



# CDA

COMMONWEALTH  
DEVELOPMENT  
AUTHORITY



2015-2016 | ANNUAL  
REPORT

## MISSION STATEMENT

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 the CDA.

## GUIDING PRINCIPLES

We perform our mission in a courteous, professional, accountable, prudent, efficient and independent manner.

## VISION

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

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# DIVISIONS AND FUNCTIONS

## Development Corporation Division (DCD)

The Development Corporation Division provides loans and technical assistance to small, locally-owned businesses to help stimulate and facilitate economic development in the private sector. The DCD does not compete with any private banks and financial institutions in funding private enterprise, thus, requires applicants to first seek financial assistance from established banks and financial institutions before submitting a loan application to DCD.

### MicroLoan Program \$25,000 and below (Open)

Commercial, Agriculture Marine, Fishing and Green Energy Loans	-	4.5% Interest Rate Per Annum
All Other Loans	-	5.0% Interest Rate Per Annum

CDA is the contractor of the CNMI Department of Commerce to implement the State Small Business Credit Initiative (SSBCI) program. The two programs approved for the CNMI include:

### Loan Purchase Participation Program (LPPP)

LPPP is designed to assist lenders and borrowers in financial diversification projects. This program enables companies to acquire necessary financing that might otherwise be unavailable due to a cash flow shortage according to the lender's analysis. The LPPP will participate on loans with lenders to pursue this goal for approved projects.

### Collateral Support Program (CSP)

The CSP enables small businesses to acquire necessary financing that might otherwise be unavailable due to collateral shortfall according to the lender's analysis. The CSP supplies pledged cash collateral accounts to lenders to achieve this goal for approved projects.

## Development Banking Division (DBD)

The Development Banking Division carries out government and public sector activities, such as the financing of capital improvement projects and holding of U.S. economic assistance as provided by Section 702(c) of the Covenant.

## Qualifying Certificate

CNMI Public Law 12-32, as amended, established the Qualifying Certificate Program to promote continued economic development in the CNMI. A "Qualifying Certificate" is a contract valid for a given period of time, approved and granted by the Governor upon recommendation of the Commonwealth Development Authority Board, between the Government of the Northern Mariana Islands and the Beneficiary. In return for investment in the CNMI, the beneficiary qualifies for certain tax rebates and/or abatements.





## BOARD OF DIRECTORS



**IGNACIO L. PEREZ**  
*CDA Chairman  
DCD Member*



**DIEGO M. SONGAO**  
*CDA Vice Chairman  
DCD Member*



**AUBRY M. HOCOG**  
*DCD Chairwoman  
CDA Member*



**DAVID S. DEMAPAN**  
*DCD Vice Chairman  
CDA Member*



**A. KODEP OGUMORO**  
*CDA/DCD Member*

# MESSAGE FROM THE CHAIRMAN

## *To the People of the Commonwealth:*



**H**afa Adai! We are pleased to report that the Commonwealth of Development Authority (CDA) had another two years of modest growth despite challenges in the global economy and here at home; in particular, the two major disasters that hit our islands in 2015 — the undersea cable breakdown in July that cut all communications to and from the CNMI and Super Typhoon Soudelor in August that caused widespread damage in Saipan. In spite of uncertainties to recover, we did not waiver nor despair, we survived and thrived evidenced of strong leadership, effective management team and public-private partnership efforts.

On September 18, 2015, CDA reached its 30th year. Illustrations of our humble accomplishments for the last thirty years are shown in the pages that follow. To summarize, we recognized some of the major issues and have taken steps to address them. We explored how to run our agency more effectively and adopted at new ways. We became more entrepreneurial in administering our programs and evaluated the quality of services that we provide. We acknowledged that an extensive analysis of the underlying issues and effective communication with our stakeholders will lead to a more balanced approach in dealing with problems thus achieving our long term goals and objectives.

For fiscal years 2015-2016, on our Development Corporation Division (DCD), even at reduced earnings and repayment of borrowers due to a payment moratorium we extended to our borrowers in the latter part of 2015, CDA opened up its Microloan Program for private sectors. The strict collection efforts we started a couple of years ago produced positive results which we expect to continue. Our cash position doubled from \$3,867,561 in the beginning of FY 2015 to \$7,280,353 at the end of FY 2016. The Board of Directors decided to start the Micro Loan Program with an initial funding of \$750,000 and easy-to-comply requirements, away from the usual and in-depth loan application process to support small scale businesses. Loans are for up to \$25,000 and below with an interest rate of 4.5% to 5% with a maturity of five (5) years.

Thru the State Small Business Credit Initiative (SSBCI) Program of the U.S. Department of Treasury via the CNMI Department of Commerce and in partnership with local banks, CDA, as the implementing agency, was able to assist small businesses and manufacturers, including minorities and under-privileged entrepreneurs obtain financing that is beyond CDA's \$25,000 loan threshold.

On the Development Banking Division (DBD), the outstanding issue on the Commonwealth Utilities Corporation's (CUC) annual dividend payment on preferred stock was addressed. In early part of 2016, the CDA Board of Directors approved the payment plan offered by CUC to settle the outstanding dividend payment owed CDA pursuant to the 2009 Preferred Stock Agreement; dividend payments to begin November of 2016.

# AND THE EXECUTIVE DIRECTOR

CDA continues to fund capital improvement projects via interest earned from the \$140M Bond Issue. In fiscal years 2015 & 2016, CDA earned \$256,489.16 in interest. A total of \$204,517.00 in construction and improvement of CIP projects in Rota and Saipan are on-going.

On our Qualifying Certificate (QC) Program, in fiscal year 2015, one applicant was granted a QC; the Saipan Real Estate Developer Corp. Ltd. dba Ocean Vista Resort (OVR). In fiscal year 2016, Alter City Group Inc. dba Plumeria Golf & Casino Resort was granted the same. Most of the benefits granted are capped.

