



May 10, 2012

Statement for House Ways and Means – Select Revenue Measures Subcommittee Hearing on Certain Expiring Tax Provisions, April 26, 2012

- I. Submission by and contact information:
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- II. Purpose of Statement – To support extension of the New Markets Tax Credit (“NMTC”), which expired on December 31, 2011 and HR 2655, the New Markets Tax Credit Extension Act of 2011.

- III. Background on NMTC and its use by Coastal Enterprises Inc (“CEI”) and its NMTC-focused subsidiary CEI Capital Management LLC (“CCML”):
 - The New Markets Tax Credits Program is the product of a bi-partisan effort between President Clinton and Speaker Hastert to revitalize urban and rural communities by using tax incentives to attract private sector capital, rather than federal grant in aid.
 - The Community Renewal Tax Relief Act established New Markets Tax Credits and provided \$ 15 billion in credit authority between 2001 and 2007. NMTC provided a 39% - seven year credit against federal taxes for investment in economically distressed communities. Congress has extended NMTC three times in 2008, 2009 and 2010 adding \$17 billion in credit authority.
 - Taxpayers make investments in Community Development Entities (CDEs) that must have a track record in community development and have established community accountability mechanisms. CEI and its subsidiary CCML are both examples of CDEs with a focus on using financial transactions to enhance community development through investments of private capital. Each is certified as a CDE by the U.S. Department of Treasury based on track record and mission.
 - CCML uses the capital from NMTC investments to make loans or investments in businesses located in economically distressed communities. CCML has worked with the

program since inception and has placed \$607.7 million of NMTC capacity in 55 projects that directly support these key results:

- i. \$1.79 billion of new private capital investment in low-income areas has been leveraged by \$607.7 million of CCML NMTC investment capacity along with \$408.1 million NMTC capacity from others resulting in a leverage ratio of \$1.96 of private capital to every \$1 of NMTC capacity utilized.
- ii. Over 2,440,000 acres of timberlands committed to sustainable forestry practices and retained as working forests for traditional mill supply purposes and additional economic development in recreational tourism and other industries.
- iii. 72 megawatts of green energy and over 945,000 gallons of alternative fuel generated annually through solar, bio-fuel or other alternative energy solutions.
- iv. Over 11,063 direct jobs preserved or created. Indirectly, tens of thousands of additional jobs are involved in the fishing, paper and wood products, recreational tourism, and related manufacturing, transportation, and service industries.
- v. 51 of the 55 projects are in especially-challenged “targeted distressed community” areas.
- vi. 17 of the businesses financed are mission-driven, non-profit enterprises.

See Appendix A for a complete list, location and brief description of each project CCML has been able to support with this program as of May 2012.

IV. Comments directed at HR 2655:

The key components of the New Markets Tax Credit Extension Act are:

- i. A long term extension – 5 years. This allows investors and project developers to rationally plan for major investments of time and resources knowing that the program will be available. At the end of 2010, Congress extended NMTC for 2010 and 2011. This was the first multi-year extension since the original authorization. In 2011, a total of \$5.7 billion was raised in NMTC investments, the most ever and 67 % higher than 2009. We do not believe that this was an accident. The increased certainty created by the two-year extension was an important factor in the substantial increase in investments. With more certainty, investor interest will increase. Without a near term extension and consistency, investor interest will diminish, capital will go elsewhere and gains in efficiency will be lost;
- ii. An increase in Credit authority -- \$ 5 billion in annual Credit authority. There is enormous demand for New Markets Tax Credits. Since the program was rolled out in 2003, demand for NMTC has exceeded \$225 billion. Our experience at CCML is that for every \$100 million dollars of NMTC allocation we have demand exceeding \$1 billion dollars in projects that meet the basic requirements to qualify

for the NMTC program. The result is that even after thorough due diligence and project vetting, we cannot serve all of the low-income communities that could benefit from NMTC investments. This means many very good projects do not go forward; and

- iii. An exemption from the Alternative Minimum Tax for NMTC investments. --A long term or permanent authorization should also include a provision on the Alternative Minimum Tax (AMT) that exempts from AMT, putting New Markets on par with other similar tax credits including Low Income Housing and Historic Tax Credits. Without this incentive, New Markets is at a disadvantage in the investor marketplace. Without both AMT and a long term extension, it will be difficult to broaden the credit's investor base beyond the core investors currently comprised of large CRA-motivated banks. More investors will increase competition for Credits, resulting in better pricing and more subsidies going to qualified businesses.

