



# Commonwealth Development Authority

# 2 0 1 8 CITIZEN-CENTRIC REPORT

## Our Mission

To 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.

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## ABOUT CDA

### Who we are and What we do

The Commonwealth Development Authority (CDA) is a semi-autonomous agency of the government of the Commonwealth of the Northern Mariana Islands (CNMI). Established in 1985, CDA is mandated by Law to stimulate the economic development of the CNMI. Its functions are carried out through its two Divisions:

- Development Banking Division (DBD) that generally shall be engaged in government and public sector activities; and
- Development Corporation Division (DCD) that generally shall be engaged in private sector activities.

In 2012, CDA was designated Implementing Agency by the CNMI Department of Commerce, thru the Office of the CNMI Governor, for the State Small Business Credit Initiative (SSBCI) Program. The U.S. Department of Treasury allocated \$13M for the CNMI to strengthen the CNMI's capital access programs and other innovative credit support programs that support lending to small business and small manufacturers.

In 2000, by an act of the 12th Northern Marianas Commonwealth Legislature, the Qualifying Certificate (QC) Program was established to be administered by CDA. It provides for certain tax rebates or tax incentives for business in the CNMI that qualifies under the program in return for their investment in the CNMI.

The 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 CDA. By Law, CDA is limited to 15 employees, excluding the Executive Director and the Comptroller positions.

### CDA & DCD Board of Directors:

#### Ignacio L. Perez (Tinian)

CDA Chairman 10/01/17 to 12/20/17

#### Diego M. Songao (Rota)

CDA Vice Chairman 10/01/17 to 12/20/17

& from 1/27/18 to 5/12/18

Acting CDA Chairman 12/21/17 to 1/27/18

#### David S. Demapan (Saipan)

CDA Chairman 5/13/18 to 9/5/18

DCD Vice Chairman 10/01/17 to 2/21/18

#### Aubry M. Hocog (Rota)

DCD Chairwoman 10/01/17 to 2/21/18

#### Benjamin K. Petersburg (Saipan)

DCD Chairman 2/21/18 to 9/30/18

#### Frank Lee SN. Borja

CDA Secretary 1/27/18 to 9/30/18

#### Aschumar Kodep Ogumoro-Uludong

CDA & DCD Member 10/01/17 to 9/30/18

### Officers:

#### Manuel A. Sablan

Executive Director

#### Donnie P. Militante

Comptroller

## Our Vision

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

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

**Facebook:** Commonwealth Development Authority

**Offices:** Rota at Seven Brothers Building, Songsong Village, Tinian at Kings Building, San Jose Village and Saipan in Oleai.

## PERFORMANCE • WHAT WE DID IN FISCAL YEAR 2018

### Development Banking Division:

CDA acts as a financial advisor and coordinator with respect to any public borrowing of the Commonwealth; its departments, autonomous public agencies, municipalities, and public corporations. In 2018, the CDA Board approved the request of Judiciary thru the Office of the Governor, for the \$2M loan increase from the United States Department of Agriculture under its Community Facilities Direct Loan Program. The loan amount reached \$14M in 2018 for justice system projects and repayment of Judiciary Building loan due to the Settlement Fund. Original loan application submitted in 2016 was for \$12M.

CDA continues to work with its underwriter and the Executive Branch to issue Pension Obligation Bonds not to exceed \$45M for 2018. Public Law 18-12 authorizes the issuance of up to \$300M Pension Obligation Bonds.

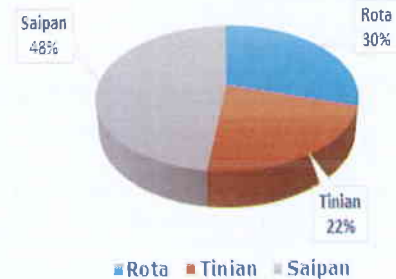
### Development Corporation Division:

#### ► **Micro Loan Program**

Serving as the economic development loan fund agency for qualified private sector enterprises, the DCD, under its Micro Loan program, deployed \$112,500 loans to small businesses in Saipan, Tinian and Rota. This Program has easy-to-meet requirements — interest at 5.5% for commercial loans and 4.5% for marine & fishing loans; no bank denial requirements for loan amounts under \$3,000 and one bank denial for loan amounts of up to \$25,000; and a loan term not beyond (7) years.