Over the years, we are mindful of our operational expenses. CDA had depended on its own revenues to support its operations. In fiscal year 2015, operating expenses decreased by \$45,533 or 4% compared to fiscal year 2014. However, in fiscal year 2016, operating expenses increased by \$63,768.87 or 6% compared to fiscal year 2015. The increase is the result of reopening our Tinian Office with a corresponding increase in personnel costs. DBD's expenses were paid to DCD to cover shared costs.

To better achieve our goals and objectives, especially with new lending programs in place, we continue to support personal development of staff and advancement of good governance among our board members. CDA takes every opportunity to remain in the leading edge to promote economic development and provide expanded and improved services.

We are extremely proud of our achievements in thirty one (31) years and strongly believe that we are ready for new challenges. Challenges are new opportunities that CDA faces to succeed. And CDA's success is founded upon the law that created this organization; the dedication of each employee, the commitment of the Board of Directors, the cooperative and supportive attitude of all to do a job well. And, the trust and confidence that we earned from our stakeholders.

On behalf of the CDA Board of Directors, the management and staff, we thank you for your support and we hope to continue to serve you with transparency and integrity.

Si Yuus Ma'ase!



**IGNACIO L. PEREZ**  
Chairman, CDA Board of Directors



**MANUEL A. SABLAN**  
Executive Director





# HIGHLIGHTS



## 2015

In the early part of 2015, the CDA Board of Directors approved and established the Micro Loan Program, with minimum terms and easy to follow requirements. Qualified applicants can borrow as much as \$25,000 and below for startups and expanding businesses in manufacturing, retail or wholesale, agriculture, marine & fishing, and green energy loans at 4.5%-5% interest rate per annum for five (5) years. Total loans approved for fiscal year 2015 was \$71,100.00.

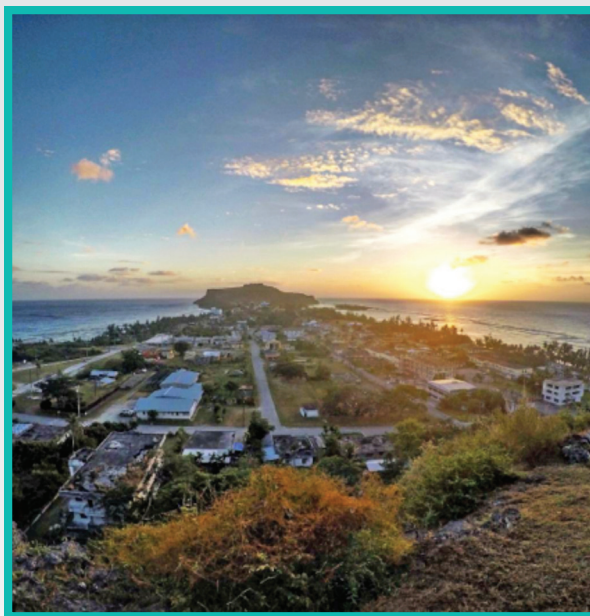
Also in January, CDA launched a “rotation curation account” — @wearecnmi — on the photo and video-sharing platform Instagram. Hosted by Economic Development Analyst Carline B. Sablan, this will allow a new host to represent the community by taking turns each week posting photos that “feature how we live, work and play in the CNMI.” CDA’s objectives with the project are to document through photos and videos what life is in the CNMI. It is to encourage involvement, celebrate diversity, build community pride, and increase visibility of the CNMI as a place to stay, visit and do business.

On April 28, 2015, the CDA Board approved CDA Board Resolution 2015-002 memorializing CDA Board’s approval

of Saipan Real Estate Developer Corp. Ltd. dba Ocean Vista Resort (OVR) Qualifying Certificate (QC) application. OVR proposed to construct and operate a Resort Hotel in Capitol Hill with a minimum capital investment of \$45M. The QC was signed by the Governor on May 14, 2015. Benefits under its QC are rebate on BGRT subject to cap and rebate on Alcoholic Beverage Tax, subject to cap, both for ten (10) years. Likewise, in August of the same year, the Governor approved and signed OVR’s request for amendment to its QC providing for an abatement on the Developer Infrastructure Tax, capped at \$771,000. In exchange of its investment, OVR shall abide by QC requirements and conditions; one of which is to spend \$150,000 in public contributions.

In mid part of 2015, the CDA Board of Directors passed two resolutions authorizing two local banks, the Bank of Guam and City Trust Bank, as Depository Banks for the State Small Business Credit Initiative (SSBCI) funds. SSBCI funds are deposited in the bank as collateral for SSBCI loans. Fourteen (14) loans were approved for FY 2015 amounting to \$3,153,671.00; \$1,248,621 was with Collateral Support Program (CSP) while \$236,268.00 was with Loan Purchase Participation Program (LPPP). The remaining was financed by local banks.

# HIGHLIGHTS



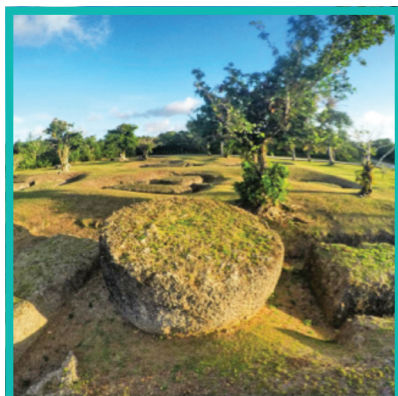
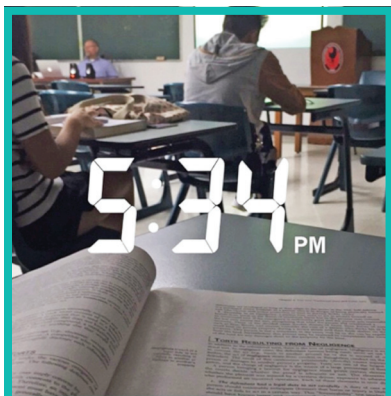
Days after Super Typhoon Soudelor hit the Commonwealth on August 2, 2015, and immediately after the President of the United States and Governor of the CNMI declared the Commonwealth a major disaster, the Board of Directors of CDA provided relief to CDA clients. CDA clients were given three (3) months moratorium on loan payments and all accruing interests during that period ceased.