Respectfully submitted:

A handwritten signature in black ink, appearing to read 'C. Spies III', written in a cursive style.

Charles J. Spies III
Chief Executive Officer
CEI Capital Management LLC
A New Markets Tax Credit subsidiary of Coastal Enterprises, Inc.

Appendix A: CEI Capital Management LLC's NMTC projects across the nation as of May 9, 2012:

- **Katahdin Forest Management, Millinocket, ME \$32.5 million** of NMTC capacity financing 300,000 acres of sustainable working timberlands in Maine, part of the financing to re-open the Great Northern Paper company mills, preserving and/or re-activating 620 jobs.
- **Gulf of Maine Research Institute (GMRI), Portland, ME \$4.1 million** of capacity used to provide the long-term debt financing for the new GMRI marine research/education laboratory in Portland with a mission of supporting the fishing industry in the Gulf of Maine.
- **Appalachian Mountain Club (AMC), ME \$17.0 million** of NMTC capacity for long-term debt financing for a major new recreational tourism/working forest business operated by AMC in northwestern Maine, with extensive community input and benefits. Part of AMC's Maine Woods Initiative.
- **Lyme Timber Company, NY \$9.3 million** of capacity providing long-term debt financing for 83,000 acres of sustainable working forest adjacent to the Adirondack Park, with a commitment to support new recreational tourism development ventures.
- **Fralo Plastech Manufacturing, Syracuse, NY \$6.2 million** of capacity used to facilitate an equity investment in an early-stage manufacturing company of engineered plastic septic tank systems located in an upstate New York Empire Zone and utilizing recycled plastic.
- **GMO Renewable Resources (GMO), ME & NH \$27.8 million** of CEI capacity used with capacity from two other NMTC allocatees to facilitate \$70 million of long-term debt on a \$246 million purchase of 1.1 million acres of sustainable working forest in ME and NH. A significant working partner in effort was The Nature Conservancy.
- **Ingraham Community Services, Portland, ME \$4.0 million** of capacity used to allow Ingraham, a community-based non-profit provider of crisis response and support services, to purchase a building in downtown Portland and consolidate its operations to reduce costs, improve operational efficiencies, and assure availability of community services.
- **Wagner Forest Management, ME \$5.5 million** of capacity used to finance a portion of \$24 million in debt on working forests and timberlands in the heart of Maine's "industrial forest." Includes 284,000 acres in "targeted distressed" communities, cooperation from two other NMTC allocatees, and generated substantial equity for CEI's Northern Heritage Development Fund which is helping to diversify rural economies.
- **22 Park Street, Lewiston, ME \$2.13 million** of capacity used to purchase and rehabilitate a vacant 4-story building in downtown into a "mixed-use" commercial/housing project by CEI Housing, Inc. The project includes Class A office space at a discount from market and eight new affordable housing units in downtown Lewiston.
- **13 Mile Woods, Errol, NH \$2.39 million** of capacity allowed the Town of Errol to purchase 5,269 acres of forestland in northern NH after two decades of planning. This community forest is managed to preserve traditional forestry uses, recreation, wildlife habitat and associated jobs.
- **Plymouth Community Health Center, Plymouth, NH. \$3.4 million** of capacity used to finance the construction of a non-profit community health center in Plymouth affiliated with the Spere Memorial Hospital, creating 17 high quality jobs. The area defined as "medically underserved" by the U.S. Department of Agriculture and a health professional shortage area as defined by the NH Health Resources and Services Administration.
- **Lyme Timberlands II, NY \$23.7 million** of capacity used to provide long-term debt financing for 276,010 acres of working forests in the Adirondacks. Sustainable harvesting practices allow for a long-term wood supply agreement to furnish the critical International Paper Ticonderoga Mill. In addition, over \$1 million of funding created via this NMTC transaction as supplemental capital to CEI's Northern Heritage Development Fund.
- **Richford Main Street Mill, Richford, VT \$4.9 million** of capacity to fund a mixed-use redevelopment in Richford of a former textile mill. The project features clinical space in a "medically underserved" area, a

