

MAINE STATE LEGISLATURE

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January 15, 2015

Hon. James Hamper, Senate Chair
Hon. Margaret Rotundo, House Chair
Joint Standing Committee on Appropriations and Financial Affairs
100 State House Station
Augusta, ME 04333

Hon. Earle McCormick, Senate Chair
Hon. Adam Goode, House Chair
Joint Standing Committee on Taxation
100 State House Station
Augusta, ME 04333

Dear Senators Hamper and McCormick, Representatives Rotundo and Goode, and Distinguished Members of the Joint Standing Committees on Appropriations and Financial Affairs and Taxation:

Attached and below please find the Finance Authority of Maine's report as required by 10 M.R.S.A. § 1100-Z(6) regarding the Maine New Markets Capital Investment Program.

FAME has administered the program since the Legislature created it in 2011. We do so in cooperation with Maine Revenue Services and the Maine Department of Economic and Community Development. The program is modeled after the federal program and is designed to attract investment in economically distressed areas of the state. The program allows eligible investors to claim tax credits against state taxes in amounts up to 39 percent of a project's total cost. The maximum aggregate amount of tax credit authority is set forth at \$250 million, and the total amount of tax credits permitted to be claimed per fiscal year by the program is limited to \$20 million. Credits are to be taken over a seven-year period.

The program is complex and the attached two-page spreadsheet uses a variety of "terms of art" which we would be happy to explain in person at a later briefing of your committees. We have also attached a glossary of terms to aid your understanding of the chart.

Since its inception, the program has resulted in approximately \$71.8 million in tax credits being awarded for approximately \$184.2 million in business investments in the state. These investments are projected to result in the creation and retention of 1,123 direct jobs in the state and another 1,793 indirect jobs.

Program beneficiaries have included:

St. Croix Tissue, Inc. in Baileyville: In November 2013, FAME authorized the issuance of approximately \$16 million in tax credits for three Qualified Community Development Entities (CDEs) planning investments in this mill totaling approximately \$40 million. The credits were part of an overall financing package used to fund the expansion and renovation of a building at the mill complex and to install the two tissue-making machines. The funds are expected to help to create and retain more than 300 Maine jobs in Washington County.

Athens Energy, LLC: In July 2014, FAME approved certification of applications by three CDEs for investments totaling approximately \$30 million in Athens Energy, a sister company to the adjacent wood pellet manufacturer known as Maine Woods Pellet Company, LLC. The investments relate to a biomass electricity facility, which is connected with a wood pellet company in Athens. FAME's actions will help to create and retain more than 200 jobs in the Somerset County area.

Mölnlycke Manufacturing US, LLC in Brunswick: In August 2013, FAME approved tax credits in the amount of \$3.9 million for investments totaling approximately \$10 million at this company. Mölnlycke is a Swedish company with production locations in Wiscasset and Brunswick and is considered a world leader in the manufacture of advanced wound care dressings. The investments will help the company purchase and install specialized machinery to be used at its manufacturing facility in Brunswick. Importantly, the transaction will help to transfer the company's product manufacturing from Finland to Maine.

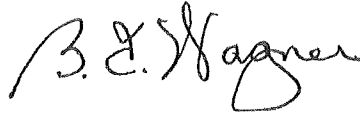
Press Hotel, LLC: In November 2013, FAME authorized the issuance of up to \$4.2 million dollars in tax credits to a CDE based upon an investment of \$10.8 million related to Press Hotel, LLC. The company plans to purchase and renovate into a 110-room hotel the former offices of the *Portland Press Herald*, located at 390 Congress Street in Portland. 70 new jobs are expected to be created during the construction-renovation process, with an additional 80 new jobs expected once the hotel is built.

Putney Vet: In May 2013, FAME approved the issuance of up to \$4.5 million in tax credits for a CDE based upon an investment of \$11.7 million in Putney Vet. The company is located in Portland and develops generic pet medications. The company plans to use the proceeds for working capital and other costs associated with developing and marketing pharmaceuticals.

Quoddy Shoe: Located in Lewiston, Quoddy is a high-end, hand-sewn shoe manufacturer. The CDE's planned \$500,000 investment in the company will allow it to use proceeds for working capital, brand development, and to help finance its growth and expansion. Quoddy plans to hire twenty-one additional employees over the next two years. Tax credits in the amount of \$229,412 were awarded to the CDE.

We hope you find this information useful. Again, we would be pleased to answer any additional questions you may have in person at a briefing.

Sincerely,

A handwritten signature in black ink that reads "B. E. Wagner". The signature is written in a cursive style with a large, looped initial "B".

Bruce Wagner
Chief Executive Officer

Encl.

**GLOSSARY OF TERMS ASSOCIATED WITH MAINE NEW MARKETS CAPITAL
INVESTMENT PROGRAM**

COMMUNITY DEVELOPMENT ENTITY (CDE): Entity that puts a deal together. It has been allocated New Markets Tax Credits to award to investors in exchange for cash investments. It typically uses a subsidiary for each project.