Under CDA's Development Banking Division, CDA continues to fund small capital improvements projects. \$1.052 million of CIP funds was disbursed for projects in FY 2015.

In support of personal development, four of our employees enrolled in a two-day Profit Mastery Workshop, held in Saipan from November 13 to 14, 2014, sponsored by Saipan Chamber of Commerce and the CNMI's Department of Commerce Small Business Development Center (SBDC). Titled "Creating Value & Building Wealth", the workshop provided easy steps in understanding

financial statements and in measuring and managing one's business financial assets.

From June 18-19, 2015, one of our senior staffers attended the Workforce Development Training in Saipan entitled "One Community CNMI" and organized by the U.S. Attorney General of Guam, Attorney General of the CNMI and the Diverse Community Outreach Coalition. The training covered topics such as engaging the community in crime prevention, strengthening protections for vulnerable populations, and reentry efforts through workforce development strategies. It also discussed grants and funding resources, integrating effective job training and retaining strategies for workforce through employer-focused programs, working with senior citizens and persons with disabilities, working with veterans and service members, integrating evidence-based practices and therapeutic communities and other topics that relate to legal and judicial process.





# HIGHLIGHTS



## 2016

In early part of Fiscal Year 2016, members of the CDA Board attended Fi360 training and Pacific Region Investment Conference held in Manila, Philippines. The training and conference brought greater organizational skills and increased performance among the members.

On the Development Banking Division (DBD), the CDA Board of Directors, on February 26, 2016 approved the payment plan for the settlement of the Commonwealth Utilities Corporation (CUC) outstanding dividend payments owed CDA pursuant to the 2009 Preferred Stock Agreement with conditions. CUC offered to assign the payments that it anticipates to receive from the Public School System (PSS) under the PSS/CUC Settlement Agreement. The offer was for \$3.8 million payable in monthly installments of \$100,000 per month and to apply the monthly payment against the amount owed by CUC to CDA on the outstanding dividend payments as of October 1, 2016. With respect to dividend payments for the period after October 1, 2016, CUC assures CDA that it will provide CDA with a payment plan showing the funding source.

As part of its mandate, on February 26, 2016, the CDA Board of Directors approved PSS borrowing from United States Department of Agriculture (USDA), the amount not to exceed \$3M. The loan will be used to build additional classrooms, Early Head Start Centers, and paving of roads and parking lots at its facilities in Rota and Tinian. On July 18, 2016, the CDA Board of Directors approved the borrowing of the CNMI Government of a direct loan in the amount of \$12 million to fund various Judiciary related capital improvement projects in Saipan, Tinian and Rota and for paying off the Judiciary's principal and accrued

interest balance of the original Judicial Building due to the Northern Mariana Islands Settlement Fund.

More on DBD, in fiscal year 2016, a total of approximately \$1.5 million was disbursed for CIP projects for Saipan, Rota & Tinian.

On March 2, 2016, Governor Ralph DLG. Torres signed a proclamation commemorating the 30th Anniversary of CDA. CDA reached its 30th year on September 18, 2015, but due to the two major disasters that hit the CNMI in July and August, the Board of Directors decided to postpone the celebration and scheduled it in March of 2016.

On March 16, 2016, the CDA Board of Directors approved the Qualifying Certificate (QC) application of Alter City Group Incorporated (ACGI) dba Plumeria Golf & Casino Resort in Tinian. Benefits granted were: 100% abatement on excise tax through completion of Phase 3 of the Project and capped at \$17,600,000; rebate on BGRT subject to cap and rebate on Alcoholic Beverage Tax subject to cap. Benefits are from years 1 to 15. On August 15, 2016, the Governor granted ACGI a modification of its QC – 100% abatement of Excise Tax for construction materials subject to cap, from effective date of QC through completion of Phase 3 of the Project or July 2028. Modifications were also approved on BGR and Alcoholic Beverage Taxes. QC conditions apply.

The CDA in partnership with PSS, the Hyatt, IT&E, Bank of Hawaii and the Saipan Chamber of Commerce conducted a Junior Achievement Program workshop in February of 2016 that ran for fourteen (14) weeks. Its objective was to encourage students to focus on entrepreneurship. Four schools participated in the workshop — Marianas High

# HIGHLIGHTS



School, Kagman High School, Southern High School and Mount Carmel High School. The students were taught how to create a business entity starting with capitalization and then selling of its products. Brainstorming was also conducted to figure out what kind of products or services they were going to make or provide. The students were judged based on how they put their business plans together, prepared an annual report for the shareholders, designed their commercials and developed marketing strategies for their products. At the end of the program, the students were given the opportunity to showcase their work on a Thursday Night Street Market in Garapan held on March 31, 2016.

In partnership with the Department of Commerce Small Business Development Center (SBDC), CDA offered free business workshops – “How to Write a Business Plan” on February 12, 2016 in Tinian and February 19, 2016 in Rota. The seminar was designed for three M's: Money, Management and Marketing. Participants were provided with a sample business plan, sources of industry, research information and were introduced to online business planning tools that are accessible at any time through an internet-enabled PC.

On March 18, 2016, in partnership with the Northern Marianas College, CDA sponsored the first Business Plan Competition at the Gov. Pedro P. Tenorio Multi-Purpose Center in Susupe, Saipan. Students from NMC business plan class competed for a \$1,000 scholarship and a perpetual trophy. The winner was announced at CDA's luncheon on March 31, 2016.