grocery store, pharmacy, office space, and affiliated low-income housing funded simultaneously but outside of the NMTC transaction. This project is expected to retain 20 jobs and create 25 new jobs.

- **Brooks Landing, Rochester, NY \$10 million** of capacity leveraged another \$10 million in public and private funds to create an extended stay hotel in a blighted area of the city after 20 years of effort by the City of Rochester to bring to fruition. It links a highly distressed neighborhood to the University of Rochester and the Strong Memorial Hospital. Estimated permanent job creation is 150.
- **River Valley Market, North Hampton, MA \$7.4 million** of capacity for a cooperatively-owned natural foods store to create 70 new jobs. Built to Silver LEEDS certified green-design standards, the market is a community business supporting sustainable agricultural development in the Connecticut River Valley with a dues paying membership of more than 2,000.
- **Webb Building, Buffalo, NY \$10.5 million** of capacity for a mixed-use redevelopment of an endangered historic building featuring 32 two-bedroom apartments, 13,000 SF of office space and specialized daycare providing “integrated education” for 200 children with disabilities from local low-income community.
- **The Electric Tower, Buffalo, NY \$6.0 million** of capacity combined with another \$6.0 million from another NMTC allocatee for the historic redevelopment of a landmark 14-story building in Buffalo. The project will produce 132,000 SF of Class A office space for over 555 permanent workers and employ building practices equivalent to LEEDs standard certification by the U.S. Green Building Council.
- **Oscar Brown Block Redevelopment, Claremont, NH \$2.8 million** of capacity for a mixed-use renovation of 1800’s era building in downtown Claremont. The project combined eight sources of subordinated debt and grant funding along with NMTC and Historic Tax Credit equity funds to create a prototype development for commercial and residential space in this small industrial era town.
- **Worcester Center for the Performing Arts, Worcester, MA \$4.25 million** of capacity to restore an historic performing arts theater to spur the economic revitalization of downtown Worcester, MA. The restored theatre will host over 100 world-class performances annually attracting about 150,000 patrons each year once fully established. WCPA will also collaborate with local colleges and the Performing Arts School of Worcester to provide youth programs in theatre, music, and dance.
- **Maine Mutual Insurance, Presque Isle, ME \$7.0 million** of capacity used to help expand the Maine Mutual Group’s (MMG) office facilities and technology infrastructure in a particularly challenged rural county in Maine. The expansion and upgrades are allowing MMG to almost double the size of its operating facility and hire an additional 45 professional employees.
- **Claremont Mills, Claremont, NH \$18.5 million** of capacity for mixed commercial use of a long-abandoned historic mill structure utilizing both Historic Tax Credits and NMTCs, this project is the linchpin of renewed activity in Claremont’s highest priority re-development area, in a non-metropolitan area overlooked by several decades of progress. This project has very strong triple bottom-line benefits, including over 150 new high-quality jobs, featuring professional employment at a rapidly growing computer company.
- **Hampton Inn, Presque Isle, ME \$11.0 million** of capacity used for the development of a 93-room “flagged” Hampton Inn built to LEED standards. In addition to catalyzing the redevelopment of a blighted downtown site, the project responds to the community’s plans and initiatives of strengthening Presque Isle’s business and tourism infrastructure and reversing the county’s high rate of out-migration. Through the 68 direct jobs created and additional indirect economic impacts, the Hampton Inn reinforces the stimulus of the NMTC-sponsored Maine Mutual Insurance project.
- **King Street, Burlington, VT \$4.7 million** of capacity used for the creation of a four-story mixed-use building built to LEED standards. The building will create new office space for the Champlain Housing Trust (CHT) plus 20 affordable rental apartments. The project will help retain approximately 80 jobs in the Burlington central business district with another estimated 15 jobs associated with the construction phase of the project.

