



Commonwealth of the Northern Mariana Islands
Office of the Governor
DEPARTMENT OF PUBLIC LANDS

Basic Requirements for Leasing

General Requirements:

No right or interest in or to public lands shall be created orally. Any right to use, access, or enjoy public lands must be in writing signed by the Secretary in full compliance with DPL's regulations or is void from inception. DPL's regulations are available upon request.

Consideration and preference for leasing shall first be given to non-productive developed public land or underutilized public land before undeveloped land is considered for development. Consideration for entering into a lease shall be consistent with DPL's fiduciary duties to its beneficiaries.

DPL will only accept complete application packages.

Eligibility Requirements:

All Applicants (see Note 1) must be current and in good standing with the Department of Finance Division of Revenue and Taxation, all licensing and regulatory authorities, and with DPL.

1. Individuals - must be at least 18 years of age.
2. Businesses - must be duly formed, in good standing and authorized to do business in their jurisdiction of origin AND in the CNMI, and must provide all documentation required by the DPL to confirm such status as follows:
 - i. Articles of Incorporation or Operating Agreement
 - ii. ByLaws
 - iii. Latest Annual Corporation Report
 - iv. Valid CNMI Business License
 - v. Contact information – Telephone numbers, Mailing Address, and Email Address
3. Applicants must demonstrate credit worthiness, ability to pay rent, and ability to fund all proposed development, and to comply with all the conditions and covenants of the lease agreement to the satisfaction of the Secretary.

Application Document Requirements:

In order for the DPL to properly assess proposals all applications / proposals to lease public lands must include the items listed below. Incomplete applications or applications that do not provide sufficient evidence for DPL to assess an application will not be accepted.

(a) Qualifying Criteria

1. Evidence of experience in and knowledge of the industry of the proposed development:
 - i. Company's annual report to shareholders
 - ii. Documents showing experience

2. Evidence that Applicant and Related Parties (see Note 2) are in good standing with taxing and regulatory authorities, creditors, and depository institutions:
 - i. List of creditors and depository institutions
 - ii. Certification of good standing from each creditor and depository institution
 - iii. Original/Authentic certification from taxing authorities
 - iv. And regulatory authorities applicable to the Applicant's industry
3. Evidence of a combined net worth of Applicant and Related Parties of at least 30% of the proposed development cost with current Free Cash Flow to cover at least 150% of Basic Rent (see Note 3 on rents).

Evidence of combined liquid capital (cash or cash equivalents) to cover at least 20% of the total cost of development or attestation from a reputable investment bank experienced in funding similar projects on Applicant group's ability to raise 105% of the capital required to fund the development including Applicant's capital:

- i. Year-end income statement, balance sheet, and cash-flow statements of recent three years. Audited statements required for firms with Business Gross Revenues of \$500,000 or greater.
- ii. Written verifiable attestation from a reputable investment bank on group's ability to raise 105% of capital requirements

(b) Business Plan / Proposal

1. Ownership structure and organizational chart of the proposed business entity.
2. Must include:
 - i. Financial projections and assumptions used
 - ii. Description of opportunities and risks
 - iii. Who or what the competition is in its industry in the CNMI
3. Pro-Forma financial statements for first five years of the proposed development (projections must include provisions for rent payments to DPL, see Note 3 for explanation of rents) including the following:
 - i. Profit and Loss
 - ii. Cash Flows
 - iii. Balance sheet.
4. Business Gross Revenue (BGR) projections over the life of the lease. If multiple revenue generating activities will be conducted, pro forma statements shall show revenues from each activity including the subletting of commercial space to tenants.
5. Appraisal Report U.S.-CNMI Certified General Real Estate Appraiser licensed to do business in the CNMI certified appraiser showing the fair market value of the property, as is (the appraiser must acknowledge the report was prepared in accordance with the requirements of appraisal standards and procedures for the benefit of the DPL).

(c) Financial Documents

1. Evidence of adequate financing to fund the proposed development and satisfy payment obligations under a proposed lease including documents showing the funding source and an attestation to the legal nature of funds.
2. Financial Statements of the following (audited statements required for companies with business gross revenues of \$500,000 or greater):
 - i. Applicant
 - ii. Related Party (ies), or equity investors/shareholders of the Applicant
 - iii. Equity investors/shareholders of the Applicant and the proposed venture
 - iv. Guarantors

(d) Corporate Documents: Ownership, Structure of Applicant, Resolutions to Enter Lease, Guarantees