On March 22 and 23, 2016, a repeat of the Profit Mastery seminar; “Creating Value & Building Wealth” was conducted in Saipan. Sponsored by Saipan

Chamber of Commerce and CDA, the seminar was highly recommended to CDA clients. CDA employees and members of the Board who have not attended a Profit Mastery seminar in the past, participated. The seminar was well-attended. Participants learned new analysis tools – utilizing a case study, application-driven format that delivers an eye-opening, and uniquely powerful perspective on business performance.

The first-ever 2016 Business and Finance Conference of the CNMI, sponsored by Bank of Guam, CDA and Saipan Chamber of Commerce was held on September 15 and 16 of 2016, at the Saipan World Resort. The conference included topics that talked about small businesses, the difficulties encountered in establishing one, and how they are to thrive in the changing business climate of the CNMI. The two-day conference was well attended with CNMI business owners, entrepreneurs, aspiring business and those who were interested in learning more about lending opportunities in the CNMI. Employees and the Board of Directors of CDA also participated in the conference.

For Fiscal Year 2016, nineteen (19) SSBCI loans were approved, totaled \$4,998,500.00 with \$2,231,750.00 Collateral Support; \$214,000.00 Loan Purchase Participation and the difference financed by banks.

The CDA introduced a new logo – an insignia of progress. It portrays CDA's accomplishments that will continue to be accomplished in the years ahead. As part of CDA's 30th year celebration, we came up with five designs for selection. The five designs were ranked by Stakeholders, visitors and clients who visited our offices on Mondays' open house throughout the month of March 2016. The top three designs selected were presented to the CDA Board for final selection on March 30th.





# CDA'S 30<sup>TH</sup> ANNIVERSARY



## CELEBRATING THE PAST

In March 2016, CDA held a month-long celebration of CDA's 30th Year Anniversary. On March 1st, Governor Ralph DLG. Torres signed a Proclamation commemorating March – April 2016, the 30th Anniversary of the Commonwealth Development Authority. Activities for the month included interview at KKMP, press releases and advertisements of CDA's programs, open house on Mondays throughout the month of March, stakeholders' meeting in Saipan, Rota and Tinian, business plan competition, profit mastery workshop, CDA logo competition, and Junior Achievement Company Program competition and Trade Fair. The anniversary celebration ended on March 31st with a luncheon at Saipan World Resort. CDA highly



recognizes the services of its board members whose terms expired the previous year and paid tribute to its past board members and employees for the last 30 years. CDA extended its appreciation to its partners in business, public and private sectors alike.

## COMMONWEALTH DEVELOPMENT AUTHORITY September 18, 1985 to September 18, 2015

Under the Covenant to Establish a Commonwealth of the Northern Mariana Islands in Political Union with the United States of America (U.S. Public Law 94-241), the people of the Northern Mariana Islands (NMI) and the United States of America desire to improve their beneficial relationship, and to develop the economic resources referenced in the first Section 701 Covenant Funding needed to meet the fiscal responsibilities of self-government in the NMI.

On July 10, 1985, in accordance with U.S. Public Law 99-396, the NMI and the Department of the Interior entered into a Special Representatives Agreement for the second seven-year period of guaranteed annual direct grant assistance for the Northern Mariana Islands. Section 3(f) of the Agreement provides that the Government of the Northern Mariana Islands shall ensure the continued administration of capital development funds by an autonomous public agency of the Northern Mariana Islands. Such administration shall include

# CDA'S 30<sup>TH</sup> ANNIVERSARY

the coordination and approval of all public financing of capital improvement projects and economic development activities. On September 18, 1985, the Commonwealth Development Authority (CDA) was established by Public Law 4-49 also known as the "CDA Act".

The flow of the first seven year Covenant funding started in 1978 for economic development loans. From fiscal year 1978 thru fiscal year 1984, a total of \$20,050,000 was allotted to the Economic Development Loan Fund also known as EDLF; \$2,864,000 went to housing projects administered by then the Mariana Islands Housing Authority now known as the Northern Marianas Housing Corporation (NMHC). Previous to becoming the CNMI-EDLF, U.S. Public Law 92-257, an Act Relating to the Trust Territory of the Pacific Islands (TTPI) Section 1, created a total fund of \$5,000,000, for a government entity thereafter was known as the Trust Territory Economic Development Loan Fund (TT-EDLF). On December 31, 1976, Memorandum of Understanding No. 2 was signed separating the Northern Marianas Government from the Trust Territory Government; the TT-EDLF became the Northern Mariana Islands Economic Development Loan Fund (NMI-EDLF or CNMI-EDLF). During the second seven-year Covenant funding, CDA was allotted and received \$4,343,497 for economic development loans.

After its establishment on September 18, 1985, and via CDA Board Resolution, on September 26, 1985, the CDA inherited all functions, assets, liabilities and personnel of EDLF. Simultaneously, the same day, the CNMI-EDLF Board of Directors transferred to CDA all its functions, assets, liabilities and personnel.

As provided for by the CDA Act, CDA has two functions: the Development Corporation Division (DCD) which generally serves the private sectors and the Development Banking Division (DBD) that generally serves the public sectors. In December of 2000, by an act of the Legislature, Public Law 14-32 entitled the "Investment Incentive Act of 2000" was passed creating the Qualifying Certificate Program under the administration of CDA. The program provides for certain tax rebates or tax incentives

for businesses in the Commonwealth that qualifies under the program in return for their investment in the CNMI. Since its inception, CDA is governed by a seven (7) member Board of Directors, appointed by the Governor and confirmed by the Senate of the Commonwealth Legislature. The Board hires an Executive Director who manages and oversees the day-to-day operations of the CDA. By Law, CDA is limited to 15 employees, excluding the Executive Director and the Comptroller positions.

