

Maniilaq Association

P.O. Box 256
Kotzebue, Alaska 99752
(907) 442-3311

February 4, 2011

The Honorable Bob Herron
Chair, Special Committee on Economic Development, Trade and Tourism
Alaska State Legislature
State Capitol Room 411
Juneau, Alaska 99801

Re: HB120, "An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

Dear Representative Herron:

I am writing on behalf of Maniilaq Association to express support for HB120. This bill allows Alaska Industrial Development and Export Authority (AIDEA) to guarantee loans for use with US Treasury's New Markets Tax Credits (NMTC) program. We at Maniilaq Association believe this bill will result in more economic development in Alaska.

Maniilaq Association has direct experience with NMTC's. With the help of Alaska Growth Capital, Maniilaq Association was able to secure several million dollars in assistance to complete our Elder Care Facility at the end of 2010. This assistance filled the gap between funds we had secured and funds required to complete construction and operate the facility. This has several direct economic benefits. First, temporary jobs are created during construction and permanent jobs are being created to operate the facility. Second, the NMTC program preserves Maniilaq's cash reserves during the first several years of operations when this facility will have operating losses during its start-up, allowing more health-care services to be delivered in Northwest Alaska.

The NMTC program allowed Maniilaq Association to realize its goal of providing culturally appropriate care for our elders, rather than having them in Fairbanks or Anchorage. This mission of providing benefits for the community is part of the entire NMTC program. The program requires investment dollars to go (1) into low-income areas or, (2) to businesses that serve low-income customers or, (3) to businesses that employ low-income workers. This structure leverages additional equity for projects which in many cases is the key to making these projects a reality.

Member Villages

*Ivisaappaat, Nunatchiaq, Ipnatchiaq, Katyaak, Kivalinia, Laugviik, Qikiqtagruk, Nautaaq, Nuurvik, Akuligaq, Isinnaq, Tikigaq
Ambler, Buckland, Deering, Kiana, Kivalina, Kobuk, Kotzebue, Noatak, Noorvik, Selawik, Shungnak, Pt. Hope*

AIDEA's guarantee will lower the borrowing costs for projects, which can make the difference between self-sustainable projects and unsustainable projects. Further, access to loans can be speedier and provide more capital than fundraising. These factors combine to make many more projects, like Maniilaq's Elder Care Facility, more feasible and thus more likely to generate economic benefits.

Alaskan organizations face stiff competition from Lower 48 organizations. Projects in downtown Seattle or San Francisco are often less expensive and serve more people than projects in downtown Kotzebue or even Anchorage. In addition, organizations with the ability to make large equity investments do not understand Alaskan construction issues such as timing or high costs due to remoteness and/or terrain. Finally, when a bank contemplates assisting a project, they can visit it. That is often impractical if the project is in rural Alaska. In short, securing the lending and equity investments is more difficult for Alaskan organizations and would become feasible with passage of HB120.

I respectfully request you to schedule hearings on this piece of legislation. In addition, I respectfully request you support this bill.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ian Erlich', with a stylized flourish at the end.

Ian Erlich, President/CEO
Maniilaq Association



ALASKA GROWTH CAPITAL

An ASRC Company

February 03, 2011

The Honorable Bob Herron
Chair, Special Committee on Economic Development, Trade and Tourism
Alaska State Legislature
State Capitol Room 411
Juneau, Alaska 99801

Re: HB120, "An Act creating a new markets tax credit assistance guarantee and loan program within the Alaska Industrial Development and Export Authority; and providing for an effective date."

Dear Representative Herron:

I am writing on behalf of Alaska Growth Capital (AGC) to express support for HB120. This bill allows Alaska Industrial Development and Export Authority (AIDEA) to guarantee loans for use with US Treasury's New Markets Tax Credits (NMTC) program. We at Alaska Growth Capital are sure this bill will result in more economic development in Alaska.

Alaska Growth Capital has participated in the New Markets Tax Credit program since 2004. Since then, AGC has been awarded \$90 million in NMTC allocation. Our most recent work in the NMTC program has been to leverage equity investments for projects that experience gaps in their financing. One of our major accomplishments has been the financing of Maniilaq Association's Elder Care Facility. This transaction utilized equity from New York Community Bank that allows the Elder Care Facility to offset expected losses during the first years after opening.

Lenders must accept limitations on loans made to NMTC projects, which drives away their desire to participate. To maximize community benefit, loans to an NMTC project must be interest-only for seven (7) years. During that time the lender must also sign a forbearance agreement preventing it from foreclosing on the loan. Finally, during that seven (7) year period, the lender's lien on property is indirect. These provisions benefit the community in which NMTC investments are occur but they are often too arduous for banks to accept without guarantees or additional forms of security.

Competition for allocation of New Markets Tax Credits, the equity from investors and loans to make this program possible is intense, particularly for Alaskans. Projects in New York or Chicago have the benefit of being close to the major financial institutions. If a potential investor has questions, they can often "go down the street" to inspect the project and speak with staff. That is often impractical if the project is in rural Alaska and the investor is in New York.

Compounding this problem, NMTC program has seen fewer and fewer banks provide loans to projects. These loans are essential to realizing the economic benefits of New Markets Tax Credits; without them projects must self-leverage with existing cash. As a result, lending is scarce and thus expensive in this program. AIDEA's guarantee will lower the borrowing costs for projects, which can be the difference between projects that get built and projects that stay on the drawing board. Further, loans often provide faster and larger capital sources than fundraising campaigns. Passing HB120 will help to alleviate these problems and make Alaska more competitive for this important program.

I respectfully request you to schedule hearings on this piece of legislation and for your support. I am happy to answer any questions; should you or your committee have any please contact me at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read 'H. Short', with a long horizontal flourish extending to the right.

Hugh Short, President/CEO
Alaska Growth Capital