- **The Electric Tower Phase II, Buffalo, NY an additional \$3.0 million** of capacity was added to the Electric Tower Project for the continued historic redevelopment of a landmark 14-story building in Buffalo. The project will produce 132,000 SF of Class A office space for over 555 permanent workers and employ building practices equivalent to LEEDs standard certification by the U.S. Green Building Council.
- **Speare Memorial Hospital, Plymouth, NH \$9.4 million** of capacity used for construction of a 31,654 square foot Medical Office Building (MOB) in a federally-designated medically underserved area. The MOB will provide Speare Memorial Hospital with the opportunity to locate its physicians and surgeons at one site with adequate support services in an efficient, modern facility. It is projected to create 50-75 clerical and physician support jobs within the next five to eight years.
- **Grand Lake Stream Woodlands, Grand Lake Stream Plantation, ME \$19.8 million** of capacity used to finance 21,949 acres of working forestland; facilitating sustainable harvesting, protecting ecotourism in the area, and providing land for low-income housing development. Preserves over 100 jobs and provides an opportunity for the community purchase of the woodlands.
- **The Boston Conservatory, Boston, MA \$10 million** of capacity used for the construction and renovation of 39,834 square feet of state-of-the-art performance space, allowing The Boston Conservatory to expand and update their existing theater building in the Fenway neighborhood and dramatically improve the learning and performing experience for their students, faculty and audiences
- **Portland Public Market, Portland, ME \$9.5 million** to fund the renovation of a shuttered public market into a Gold LEED Standard office building, which will serve as the headquarters for PowerPay, an Inc. 500 Fast Growth company, which is expected to add up to 70 new professional positions in the next 24 months.
- **Horsehead Zinc, Snelling, SC \$10 million** to finance the construction of a recycling facility that will divert hazardous waste from landfills by turning it into usable materials. Creates 55 new jobs in an area hard-hit by textile mill closings.
- **Capital Hotel, Concord, NH \$10 million** used to finance the construction of a 92-room, 68,000 square foot Residence Inn by Marriott. Deal includes an innovative Employment and Training Agreement (ETAG) designed to help immigrant and refugee workers learn valuable job skills. Creates 35 new jobs.
- **Allegheny Rural NMTF Forestlands, WV \$11 million** used to preserve 131,000 acres of working forestland in West Virginia, impacting 13 different mills with 925 direct jobs and another 840 indirect jobs in the forest products industry.
- **PBS Lumber Manufacturing, Winnfield, LA \$11 million** to finance the expansion of PBS Lumber's kiln and drying facilities, allowing them to increase production capacity. Preserves 49 and creates 60 new jobs. Provides \$140,000 to Louisiana Technical College for scholarships and/or programmatic assistance.
- **AMC Roach Pond, ME \$15 million** to provide permanent financing for the Appalachian Mountain Club's acquisition of two properties, the 29,500-acre Roach Pond tract of working forest in Piscataquis County (Maine) and the Medawisla Wilderness Lodge and Cabins. A continuation of AMC's Maine Woods Initiative that combines outdoor recreation, resource protection, economic development, sustainable forestry, and community partnerships in the Moosehead region.
- **LHF Lopiwa, Hawai'i Island, Hawai'i \$10 million** to fund a eucalyptus plantation and veneer mill. Supports a \$25 million investment in a new veneer mill to create a new industry on the island, replacing the now-absent sugar industry. Also provides material for two biomass plants. Creates 160 permanent jobs.
- **Commonwealth Dairy, Brattleboro, VT \$10 million** to finance the construction of a 32,500 square foot yogurt processing facility in Brattleboro, Vermont, that will produce 50 million pounds of yogurt annually. Creates 50 permanent jobs.