Throughout our thirty years of existence, we revitalized and repositioned CDA to perform its mission and achieve an overall vision of economic development for the Commonwealth. CDA's biggest triumphs for the last 30 years:

- the issuance of the General Obligation Bonds (GOB) - the \$140M in 1986. Following the successful completion of 702 negotiations in 1985, a comprehensive Master Plan for the CNMI was completed, with bonds issued by CDA in August 1986, the \$140M GOB, to cover the construction of \$140 million in capital improvement projects. As the custodian of Covenant funds for these projects, CDA became ultimately responsible for their expenditures. With the required legislative approvals in place, CDA provided \$6.5M grant funds to PSS, \$7.4M to the Office of the Governor, a total of \$61.50M to CUC, and \$13.5M to CPA. On October 1, 1992, the \$140 GO Bonds was brought to a successful conclusion and Bondholders were paid in full. Because of CDA's prudent administration of the Bond Issue and the related trust, the Bonds earned \$28.2 million of capital gains and interest. These earnings were made available for capital improvement projects, from 1992 to date. In 1998, CDA approved CPA's floatation of Revenue Bonds to upgrade its airport and seaport facilities. In 1999, CDA worked with PSS to secure a \$15.6 million in bonds for the modernization, maintenance and classrooms' replacement. CDA issued two more Bonds; the \$60M Bond in 2000 to fund more of the capital improvement projects and the \$40M in 2003 for payments to land claims owed





# CDA'S 30<sup>TH</sup> ANNIVERSARY

by the CNMI government to private landowners and for completion of prison facility in Saipan. In 2005, CDA again approved CPA's floatation of \$7.225M Revenue bonds for certain capital improvements at its seaports. In 2007, the \$40M and the \$60M Bonds were refunded which enabled the CNMI to reduce its debt service by \$7.4 million over the life of the outstanding bonds.

- the infusion of approximately \$50M of fresh capital in local businesses and industries via direct loans and more than \$130M in loans to public sectors. The principal fund source for CDA are from the 702(c) Covenant Funding from the U.S. government and from loan repayment of CNMI-EDLF loan portfolio. Interest earnings from loans and investments are additional source of funding for CDA's activities including operations. There is no legislative appropriation to finance the administration and operation of CDA from the general fund of the CNMI government.

To supplement its loanable funds, CDA in the past partnered with Small Business Administration and provided loans totaling \$500,000 to small business entrepreneurs. And, for increased support for small businesses, CDA also partnered with the Pacific Islands Development Bank and became its facilitator for business loans in the CNMI. In 2010, CDA thru the CNMI Department of Commerce applied for \$13M of State Small Business Credit Initiative Program (SSBCI). The SSBCI is a federal program that was funded with \$1.5 billion to strengthen States' capital access programs and other innovative credit support programs that support lending to small business and small manufacturers. Approved on February 27, 2012, the U.S. Treasury allocated \$13M of SSBCI funds to the CNMI; \$4.6M for the Loan Purchase participation Program and \$8.5M for the Cash Collateral Support Program. CDA acts as the Implementing Agency while the Department of Commerce is the Responsible Agency for the CNMI.

On March 12, 2014, the CNMI received the first disbursement of \$4.3M

- the granting of technical assistance funding to private and public sector agencies. CDA, for the last thirty years helped improve the CNMI economy. CDA assist in sponsoring business workshops and seminars, in funding and participating in economic development conferences.

CDA also participated in roundtable discussions and dialogues with federal agencies and foreign investors. It also provided grants to government institutions involved in tourism and economic activities and to local organizations that promote development of local industries. To name a few; CDA co-sponsored with the Marianas Visitor's Authority the development of Tourist Impact Study, co-sponsored with the Saipan Chamber of Commerce seminars and conferences and noteworthy was the Economic Development Priorities, a Blueprint for Good Growth in 1980s; co-funded the CNMI Hydroponic Project in 1990s, a joint effort that the Department of Commerce and Labor, Northern Marianas College and CDA designed to test the economic and agricultural feasibility by applying the latest hydroponic technology to the production of vegetables in the CNMI; CDA expanded its technical services and pilot projects by soliciting the services of Northern Marianas College Business Development Center and the Pacific Business Center Program, University of Hawaii at Manoa. In March 1999, CDA published the first-ever "Investment Guide to the Northern Marianas". The publication was launched at the CNMI's Economic Conference held on March 18, 1999. In 2003, CDA published and released "Setting -Up Business in the CNMI: A Guide for Investors." The guide brings together in one cover general procedures and issues related to business established in the CNMI.

- CDA held two "Dialogue on CDA Matters" also called "The Stakeholder's Meeting" hosted by the CDA Board of Directors. The first one in December of





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2007 and the second one in October of 2010. This informal meeting with clients allowed them to bring up their concerns and issues before the Board. As a follow up, CDA Board members and staff met with some of its clients and government officials to address their concerns and issues.

- since QC Program's inception in 2002 thru 2014, total direct economic benefits of the Program to the CNMI was \$186,545,802. Capital investment created totaled \$122,796,025 and value of tax benefits totaled \$5,595,049. There are five (5) active applicants to date. Most QCs issued have expired and beneficiaries received their benefits while others were either cancelled or not accepted.

## LIVING OUR PRESENT

**G**rowth and improvements were apparent in most aspects of CDA. On our Development Corporation Division, the financing arm of the Authority, we expanded our services by a combination of opportunities — new loan programs and rehabilitation of struggling clients. Our efforts via telephone calls, site visitations and one-on-one counseling sessions with clients enabled us to increase collections and achieve our underlying goal of increasing borrower's awareness. We brought on board new staff; two-highly skilled and capable individuals filling the positions that were critical in increasing demands to service the department.

Thru our Micro Loan Program, with an initial funding of \$750,000, in 2015 and 2016, sixteen (13) loans were approved totaling \$144,100.00. Thru the SSBCI Program and the local banks' participation, thirty-three (33) businesses were assisted and funded; loans ranging from \$25,000 to \$1.5 million. By the end of fiscal year 2016, a total of \$8,152,171.00 loans were approved with SSBCI support.