QUALIFIED ACTIVE LOW-INCOME COMMUNITY BUSINESS (QALICB): The ultimate recipient of investment for a project in a low-income community.

QUALIFIED EQUITY INVESTMENT (QEI): Investment by investors into a Community Development Entity (CDE) in exchange for credits.

QUALIFIED LOW-INCOME COMMUNITY INVESTMENT (QLICI): Investments made by a Community Development Entity (CDE) in a Qualified Active Low-Income Community Business (QALICB).

MAINE NEW MARKETS TAX CREDIT PROGRAM ACTIVITY AS OF DEC. 30, 2014

QEI FUNDED, QLIC APPROVED AND CLOSED

CDE	QEI APPROVED	QEI MADE	QLICI	QLICB	JOB Created/Retained (Direct)	JOB Created/Retained (Indirect)	CREDITS AWARDED	DATE CLOSED
ADVANTAGE	\$30,070,588.00	\$29,235,294.00	\$24,850,000.00	JSI	200	270	\$11,401,764.00	12/13/2013
		\$823,529.00	\$700,000.00	PUTNEY			\$321,176.00	6/23/2014
	\$10,941,177.00	\$10,941,176.00	\$9,300,000.00	PUTNEY			\$4,267,059.00	7/31/2013
	\$588,235.00	\$588,235.00	\$500,001.00	QUODDY			\$229,412.00	8/12/2013
Total	\$41,600,000.00	\$41,588,234.00	35,350,001.00		200	270	\$16,219,411.00	
ENHANCED	\$20,832,666.66	\$20,832,666.66	\$19,832,667.00	ST. CROIX	380	600	\$8,124,740.00	12/30/2013
	\$20,834,000.00	\$20,834,000.00	\$20,000,000.00	GNP	319	850	\$8,125,260.00	12/27/2012
Total	\$41,666,666.66	\$41,666,666.66	\$39,832,667.00		699	1450	\$16,250,000.00	
CCML	\$11,666,666.66	\$11,666,666.66	\$11,246,666.66	ST. CROIX	Above	Above	\$4,550,000.00	12/30/2013
	\$10,000,000.00	\$10,000,000.00	\$9,700,000.00	MOLNLYCKE			\$3,900,000.00	11/18/2013
Total	\$21,666,666.66	\$21,666,666.66	20,946,666.66				\$8,450,000.00	
US BANCORP	\$8,503,402.00	\$8,503,402.00	\$8,333,334.00	ST. CROIX			\$3,316,327.00	12/30/2013
	\$10,204,082.00	\$10,204,082.00	\$10,000,000.00	BRUNSWICK LANDING	Above	Above	\$3,979,592.00	3/4/2014
Total	\$18,707,484.00	\$18,707,484.00	\$18,333,334.00				\$7,295,919.00	
STONEHENGE	\$20,000,000.00	\$20,000,000.00	\$20,000,000.00	GNP	Above	Above	\$7,800,000.00	12/27/2012
	\$10,833,333.00	\$10,833,333.00	\$10,000,000.00	PRESS HOTEL	70		\$4,224,999.87	5/16/2014
Total	\$30,833,333.00	\$30,833,333.00	\$30,000,000.00				\$12,024,999.87	
CCG	\$31,111,111.10	\$29,748,583.00	\$29,003,611.00	ATHENS	154	73	\$11,601,947.00	9/12/2014
GRAND TOTAL	\$185,585,261.42	\$184,210,967.32	\$173,466,279.66		1123	1793	\$71,842,276.87	

MAINE NEW MARKETS TAX CREDIT PROGRAM ACTIVITY AS OF DEC. 30, 2014

QEI FUNDED, QLICI APPROVED NOT CLOSED

CDE	QEI APPROVED	QEI	QLICI	QLICB	JOBS Created/Retained (Direct)	JOBS Created/Retained (Indirect)	CREDITS	DATE CLOSED
CCML	\$20,000,000.00	\$20,000,000.00	\$19,200,000.00	THERMOGEN	36	186	\$7,800,000.00	
US BANCORP	\$10,416,666.66	\$10,416,666.66	\$10,000,000.00	THERMOGEN	Above	Above	\$4,062,500.00	
	\$10,101,010.00	\$10,101,010.00	\$10,000,000.00	NOVA SEAFOOD	30		\$3,939,393.00	
CCG	\$10,000,000.00	\$10,000,000.00	\$9,650,000.00	THERMOGEN			\$3,900,000.00	

QEI FUNDED, QLICI NOT APPROVED AND NOT CLOSED

CDE	QEI	QLICI	QLICB	CREDITS	DATE CLOSED
CCML	\$0.00				
US BANCORP	\$2,441,506.00				
STONEHENGE	\$10,933,333.66				
CCG	\$555,555.56				
ADVANTAGE	\$1,362,528.00				