- **Foremost Farms USA, Richland Center, WI \$20 million** provides for upgrades to Foremost's Richland Center dairy processing facility to increase operational efficiency and allows for the return of \$5.7M million in equity to its 2,400 member-farmers.
- **Ochoco Lumber Company, John Day, OR \$20 million** refinances 47,507 acres of timberland, and funds the revitalization of an existing sawmill and the development of a pellet plant. 40 new jobs created and 100 retained.
- **ZeaChem Applied Technology LLC, Boardman, OR \$20 million** finances an R&D and Engineering Service Center/Demonstration Facility to advance ZeaChem's cellulosic ethanol technology. Brings 20 high-paying chemical engineering and research jobs to the area and utilizes local biomass feedstock.
- **NewWood Manufacturing, Inc., Elma, WA \$25 million** re-commissions an abandoned home siding manufacturing plant into a world class sustainable materials manufacturing facility, which will produce a wood-plastic composite sheet with multiple applications. Creates over 150 new "green collar" jobs.
- **Rome Creek Timber LLC, Oregon & Northern CA \$20 million** refinances debt on over 100,000 acres of sustainably-managed timberlands. Preserves 3,000 jobs and supports strong corporate citizen with operations in over 80 communities across the country.
- **Kestrel Brunswick Corporation, Brunswick, ME \$20.7 million** helps jump-start the revival of the Brunswick Naval Air Station site by bringing a world-class startup aircraft manufacturing and maintenance company to Brunswick Landing.
- **American Process Inc., Alpena, MI \$20 million** allows an 85% woman-owned bio-tech firm specializing in cellulosic ethanol technologies and energy optimization, to build and operate a demonstration cellulosic ethanol bio-refinery in the economically challenged town of Alpena, Michigan.
- **Berlin Station, LLC, Berlin, NH \$20.7 million** redevelops salvaged boiler facilities from the former Fraser Pulp Mill into an advanced environmentally friendly, state-of-the-art, 70 megawatt electricity generating power plant, creating an estimated 40 new jobs.
- **Kennebec Valley Community Action Program, Waterville, ME \$13 million** to fund Educare Central Maine, the first Educare site in New England. This early-childhood education center is designed to serve between 150 and 200 mostly low-income children from before they are born to age five.
- **Axio Green, LLC, Greenfield, MA \$10.8 million** funds a green initiative to place a two megawatt solar panel facility on Greenfield's capped landfill, which will save the town approximately \$175,000 a year in annual electricity costs. Provides \$100,000 to Greenfield Community College for training in the solar energy sector.
- **East Grand Woodlands, Aroostook County, ME \$13.3 million** for the purchase of 12,013 acres of working forest land to be managed under Sustainable Forestry Initiative (SFI) and Forest Stewardship Council (FSC) standards. Preserves at least 100 jobs in the local guiding and lodging industry.
- **Echo Renewable Resources, Clinch & Echols County, GA \$21.05 million** for the purchase and management of 38,538 acres of timberlands to be managed under Sustainable Forestry Initiative (SFI) standards. Sustainable forestry operations will supply to 24 mills in the surrounding communities, helping to preserve an estimated 2,000 jobs.
- **Brunswick Landing MHC USA LLC, Brunswick, ME \$14.26 million** redevelops vacant Naval Air Station into 79,000 square feet of built-to-suit office and clean manufacturing space for Mölnlycke Health Care. Creates up to 85 new jobs, 90% of which will be hired locally.
- **Habitat for Humanity Affiliates, National \$2 million** each funds the work of five Habitat for Humanity affiliates in Connecticut, Nebraska, and Missouri. Will result in the construction of 58 single-family homes for purchase by low-income individuals and the creation of 257 construction jobs.
- **Maine New Markets Loan Fund, launched November 2008 with \$9.5 million** for a Small and Medium Enterprise Loan Pool created in partnership with Bangor Savings Bank.