We engage in evaluative and critical dialogues about our

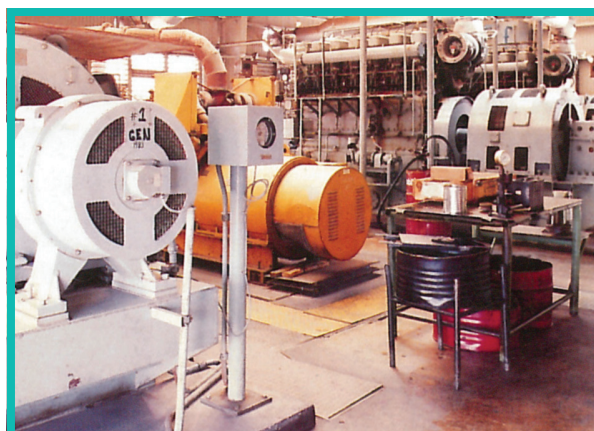
actions to cure delinquency. We engage in Court battles, which is aimed to not only help our clients "stop the bleeding", but also to maintain our capability in lending. We addressed criticisms and took important steps to protect CDA's interest and integrity. The increase in our cash position for DCD is definitive of the efforts we employed in collection.

On DBD, our struggle over the years to restore the CIP Revolving Loan Fund came into fruition. CUC offered and CDA accepted a payment plan for the settlement of CUC's outstanding dividend payment. The outstanding dividend amount owed CDA on its preferred stock of \$45M is \$4.32M. Today, CUC is making timely payments.

On our QC department, two major developers; one in Saipan and one in Tinian availed of tax benefits offered by the QC Program. The two QCs were modified for additional tax benefits; the Saipan Real Estate Developer Corp. Ltd. dba Ocean Vista Resort QC in Saipan was approved in May and modified in August 2015. OVR proposed investment is \$45M. The Alter City Group Inc. (ACGI) dba Plumeria Golf & Casino Resort in Tinian was approved in April and modified in August 2016. ACGI proposed investment is \$1.7B. Today, our QC Senior Staffer is reviewing the beneficiaries' standing; whether or not they are in compliance of the conditions of their QC.

What started in 2013 as a proposition is now an on-going and continuing discussion between the CNMI Executive Branch, the CDA, the Bond Underwriter and the Financial Advisor – the floating of Pension Obligation Bonds. The recommendation was to place POB Bonds in private placement to reduce the reporting requirements.

CDA continues its dialogue with its clients and held Stakeholders' meeting in March of 2016; in Tinian on March 8th; in Saipan on March 10th and in Rota on March 16th. In the panel were the Executive Director, the Loan Manager, and the Board of Directors. The employees were present as well and coordinated the question and answer portion of the Dialogue.



# CDA'S 30<sup>TH</sup> ANNIVERSARY



## PREPARING THE FUTURE

**Q**uoting a statement from one of our former Executive Directors, *“CDA’s annual report reflects the authority’s accomplishments and its financial condition. The reflection is much like what one sees in the rear-view mirror as one drives down the road: You see where you’ve been. CDA has proven itself to be a respected developmental financial institution. Providing financial assistance to many investors that had special needs that could not be met through the commercial banking industry. While looking in the rear-view mirror is important, even more important is looking through the windshield to see where one is heading. Now is the time to envision where CDA is going and how it will accomplish these goals.”*



CDA, thru the support of the Administration and the Department of Commerce will continue to solicit

increased participation of commercial banks in the SSBCI Program. What we foresee to accomplish when we pursue this funding in 2010, is to turn the \$8 million received from the \$13 million allocation ten-fold. If the entire allocated funds were deployed, CDA estimates a total of 3,300 jobs to be created. To date, more than 800 jobs have been created and or retained; 474 in 2015 and another 326 in 2016. This alone will have a big impact in the economy of the CNMI.

The private/public partnership with lenders is the future of CDA, the Independent Loan Review Committee under this program will be continued. In the pipeline are inquiries for funding: scuba business, pizza restaurant, supermarket, retail clothing store and laundromat/grocery store.



# CDA'S 30<sup>TH</sup> ANNIVERSARY



The SSBCI design is an excellent model to emulate. CDA management and the Department of Commerce have agreed that CDA should utilize its own funding separately but using the same program designs – Collateral Support Program (CSP) and Loan Purchase Participation Program (LPPP). Where the CNMI government determines there is a need that is currently not permitted nor allowed under the SSBCI program such as apartments and commercial building complexes, the local funds or CDA funds could be used to support these projects. The two funding sources can work side by side separately addressing separate needs but also complementing where there are gaps.

CDA is working closely with the Administration in the floatation of Pension Obligation Bonds, of up to \$45M. \$45M will go directly to the Settlement Fund to cover the Fiscal Year 2018 government's obligation to its retirees. CDA and the government may float additional bonds, in small amounts, to augment this obligation.

Additionally, CDA, in collaboration with the Administration and other government agencies, will evaluate and prioritize the CNMI's infrastructure needs. With the increase in economic activities such as the construction of hotels, condominiums, restaurants, casinos, including apartments and commercial buildings, we need to upgrade and improve our infrastructures, such as power, water, sewer and wastewater. However, the financing of future

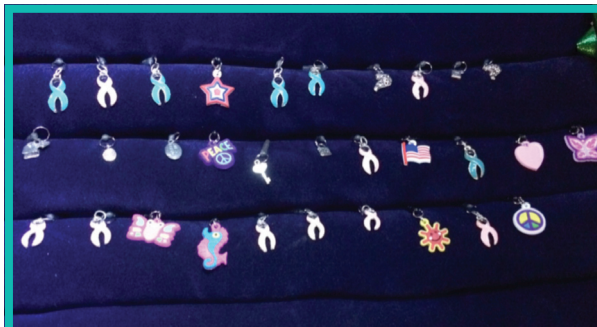
infrastructure shall require creative financing, including bonds and equity infusion, or a combination of the two. CDA plans to meet this challenge.