1. List of owners having an ownership interest in the Applicant of 10% or greater.
2. Certified entity formation documentation, certificate of incumbency, and transactional authorizations of Lessee and Related Parties. If Lessee or any Related Party is not a domestic entity or resident individual, such party shall first be domesticated and authorized to do business in the Commonwealth. Foreign documents and signatures shall be authenticated and legalized (or apostilled if originated in Hague Convention jurisdiction).
3. An organizational chart showing the relationship of parent companies, subsidiaries, and Related Parties involved in the funding and operations of the proposed development.
4. Formal resolution from Applicant authorizing Applicant to enter a lease with the DPL and designating a specific director or officer of Applicant to negotiate and execute a lease agreement and related transactional documents.
5. Formal resolution from each Related Party identifying its authorized signatory and authorizing Related Party to provide full financial support for the proposed project and to guarantee Applicant's obligations under the lease agreement.
6. Evidence of ability to secure Performance Bond, Completion Bond and/ or Stand by Letter of Credit as security for Applicant's development obligations under a lease.
7. Agreement to issue personal guarantees from all Related Parties.

(e) Construction Plans and Specifications of Proposed Development

1. Architectural layout and design of the development overall (the same shall be updated at each phase of development) for the entire project.
2. Renderings showing the proposed layout, elevations of the facility and how it will be situated on the premises.
3. Timeline for construction schedule, total cost, and cost schedule of development (to be updated at each phase of development).

(f) Authorization to Disclose Information

Authorization from Applicants and Related Parties for its creditors, financiers, and depository institutions to release information to DPL upon DPL's request regarding account balances, credit standing, and general business conduct of Applicant and Related Parties.

Fees, Security Deposit, Costs:

Prior to the preparation of any lease or supporting document, the Applicant shall deposit an administrative processing fee equal to the greater of \$5,000, or 0.50% of the estimated value of the subject property.

Written confirmation that prior to lease approval, Applicant will deposit at least 5% of the total cost of the proposed project, whether the entire project or only a part of it will be situated on public lands. These funds will be held by the DPL to secure construction start up, and remediation costs.

All costs related to the lease including underwriting, appraisals, surveys, topographical surveys consolidations, excavation, studies, recordings, etc shall be borne by Applicant or Lessee.

Notes:

1. "Applicant" means the person, persons, entity, or entities that have submitted a proposal to the DPL to lease or otherwise use public lands including respondents to requests for proposals issued by DPL for the leasing, development, or use of public lands.
2. "Related Party" means the person, persons, entity, or entities who participate in the funding or operations of the Applicant or Lessee's development or proposed development including without limitation parent companies in multinational company structures, as well as controlling or major shareholders. For the avoidance of doubt, Related Party shall include persons or entities that provide funding to an Applicant or Lessee. Transactions that, because of their nature, may be indicative of the existence of related parties include:
 - i. Borrowing or lending on an interest-free basis or at a rate of interest significantly above or below market rates prevailing at the time of the transaction.
 - ii. Making loans with no scheduled terms for when or how the funds will be repaid.
 - iii. Lack of sufficient working capital or credit to continue the business, or lack of complete business plan or financial projections.
 - iv. Exchanging property for similar property in a nonmonetary transaction.
3. Rent is comprised of a) Basic Rent which is based on the value of the fee simple title to the property. It is DPL's policy to collect at least 5% of a property's value each year for the term of the lease as base rent, **PLUS** b) Additional Rents which is based on a percentage of BGR as shown in the table below.

Business Gross Receipt Payment Schedule

Tier	Annual BGR Amounts		% of BGR	Minimum Per Tier
	From	To		
1	\$0	\$50,000.49	3.00%	
2	\$50,000.50	\$100,000.49	2.89%	\$1,500
3	\$100,000.50	\$200,000.49	2.78%	\$2,889
4	\$200,000.50	\$400,000.49	2.67%	\$5,556
5	\$400,000.50	\$800,000.49	2.56%	\$10,667
6	\$800,000.50	\$1,600,000.49	2.44%	\$20,445
7	\$1,600,000.50	\$3,200,000.49	2.33%	\$39,112
8	\$3,200,000.50	\$6,400,000.49	2.22%	\$74,669
9	\$6,400,000.50	\$12,800,000.49	2.11%	\$142,227
10	\$12,800,000.50	and Over	2.00%	\$270,234

Lease Application Processing Steps:

1. Applicant submits completed lease application request in accordance with the requirements.
2. DPL reviews the application package for conformance with requirements and regulations.
3. DPL informs Applicant of decision.
4. If application is approved and Applicant accepts the terms and conditions of the proposed lease, DPL shall issue a Notice of Intent to Lease (NOIL) as required by CNMI law. Please note, however, that should DPL receive alternative proposals more beneficial to DPL during the review process or in response to the NOIL, DPL must consider the proposal that is most beneficial to DPL.
5. Lease agreement is signed (Note: leases for properties five hectares or greater may require further approval by the legislature).



Marianne Concepcion-Teregeyo
Secretary, DPL