

## LEASEHOLD CREDIT RULES

The following is how the Division of Economic Development implements leasehold credits regarding business site leases on the Navajo Nation:

1. The Navajo Nation encourages private investment on the Navajo Nation for economic development purposes. The Division of Economic Development acknowledges private investment of a Lessee through leasehold credits. The Division negotiates with the Lessee the amount of the improvements needed for the Lessee to begin their business on the Navajo Nation by amortizing the improvements amount over the monthly rental amount and by the number of months of a calendar year.
2. Elements for leasehold credits include amount of investment by the Lessee; amount of rental negotiated per month and the months of a calendar year determined the number of year's leasehold credits is imposed.
3. The following is the equation to determine leasehold credits:

$$\frac{\text{Dollar Amount of the Improvements/Amount of Monthly Rental Negotiated}}{12 \text{ Months (months in calendar year)}} = \text{Number of Years of Leasehold Credits}$$

For the XXX, Incorporated:

$$\frac{\$150,000 \text{ Improvements}/\$1,500 \text{ Monthly Rental Negotiated}}{12 \text{ Months}} = 8.3 \text{ Years}$$

Thus, for eight years and three months, the Lessee, XXX, will receive leasehold credits for the amount of their investment of \$150,000 improvements to the Navajo Nation's asset, the XXX Industrial Building and site at the YYYY Industrial Park'.