The private ownership of safe, affordable homes is a sector of the CNMI economy that has not been fully met. CDA will work hand in hand with its subsidiary corporation, the Northern Marianas Housing Corporation, move families into home ownership in the coming years. Again, we need the support of the current administration, the legislature and other government agencies to achieve this objective.

CDA will take active participation in community events and will reach out more to potential investors. We have upgraded and expanded our website and provided virtually all information that a potential investor would wish to know about doing business in the CNMI. We hope our efforts will result in added economic activities in the CNMI.

In the area of operations, we will continue to support and enhance our employees' personal development, review and upgrade our policies, cross trained employees to ensure efficient services and improved reporting procedures to allow closer monitoring and follow-up of clients' progress.

However difficult future challenges may be, CDA will persevere. Our success is built on our commitment to being a facilitator of economic growth and prosperity.



# CIP PROJECTS

## 2015 COMPLETED PROJECT

### SAIPAN

- Renovation of Capitol Hill Building
- Procurement of thirty (30) hospital beds and two (2) ICU Beds with two (2) birthing beds
- Rehabilitation of San Antonio Basketball Court & Amenities
- Procurement of two (2) 66-Passenger School Buses
- Paving & Upgrade of the Administration Building Parking Lot, Capitol Hill
- Procurement of Used 1999 Bucket Truck - Office of the Mayor of Saipan
- Repainting of Governor's Office and the Mailroom

### TINIAN

- Renovation and Improvement of the Tinian Health Center

### ROTA

- Construction of the Walkway Canopy at Dr. Rita Hocog-Inos Junior/Senior High School

## 2016 COMPLETED PROJECT

### SAIPAN

- Procurement of Skid Steer Loaders Heavy Equipment for the Office of the Mayor of Saipan
- Renovation and Improvement of the Office of the Attorney General, Susupe

### TINIAN

- Renovation and Improvement of the Department of Public Safety Building

### ROTA

- Construction and Renovation of Bus Shelters
- Procurement of Air Conditioning Units for the Office of the Mayor

# MICRO LOAN PROGRAM

DATE APPROVED	SENATORIAL DISTRICT	PURPOSE OF THE LOAN	AMOUNT
<b>FY 2015</b>			
6/12/15	Saipan	Retail	25,000.00
6/26/15	Saipan	Multi-level Marketing	3,000.00
6/26/15	Saipan	Multi-level Marketing	1,100.00
6/26/15	Saipan	Multi-level Marketing	1,000.00
7/27/15	Saipan	Multi-level Marketing	3,000.00
7/27/15	Saipan	Multi-level Marketing	1,500.00
8/21/15	Tinian	Fishing	10,000.00
8/28/15	Saipan	Multi-level Marketing	1,500.00
8/28/15	Saipan	Fishing	25,000.00
<b>Total Loans approved for Fiscal Year 2015 (9 Loan Requests)</b>			<b>71,100.00</b>
<b>FY 2016</b>			
2/3/16	Saipan	Retail	25,000.00
2/22/16	Saipan	Retail	25,000.00
8/10/16	Saipan	Counseling Services	20,000.00
9/28/16	Tinian	Farming	3,000.00
<b>Total Loans Approved for Fiscal Year 2016 (4 Loan Requests)</b>			<b>73,000.00</b>
<b>TOTAL LOANS APPROVED FOR FY '15 &amp; FY '16 (13 LOAN REQUESTS)</b>			<b>\$144,100.00</b>

# STATE SMALL BUSINESS CREDIT INITIATIVE LOAN PROGRAMS

DATE APPROVED	SENATORIAL DISTRICT	PURPOSE OF THE LOAN	SSBCI		BANKS' PARTICIPATION
			CSP*	LPPP**	
<b>FISCAL YEAR 2015</b>					
12/17/14	Saipan	Air conditioning	\$ 600,000.00	\$ 300,000.00	\$ 300,000.00
1/13/15	Saipan	Restaurant	63,000.00	23,621.00	39,379.00
1/13/15	Saipan	Fishing	50,000.00		20,000.00
3/19/15	Saipan	Restaurant	150,000.00	75,000.00	75,000.00
3/19/15	Saipan	Construction	400,000.00	200,000.00	200,000.00
6/17/15	Saipan	Catering Services	50,000.00	25,000.00	25,000.00
6/17/15	Saipan	Grocery/Wholesale	50,000.00	25,000.00	25,000.00
6/17/15	Saipan	Dental Clinic	250,000.00	100,000.00	150,000.00
7/7/15	Rota	Bottled Water Company	150,000.00	75,000.00	75,000.00
7/7/15	Rota	Coconut Product Manufacturer	150,000.00	75,000.00	75,000.00
7/22/15	Saipan	Bakery	400,000.00	200,000.00	200,000.00
7/22/15	Saipan	Bakery	250,000.00	125,000.00	125,000.00
9/3/15	Rota	Grocery/Wholesale	540,671.00	216,268.00	324,043.00
9/3/15	Rota	Grocery/Wholesale	50,000.00	25,000.00	25,000.00
<b>Total Loans Approved for FY 2015 (14 Loan Requests)</b>			<b>3,153,671.00</b>	<b>1,248,621.00</b>	<b>236,268.00</b>
<b>FISCAL YEAR 2016</b>					
10/15/15	Saipan	Fitness Center	55,000.00		22,000.00
10/15/15	Saipan	Restaurant	100,000.00	50,000.00	50,000.00
10/15/15	Saipan	Restaurant	1,500,000.00	750,000.00	750,000.00
12/10/15	Saipan	Restaurant	578,500.00	289,250.00	289,250.00
12/10/15	Saipan	Janitorial & Manpower Services	360,000.00		144,000.00
12/10/15	Saipan	Janitorial & Manpower Services	200,000.00	100,000.00	100,000.00
1/29/16	Saipan	Entertainment	120,000.00		48,000.00
3/14/16	Saipan	Restaurant	300,000.00	150,000.00	150,000.00
4/6/16	Saipan	Restaurant	180,000.00	90,000.00	90,000.00
4/6/16	Tinian	Restaurant	25,000.00	12,500.00	12,500.00
5/17/16	Saipan	Janitorial & Manpower Services	25,000.00	12,500.00	12,500.00
5/17/16	Saipan	Catering Services	250,000.00	125,000.00	125,000.00
6/17/16	Saipan	Restaurant	175,000.00	87,500.00	87,500.00
6/30/16	Saipan	Catering Services	125,000.00	62,500.00	62,500.00
6/30/16	Saipan	Construction Company	300,000.00	150,000.00	150,000.00
7/14/16	Saipan	Retail Store	250,000.00	125,000.00	125,000.00
7/14/16	Saipan	Restaurant	60,000.00	30,000.00	30,000.00
8/16/16	Saipan	Safety Gear & Uniform Supplier	35,000.00	17,500.00	17,500.00
9/21/16	Saipan	Medical Supplies	360,000.00	180,000.00	180,000.00
<b>Total Loans Approved for FY 2016 (19 Loan Requests)</b>			<b>\$ 4,998,500.00</b>	<b>\$ 2,231,750.00</b>	<b>\$ 214,000.00</b>
<b>Total Loans Approved for FY '15 &amp; FY '16 (33 Loan Requests)</b>			<b>\$ 8,152,171.00</b>		
<b>Total Collateral Support</b>			<b>\$ 3,480,371.00</b>		
<b>Total Loan Purchase Participation</b>			<b>\$ 450,268.00</b>		
<b>Total Banks' Participation</b>			<b>\$ 4,221,172.00</b>		
<b>Footnotes:</b>					
* CSP - Collateral Support Program					
** LPPP - Loan Purchase Participation Program					