Date Approved	Category	District	Approved Amount	Purpose
10/5/2017	Marine	Tinian	\$ 15,000.00	Fishing Full Time
10/13/2017	Commercial	Saipan	\$ 3,000.00	Professional Service
12/12/2017	Commercial	Tinian	\$ 10,000.00	Equipment Rental
2/26/2018	Commercial	Saipan	\$ 2,000.00	Fast Food & Drink Vendor
3/6/2018	Marine	Saipan	\$ 25,000.00	Marine Activities
5/1/2018	Commercial	Rota	\$ 1,500.00	Beauty Salon
6/27/2018	Marine	Rota	\$ 25,000.00	Fishing Full Time
7/17/2018	Commercial	Rota	\$ 7,000.00	Retail Store
9/17/2018	Commercial	Saipan	\$ 24,000.00	Counseling - Substance Abuse
<b>Total Approved</b>			<b>\$ 112,500.00</b>	

Approved Micro Loans by Senatorial District

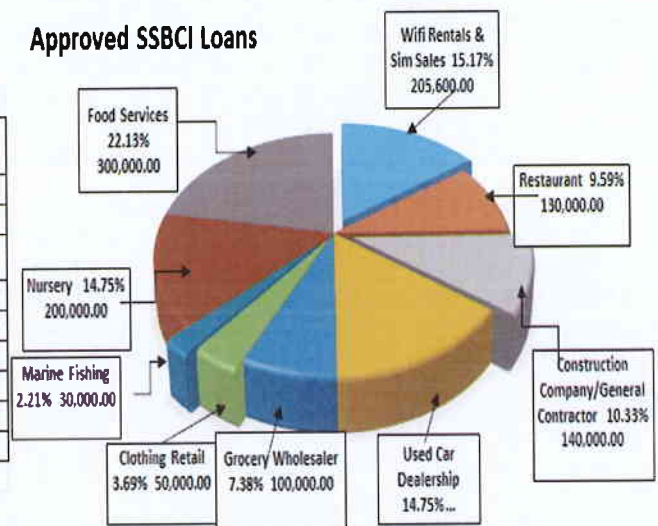


#### ► **SSBCI Programs**

Under the SSBCI Programs (Loan Participation & Collateral Support) and as the administering agency of these programs, funds deployed to private sectors amount to \$1,355,600; collateral support of \$677,800 and zero on LPPP. Loans approved for fiscal year 2018 were all for Saipan businesses. CDA continues its efforts to encourage applicants from Rota & Tinian to avail of these Loan Programs. SSBCI Programs are bank-driven programs. Loans are deployed by Banks with portion of the loans supported by either the CSP or LPPP as guarantees.

Date Approved	Type of Business	Loan Amount	CSP Support Amount
10/6/2017	Wifi Rentals & Sim Sales 15.17%	205,600.00	102,800.00
10/19/2017	Restaurant 9.59%	130,000.00	65,000.00
10/19/2017	Construction Company/General Contractor 10.33%	140,000.00	70,000.00
3/2/2018	Used Car Dealership 14.75%	200,000.00	100,000.00
4/13/2018	Grocery Wholesaler 7.38%	100,000.00	50,000.00
4/13/2018	Clothing Retail 3.69%	50,000.00	25,000.00
8/15/2018	Marine Fishing 2.21%	30,000.00	15,000.00
8/30/2018	Nursery 14.75%	200,000.00	100,000.00
8/31/2018	Food Services 22.13%	300,000.00	150,000.00
<b>Total Approved</b>		<b>\$ 1,355,600.00</b>	<b>\$ 677,800.00</b>

Approved SSBCI Loans



### Qualifying Certificate Program & Other Economic Development Activities

In 2018, Saipan Globe International Group, Ltd. was granted a QC, as amended -- rebate on BGRT & Alcoholic Beverage Tax, capped at \$8.181M and 100% abatement on Excise Tax maximum three years for construction materials only. CDA's efforts that will spur economic activities in public and private sectors are given added focus in 2018, such as Robotics Technology, Annual NMC Business Plan Competition and Opportunity Zone Program.

