

# THE BOND BUYER

## Firm pitches state tax credits for P3s in Louisiana and elsewhere

By

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Published

November 13, 2019, 11:58am EST

Louisiana is being pitched on a novel state tax credit program to provide initial funding for large infrastructure projects such as those using public-private partnerships.

Scott Haber, founder and president of the Rye, New York-based boutique firm NDH Capital Corp., presented his idea to a legislative committee in Baton Rouge, and is crisscrossing the country asking other states to consider it.

### The state tax credit pitch for P3s

State creates a special purpose entity

State tax credits reduce investors' tax liability

Typical investors are insurance firms, corporations

Tax credit purchasers' payments fund projects

State revenues exceed tax credits allocated

Source: NDH Capital Corp.

"All over the country we have needed infrastructure programs that never get done because the initial master or seed money" isn't available, Haber said at the

first meeting of the Louisiana House Study Committee on Public Private Partnership Financing in October. "I think this is a wonderful opportunity to jump-start this."

Haber, who said he's done different types of tax credit funding programs for more than 27 years, recently rolled out his latest idea of using the sale of state tax credits to investors whose payments will monetize contracts, such as those for initial planning, engineering and bidding on major projects and P3s.

That initial planning can cost as much as 2% or more of the overall project, he said in interviews with The Bond Buyer.

Haber reviewed Louisiana's plan to build a new bridge across the Mississippi River in Baton Rouge, and said he believes it's a project that could benefit from the use of state tax credits. A replacement bridge could cost as much as \$1 billion.

"That bridge can create so much revenue that can be calculated and cannot be calculated," Haber said, adding that the current bridge can take hours to cross because of congestion, an accident, or repairs.

Delays are affecting commerce, he said.

A new bridge will improve traffic flow and allow more people to move through the capital-city corridor to stay in hotels, buy gas, or make other purchases that will increase state revenues in amounts that could exceed what the state allocates in tax credits, Haber said.

"This is an income-producing tax credit," he said. "In the end, the state of Louisiana will not lose money. They will eventually make money on it. The economics will come in and it's huge."

Finding a new source of revenue to fund major infrastructure projects is important in light of a White House pronouncement in October that the federal government will focus on helping state and local governments ease permitting regulations.

Don't expect too much federal financial assistance, Lawrence Kudlow, the assistant to the president for economic policy, told the North American Infrastructure Leadership Forum.

"We will continue our efforts to deregulate and improve permitting wherever possible," Kudlow said. "If you can figure out how to pay for it, go on ahead and do it."

Kudlow said the federal government doesn't have the funds to contribute to needed infrastructure projects, but, he added. "You can raise the money privately."

That's what the Louisiana House Study Committee on Public Private Partnership Financing has begun to consider, according to Rep. Franklin Foil, R-Baton Rouge, who chaired the committee's first meeting Oct. 3.

Foil said at the meeting that before the Legislature's session earlier this year he wanted to look at ways to improve funding for P3 projects being considered by the state.



Rep. Franklin Foil, R-Baton Rouge, said he wanted to look at ways to improve funding for P3 projects being considered by the state.

"I've been pursuing this for quite some time," said Foil, an attorney who is term-limited out of office this year.

Foil sponsored House Bill 607 this year to create a public-private partnership investment program and authorize the issuance of tax credits, after consulting with Haber.

HB 607 would have allowed the Department of Revenue to grant up to \$55 million in tax credits to finance the program. The tax credits could be applied against any state tax liability, including income and corporate franchise taxes, individual income taxes, insurance premium taxes, and bank taxes.

The credits could be claimed each year from 2025 to 2030, at a rate of one-sixth of their value each year. The credits could also be sold back to the state, according to a fiscal note.

The bill wasn't heard in committee and died because it was a short session focused on state finances, and lawmakers had a lot of legislation to consider, said Foil, adding that he requested that the House speaker create the study committee in order to make recommendations on P3 funding next year.

Foil, who is running for a Senate seat, could not be reached for further comment about whether he plans to continue pursuing the legislation. He faces Democrat Beverly Brooks Thompson in a run-off election Saturday.

Gov. John Bel Edwards, a Democrat, is also seeking a second term on Saturday's runoff ballot. He faces Republican Eddie Rispone, a businessman and a first-time candidate for office.

NDH Capital was founded by Haber in 1989 to do corporate financing and consulting services. Since then, his firm has financed in excess of \$2.8 billion in investment-grade rated paper, according to the company's website.

The governmental tax credit program is a new program for the firm.

Haber said in an interview Tuesday that he's been traveling across country to meet with institutional investors about the state tax credit program. He believes Louisiana lawmakers will continue considering the program after the election.

Prospective investors "need to understand the underlying projects," he said. "They love it."

In meetings with officials in California and New Mexico, Haber said he's been discussing the use of state tax credits for other kinds of infrastructure projects. He said he couldn't provide more details because talks with those states are in preliminary stages.

Insurance companies and some corporations typically invest in the credits, he said, adding, "It's a fantastic planning vehicle for corporations. They get a huge benefit because tax credits reduce their taxes on a dollar for dollar basis."

"More likely than not [tax credit] purchasers would be insurance companies because they pay a premium tax," he said.

While the tax credit is a "huge" incentive for corporations to invest in, Haber said it also gives them positive exposure for helping to fund critical governmental needs.

"This is something I look at as another business for myself," Haber said. "I wish I would have thought of it 15 or 20 years ago."

The country is in a different place today because of the great need to upgrade infrastructure and to do economic revitalization projects.

"You've got to think outside the box," Haber said. "This is where capital and creative meet. That's what we're looking to do here."