# WELCOMES AND GOODBYES

## Welcome on board....



### **Ms. Aubry M. Hocog**

represents the island of Rota to the CDA Board of Directors. Ms. Hocog was appointed by the Governor on June 29, 2015 and confirmed by the Senate on July 23, 2015. Ms. Hocog holds Master Degrees in Public Administration and Teaching from University of Guam. She has a College Degree in Political Science and was in a Pre-Law Program (Property Law and Contracts Law) CNMI. Ms. Hocog has made outstanding achievements and obtained broad experience in public administration, law, grant writing and education. Ms. Hocog is the Special Staff for Programs and Grants, Mayor's Office, Rota.



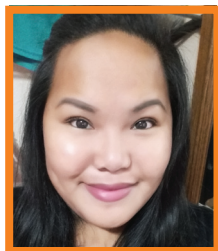
### **Mr. David S. Demapan**

represents the island of Saipan to the CDA Board of Directors. Mr. Demapan was appointed by the Governor on November 23, 2015 and confirmed by the Senate on January 22, 2016. Mr. Demapan has a very extensive knowledge and background in finance and accounting, auditing and tax, real estate and budgeting. Mr. Demapan holds a Bachelor of Arts degree in Public Accounting, University of Guam and a Master of Science degree in Professional Accountancy, Walsh College, Michigan. Mr. Demapan works for the CNMI Legislature.



### **Mr. Aschumar Kodep Ogumoro-Uludong**

represents the island of Saipan to the CDA Board of Directors. Mr. Ogumoro-Uludong was appointed by the Governor on January 7, 2016 and confirmed by the Senate on April 5, 2016. Mr. Ogumoro-Uludong has a Master of Arts in Communication, University of Texas, El Paso He also has a Bachelor of Arts degree in Political Science, University of Southern California. He has broad knowledge and experience in socio-economics, finance and administration, community awareness, and advisory. At present, he works for Micronesia Islands Nature Alliance.



### **Ms. Hazel V. Taitano**

joined CDA on June 6, 2016 as an Administrative Assistant. She brought to CDA her experience in all aspects of clerical and administrative fields. While giving her best to perform her daily routine at CDA, Ms. Taitano also attends College pursuing an Associate Degree with special emphasis in English and Grammar.

## Goodbye to...

the late **F. Matthew Smith, Esq.**, a kind, generous, thoughtful and cheerful person. One of the most respected lawyers in the CNMI who served others with compassion and honor. The late F. Matthew Smith served as Legal Counsel to CDA for many years prior to his untimely passing on August 1, 2015.

# MANAGEMENT AND STAFF

## ADMINISTRATION



**MANUEL A. SABLAN**  
*Executive Director*



**ESPERANZA S. BORJA**  
*Executive Assistant*



**CHRISTY N. KINTOL**  
*Office Manager*



**CARLINE B. SABLAN**  
*Economic Development Analyst*



**HAZEL V. TAITANO**  
*Administrative Specialist*

## ACCOUNTING



**DONNIE P. MILITANTE**  
*Comptroller*



**ELAINE DLG. BENJAMIN**  
*Manager, Financial Services*

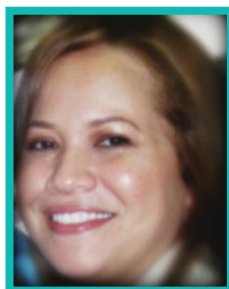


**LOURDES S.  
DELEON GUERRERO**  
*Accountant*

## LOAN



**OSCAR C. CAMACHO**  
*Loan Manager*



**MARIE N. COLEMAN**  
*Loan Officer*



**ABBY C. ATALIG**  
*Loan Officer*



**NANETTE E. ATALIG**  
*Administrative Specialist, Rota*

## FIELD OFFICE

# OFFICES & CONTACT INFORMATION



CDA OFFICE, SAIPAN

## SAIPAN

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**Website:** [www.developcnmi.com](http://www.developcnmi.com)



CDA OFFICE, ROTA

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**CDA**

COMMONWEALTH DEVELOPMENT AUTHORITY  
2015-2016 ANNUAL REPORT