from the CNMI Fiscal Response Summit and the Governor's Council of Economic Advisors.

4. a) eliminate deficiency balances on judgment debts after judicial foreclosure and auction of all mortgage assets. Creditors would only be entitled to those proceeds.; and b) amend the right of redemption on foreclosed properties from one year to three months.

5. a) amending the QC Law to include enforcement and penalties on participating government agencies that would delay the beneficiary's timeline in meeting the deadline;

b) reassessing the QC Program – reduce benefits for Saipan and focus on promoting Tinian, Rota & Northern Islands as equally if not more viable communities for investment; and

c) amending the QC Law to provide a minimum investment amount of less than \$1M to qualify for tax relief under the QC Program for new industries and first's in the Commonwealth