



TFA
Monthly
Newsletter

January 2017

IN THE NEWS

Trends to Watch in 2017

by Kristi Jackson

Happy New Year! We start the year with our take on the trends we believe will impact the businesses and financial goals of Tribal communities nationwide. Our overall tone is cautiously optimistic – there is plenty of momentum for positive change in the economy and for growth.

Tribal economic diversification takes off – Nearly every Tribe we meet with is focused on diversifying its economy, specifically finding new sustainable sources of revenue. Tribes can capitalize on tax and regulatory advantages – both potentially paving the way for interesting joint ventures and business opportunities for commercial enterprises to locate and produce on Tribal

lands. Analyzing the risks versus potential returns, combined with obtaining the capital to fund these diversification opportunities, are key initiatives for Tribes in 2017.

Buyer beware – Because of the trend noted above, lots of snake-oil salesmen have emerged attempting to sell Tribes “investments”. In many cases, these are “opportunities” they can't unload elsewhere. We've heard of everything from food processing plants to banks. Rosy projections, principals with no internet-footprint to research or track record to point to, a lack of clear articulation of the hurdles, long timeframes on the market – these are all red flags to be aware of when con-

In Victory for Protesters, Army Halts Construction of Dakota Pipeline

12/4/16 – NPR.org

Navajo Nation Files \$160 Million Claim with EPA over Mine Spill

12/5/16 – SFGate.com

North Fork Racheria's Casino Dreams Stalled

12/14/16 – WorldCasinoDirectory.com

New RAWA-Esque Bill Introduced in US House of Representatives

12/17/16 – FlushDraw.net

Federal Judge Declines to Reconsider Florida “Banked” Card Games Ruling

12/22/16 – WorldCasinoDirectory.com

IRS Does Not Reduce Winning Thresholds for Casino Information Reporting and Will Not Track Electronic Player Cards for Tax Purposes

12/30/16 – NatLawReview.com

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sidering a pitch.

Rising interest rates – We all knew that the low interest rate environment couldn't last forever. The Fed has signaled its intention to keep raising rates in 2017 in its attempt to keep inflation in check. Fed Chair Yellen announced that the Fed now expects three quarter-point rate hikes in 2017 (0.75% in total). However, some experts believe there may only be two rate hikes (or 0.50%) in 2017. Either way, we expect interest rates to increase. We are also seeing the impact of new capital requirements (Basel III) for banks causing credit spreads to increase as well. For Tribes seeking to refinance or source new capital in 2017, it will be more expensive to obtain. Even without a new financing, any borrower with floating rate debt (i.e., LIBOR-based loans) will see an increased cost of funds.

Business-friendly policy expansion – Regardless of an individual's take on the Trump election to the White House, we can predict that policies

coming out of the new administration will have a pro-business bent. Many industry areas can benefit – in particular, any easing of personal taxes bodes well for Tribal casinos given an increase in discretionary dollars. In addition to tax relief, many speculate on an easing of regulation in various areas. This may prove helpful as right now, too much needs federal approval – particularly land-related issues in Indian Country. Any easing which shortens timeframes will be welcomed. Trump administration policies toward Tribes have yet to be understood – but at least some aspect of the

change should be a net positive.

The trends above signal growth – even in the case of the rising interest rates, where the Fed is increasing the rate *because* of faster growth in the economy. Indian Country is poised to capitalize on the change – we see lower overall leverage amongst Tribes as debt has been consistently repaid, and there is more financial flexibility than ever. We look forward to discussing these thoughts with you as the year unfolds.



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