## FINANCIALS • HOW WE USED OUR RESOURCES

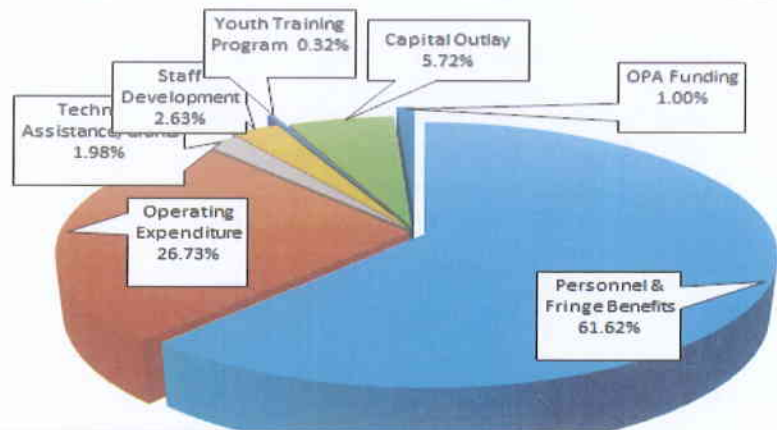
### Budget & Expenditures

In fiscal year 2018, CDA operated with a \$1,519,051 budget. CDA's operation is funded from interest on loans, QC annual compliance and application fees, leases and sale of foreclosed properties and rental income from CDA building.

Our loan activity thru our private sector lending division dropped despite CDA's efforts to soften its loan policy and requirements. Our revenues dropped by 31.27% in FY 2018 and therefore reduced our net income by 74%. Profit and Loss, FY 2018 vs FY 2017, is shown below.

CDA continues to operate on its own; but with added demand to assist public sector activities, CDA expenditures increased and will increase dramatically in the coming years. We hope to alleviate this challenge by investing in a laddered TCD Investment scheme. Another gigantic move to spend our money is to invest in housing. We explained this in the next page.

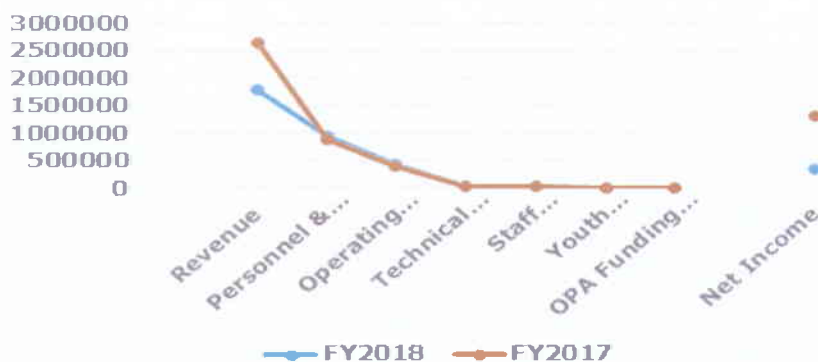
FISCAL YEAR 2018 BUDGET			
Budget Item	Budget Amount	% of Budget	
Personnel & Fringe Benefits	\$ 936,111	61.62%	61.62%
Operating Expenditure	405,900	26.73%	26.73%
Technical Assistance/Grants	30,000	1.98%	1.98%
Staff Development	40,000	2.63%	2.63%
Youth Training Program	5,000	0.32%	0.32%
Capital Outlay	87,000	5.72%	5.72%
OPA Funding	15,040	1.00%	1.00%
<b>Total Budget</b>	<b>\$ 1,519,051</b>	<b>100.00%</b>	



### PROFIT & LOSS

Account	FY2018	FY2017
Revenue	\$ 1,806,540	\$ 2,628,369
Personnel & Fringe Benefits 61.62%	\$ 957,828	\$ 879,446
Operating Expenditure 26.73%	\$ 438,505	\$ 395,353
Technical Assistance/Grants 1.98%	\$ 23,889	\$ 24,682
Staff Development 2.63%	38,990	21,824
Youth Training Program 0.32%	\$ 1,190	\$ 1,000
OPA Funding 1.00%	\$ 12,000	\$ 12,000
<b>Net Income</b>	<b>\$ 334,138</b>	<b>\$ 1,294,064</b>

### PROFIT & LOSS Fiscal Year 2018 vs Fiscal Year 2017



## CHALLENGES • WHAT TO DO

**1.** Overlapping and similar missions with respect to economic development and investments whether foreign or domestic. Difficulty in obtaining information and data from other agencies, such as the Department of Commerce & Marianas Visitor's Authority, especially in updating demographic and economic information when CDA is in the process of floating Bonds on behalf of the CNMI government.

Appoint and charge CDA to participate in all government-private formed partnerships that deals with CNMI's economic activities.

CDA should be placed in a position to take lead rather than to be set aside and only be involved in funding CNMI promotional and economic development planning efforts. CDA recommends meeting with the Executive Branch and the Legislature to explore the possible transfer of the Economic Development and Statistics Division of the Department of Commerce along with the budgetary funding that comes with these divisions. A coordinated and centralized economic development office can be best situated within CDA.

**2.** CDA's ability to employ professional and top-level personnel is hampered because hiring is governed by the CNMI Personnel Service System Rules & Regulations. All matters relating to personnel hiring is overseen by the Office of Personnel Management. Similarly, CDA complies with the CNMI's Procurement Regulations in procuring goods and services which hampers CDA's ability to meet its immediate needs for goods and services.

CDA recommends to be given full autonomy on personnel hiring and procurement. CDA further recommends similar autonomy as the Northern Marianas Housing Corporation (NMHC) (H.B. 20-153) and offered a stand-alone legislation to meet its needs different from the needs of the Housing Corporation. Additionally, CDA recommends also removing the number of employees' cap to address the possible merging of sections of other government agencies to CDA.

**3.** Two Boards — the CDA Board of Directors and the DCD Board of Directors, were created by the CDA Act of the Fourth Legislature. In the Law, they must function as separate and independent boards even though same individuals comprise both boards. The management and the Board of Directors find that taking action on matters that related to both the DCD and CDA is time consuming as the process is duplicative of the other.

Amend the CDA Act, Public Law 4-49, to combine meetings of the DCD Board of Directors and the CDA Board of Directors into one meeting for the purpose of saving time and money since the two boards have the same members.

**4.** In 1994, via Executive Order 94-3, the Mariana Islands Housing Authority (MIHA) was abolished and all its functions was transferred to a Division within the CDA. Via CDA Board Resolution No. 5-1994, CDA accepts the transfer of the functions of MIHA and authorized and established a subsidiary corporation called the Northern Marianas Housing Corporation (NMHC). NMHC functions on its own and manages its own operations. However as required, CDA and NMHC audits are combined into one. NMHC has several federally-funded housing programs and as such have multiple guidelines and requirements to meet. The audit review of NMHC, therefore, is in-depth and completion of the audit at times goes beyond the established audit completion date. This causes delay in CDA's audit report and has a negative impact on CDA's performance at the end of the year.

CDA proposes to separate from NMHC, either via an Executive Order from the Governor or via an act of the Legislature.

**5.** Difficulties that the CNMI government faces as a whole with regards to mortgage or home loan programs.

The proposed Rent-to-Own Home program by CDA is a work-in-progress. The proposal was to build affordable, decent, safe, typhoon & seismic proof homes for CNMI residents. This is an investment portfolio using a strategic asset allocation which explores untapped markets for investment with secure and better return on investment (ROI). CDA desires to start building in small-scale and to accomplish this in a very short period of time.

CDA recommends to ease government permitting process with regards to building homes and amend all laws or introduced new legislations that pertain to mortgage and home loan programs to allow CDA to move the Rent-to-Own Home Program expeditiously.